



# / ANNUAL REPORT 2019



# CONTENTS

Vision, Mission	02
Company Information	03
Businesses	04
Chairman's Review	07
Directors Report	08
Awards and Accreditations	42
Six Years at a Glance	47
Statement of Compliance	48
Auditor's Review Report to Members	50
Auditor's Report to Members	52
Statement of Financial Position	60
Statement of Profit or Loss and other Comprehensive Income	61
Statement of Cash Flows	62
Statement of Changes in Equity	63
Notes to the Financial Statements	64
Notice of Meeting	104
Pattern of Shareholdings	109
Form of Proxy	



# Vision & Mission

## Purpose

**We touch and color people's lives every day, everywhere.**

## Vision

We are passionate to deliver leading and innovative solutions, enhancing people's lives and respecting our planet.

## Mission

We are growing business by leveraging local entrepreneurship and our global organization in a collaborative way. We enable our customers to win in their market, we push limits to outperform and we never give up!

## Proposition

We deliver specialized performance and color solutions to meet customers' needs in their local markets and achieve a fair value for our shareholders and stakeholders in return.

# COMPANY INFORMATION

Chairman	<ul style="list-style-type: none"><li>• Dr S Mubarak Ali</li></ul>	
Board of Directors	<ul style="list-style-type: none"><li>• Marcos Furrer</li><li>• Michel Zumstein</li><li>• Mujtaba Rahim</li><li>• M Z Moin Mohajir</li><li>• Roland Waibel</li><li>• Shahid Ghaffar</li><li>• Yasmin Peermohammad</li></ul>	<p>(Alternate: Naveed Kamil) - Chief Executive Officer</p> <p>(Alternate: M Veqar Arif)</p>
Chief Financial Officer	<ul style="list-style-type: none"><li>• M Veqar Arif</li></ul>	
Company Secretary	<ul style="list-style-type: none"><li>• M Irfan Lakhani</li></ul>	
Management Committee	<ul style="list-style-type: none"><li>• Mujtaba Rahim</li><li>• Qazi Naeemuddin</li><li>• Muhammad Altaf</li></ul>	<ul style="list-style-type: none"><li>• M Veqar Arif</li><li>• Naveed Kamil</li><li>• Muhammad Haroon</li></ul>
Audit Committee	<ul style="list-style-type: none"><li>• M Z Moin Mohajir</li><li>• Michel Zumstein</li><li>• Shahid Ghaffar</li><li>• M Irfan Lakhani</li></ul>	<p>- Chairman (Alternate: Naveed Kamil)</p> <p>- Secretary</p>
Human Resources and Remuneration Committee (HR&R)	<ul style="list-style-type: none"><li>• Yasmin Peermohammad</li><li>• Mujtaba Rahim</li><li>• Michel Zumstein</li></ul>	<p>- Chairman</p> <p>- (Alternate: Naveed Kamil)</p>
Bankers	<ul style="list-style-type: none"><li>• Bank Al Habib Limited</li><li>• Habib Bank Limited</li><li>• Meezan Bank Limited</li><li>• National Bank of Pakistan</li><li>• Standard Chartered Bank (Pakistan) Limited</li></ul>	
Auditors	<ul style="list-style-type: none"><li>• KPMG Taseer Hadi &amp; Co. Chartered Accountants</li></ul>	
Legal Advisors	<ul style="list-style-type: none"><li>• RIAA Barker Gillette</li></ul>	
Share Registrars	<ul style="list-style-type: none"><li>• FAMCO Associates (Pvt) Limited 8-F, Next to Hotel Faran, Nursery Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi</li></ul>	
Registered Office	<ul style="list-style-type: none"><li>• 1-A/1, Sector 20, Korangi Industrial Area, Korangi, Karachi</li></ul>	
Factories	<ul style="list-style-type: none"><li>• Petaro Road, Jamshoro</li><li>• LX-10, LX-11 Landhi Industrial Area Karachi</li></ul>	
Sales & Marketing Offices	<ul style="list-style-type: none"><li>• Katar Bund Road, Off. Multan Road, Thokar Niaz Baig, Lahore</li><li>• Canal Road, Abdullah Pur, Faisalabad</li><li>• House # 78, Block S, Masoom Shah Road, Gulistan Chowk New Multan</li></ul>	
Website	<ul style="list-style-type: none"><li>• <a href="http://www.archroma.com.pk">www.archroma.com.pk</a></li></ul>	
E-mail	<ul style="list-style-type: none"><li>• <a href="mailto:archroma.pakistan@archroma.com">archroma.pakistan@archroma.com</a></li></ul>	

## Brand & Performance Textile Specialties



From fiber to finish, Archroma's Brand & Performance Textile Specialties Business plays a key role throughout the entire textile supply chain, with special chemicals for the pretreatment, dyeing, printing and finishing of textiles. Our product packages enhance the properties of apparel and other textiles in applications as diverse as high fashion, home textiles and special technical textiles. From crease resistance to moisture management as well as repellency, our functional effects provide added-value features to textile manufacturers. Our specialist advisers provide color matching, trend monitoring as well as sector specific concepts, including our ONE WAY sustainability service, to ensure that customers generate greater value from their products.

Our color trends analysis and color matching technology, combined with efficient processing, help our customers get their products to the market faster. While nanotech effects, environmental friendly solutions, and unique concepts add to their ability to stay one step ahead of the competition.

As a leading producer of dyes and chemicals for the textile industry, brands and mills in apparel and fashion, automotive and home textiles, and technical textiles, turn to us to meet their sector's constantly changing specifications.

## Packaging & Paper Specialties



Archroma's Packaging & Paper Specialties Business provides expertise in the management of whiteness, coloration, special coatings and strength for all kind of papers. By combining our focused product range with the application services of our paper experts around the globe, we enhance both the optical and functional properties of paper.

Our key markets are printing and writing copy papers, coated paper and board, recycled papers, newsprint, packaging, and specialized applications.

Our innovative technologies deliver leading-edge and ever more sustainable solutions for paper makers around the world, offering cost-effective product choices and solutions to its customers.

## Coating, Adhesives & Sealants



From paints, adhesives and construction to the textile, leather and paper industries, Archroma's Coating, Adhesives & Sealants Business provides solutions for a wide range of applications. Thanks to our commitment to innovation in polymer emulsions and our technical expertise in application and development, Archroma has supplied industries and consumers worldwide for more than 90 years with tailor-made solutions and sustainable answers. Literally thousands of satisfied customers have been witness to the outstanding success of Archroma's Mowilith emulsions since its first patent was obtained in 1912.

Headquartered in Brazil, Sao Paulo, we are a global business unit with production facilities and operations in more than 12 countries. Our local expertise around the world is market orientated to respond to our customers needs.

Our Coating, Adhesives & Sealants business is a leading supplier of key raw materials for the paint and construction industries and adhesives (packaging) application. We also deliver synthetic latexes/polymer dispersions for paints, coatings, adhesives, sealants, and for the textile, leather, and paper industries.

# / CHAIRMAN'S REVIEW

I would like to begin by acknowledging the hard work and dedication with which your management has steered the Company during this difficult period.

The current Financial Year was yet another challenging year for the Company. During the year, the Company faced a number of challenges including price hike in raw materials, higher inflation, and depreciation of the Rupee, which continued to exert significant pressure on the overall economy in general and the manufacturing industry in particular. The Board closely monitored the performance of the business with a focus to achieve continued improvement in productivity and efficiency while optimizing cost and processes to ensure sustainable growth of the Company. The guidance and timely decisions of the Board contributed immensely in steering the Company in the right direction. This resulted not only in achieving the desired targets, but it also helped the Company in creating new benchmarks, while maintaining its reputation for good governance.

Your Company's performance remained relatively sound. The Company has displayed a strong financial performance in a challenging business environment by attaining a profit after tax of Rs. 1,722 million and making a record sale of Rs. 18,956 million. To pass on the benefit of this achievement to the shareholders, the Board has proposed a dividend of Rs. 45 per share, i.e. 450% for the Financial Year 2018-19 for approval by members at the Annual General Meeting to be held on 30 December 2019.

The Board has performed its duties and responsibilities diligently, and has contributed effectively in guiding the Company in its strategic affairs. The Board also played a key role in monitoring the management's performance and focusing on major risk areas. The Board was fully involved in the strategic planning process and enhancing the vision of the Company.

In addition, the Board members also undertook the following key activities;

- o Attended Board meetings to actively participate in its proceedings.
- o Ensured that the Company complies with all the regulatory requirements and best practices.
- o Ensured appropriate measures were in place for safeguarding of the Company's assets.
- o Ensured adequacy of internal control system.

The board met the duties as required under the Companies Act 2017 & Listed Companies (Code of Corporate Governance) Regulations.



Dr. S. Mubarak Ali  
Chairman

Dated: 30 October 2019

# DIRECTORS REPORT

## Report of the Board of Directors for the year ended 30 September 2019

The Directors are pleased to present their report together with the audited financial statements of the Company for the year ended 30 September 2019.

### Board Changes

Consequent to the resignation of Mr. Hans Lourens from the Board, Mr. Michel Zumstein has been appointed in his place with effect from 29 January 2019.

The Board welcomed the new member and appreciated the valuable contribution of the outgoing member while he was on the Board of Directors and its committee.

### Composition of Board

Total number of directors:

a)	Male Directors	07
b)	Female Director	01

Composition:

i)	Executive Director	01
ii)	Other Nonexecutive Directors	04
iii)	Independent Directors	03

### Business Overview

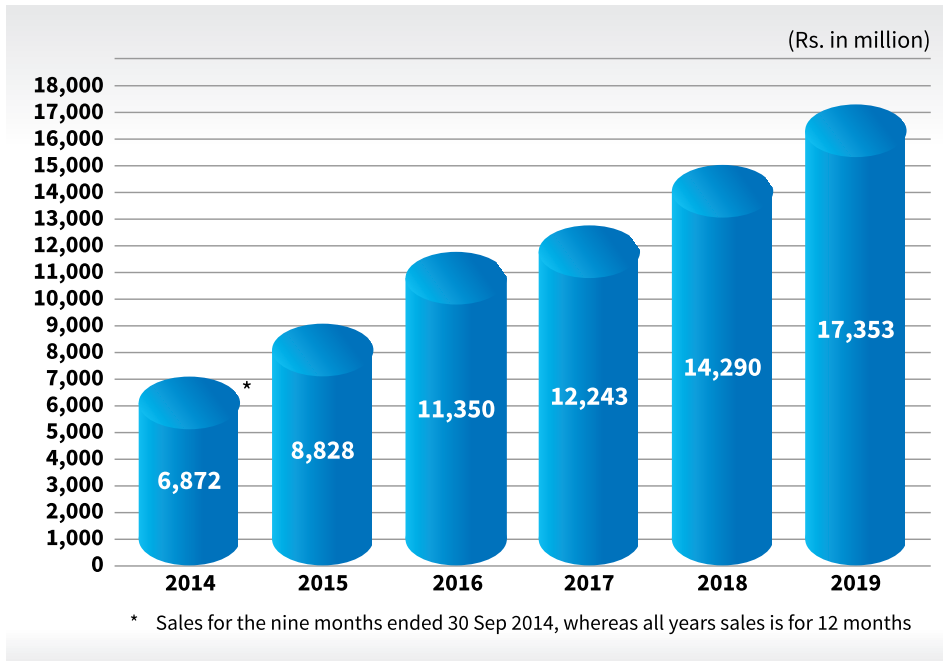
The business environment throughout the year under review remained challenging because of the increasing raw material prices, depreciation of Pak rupee by 26% against USD, double-digit 13% inflation, higher discount rates by SBP of up to 13.25% and prevailing economic uncertainty. These factors have significantly impacted the cost of doing business.

During the year, volumes remained under tremendous pressure due to sluggish market demand; however, the management has managed to achieve the growth through price and margin management, which has also offset the increase in cost of raw material and overheads due to inflationary pressures.

The net sales increased by Rs. 3,063 million and remain at Rs. 17,353 million as compared to Rs. 14,290 million last year. The Company managed to pass on the pressure of cost and remain successful in achieving the highest-ever gross profit of Rs. 5,346 million and net profit of Rs. 1,722 million as compared to Rs. 4,518 million and Rs. 1,536 million last year.

Business line Brand & Performance Textile contributed 24.9% to the sales growth and Paper & Packaging contribution was 33.1%.

# / DIRECTORS REPORT



## Future Outlook

Considering the continuous signs of depressed economy we don't see any change during the next year and foresee yet another challenging year ahead. To combat this situation the company will continue to follow its commercial strategy with a strong focus on further increasing market share through system selling "Archroma Way" approach and innovative solution to the market.

The Board and Management is focused on maintaining the profitable growth, whilst fully capitalizing every opportunity on the export market.

## Principal Business Activities

Company is engaged in manufacturing, sales and indenting business of Specialty Chemicals including Dyestuffs and Coating, adhesives & Sealants, etc.

## Risk & Uncertainties

Challenges like adverse foreign exchange parities, significant competition in some product categories and other high cost of doing business are the risks associated with the Company's operation.

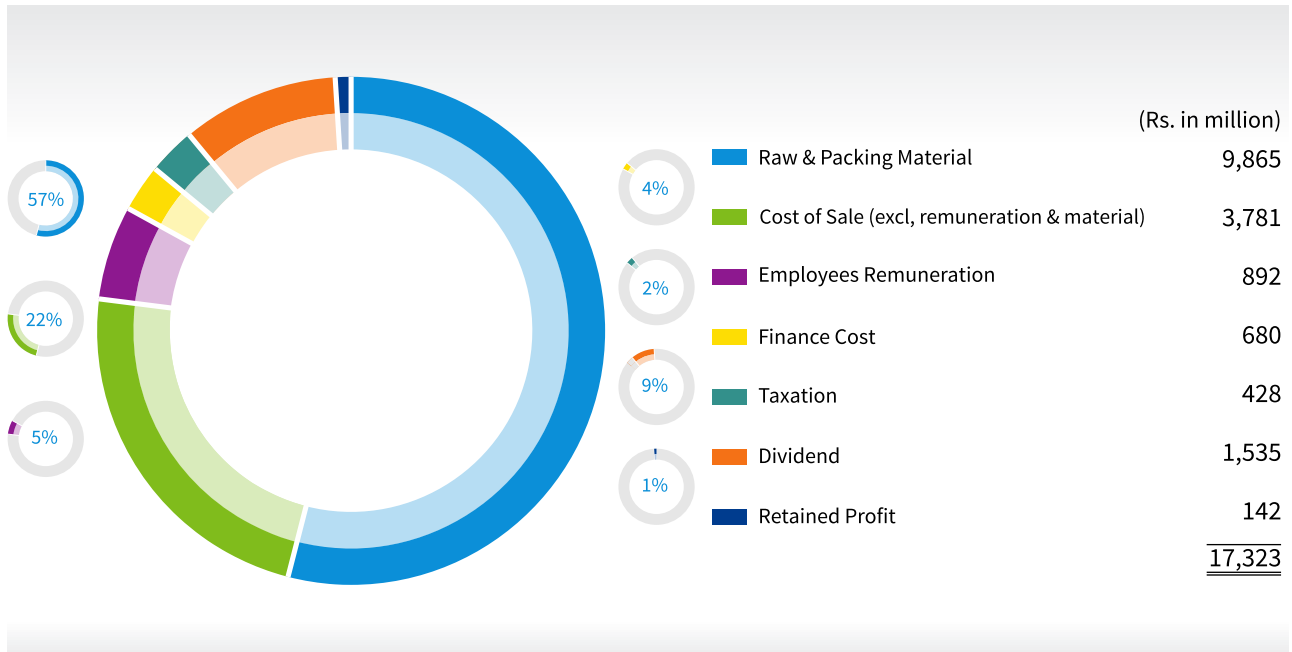
## Internal Controls

The Company has employed an effective system of internal control to carry on the business of the Company in an orderly manner, safeguard its assets and secure the accuracy and reliability of its record. The Management's supervision and reviews are an essential element of the system of internal controls. The Management has delegated the function of detailed examination and special reviews to the team of internal audit.

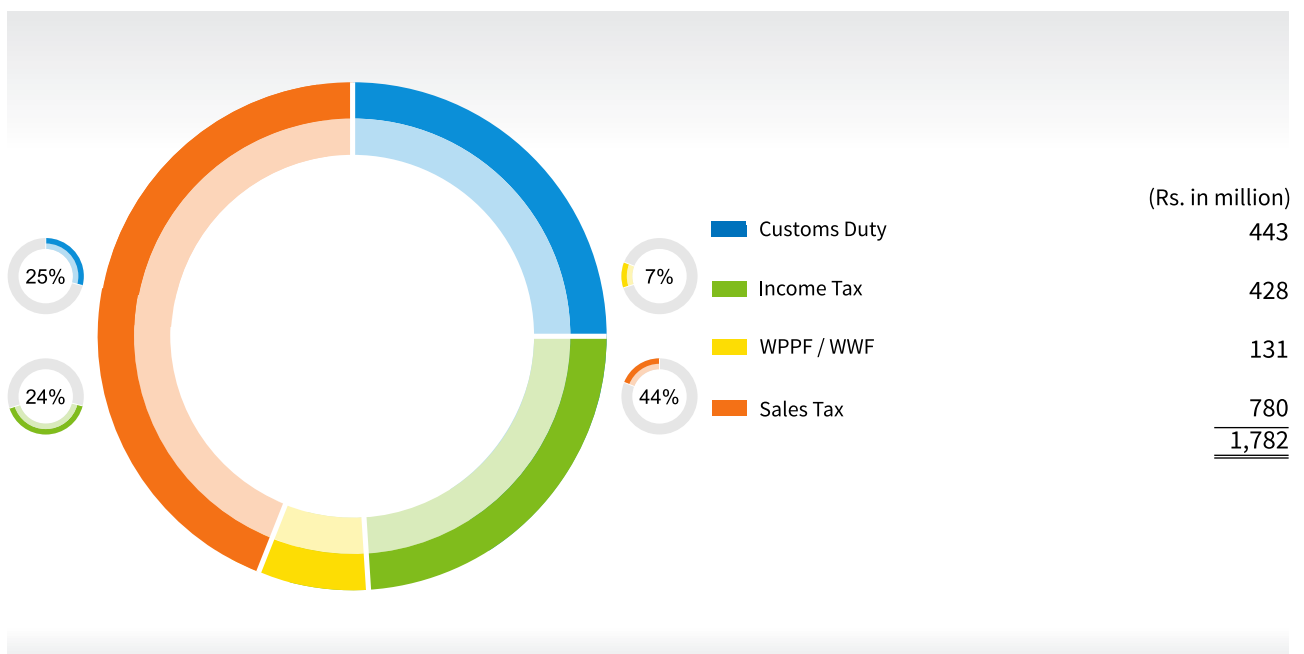
The Board reviews the Company's financial operations and position at regular intervals by means of interim accounts, reports, profit forecasts and other financial and statistical information. Analysis of budgetary control is in use and the Board reviews material variance and calls for explanation.

# / DIRECTORS REPORT

## Distribution of Revenue - 2019



## Contribution to National Exchequer - 2019



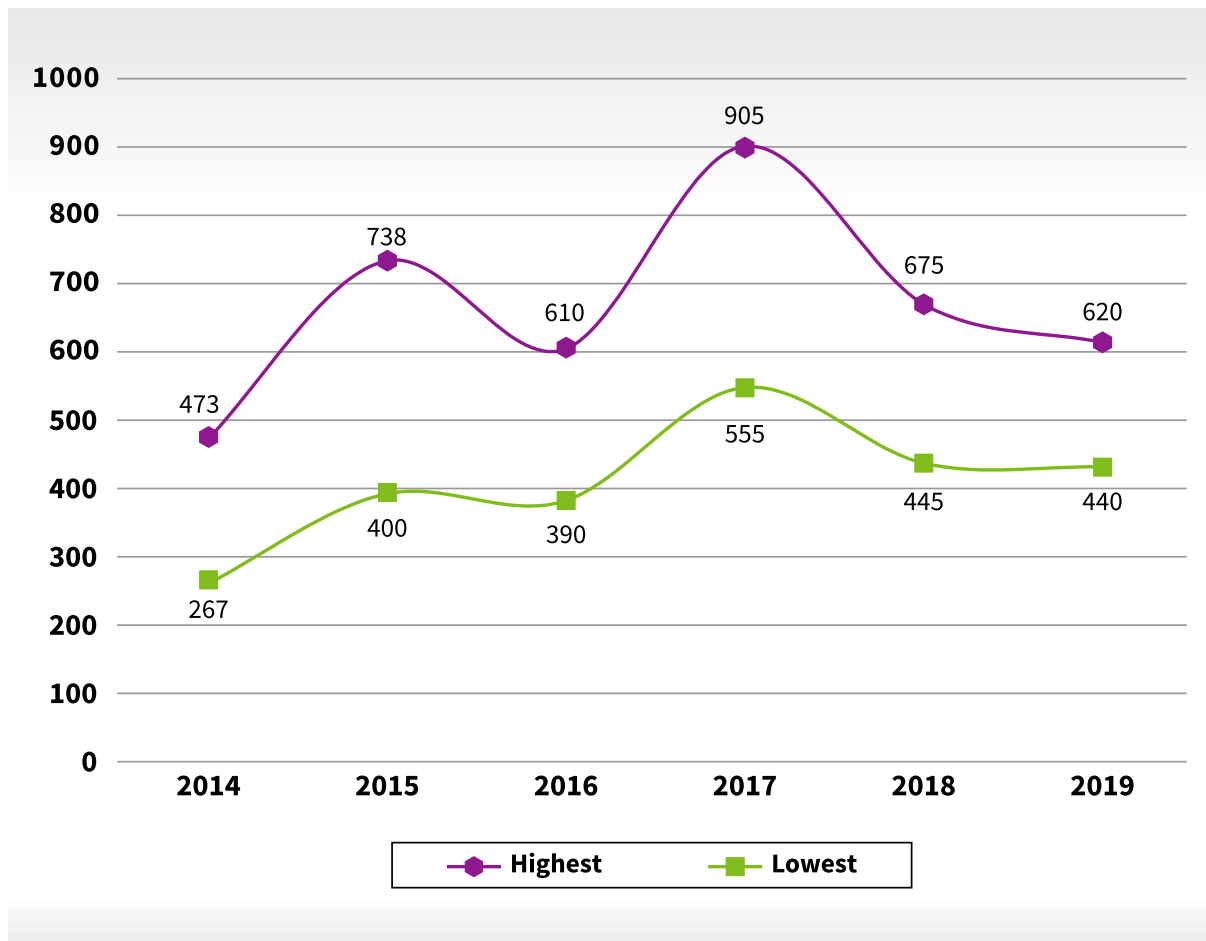
# / DIRECTORS REPORT

## Earnings per Share

The profit for the year stood at Rs. 1,722 million (last year Rs. 1,536 million). On this basis the earnings per share for the year has increased to Rs. 50.48 as compared to last year's earnings per share of Rs. 45.03.

## Share Price

Share price in the stock market moved due to various factors such as the Company's performance, bearish market sentiments, economic events and high interest rates, etc. The Company's share price has touched the peak of Rs. 620 whereas, the lowest recorded price was Rs. 440 on the Pakistan Stock Exchange Ready Board quotations.



# / DIRECTORS REPORT

## Appropriation of Profit

The proposed appropriation of profit of the Company is as under:

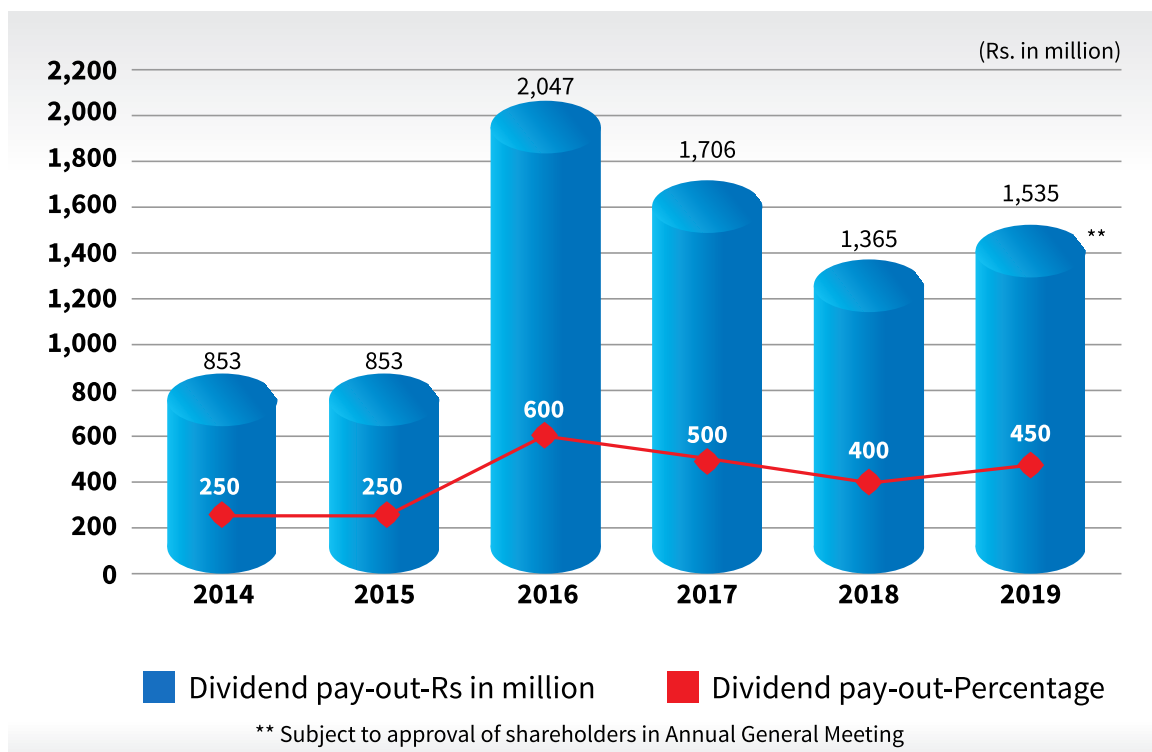
	(Rs. in million)
Total comprehensive income for the period	1,677
Unappropriated profit brought forward	02
Profit available for appropriation	1,679

### Appropriation:

Proposed 450% final cash dividend to be paid after approval in the Annual General Meeting	1,535
Transferred to Revenue Reserves	142
Unappropriated profit carried forward	02

## Dividend

The Board of Directors of the Company at its meeting held on 30 October 2019 has proposed a final cash dividend at Rs. 45 per share for the year ended 30 September 2019.



## Social Contribution

Corporate Social Responsibility (CSR) focuses on achieving economic success through responsible corporate governance in a company's core area of business. CSR pushes organizations to do better because their actions affect customers, suppliers, employees, shareholders and the community at large. Partnerships with the communities, particularly those that have been disadvantaged, can help companies build productive relationships and stimulate economic growth in disadvantaged areas.

## Free Water Supply to Neighborhood

Since decades Archroma has been supplying free clean drinking water to the neighboring community living near our Jamshoro site. Taking stock of the grave situation, the management ensured to lay down a separate water pipeline to a relatively far off village which however is a part of Jamshoro town. Water supply is uninterrupted bringing happiness and satisfaction to the people.



# / DIRECTORS REPORT

## Donation of Water Coolers to Schools

Keeping in view the budgetary constraints of government schools, we assessed that cool drinking water is inaccessible to the students of primary schools in Jamshoro. Archroma donated electric water coolers to government primary schools in Jamshoro in March 2019. Our gesture will create goodwill and comfort for young children mostly between the age bracket of 6 - 12 years in the soaring hot weather with temperatures ranging from 35 - 42 degrees.



## Blood Donation Campaigns

For children suffering from Thalassemia and patients in hospitals, employees voluntarily participated in blood donation campaigns held in January and July 2019. The blood collected was immediately used for needy patients. Simultaneously we regularly hold short talks by doctors on the importance of blood donations and its positive impact on health.



## Health

Archroma Pakistan Limited Jamshoro site organized free Tuberculosis (TB) Screening Test for our workers as well as the vicinity people in which the Honorable District Health Officer inaugurated the free TB Screening camp.

By organizing such activities, Archroma will try to eliminate/reduce the chances of such diseases in the vicinity.

## Sustainable Effluent Treatment Plant

An innovative full scale project on saving water based on Zero Discharge was planned and designed by our engineers. A handsome investment was made to establish our Sustainable Effluent Treatment (SET) facility.

Archroma's Sustainable Effluent Treatment (SET) plant with zero liquid discharge was inaugurated in December 2013. It is the biggest single investment of Archroma in Pakistan. Through highly sophisticated scientific processes water is re-cycled and re-used. The facility not only supports substantial recovery of 80% of water but also allows effluent treatment based on zero liquid discharge. SET plant is spread over an area of 25 acres. It saves one million liters of water per day which is a huge water saving. Archroma also benefits the neighborhood from the SET Plant as we provide approximately 30,000 gallons of clean drinking water to the surrounding community on a daily basis, absolutely free of cost.

## Education

Archroma is providing internships to students. Our six week program fully orientates the students on how to work in application labs, compliance of safety rules, textile processing and innovation in chemistry. This program is running since decades and has trained thousands of students who are now serving in the industry. Increase in female interns is also a commendable feature of our program. Almost 30% of our trainees are females.

So far, 194 batches comprising of 5,671 students has been trained by Archroma. During the period under review, the Company has incurred Rs.15 million for complimentary training of students and technicians.



## **Tree Plantation Drive**

Today the world is facing environmental problems. Global warming, ozone depletion and pollution are burning issues.

The solution to the above environmental problems is in plant trees to reduce global warming, reduce the carbon footprint and pollution as well as clean the environment. Trees and plants are the prime source of environmental purification and beautification. Trees inhale carbon dioxide and exhale oxygen, reduce temperature and create a healthy effect, both physically and psychologically, on human beings.

The Management of Archroma Pakistan Limited believes that trees are extremely important and have always been needed for developing the human condition and lifestyle and that without trees we humans would not exist on this beautiful earth. The lush green environment with hundreds of various trees at our manufacturing sites are a clear evidence of our environmental policy.



Tree Plantation at the factory premises was also held where different celebrities have been invited to plant seedlings to mark the significant Archroma Spring Tree Plantation Drive 2019.

Archroma has also arranged tree plantation activities in District Jamshoro and developed green belt within some government offices premises.



# **/ DIRECTORS REPORT**

## **Memorandum of Understanding (MOU) with ECO Intelligent Growth**

New developments in sustainability enhances the quality of product lines. Taking the lead, Archroma signed a Memorandum of Understanding with Eco Intelligent Growth, Italy in November 2018. Our collaboration will strengthen customers who export their textile specialties. Orientation sessions have been held from Archroma's platform to familiarize textile associates preparing to attain C2C certification.



## **Memorandum of Understanding (MOU) with WWF Pakistan**

Archroma is partnering with WWF Pakistan since 2018. We collaborate on developmental projects related to water conservation in the textile industry, training officials of the Sindh Environment Protection Agency (SEPA), Citywide Partnership and Alliance for water stewardship. Another important area of cooperation is revealing natural indigo in Sindh wherein we are promoting conventional indigo on modern lines. On the successful completion of the activity based year, the renewed MOU was signed in January 2019. We anticipate numerous joint projects in the current year as well.



# / DIRECTORS REPORT

## Memorandum of Understanding (MOU) with National Textile University

Archroma joined hands with the National Textile University by signing an MOU for mutual cooperation. The MOU will provide access to students to the internship program at the Archroma Center of Excellence, exchange of latest scientific developments in textiles, joint research work and market intelligence.



## Strengthening Textile Industry By Promoting Latest Advancement

Archroma held the 2nd International Conference on Sustainable Textiles in April 2019 at Faisalabad in collaboration with the University of Engineering & Technology and the Society of Dyers & Colorists. This is a much awaited annual event with presentation on new research developments in textiles, the grand finale of the National Color Competition and Textile Brand Exhibits. At the day long conference, experts gave presentations on challenges and opportunities in sustainability, water and resource saving during production, digital printing, advanced polymer technology and value addition impacts.



## Archroma Takes a Giant Leap to Produce Aniline Free Indigo in Pakistan

Aniline Free Indigo - Denisol® Pure 30 liquid is the outcome of breakthrough innovation by Archroma. The brand new dye provides a non-toxic way to produce the traditional, iconic indigo blue that consumers associate with denim and jeans. Owing to its sizeable capacity, the state-of-the-art production lines encompassing Archroma's first Zero Liquid Discharge sustainable facility at Jamshoro was earmarked to produce this dye from where it is supplied all over the world.



In February, Archroma commenced the production of Aniline Free Indigo - Denisol® Pure Indigo 30 liq. H.E. Thomas Kolly, the Ambassador of Switzerland; Michel Zumstein, the President of Commercial Region Asia; and Paul Cowell, the Head of Business Development & Brand Solutions flew in specially to join the inauguration ceremony with Archroma's vibrant teams at Jamshoro.



## Archroma Reaches United Nations

Archroma supports young persons by providing them opportunities at important forums. A young and talented undergraduate, Muhammad Sarim Raza from LUMS was sponsored to represent Pakistan as the Sustainability Ambassador at the United Nations Conference on Trade and Development held in Geneva in October 2018. Conference topics were based on Sustainable Development Goals linking rural markets to global economy, promoting decent jobs for young people and skills enhancement for young people in business. Archroma was presented as a role model with its ethical best practices in all the discussion areas during the conference.

## Donations

Archroma provided financial support by donations to various charitable, educational & medicals organizations. During the period under review our Company donated amount worth Rs. 1. million

## Corporate Governance

The Company has complied with all the requirements of the Code of Corporate Governance as required by the listing regulations.

Accordingly the Directors are pleased to confirm the following:

- The financial statements prepared by the management of the Company presents fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements of the Company and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of the Company's financial statements and any departure there from has been adequately disclosed and explained.
- The system of internal control of the Company is sound in design and has been effectively implemented and monitored: and
- There are no significant doubts upon the Company's ability to continue as a going concern.
- Key operating and financial data of last six years in summarized form is annexed (page 47).
- Outstanding taxes and levies have been adequately disclosed in the annexed audited Financial Statements.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

## Statement of Ethics and Business Practices (Code of Conduct)

In order to put in place professional standards and corporate values for promotion of integrity of the Board, senior management and other employees, the Board has disseminated a Code of Conduct, defining therein acceptable and unacceptable behaviors. The same has been placed on the Company's website.

## Directors' Training Program

The Board of Directors training helps the Board fulfill its role and make a real difference to a Company's performance. Every Board has a unique role in company oversight including duty to stakeholders. Therefore, keeping the same in mind and the requirements of the code five directors had already completed the directors' training program. In addition, one director met the criteria of exemption under the Code of Corporate Governance.

## Remuneration Policy of Non-Executive Directors

The Board of Directors has approved a 'Remuneration Policy for Non-Executive and Independent Directors and Members of Senior Management'; the salient features of which are:

The remuneration of a Director for attending meetings of the Board of Directors or its Committees shall from time to time be determined and approved by the Board of Directors.

## Audit Committee

An Audit Committee was set up by the Board since the enforcement of the Code of Corporate Governance. At present all three members (Mr. Moin Mohajir, Mr. Michel Zumstein & Mr. Shahid Ghaffar) of the committee are non-executive directors. The chairman of the Audit Committee is an independent director.

The terms of reference of the Audit Committee are those as specified in the Code of Corporate Governance. In addition the Audit Committee is free to ask for any information and explanation in order to satisfy itself regarding the financial statements and internal controls.

The committee met at least once in a quarter to review the financial statements and any major judgmental areas with reference to the Company's business. The Audit Committee gives its recommendation to the Board for the approval of financial statements which are duly endorsed by the CEO and CFO.

## Human Resource & Remuneration (HR&R) Committee

The Board in accordance with the Code of Corporate Governance has also constituted HR&R Committee, comprising of three Directors (Ms. Yasmin Peermohammad, Mr. Mujtaba Rahim & Michel Zumstein). The terms and reference of the committee includes but not limited to those as mentioned in the Code of Corporate Governance.

# / DIRECTORS REPORT

## Attendance of Board and Committees Meetings

During the period under review Board and Committees meetings held and attendance by each Director is as follows:

Name of Directors	Designation	Board of Directors 4 - Meetings	Audit Committee 4 - Meetings	HR&R 1 - Meeting
		Attended	Attended	Attended
Mr. Mujtaba Rahim	Executive	4	-	1
Dr. S. Mubarik Ali	Non-Executive	4	-	-
Roland Waibel (Alternate: Veqar Arif)	Non-Executive	4	-	-
Michel Zumstein (Alternate: Naveed Kamil)	Non-Executive	3	3	1
Hans Lourens (Alternate: Naveed Kamil)	Non-Executive	1	1	-
Marcos Furrer	Non-Executive	-	-	-
M Z Moin Mohajir	Independent	4	4	-
Shahid Ghaffar	Independent	3	3	-
Yasmin Peermohammad	Independent	4	-	1

Leave of absence were granted to Directors who could not attend the meetings and were represented by their respective alternates.

## Gratuity and Provident Funds

The value of investments of Gratuity and Provident funds based on the latest audited accounts at 30 June 2019 and at 30 June 2018 are as follows.

	2019	2018
	(Rupees in mio)	
Gratuity Fund	794	837
Employees Provident Fund	636	643

The value of investment includes accrued profit.

## Holding Company

Archroma Textile S.a.r.l (Archroma) is a global, diversified provider of dyes and specialty chemicals serving the branded and performance textiles, packaging and paper, and coatings, adhesives and sealants markets. Headquartered in Reinach, Switzerland, the company operates a highly integrated, customer-focused platform that delivers specialized performance and color solutions in over 100 countries. Archroma works with 3,000 employees over 35 countries and with 25 production sites.

## Website

All our stakeholders and general public can visit the Archroma Pakistan Limited's website, [www.archroma.com.pk](http://www.archroma.com.pk), which has a designated section for investors containing relevant information.

## E-mail

[archroma.pakistan@archroma.com](mailto:archroma.pakistan@archroma.com)

## Subsequent Events

No material changes or commitments affecting the financial position of the Company have occurred between the end of the financial year of the Company and the date of this report.

## Financial Statements and Auditors

The financial statements of the company have been audited and approved without qualification by the auditors, KPMG Taseer Hadi & Co. Chartered Accountants.

The retiring auditors, Messrs. KPMG Taseer Hadi & Co. Chartered Accountants retire at the conclusion of the 24th Annual General Meeting and offer themselves for reappointment. The Audit Committee has recommended for their reappointment.

## Key Operating & Financial Data

Key Operating and Financial data for last six years shown on page 47.

# DIRECTORS REPORT

## Pattern of Shareholding

A Statement of the pattern of shareholding is shown on page 109.

There was no trading in the shares of the company by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children during the year.

## Acknowledgement

The Board thanks all staff members and workers for excellent performance during very difficult times and look forward to achieving further goals in the future.

On behalf of the Board, we would like to record our gratitude to the extremely valued shareholders, customers, suppliers, contractors, bankers and other stakeholders for their support, trust and confidence. Thanks are also due to all the employees for their loyalty, dedication and hard work which enabled the Company to achieve its objectives.

On behalf of the Board



Mujtaba Rahim  
Chief Executive Officer



Veqar Arif  
Director

Karachi: 30 October 2019

## بورڈ آف ڈائریکٹرز کی رپورٹ برائے سالِ مختتمہ ۳۰ ستمبر ۲۰۱۹

کمپنی کے ڈائریکٹرز کمپنی کی ”جانچ شدہ مالی بیانیہ“ مشترکہ طور پر بمعہ اپنی رپورٹ برائے سال، اختتام پذیر 30 ستمبر 2019ء پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

### بورڈ میں تبدیلیاں

جناب ہانس لارنس کے بورڈ سے استعفیٰ کے نتیجے میں ان کی جگہ جناب مشیل زمسٹین کا مورخہ ۲۹ جنوری ۲۰۱۹ء سے تقرر کیا جا چکا ہے۔  
بورڈ نئے آنے والے رکن کو خوش آمدید کہتا اور رخصت ہونے والے رکن کی بورڈ آف ڈائریکٹرز اور اس کی کمیٹی میں قابل قدر شراکت کو سراہتا ہے۔

### بورڈ کی ترتیب

ڈائریکٹرز کی کل تعداد:

07	(i)	مرد ڈائریکٹرز
01	(ii)	خواتین ڈائریکٹرز

ترتیب:

01	(i)	ایگزیکٹو ڈائریکٹر
04	(ii)	دیگر نان ایگزیکٹو ڈائریکٹرز
03	(iii)	انڈیپنڈنٹ ڈائریکٹرز

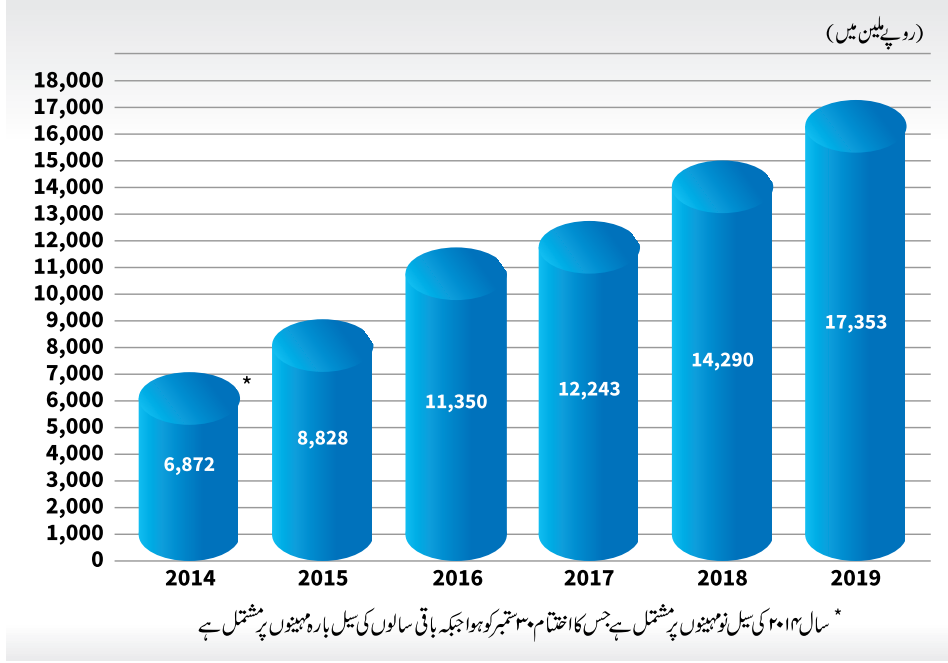
### کاروباری جائزہ

کاروباری ماحول زیر جائزہ سال کے دوران مشکل رہا جس کی وجہ خام مال کی قیمتوں میں اضافہ، ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں 26 فیصد کمی، ڈبل ہندسوں 13 فیصد مہنگائی اسٹیٹ بینک آف پاکستان کی جانب سے 13.25 فیصد تک مارک اپ اور عمومی غیر یقینی صورت حال ہے۔ ان عوامل نے کاروبار کرنے کی لاگت کو نمایاں طور پر متاثر کیا۔

سال کے دوران سست کاروباری مارکیٹ کی طلب کے باعث حجم غیر معمولی دباؤ کا شکار رہے، تاہم انتظامیہ پرائس اور مارجن مینجمنٹ کے ذریعے نمو کے حصول میں کامیاب ہوئی جس سے خام مال کی قیمتوں میں اضافے اور افراط زر کے دباؤ کو دور کر دیا گیا۔

نیٹ سیلز میں گزشتہ سال کے بندرست مبلغ 14,290 ملین روپے کے مقابلے میں مبلغ 3,063 ملین روپے کا اضافہ ہوا جو مبلغ 17,353 ملین روپے پر برقرار رہی۔ کمپنی لاگت کے دباؤ سے باہر نکلنے میں کامیاب ہوئی اور گزشتہ سال کے مجموعی منافع مبلغ 4,518 ملین اور بعد از ٹیکس منافع مبلغ 1,536 ملین روپے کے مقابلے میں اب تک کا سب سے زیادہ کل مجموعی منافع مبلغ 5,346 ملین روپے اور بعد از ٹیکس مجموعی منافع مبلغ 1,722 ملین روپے حاصل کرنے میں کامیاب رہی۔

برنس لائن برانڈ اینڈ پرفارمنس ٹیکسٹائل کی سیلز گروتھ میں شراکت 24.9 فیصد اور پیر اینڈ پیکجنگ کی 33.1 فیصد رہی۔



## مستقبل پر نظر

مسلسل معاشی سُست روی کے سبب ہم اگلے سال کے دوران کوئی تبدیلی نہیں دیکھ رہے اور توقع ہے کہ ایک اور کٹھن سال ہمارا منتظر ہے۔ اس صورت حال سے نبرد آزما ہونے کے لئے کمپنی اپنی تجارتی حکمت عملی سٹیم سیلنگ ”آر کرو ماوے“ اور مارکیٹ کے لئے قبل از وقت حکمت عملی کے ذریعے مارکیٹ شیئرز میں مزید اضافے کے لئے بھرپور توجہ مرکوز کئے ہوئے ہے۔

بورڈ اور انتظامیہ برآمدی منڈی میں ہر موقع کو فائدہ مند بناتے ہوئے منافع بخش نمونہ کو برقرار رکھنے پر اپنی توجہ مرکوز کئے ہوئے ہیں۔

## بنیادی کاروباری سرگرمیاں

کمپنی مخصوص کیمیکلز کے شعبہ سے وابستہ ہے اور ڈائری اسٹف، کوئنگ ایڈیٹو اور سیلیٹس کی تیاری، فروخت اور کیمیکلز سے متعلق درآمدی و برآمدی کاروبار سے وابستہ ہے۔

## خطرے کا امکان اور غیر یقینی صورت حال

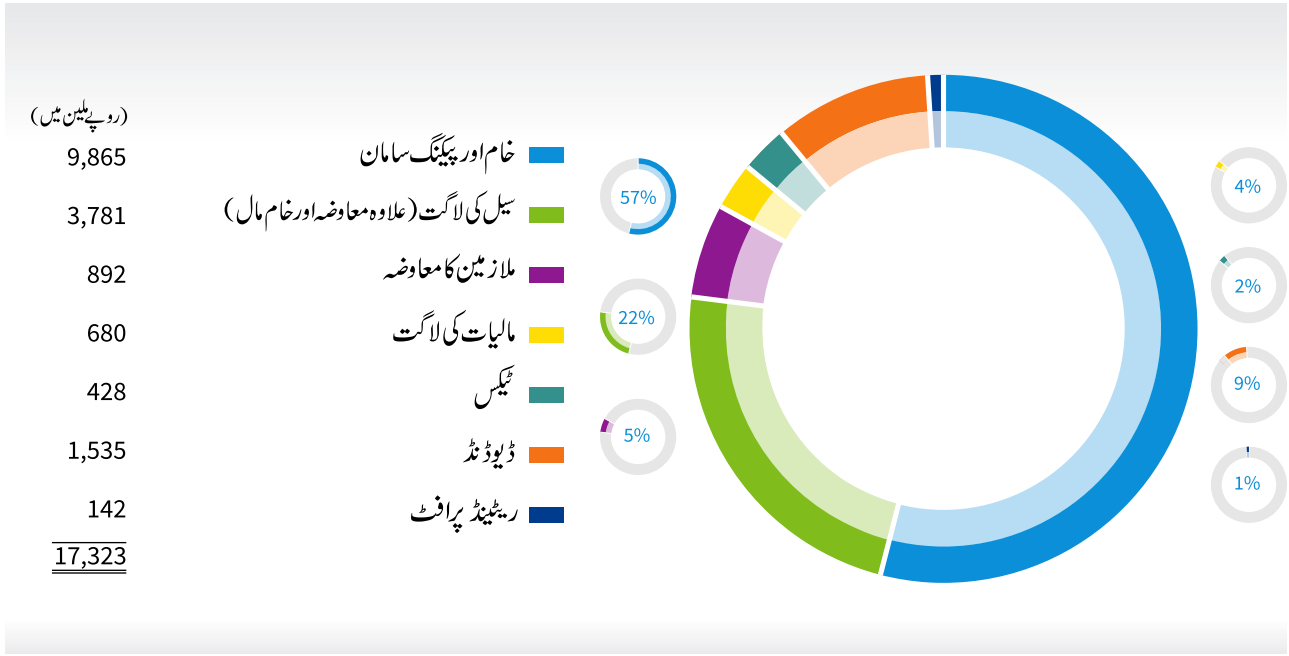
غیر ملکی زرمبادلہ میں ناموافق یکسانیت، کچھ مصنوعات کے شعبہ جات میں اہم مسابقت و مقابلے اور بلند کاروباری لاگت جیسے عوامل اور خطرات کمپنی کے امور کے ساتھ جڑے ہوئے ہیں۔

## انٹرنل کنٹرولز

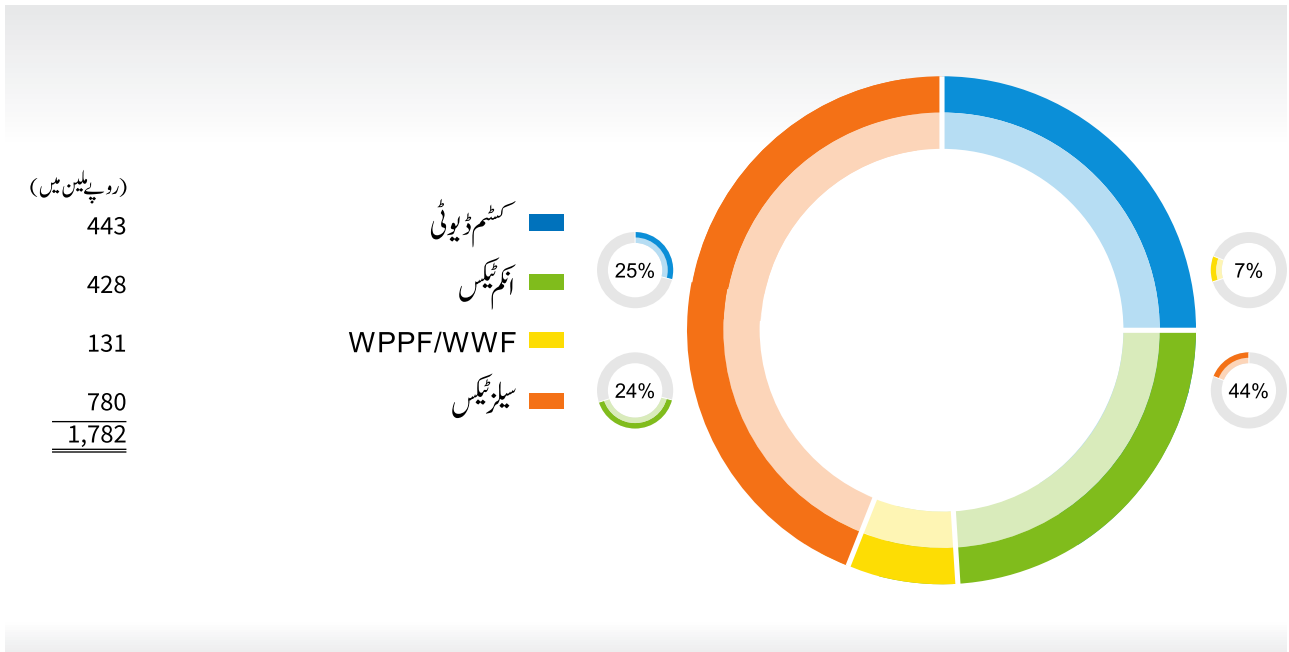
کمپنی اپنے جملہ امور کی بخوبی انجام دہی، ساکھ کے قابل اعتماد ہونے اور درستگی سمیت اپنے اثاثہ جات کی منظم و مربوط انداز میں حفاظت کے لئے انٹرنل کنٹرولز کے ایک مؤثر بہ عمل نظام سے مستفید ہو رہی ہے۔ انتظامیہ کی موثر نگرانی اور از سر نو جانچ کو انٹرنل کنٹرولز کے نظام میں ایک لازمی عنصر کی حیثیت حاصل ہے۔ انتظامیہ اس سلسلے میں جملہ امور اور تفصیلات اور خصوصی جائزہ انٹرنل آڈٹ کے اراکین کے سپرد کر چکی ہے۔ بورڈ مناسب و باقاعدہ وقفہ جات پر کمپنی کی حیثیت اور مالیاتی امور جیسا کہ درمیانی مدت کے کھاتہ جات، رپورٹ، منافع کے تخمینہ جات سمیت دیگر مالیاتی اور شماریاتی معلومات وغیرہ کا تنقیدی جائزہ لیتی رہتی ہے۔ بجٹ کو کنٹرول رکھنے سے متعلق تجزیہ جات مستعمل ہیں اور بورڈ میٹریل میں تغیر و تبدیلی کے حوالے سے جائزہ لیتا اور وضاحت طلب کرتا ہے۔

# ڈائریکٹرز رپورٹ

## آمدن کی تقسیم - ۲۰۱۹ء



## قومی خزانے میں حصہ - ۲۰۱۹ء

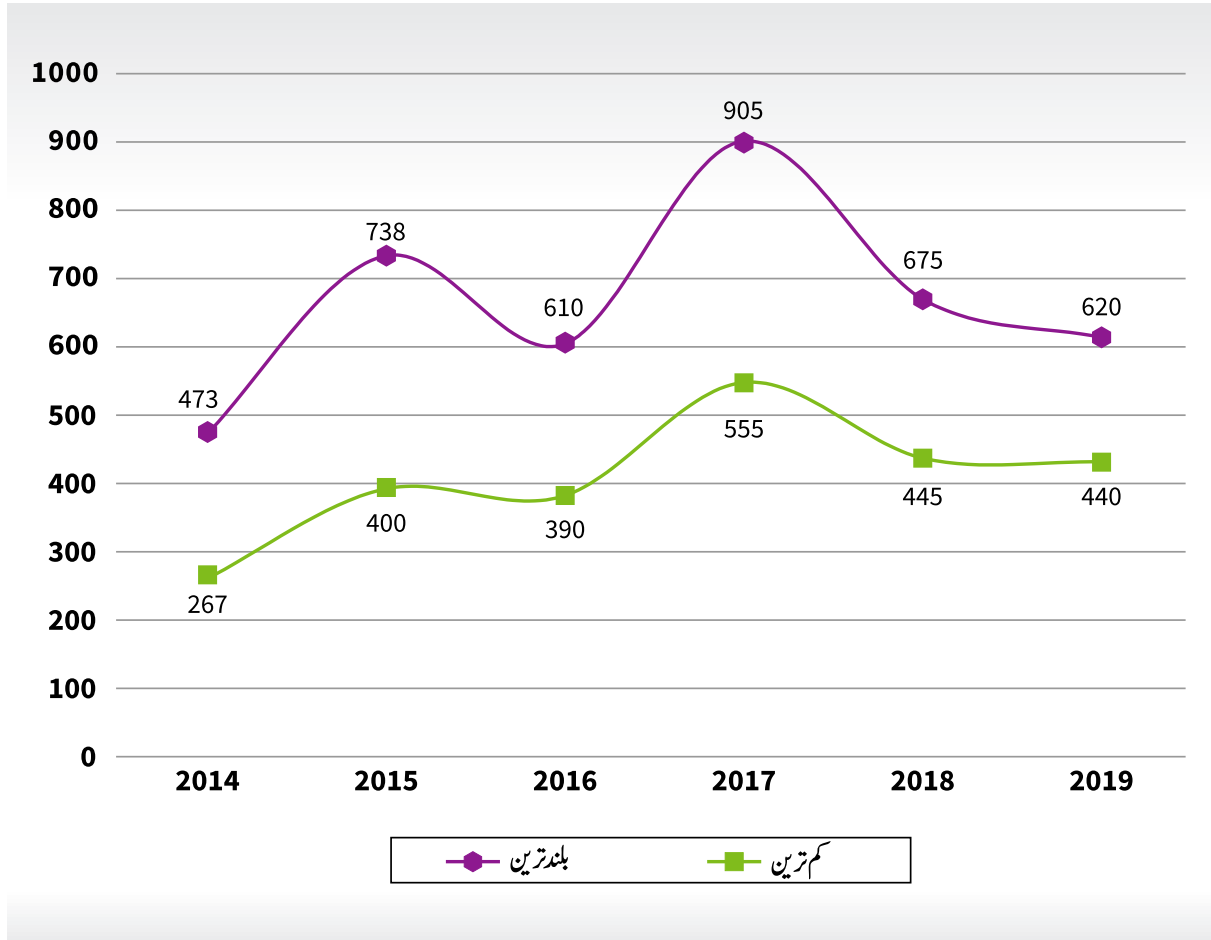


## فی حصص منافع

سال کا بعد از ٹیکس منافع مبلغ 1,722 ملین روپے رہا (گزشتہ سال مبلغ 1,536 ملین)۔ اس بنیاد پر سال کے لئے فی حصص منافع گزشتہ سال کی فی حصص منافع 45.03 کے مقابلے میں 50.48 تک بڑھ گیا۔

## حصص کی قیمت

اسٹاک مارکیٹ میں حصص کی قیمت مختلف وجوہات جیسا کہ کمپنی کی کارکردگی، مارکیٹ میں مندی کا امکان و خیال، معاشی و اقتصادی حالات اور بلند شرح سود وغیرہ کی بناء پر حرکت پذیر رہتی ہے۔ پاکستان اسٹاک ایکسچینج ریڈی بورڈ کوٹیشنز پر کمپنی کے حصص کی قیمت مبلغ 620 روپے تک رہی جبکہ کم سے کم قیمت مبلغ 440 ریکارڈ کی گئی۔



## منافع کی مد بندی

کمپنی کے تجویز کردہ منافع کی مد بندی درج ذیل ہے:

(روپے ملین میں)

1,677

02

1,679

اس مدت کے لئے کل جامع منافع

غیر مد بند منافع نئے حساب میں لایا گیا

مد بندی کے لئے دستیاب منافع

مد بندی:

1,535

142

02

تجویز کردہ 450 فیصد فائل کیش ڈیویڈنڈ جس کی ادائیگی

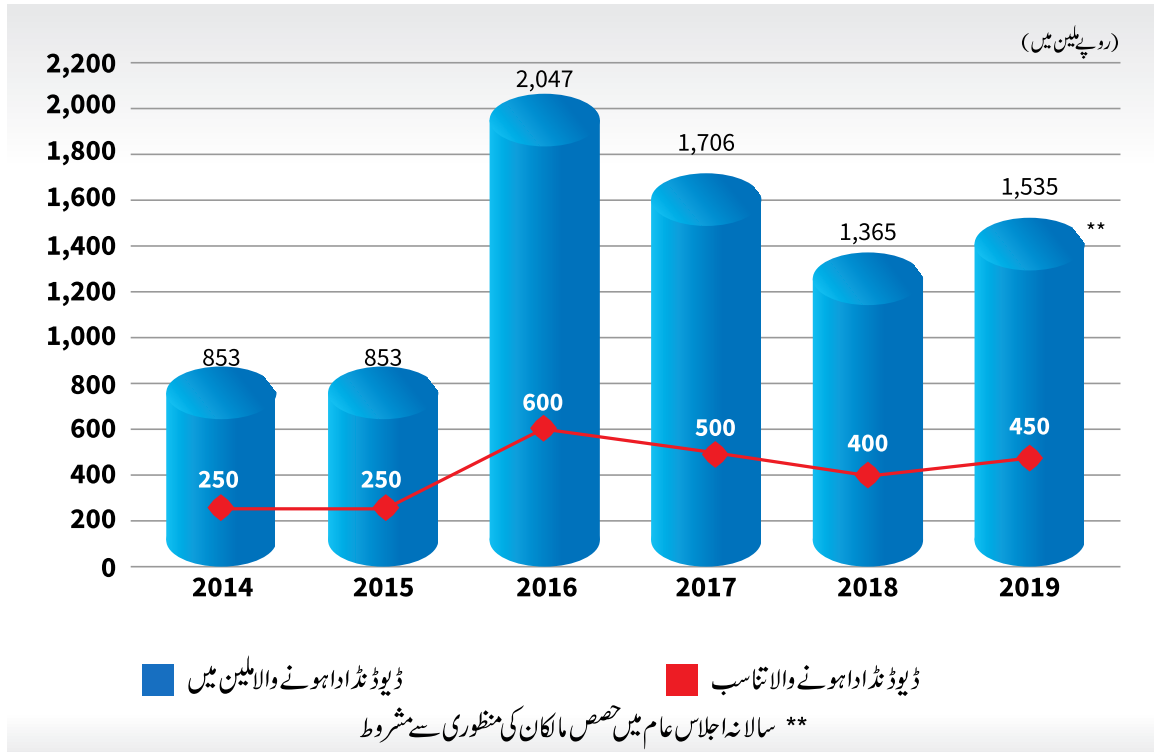
سالانہ جنرل میٹنگ میں منظوری کے بعد کی جائے گی۔

محصولات کے ذخائر میں منتقلی

غیر مد بند منافع

## ڈیویڈنڈ

کمپنی کے بورڈ آف ڈائریکٹرز نے ۳۰ اکتوبر ۲۰۱۹ کو منعقدہ اجلاس میں ۳۰ ستمبر ۲۰۱۹ کو ختم ہونے والے سال کے لئے فی حصص ۴۵ روپے حتمی نقد ڈیویڈنڈ تجویز کیا ہے۔



## سماجی شراکت داری

سند یافتہ تجارتی ادارے کی سماجی ذمہ داری (CSR) کمپنی کے مرکزی حدود کاروبار میں ذمہ دارانہ کارپوریٹ گورننس کے ذریعے معاشی کامیابی کے حصول پر توجہ مرکوز کرنا ہے۔ CSR آرگنائزیشن کی جانب سے بہتر کئے جانے کے لئے کوشاں ہے کیونکہ ان کے حرکات صارفین، سپلائرز، ملازمین، حصص یافتگان اور بڑے پیمانے پر کمیونٹی پر اثر انداز ہوتے ہیں۔ کمیونٹی، بالخصوص جو پسماندگی کا شکار ہیں، سے شراکت داریوں کے ذریعے کمپنیاں نتیجہ خیز تعلقات استوار کرنے اور پسماندہ علاقوں میں معاشی اضافے کی حوصلہ افزائی کرنے میں مدد حاصل کر سکتی ہیں۔

## قرب وجوار کے علاقوں میں مفت پانی کی سپلائی

تقریباً دس سال سے آرکرو ما اپنی جامشور سائٹ کے گرد و نواح میں رہائش پذیر کمیونٹی کو پینے کا صاف پانی مفت فراہم کر رہی ہے۔ سنگین صورت حال کا جائزہ لیتے ہوئے انتظامیہ نے جامشور ٹاؤن میں شامل نسبتاً دور دراز گاؤں میں ایک علیحدہ پانی کی پائپ لائن کی تنصیب کو یقینی بنایا ہے۔ پانی کی بلا تعلق فراہمی لوگوں کے لئے خوشیاں اور اطمینان کا ذریعہ ہے۔



## اسکولوں کے لئے واٹر کولر کا عطیہ

سرکاری اسکولوں کے بجٹ کو مد نظر رکھتے ہوئے ہمیں اندازہ ہوا کہ جامشورو کے پرائمری اسکولوں میں طلبہ کو پینے کے ٹھنڈے پانی کی سہولیات میسر نہیں ہیں۔ آکر ومانے مارچ 2019ء میں جامشورو کے گورنمنٹ پرائمری اسکولوں میں الیکٹرک واٹر کولرز عطیہ دیئے ہیں۔ اس عمل سے نوعمر بچوں جو کہ زیادہ تر 6 سے 12 سال کی عمر کے ہیں اور تہائی بلند درجہ حرارت جو عموماً 35 سے 40 ڈگری سینٹی گریڈ ہوتا ہے میں ٹھنڈے پانی کی مسلسل فراہمی ان میں جوش اور مسرت پیدا کرے گی۔



## عطیہ خون کی تحریکیں

تھیلیسیما کے شکار بچوں اور ہسپتال میں مریضوں کے لئے، ملازمین عطیہ خون کی منظم کوششوں میں رضا کارانہ طور پر شامل ہوئے جو جنوری اور جولائی 2019ء میں منعقد کی گئیں۔ جمع شدہ خون فوری طور پر ضرورت مند مریضوں کے لئے استعمال کیا گیا۔ اس کے علاوہ ہم نے ڈاکٹرز سے عطیہ خون کی اہمیت اور اس کے صحت پر مثبت اثرات کے حوالے سے محضر تبادلہ خیال کیا۔



آرکروما پاکستان لمیٹڈ جا مشور و سائٹ نے اپنے ملازمین اور اسی طرح گردونواح کے لوگوں کے لئے مفت ٹیوبرکولوسز (Tuberculosis / TB) اسکریننگ ٹیسٹ کا انتظام کیا۔ معزز ڈسٹرکٹ ہیلتھ آفیسر صاحب نے مفت ٹی بی اسکریننگ کیمپ کا افتتاح کیا۔

اس قسم کی سرگرمیوں کو ترتیب دے کر آرکروما گردونواح کے علاقوں میں ایسی بیماریوں کے امکانات کو کم کرنے کی کوشش کرتی رہتی ہے۔

## سسٹین ایبل ایفلوینٹ ٹریٹمنٹ پلانٹ

پانی کی بچت کے حوالے سے ایک جدید فل اسکیل پراجیکٹ جو کہ ”زیرو ڈسچارج“ پر مشتمل ہے، ہمارے انجینئرز کی جانب سے پلان اور ڈیزائن کیا گیا ہے۔ اپنے سسٹین ایبل ایفلوینٹ ٹریٹمنٹ پلانٹ کی سہولت قائم کرنے کے لئے ایک فراخ دلانہ سرمایہ کاری کی گئی ہے۔

آرکروما کے سسٹین ایبل ایفلوینٹ ٹریٹمنٹ (SET) پلانٹ کا بعد زریو لیکوڈ ڈسچارج دسمبر 2013ء میں افتتاح کیا جا چکا ہے۔ یہ آرکروما کی جانب سے پاکستان میں کی گئی انفرادی سب سے بڑی سرمایہ کاری ہے۔ جدید سائنٹفک طریقہ کار کے ذریعے پانی کو ریسیکل کر کے دوبارہ استعمال کے قابل بنایا جا رہا ہے۔ یہ سہولت نہ صرف پانی کی 80 فیصد بڑی مقدار کو ریکور کرنے میں مدد و معاون ثابت ہوتی ہے بلکہ ایفلوینٹ ٹریٹمنٹ کو زیرو ویسٹ لکوڈ ڈسچارج مہیا کرتی ہے۔ SET پلانٹ 125 ایکڑ پر محیط ہے۔ یہ ایک ملین لیٹر پانی روزانہ محفوظ کرتا ہے جو کہ پانی کی ایک بڑی مقدار میں بچت ہے۔ آرکروما SET پلانٹ کے ذریعے آس پاس کے علاقوں کو بھی فائدہ پہنچاتی ہے اور ہم گردونواح میں تقریباً 30,000 گیلن صاف پینے کا پانی روزانہ کی بنیاد پر بلا معاوضہ فراہم کرتے ہیں۔

## تعلیم

آرکروما طلبہ کو انٹرنشپ فراہم کر رہی ہے۔ ہمارا چھ ہفتوں کا پروگرام طلبہ کو ٹیکنیکل پروسیجرنگ اور کیمسٹری میں جدت اور کس طرح اپلیکیشن لیب میں حفاظتی اصولوں کے مطابق امور انجام دینا ہیں، سے واقفیت فراہم کرتا ہے۔ یہ پروگرام کئی عشروں سے جاری ہے اور ہزاروں طلبہ کی تربیت کر چکا ہے جو اب انڈسٹری میں خدمات انجام دے رہے ہیں۔ خواتین انٹرنس میں اضافہ پروگرام کی ایک قابل تحسین خصوصیت ہے۔ ہمارے تربیت یافتگان میں تقریباً 30 فیصد خواتین ہیں۔ اب تک 5,671 طلبہ پر مشتمل 194 بچہ کو آرکروما کی جانب سے تربیت فراہم کی گئی ہے۔ زیر جائزہ مدت کے دوران کمپنی نے مبلغ 15 ملین روپے طلبہ اور ٹیکنیشنز کی تربیت کی تکمیل پر خرچ کئے۔



## شجرکاری

آج دنیا ماحولیاتی مسائل کا سامنا کر رہی ہے۔ گلوبل وارمنگ، اوزون میں کمی اور آلودگی کے مسائل ہیں۔

درج بالا ماحولیاتی مسائل کا حل درخت لگانا ہے تاکہ گلوبل وارمنگ، کاربن فٹ پرنٹس اور آلودگی میں کمی اور ساتھ ساتھ صاف ستھرا ماحول تشکیل دیا جاسکے۔ درخت اور پودے ماحول کی تطہیر اور خوبصورتی میں مرکزی اہمیت کے حامل ہیں۔ درختوں کا کاربن ڈائی آکسائیڈ جذب، آکسیجن خارج اور درجہ حرارت میں کمی، ذہنی اور جسمانی طور پر بنی نوع انسان پر صحت افزا اثرات پیدا کرتے ہیں۔

آرکرو پاکستان لمیٹڈ کی انتظامیہ اس امر پر یقین رکھتی ہے کہ درخت انسانی حالات اور طرز زندگی کی تشکیل میں انتہائی اہمیت کے حامل ہیں اور بغیر درختوں کے ہم انسان اس خوبصورت زمین پر زندہ نہیں رہ سکتے۔ ہماری مینوفیکچرنگ سائٹس پر ہزار ہا مختلف درختوں کے ساتھ ایک بھرپور سبز و شاداب ماحول ہماری ماحولیاتی پالیسی کا واضح مظہر ہے۔



فیکٹری کی حدود میں پودے لگانے کا عمل بھی انجام دیا گیا جہاں مختلف نامور شخصیات کو مدعو کیا گیا اور آرکرو ماکی اسپرنگ ٹری پلانٹیشن مہم 2019ء کو ایک مثالی مہم بنانے کے لئے پودوں کے بیج کاشت کئے گئے۔ آرکرو مانے ڈسٹرکٹ جا مشورہ میں پودے لگانے کی سرگرمیوں کا انعقاد کیا اور سرکاری دفاتر کے احاطے میں گرین بیلٹ بنائی۔



## ایکو انٹیلی جنٹ گروتھ کے ساتھ مفاہمت کی یادداشت

نئی اختراعات میں استحکام پروڈکٹ لائنز کے معیار کو بڑھاتا ہے۔ آر کروما نے قیادت کرتے ہوئے ایکو انٹیلی جنٹ گروتھ، اٹلی کے ساتھ ایک مفاہمت کی یادداشت پر دستخط کئے ہیں۔ ہمارا اشتراک عمل صارفین کو مضبوط بنانے کا جو اپنی ٹیکسٹائل سے متعلق مخصوص برآمد کرتے ہیں۔ آر کروما کی جانب سے ٹیکسٹائل ایسوسی ایشن کو C2C سرٹیفیکیشن کے حصول کے لئے تیاری کرنے کے حوالے سے آگاہ کرنے کے لئے اور مینٹیننس سیشن کا انعقاد کیا گیا۔



## WWF پاکستان کے ساتھ مفاہمتی یادداشت

آر کروما WWF پاکستان کے ساتھ 2018ء سے شراکت داری کر رہی ہے۔ ہمارا اشتراک ٹیکسٹائل انڈسٹری میں نکاسی آب سے متعلق ترقیاتی پروگراموں، سندھ انوائرنمنٹ پروٹیکشن ایجنسی (SEPA) کے اہلکاروں کی تربیت، شہر بھر میں پانی کا انتظام سنبھالنے کے لئے شراکت داری اور معاہدے کرنے کے حوالے سے ہے۔ تعاون کے حوالے سے ایک اور اہم حلقہ عمل سندھ میں نیچرل انڈیگو کو نمایاں کرنا ہے جہاں ہم کنوشنل انڈیگو کی جدید خطوط پر حوصلہ افزائی کر رہے ہیں۔ سرگرمی سے بھرپور سال کی تکمیل پر تجدیدی MOU پر جنوری 2019ء میں دستخط کئے گئے۔ ساتھ ہی ہم موجودہ سال میں کثیر تعداد میں مشترکہ پروجیکٹس کی توقع کرتے ہیں۔



## نیشنل ٹیکسٹائل یونیورسٹی کے ساتھ مفاہمت کی یادداشت

آرکرومانے باہمی تعاون کے حوالے سے نیشنل ٹیکسٹائل یونیورسٹی کے ساتھ ایک MOU پر دستخط کئے ہیں۔ یہ MOU طلبہ کو ٹیکسٹائلز میں جدید سائنسی ارتقاء جات، مشترکہ تحقیقی کام اور مارکیٹ انٹیلیجنس پر آرکرو ماسیٹر آف ایکسی لنس میں منعقد ہونے والے انٹرن شپ پروگرام تک رسائی فراہم کرے گا۔



## جدید ایڈوانسمنٹ کے ذریعے ٹیکسٹائل انڈسٹری کا استحکام

آرکرومانے اپریل 2019ء میں ’’مستحکم ٹیکسٹائل‘‘ کے موضوع پر فیصل آباد میں یونیورسٹی آف انجینئرنگ اینڈ ٹیکنالوجی اور سوسائٹی آف ڈائریزنڈ ٹیکسٹائلز کے اشتراک سے دوسری بین الاقوامی کانفرنس کا انعقاد کیا۔ یہ وہ سالانہ ایونٹ ہے کہ جس کا ٹیکسٹائلز کی تحقیقی ڈیولپمنٹس، نیشنل کلر کمپنیشن کے گریڈ فٹالے اور ٹیکسٹائل برانڈز نمائشوں کے حوالے سے سال بھر انتظار رہتا ہے۔ اس طویل کانفرنس میں ماہرین نے استحکام کے حوالے سے چیلنجز اور مواقعوں، پیداوار کے دوران پانی اور وسائل کی بچت، ڈیجیٹل پرنٹنگ، ایڈوانسڈ پولی مر ٹیکنالوجی اور قدر میں اضافے کے اثرات پر پریزنٹیشنز پیش کیں۔



## آرکروما کی پاکستان میں انیلن فری انڈیگو کی پیداوار کے لئے ایک بڑی جست

”انیلن فری انڈیگو۔ ڈینیسل 30 لکویڈ آرکروما کی تحقیق کا نتیجہ ہے۔ برانڈ نیو ڈائی زہریلے اثرات سے پاک ایک ایسا طریقہ فراہم کرتا ہے جس میں روایتی، آنکوک انڈیگو بلیو، جینز اور ڈینیم سے منسلک صارفین کے لئے تیار کیا جاتا ہے۔ اپنی وسیع گنجائش کی حامل، اسٹیٹ آف دی آرٹ پروڈکشن لائنز پر محیط آرکروما کی پہلی زیرو لیکویڈ سچارج پاسیڈار سہولت۔ جامشور و سائٹ کو اس ڈائی کی پیداوار کے لئے مخصوص کیا گیا جہاں سے اسے دنیا بھر میں سپلائی کیا جائے گا۔



فروری میں آرکروما نے انیلن فری انڈیگو۔ ڈینیسل 30 لکویڈ آرکروما کی پیداوار کے عمل کا آغاز کیا۔ عزت مآب جناب تھامس کولی، سوئٹزر لینڈ کے سفیر مائیکل زسٹین، صدر۔ کمرشل ریجن ایشیا انڈیا پاول کول، ہیڈ آف بزنس ڈویلپمنٹ اینڈ برانڈ سلویشنز نے آرکروما کی متحرک ٹیم کے ہمراہ افتتاحی تقریب کو جوائن کرنے کیلئے خصوصی طور پر شرکت کی۔



## آرکرو ماکی اقوام متحدہ میں رسائی

آرکرو ماہم فورمز پر نوجوانوں کو مواقع فراہم کر کے ان کی مدد کرتی ہے۔ LUMS کے ایک نوجوان اور ذہین انڈرگریجویٹ محمد صارم رضا کو جنیوا میں اکتوبر 2018ء میں اقوام متحدہ کے زیر اہتمام منعقدہ ٹریڈ اینڈ ڈیولپمنٹ کانفرنس میں پاکستان کی نمائندگی کے لئے بطور سفیر استحکام اسپانسر کیا گیا۔ کانفرنس کے عنوانات میں عالمی معیشت کے لئے دیہی مارکیٹ سے منسلک مقاصد میں پائیدار ترقی، نوجوانوں کے لئے معقول ملازمتیں، کاروبار میں نوجوانوں کی صلاحیتوں میں اضافہ شامل تھے۔ آرکرو ماکی کانفرنس کے دوران زیر بحث تمام امور پر اپنی بہترین اخلاقی طریقوں کے باعث بحیثیت ایک رول ماڈل پیش کیا گیا۔

## عطیات

آرکرو ماکی مختلف فلاحی، تعلیمی اور طبی اداروں کو عطیات کے ذریعے مالی امداد فراہم کرتی ہے۔ زیر جائزہ مدت کے دوران ہماری کمپنی نے ایک ملین روپے کے عطیات دیئے۔

## کارپوریٹ گورننس

کمپنی نے کوڈ آف کارپوریٹ گورننس کے تمام شرائط جیسا کہ لسٹنگ ریگولیشنز کی شرط ہے، تعمیل کی ہے۔ اس کے مطابق ڈائریکٹرز مندرجہ ذیل امور کی تصدیق کرتے ہیں:

- کمپنی کی انتظامیہ کے تیار کردہ مالیاتی گوشواروں میں اس کے معاملات کی نوعیت، آپریشنز کا نتیجہ، کیش فلوز اور ایکویٹی میں تبدیلیاں سب شفاف طریقے سے پیش کیے گئے ہیں۔
- کمپنی کے اکاؤنٹ کے درست گوشوارے مرتب کیے جاسکے ہیں۔
- کمپنی کے مالیاتی گوشواروں کی تیاری میں درست اکاؤنٹنگ پالیسیاں تسلسل کے ساتھ کام میں لائی گئیں اور حساب کتاب کے اندازے معقول اور محتاط فیصلے کی بنیاد پر کیے گئے ہیں۔
- انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز (IFRS)، جیسا کہ پاکستان میں قابل اطلاق ہیں، کی کمپنی کے مالیاتی گوشوارے تیار کرنے میں تعمیل کی گئی ہے اور ان سے کسی بھی انحراف کی صورت میں اسے اچھی طرح سے ظاہر اور واضح کیا گیا۔
- کمپنی کا اندرونی کنٹرول سسٹم انتہائی مربوط ہے اور اس کا اطلاق اور نگرانی مؤثر طریقے سے کی گئی ہے اور
- کمپنی کی کاروبار چلانے اور منافع کمانے کی صلاحیت پر کوئی شبہات نہیں ہیں۔
- گزشتہ چھ سال کا اہم آپریٹنگ اور فنانشل ڈیٹا تلخیص کی صورت میں منسلک ہے (صفحہ ۴۷)۔
- غیر ادا شدہ ٹیکسز اور محصولات منسلک آڈٹ شدہ مالیاتی گوشواروں میں اچھے طریقے سے ظاہر کر دیے گئے ہیں۔
- کارپوریٹ گورننس، جیسا کہ لسٹنگ ریگولیشنز میں بیان کیے گئے ہیں، کہ بہترین طریقوں سے کوئی انحراف نہیں کیا گیا ہے۔

## اخلاقیات اور کاروباری طریقوں (ضابطہ اخلاق) کا بیان

بورڈ، سینئر مینجمنٹ اور دیگر ملازمین کی دیانتداری کی تائید کرنے کے سلسلے میں پیشہ ورانہ معیارات اور کارپوریٹ اقدار کو بہ عمل لانے کے لیے بورڈ نے ایک ضابطہ اخلاق جاری کیا ہے جس میں قابل قبول اور ناقابل قبول رویوں کی وضاحت کی گئی ہے۔ اسے کمپنی کی ویب سائٹ پر بھی رکھا گیا ہے۔

## ڈائریکٹرز ٹریڈنگ پروگرام

بورڈ آف ڈائریکٹرز کی تربیت بورڈ کی ذمہ داری کو پورا کرنے اور کسی کمپنی کی کارکردگی میں واضح بہتری لانے کے لیے مددگار ہوتی ہے۔ ہر بورڈ کا کمپنی کی نگرانی بشمول اسٹیک ہولڈرز کی ذمہ داری کے حوالے سے ایک منفرد کردار ہوتا ہے۔ چنانچہ اس کو ذہن میں رکھتے ہوئے اور ضابطے کی شرائط کے مطابق پانچ ڈائریکٹرز اب تک ڈائریکٹرز ٹریڈنگ پروگرام مکمل کر چکے ہیں۔ مزید یہ کہ ایک ڈائریکٹر کارپوریٹ گورننس کے ضابطے کے تحت اسٹیٹ کی کسوٹی پر پورا اترتا ہے۔

## نان ایگزیکٹو ڈائریکٹرز کی معاوضہ پالیسی

بورڈ آف ڈائریکٹرز نے نان ایگزیکٹو اور خود مختار ڈائریکٹرز اور سینئر مینجمنٹ کے اراکین کے لئے ایک ”معاوضہ پالیسی“ منظور کی ہے جس کی نمایاں خصوصیات درج ذیل ہیں: معاوضہ برائے بورڈ یا اس کی کمیٹیوں کی میٹنگز میں شرکت کا تعین بورڈ کی منظوری سے وقتاً فوقتاً کیا جاتا ہے۔

## آڈٹ کمیٹی

بورڈ کی جانب سے آڈٹ کمیٹی کارپوریٹ گورننس کے کوڈ کے نفاذ کے بعد تشکیل دے دی گئی تھی۔ اس وقت کمیٹی کے تمام تین اراکین جن میں جناب معین مہاجر صاحب، جناب مشیل زمستین صاحب اور جناب شاہد غفار صاحب نان ایگزیکٹو ڈائریکٹرز ہیں۔ آڈٹ کمیٹی کے چیئرمین ایک انڈیپنڈنٹ ڈائریکٹر ہیں۔

آڈٹ کمیٹی کے ٹرمز آف ریفرنسز وہی ہیں جو کارپوریٹ گورننس کے قواعد و ضوابط میں بیان کئے گئے ہیں۔ مزید یہ کہ آڈٹ کمیٹی اس امر میں بااختیار و آزاد ہے کہ وہ خود کو مطمئن کرنے کے لئے داخلی دسترس اور مالیاتی بیانیوں سے متعلق کسی بھی قسم کی معلومات اور وضاحتیں طلب کر سکے۔

یہ کمیٹی کم از کم ایک بار سہ ماہی میں مالیاتی گوشواروں کا جائزہ لینے اور کمپنی کے کاروبار کے حوالے سے کوئی بھی بڑا فیصلہ کرنے کے موقع پر ملاقات کرتی ہے۔ آڈٹ کمیٹی مالیاتی گوشواروں کی منظوری کے لیے بورڈ کو اپنی سفارشات بھیجتی ہے جو سی ای او اور سی ایف او کی طرف سے اچھی طرح سے توثیق شدہ ہوتی ہے۔

## افراد کی قوت اور مشاہرہ (HR&R) کمیٹی

کوڈ آف کارپوریٹ گورننس کے مطابق بورڈ HR&R کمیٹی بھی تشکیل دے چکا ہے جو کہ تین ڈائریکٹرز (محترمہ یاسمین پیر محمد صاحبہ، جناب مجتبیٰ رحیم صاحب اور مشیل زمستین صاحب) پر مشتمل ہے۔ کمیٹی کے شرائط و حوالہ جات شامل ہیں لیکن ان تک محدود نہیں جیسا کہ کوڈ آف کارپوریٹ گورننس میں ذکر کیا گیا ہے۔

## بورڈ اور کمیٹیوں کی میٹنگوں کی حاضری

زیرجائزہ سال کے دوران بورڈ اور کمیٹی کے اجلاس منعقد ہوئے جس میں شرکت کرنے والے ہر ڈائریکٹر کی تفصیل درج ذیل ہے:

HR&R	آڈٹ کمیٹی	بورڈ آف ڈائریکٹرز	عہدہ	ڈائریکٹرز کے نام
1-اجلاس	4-اجلاس	4-اجلاس		
1	-	4	ایگزیکٹو	محمد رحیم
-	-	4	نان ایگزیکٹو	ڈاکٹر امیں مبارک علی
-	-	4	نان ایگزیکٹو	رولاند ویٹیل (متبادل ایم وقار عارف)
1	3	3	نان ایگزیکٹو	مشیل زمٹین (متبادل نوید کمال)
-	1	1	نان ایگزیکٹو	ہانس لارنس (متبادل نوید کمال)
-	-	-	نان ایگزیکٹو	مارکوس فیورر
-	4	4	انڈیپنڈنٹ	ایم زیڈ معین مہاجر
-	3	3	انڈیپنڈنٹ	شاہد غفار
1	-	4	انڈیپنڈنٹ	یاسمین پیر محمد

ان ڈائریکٹرز کو غیر حاضری کی چھٹی دی گئی تھی جو بورڈ کے اجلاسوں میں شرکت نہیں کر سکتے تھے اور ان کی نمائندگی ان کے متبادل نے کی۔

## گریجویٹی اور پراویڈنٹ فنڈ

گریجویٹی اور پراویڈنٹ فنڈز کی سرمایہ کاری کی ویلیو کا انحصار تازہ غیر آڈٹ شدہ اکاؤنٹس پر ۳۰ جون ۲۰۱۸ اور ۳۰ جون ۲۰۱۹ پر مندرجہ ذیل کے مطابق ہے:

2018

2019

(روپے ملین میں)

837

794

گریجویٹی فنڈ

643

636

ملازمین کا پراویڈنٹ فنڈ

سرمایہ کاری کی ویلیو میں حاصل شدہ منافع شامل ہے۔

## ہولڈنگ کمپنی

آرکرو مائیکسٹائلز اے۔ اے۔ آر۔ ایل (آر کرما) ایک عالمگیر اور مختلف النوع رنگ اور مخصوص کیمیکلز فراہم کرنے والی کمپنی ہے جو برانڈڈ اور پرفارمنس ٹیکسٹائلز، چمکنگ اینڈ پیپر اور کوئنگ، ایڈپسو اور سیلیٹس مارکیٹوں کے لیے پیداوار کر رہی ہے۔ ہیڈ کوارٹر نیچ سوئٹزرلینڈ میں واقع ہے اس انتہائی مربوط، کسٹمر فوکسڈ پلیٹ فارم سے کمپنی سو سے زائد ملکوں میں کلسٹرز اور مہارت فراہم کر رہی ہے۔ آرکروما 35 ملکوں میں اپنی 25 پیداواری سائٹس اور تین ہزار ملازمین کے ہمراہ کام سرانجام دے رہی ہے۔

## ویب سائٹ

تمام اسٹیک ہولڈرز اور عام افراد آرکروما پاکستان لمیٹڈ کی ویب سائٹ کا وزٹ کر سکتے ہیں۔ [www.archroma.com.pk](http://www.archroma.com.pk) کہ جس پر سرمایہ کاروں کے لئے منتخب حصے اور متعلقہ معلومات دستیاب ہیں۔

## ای میل

[archroma.pakistan@archroma.com](mailto:archroma.pakistan@archroma.com)

## واقعات مابعد

کوئی نمایاں تبدیلی یا معاہدے جو کمپنی کی مالیاتی پوزیشن کو متاثر کر سکیں، کمپنی کے مالیاتی سال کے اختتام اور اس رپورٹ کی تاریخ کے درمیان واقع نہیں ہوئے۔

## فنانشل اسٹیٹمنٹ اور آڈیٹرز

کمپنی کے مالیاتی گوشوارے KPMG تاثیر ہادی اینڈ کو۔ چارٹرڈ اکاؤنٹینٹس کے آڈیٹرز نے بغیر کسی تبدیلی آڈٹ کیے اور ان کی تصدیق کی۔ سبکدوش ہونے والے میسرز KPMG تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹینٹس چوبیسویں سالانہ جنرل میننگ میں سبکدوش ہو جائیں گے اور انہوں نے دوبارہ تقرر کے لئے پیش کش کی ہے۔ آڈٹ کمیٹی، رخصت پانے والے میسرز KPMG تاثیر ہادی اینڈ کو۔ چارٹرڈ اکاؤنٹینٹس کے آڈیٹرز کو دوبارہ تعیناتی کی تجویز کرتی ہے۔

## اہم آپریٹنگ اور فنانشل ڈیٹا

گزشتہ چھ سال کے لیے اہم آپریٹنگ اور فنانشل ڈیٹا صفحہ نمبر ۴ پر دکھایا گیا ہے۔

## پیٹرن آف شیئر ہولڈنگ

پیٹرن آف شیئر ہولڈنگ کا بیان صفحہ نمبر ۱۰۹ پر ملاحظہ کیجئے۔  
ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکریٹری اور ان کی بیگمات اور نابالغ بچوں کی جانب سے رواں سال کمپنی کے شیئرز پر کوئی تجارت نہیں کی گئی۔

## اظہار تشکر

بورڈ اپنے اسٹاف ممبرز اور ملازمین کی انتہائی مشکل حالات میں بھی بہترین کارکردگی پر شکر یہ ادا کرتا ہے اور پر امید ہے کہ ہم مستقبل میں اپنے تمام مقاصد کو حاصل کر لیں گے۔  
بورڈ کی جانب سے ہم اپنے تمام قابل قدر شیئر ہولڈرز، صارفین، سپلائرز، کنٹریکٹرز، بینکرز اور دیگر اسٹیک ہولڈرز اور ان کی معاونت، اعتماد اور بھرپور سہ مندی کے حوالے سے ممنونیت کا اظہار کرتے ہیں۔ ان تمام ملازمین کا شکر یہ ادا کرنا بھی ضروری ہے کہ جن کی وفاداری، وابستگی اور انتھک محنت کی وجہ سے کمپنی اپنے مقاصد کے حصول میں کامیاب ہوئی۔

بورڈ کی جانب سے۔



ایم وقار عارف  
(ڈائریکٹر)



جتین راجیم  
(چیف ایگزیکٹو آفیسر)

کراچی: ۳۰ اکتوبر ۲۰۱۹ء

# / AWARDS AND ACCREDITATIONS

## Corporate Awards

Archroma secured a strong position at major national levels:

## Corporate Excellence Award

Archroma Pakistan once again achieved another milestone by winning the prestigious "Corporate Excellence Award" in the Chemical Category at the 34th Corporate Excellence Awards ceremony held in Karachi in April 2019. Archroma was honored with this prestigious recognition for the 8th time in a row. The nationwide contest was organized by the Management Association of Pakistan. The award affirms the Company's adherence to the best corporate practices and governance in the Chemical sector. We came out as winners. Mr. Mujtaba Rahim received the prestigious trophy from the Chief Guest, Dr. Abdul Bari Khan, Chairman, Indus Hospital, at a highly attended awards ceremony.



Mr. Mujtaba Rahim, CEO, Archroma Pakistan receiving the Corporate Excellence Award from Dr. Abdul Bari Khan, Chairman, Indus Hospital

## Top 25 Companies Award

The Pakistan Stock Exchange declared Archroma for the 16th time since 2001, amongst its Top 25 Companies. It is indeed a remarkable feat. Our achievement is a recognition of complying successfully to the high standards and crossing annually raised bars set by the Stock Exchange.

The winning criteria is based on capital efficiency, good corporate governance, listing regulations, transparency and timely distribution of profits.

# / AWARDS AND ACCREDITATIONS

## Fire & Safety Award

At the conclusion of the Annual Convention on Fire & Safety, Archroma Pakistan was adjudged the winner of the Fire & Safety Award for 2019. This distinction was based on our best practices on safety, regular fire-fighting drills, emergency response trainings and a strong culture of Safety First. The nationwide contest was organized by the Fire Protection Association of Pakistan in collaboration with the National Forum for Environment & Health. Many practical recommendations were made to the city government with special emphasis on fire fighting and emergency services. Mr. Veqar Arif received the Award from the Chief Guest, Mr. Nasir Hussain Shah, Sindh Provincial Minister.



Mr. Veqar Arif receiving the Award from the Chief Guest, Mr. Nasir Hussain Shah, Sindh Provincial Minister.

## Business Sustainability Award

Archroma has achieved many milestones in the field of female empowerment within and outside the organizational level. We have a policy on providing equal opportunity to our female employees and as a result their representation is marked at the senior management cadre. Archroma secured 2<sup>nd</sup> position for the 3<sup>rd</sup> time in a row.



# / AWARDS AND ACCREDITATIONS

## Corporate Social Responsibility Award

Archroma Pakistan won the CSR Award in the area of Biodiversity & Conservation in recognition of its many actions aimed at saving the environment and water consumption. The national contest was organized by the National Forum for Environment & Health in January 2019. The President of Pakistan, Dr. Arif Alvi graced the occasion whilst the Award was presented by the President of Azad Kashmir, Mr. Masood Khan. We continuously challenge the status quo with the deep belief that it can make our industry sustainable.



## Recognition by the Government Technical, Vocational & Educational Training Support Program

Archroma Pakistan is one of the seven pioneer organizations who founded vocational training initiatives to enhance the capacity building of young students by giving them hands-on training within their organizations. The project started in 2012 and is still going strong. H.E. Mr. Jean-Francois Cautain, Ambassador of the European Union was the Chief Guest. Founding partners, members of Chambers and students were present at the occasion.



Mr. Nasir Mohammad Vohra with the Chief Guest and the memento of appreciation.

# / AWARDS AND ACCREDITATIONS

## Tree Plantation Award

Employees volunteer and plant trees in the vicinity of the area they work in. Additionally, Archroma Pakistan promotes tree plantations in schools, civil administration offices and neighborhoods. At our production sites in Jamshoro and Landhi, it is our motto to plant fruit trees with the result that mangoes, guavas, cheeku, dates, grapefruits, papayas and coconuts are available in abundance every season. We utilize designated open spaces for growing vegetables. Archroma was presented a special award on Tree Plantation initiatives.



## Green Offices

Since 2016, Archroma Pakistan offices are certified as "Green Office" by WWF Pakistan. This prestigious achievement enables us to make substantial savings in water usage, utilities - electricity, gas and fuel, waste management and natural resources.

Our offices and application laboratories are well designed in such a manner that we take maximum benefit of daylight and save electricity. Used water from taps is directed towards green spaces where it is utilized for plantation.



# / AWARDS AND ACCREDITATIONS

## Environment Excellence Award

Archroma Pakistan has been awarded the 16th Annual Environment Excellence Award 2019 at the Annual Conference on Environment & Health held in Karachi in July 2019. The award is in recognition of our outstanding contribution towards sustainable development and in protecting the environment for a greener Pakistan.

The event was put together by the National Forum for Environment & Health (NFEH), a non-profit organization which focuses on facilitating and promoting environment, healthcare and educational awareness amongst the masses in Pakistan.



# SIX YEARS AT A GLANCE

	2019	2018	2017	2016	2015	2014
	----- (Rupees '000) -----					
Property Plant & equipment	1,914,464	1,952,688	1,744,273	1,815,404	1,934,400	1,021,329
Other assets	7,275	8,586	11,245	11,078	21,167	28,156
Current assets	9,541,052	8,999,754	7,995,376	6,857,347	7,086,800	5,679,159
<b>Total assets</b>	<b>11,462,791</b>	<b>10,961,028</b>	<b>9,750,894</b>	<b>8,683,829</b>	<b>9,042,367</b>	<b>6,728,644</b>
Share capital	341,179	341,179	341,179	341,179	341,179	341,179
Revenue reserves and unappropriated profit	4,776,258	4,464,033	4,676,467	5,046,233	4,291,729	3,837,067
Bank borrowings	2,920,070	2,489,701	1,732,030	604,765	1,698,740	892,577
Other liabilities	3,425,284	3,666,115	3,001,218	2,691,652	2,710,719	1,657,821
<b>Total Funds Employed</b>	<b>11,462,791</b>	<b>10,961,028</b>	<b>9,750,894</b>	<b>8,683,829</b>	<b>9,042,367</b>	<b>6,728,644</b>
Net Sales	17,353,050	14,290,089	12,242,715	11,350,227	8,828,624	6,872,277
Profit before tax	2,150,019	1,943,980	2,240,384	2,320,392	1,580,064	1,258,668
Profit after Tax	1,722,380	1,536,276	1,621,473	1,720,031	1,241,982	1,053,408
Cash Dividend %	450	400	500	600	250	250
Earning Per share	50.48	45.03	47.53	50.41	36.40	30.88
Break-up value per share	149.99	140.84	147.07	157.91	135.79	122.46
Current Ratio	1.55	1.52	1.78	2.33	1.73	2.27
Assets Turnover	1.51	1.30	1.26	1.31	0.98	1.02
Return on assets %	15.02	14.01	16.63	19.80	13.74	15.66
Return on Equity	33.66	31.97	32.32	31.93	26.81	25.21
Pay Out ratio after tax	89.14	88.82	105.20	119.02	68.68	80.96

# STATEMENT OF COMPLIANCE

## Statement of Compliance (Code of Corporate Governance) Regulations, 2017

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are eight as per the following:

Male	7
Female	1

2. The composition of the Board is as follows:

**Independent Directors**

Mr. M. Z. Moin Mohajir  
Mr. Shahid Ghaffar  
Ms. Yasmin Peermohammad

**Non-Executive Directors**

Mr. Michel Zumstein (Alternate Mr. Naveed Kamil)  
Mr. Marcos Furrer  
Mr. Roland Waibel (Alternate Mr. M. Veqar Arif)  
Dr. S. Mubarik Ali

**Executive Director**

Mr. Mujtaba Rahim

- \* Casual vacancies were filled up by the Board of Directors in their meetings.

3. The Directors have confirmed that none of them is serving as a Director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding Companies where applicable).
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board of Directors have a formal policy and transparent procedures for the remuneration of Directors in accordance with the Act and these Regulations.
9. The Board remained fully compliant with the provision of the Code pertaining to Directors training program as follows:

1. Mr. Mujtaba Rahim
2. Mr. M. Veqar Arif
3. Mr. Shahid Ghaffar
4. Mr. M.Z Moin Mohajir
5. Ms. Yasmin Peermohammad
6. Dr. S.Mubarik Ali

# STATEMENT OF COMPLIANCE

10. The Board has approved the appointment of the Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with the relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the Board.
12. The Board has formed the following Committees comprising of members given below:

## **Audit Committee**

- Mr. M Z Moin Mohajir - Chairman
- Mr. Michel Zumstein - Alternate Mr. Naveed Kamil
- Mr. Shahid Ghaffar
- Mr. M. Irfan Lakhani - Secretary

## **Human Resource and Remuneration Committee**

- Ms. Yasmin Peermohammad - Chairman
- Mr. Mujtaba Rahim
- Mr. Michel Zumstein - Alternate Mr. Naveed Kamil

13. The terms of reference of the aforesaid Committees have been formed, documented approved by the Board and communicated to the committees for compliance.
14. The frequency of meetings of the committees were as per following:

Audit Committee	Four quarterly meetings during the financial year ended 30 September 2019
HR and Remuneration	One meeting during the financial year ended 30 September 2019
15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
16. The statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with the Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all the requirements of regulations have been complied with;

On behalf of the Board of Directors



DR. S. MUBARIK ALI  
Chairman

Karachi  
Dated: 30 October 2019



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2, Beaumont Road  
Karachi 75530 Pakistan  
+92 (21) 35685847, Fax +92 (21) 35685095

## INDEPENDENT AUDITOR'S REVIEW REPORT

**To the members of Archroma Pakistan Limited**

**Review report on the Statement of Compliance contained in Listed Companies  
(Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") prepared by the Board of Directors of **Archroma Pakistan Limited** ("the Company") for the year ended 30 September 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.



KPMG Taseer Hadi & Co.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 September 2019.

A handwritten signature in purple ink, appearing to read 'KPM Taseer Hadi &amp; Co.', written over a horizontal line.

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Karachi**

**Date: 31 October 2019**



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2, Beaumont Road  
Karachi 75530 Pakistan  
+92 (21) 35685847, Fax +92 (21) 35685095

**INDEPENDENT AUDITOR'S REPORT**  
**To the members of Archroma Pakistan Limited**  
**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the annexed financial statements of **Archroma Pakistan Limited** (the Company), which comprise the statement of financial position as at 30 September 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September 2019 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



KPMG Taseer Hadi & Co.

Following are the Key audit matters:

S No.	Key audit matters	How the matters were addressed in our audit
1.	<p><b>Revenue recognition</b></p> <p>Refer notes 3.1.1, 3.16 and 22 to the Company's financial statements.</p> <p>Revenue is recognized from sale of goods in accordance with applicable accounting standards and measured net of discounts and commissions. Further, export sales comprise of 22% of total sales and around 50% of export sales are made to related parties.</p> <p>We identified revenue recognition as key audit matter because revenue is one of the key performance indicators and there is a potential risk that revenue transactions including related discounts and commissions may not be recognized in the appropriate period and risk of misapplication of new accounting standard IFRS 15 "Revenue from Contracts with Customers".</p>	<p>Our audit procedures in relation to recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• obtaining an understanding of the Company's process of sale of goods and testing the design, implementation and operating effectiveness of the relevant key controls over revenue recognition including accruals of discounts and commissions and timing of its recognition;</li> <li>• assessing the appropriateness of the Company's accounting policies for revenue recognition including those relating to discounts and commissions including its compliance with applicable accounting standards;</li> <li>• obtaining and inspecting a sample of contracts with customers to understand the conditions required for discounts and commissions and testing, on a sample basis, the amounts of discounts and commissions recognized by agreeing to individual customer agreements;</li> <li>• reviewing management's assessment of IFRS 15 to verify the reasonableness, accuracy and completeness of the impact on the financial statements including adequacy of disclosures;</li> <li>• obtaining an understanding of the nature of the revenue contracts</li> </ul>

<b>S No.</b>	<b>Key audit matters</b>	<b>How the matters were addressed in our audit</b>
		<p>entered into by the Company, testing a sample of sales contracts to confirm our understanding and assessed whether or not management's application of IFRS 15 requirements was in accordance with the standard; and</p> <ul style="list-style-type: none"> <li>• comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue including accruals of related discounts and commissions have been recognized in the appropriate accounting period.</li> </ul>
2.	<p><b>Valuation of Trade Debts</b></p> <p>Refer notes 3.6 and 8 to the Company's financial statements. The Company has a significant balance of trade debts.</p> <p>Further, the ECL model has been adopted during the year due to the application of IFRS 9 'Financial Instruments'. Details about the application of the IFRS and its effect is given in note 3.8.1.4 to the financial statements.</p> <p>We identified valuation of trade debts as a key audit matter as it involves significant judgments and estimates in application of the expected credit loss model.</p>	<p>Our audit procedures in this area, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• obtaining an understanding of and testing the design and implementation of management's key internal controls relating to credit control process (including credit account application approvals and credit limit review), debt collection process and making allowance for impairment loss against trade debts calculations;</li> <li>• testing the accuracy of trade debts aging report, on a sample basis, by comparing individual balances in the report with underlying documentation to evaluate whether the balances appearing in the aging report were classified within the appropriate aging bracket;</li> <li>• assessing the method used by the Company for recognition of the impact</li> </ul>



KPMG Taseer Hadi & Co.

S No.	Key audit matters	How the matters were addressed in our audit
		<p>of application of IFRS 9 with respect to allowance for impairment loss against trade debts as allowable under IFRS 9 and assessing the reasonableness of assumptions of ECL;</p> <ul style="list-style-type: none"> <li>• assessing the appropriateness of assumptions and estimates made by management on allowance for impairment loss against trade debts by comparing, on a sample basis, historical cash collections, actual write offs and cash receipts from customers subsequent to the financial year end with the underlying documentation; and</li> <li>• assessing the historical accuracy of allowance for impairment loss against trade debts recorded by examining the utilization or release of previously recorded provisions.</li> </ul>
3.	<p><b>Valuation of Stock-in-trade</b></p> <p>Refer notes 3.5 and 7 to the Company's financial statements.</p> <p>Stock in trade forms a significant part of the Company's total assets. Stock in trade comprise of raw material, packing material, work in process and finished goods which are stated at lower of cost and estimated net realizable value. Certain raw materials are purchased from related parties.</p> <p>We identified the valuation of</p>	<p>Our audit procedures in relation to valuation of stock in trade, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• obtaining an understanding of controls over purchases, valuation of stock in trade including creation of provision for expired including slow moving / obsolete items and testing, on a sample basis, their design, implementation and operating effectiveness;</li> <li>• comparing on a sample basis specific purchases (including those from related party) with underlying supporting documents / agreements, if</li> </ul>



KPMG Taseer Hadi & Co.

S No.	Key audit matters	How the matters were addressed in our audit
	<p>stock-in-trade as a key audit matter as it directly affects the profitability of the Company and determining an appropriate write-down as a result of provisions for expired and obsolete / slow moving stock in trade involves significant management judgment and estimation.</p>	<p>any.</p> <ul style="list-style-type: none"> <li>• comparing calculations of the allocation of directly attributable costs with the underlying supporting documents;</li> <li>• obtaining an understanding of management’s determination of net realizable value (NRV) and the key estimates adopted, including future selling prices, future costs to complete work-in-progress and costs necessary to make the sales and their basis;</li> <li>• testing, on a sample basis, management’s assessment of the NRV of stock in trade by comparing to its recent sales prices and executed purchase orders for future sales, if any;</li> <li>• testing the accuracy of stock in trade aging report, on a sample basis, by comparing individual balances in the report with underlying documentation and evaluating reasonableness of provisions with reference to its historical accuracy; and</li> <li>• comparing on a sample basis specific provision for expired and slow-moving stock in trade with underlying documentation.</li> </ul>

**Information Other than the Financial Statements and Auditor’s Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor’s report thereon.



## KPMG Taseer Hadi & Co.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



## KPMG Taseer Hadi & Co.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them



KPMG Taseer Hadi & Co.

all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is **Mohammad Mahmood Hussain.**

**Date: 31 October 2019**

**Karachi**

---


**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

# STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Note	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
<b>ASSETS</b>			
<b>Non - current assets</b>			
Property, plant and equipment	4	1,914,464	1,952,688
Long term loans	5	107	573
Long term deposits		6,095	6,155
Long term prepayments		1,073	1,858
		<b>1,921,739</b>	<b>1,961,274</b>
<b>Current assets</b>			
Stores and spares	6	49,357	45,436
Stock-in-trade	7	3,056,054	2,694,526
Trade debts	8	3,916,346	3,733,326
Loans and advances	9	448	3,416
Trade deposits and short-term prepayments	10	57,692	48,425
Other receivables	11	1,714,250	1,770,487
Taxation - net		147,948	172,033
Cash and bank balances	12	598,957	532,105
		<b>9,541,052</b>	<b>8,999,754</b>
<b>TOTAL ASSETS</b>		<b>11,462,791</b>	<b>10,961,028</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised capital 50,000,000 ordinary shares of Rs. 10 each		<b>500,000</b>	<b>500,000</b>
<b>Share capital</b>			
Issued, subscribed and paid-up capital	13	<b>341,179</b>	<b>341,179</b>
<b>General reserves</b>			
Revenue reserve		<b>3,096,000</b>	<b>2,968,000</b>
Unappropriated profit		<b>1,680,258</b>	<b>1,496,033</b>
		<b>4,776,258</b>	<b>4,464,033</b>
		<b>5,117,437</b>	<b>4,805,212</b>
<b>LIABILITIES</b>			
<b>Non - current liabilities</b>			
Deferred taxation - net	14	<b>59,581</b>	<b>127,456</b>
Deferred liabilities	15	<b>63,189</b>	<b>14,164</b>
Liabilities against assets subject to finance lease	16	<b>9,412</b>	<b>22,886</b>
Liabilities against diminishing musharika finance	17	<b>81,160</b>	<b>69,184</b>
		<b>213,342</b>	<b>233,690</b>
<b>Current liabilities</b>			
Trade and other payables	18	<b>3,027,570</b>	<b>3,293,095</b>
Unclaimed dividend		<b>65,986</b>	<b>65,465</b>
Mark-up accrued	19	<b>81,986</b>	<b>40,444</b>
Short-term borrowings	20	<b>2,920,070</b>	<b>2,489,701</b>
Current portion of liabilities against assets subject to finance lease	16	<b>12,243</b>	<b>17,368</b>
Current portion of liabilities against diminishing musharika finance	17	<b>24,157</b>	<b>16,053</b>
		<b>6,132,012</b>	<b>5,922,126</b>
		<b>6,345,354</b>	<b>6,155,816</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>11,462,791</b>	<b>10,961,028</b>
<b>Contingencies and commitments</b>			
	21		

The annexed notes 1 to 43 form an integral part of these financial statements.

  
Mujtaba Rahim  
Chief Executive Officer


  
M Veqar Arif  
Director and Chief Financial Officer

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2019

	Note	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
Sales		18,955,833	15,204,083
Trade discounts and commission		822,985	604,638
Sales tax		779,798	309,356
		1,602,783	913,994
<b>Net sales</b>	22	<b>17,353,050</b>	14,290,089
Cost of goods sold	23	12,006,899	9,771,812
<b>Gross profit</b>		<b>5,346,151</b>	4,518,277
Distribution and marketing expenses	24	1,744,329	1,480,214
Administrative expenses	25	507,625	498,733
Impairment loss on trade debts		143,406	60,178
Other expenses	27	136,480	129,041
		2,531,840	2,168,166
Other income	28	15,978	23,808
		2,830,289	2,373,919
Finance costs	29	680,270	429,939
<b>Profit before taxation</b>		<b>2,150,019</b>	1,943,980
Taxation	30	427,639	407,704
<b>Profit for the year</b>		<b>1,722,380</b>	1,536,276
<b>Other comprehensive (loss) / income</b>			
<i>Items that will never be reclassified to statement of profit or loss:</i>			
Remeasurement of post-employment obligations		(58,607)	(55,520)
Related tax thereon		13,167	12,704
		(45,440)	(42,816)
<b>Total comprehensive income for the year</b>		<b>1,676,940</b>	1,493,460
		(Rupees)	(Rupees)
<b>Earnings per share (basic and diluted)</b>	31	<b>50.48</b>	45.03

The annexed notes 1 to 43 form an integral part of these financial statements.

  
Mujtaba Rahim  
Chief Executive Officer


  
M Veqar Arif  
Director and Chief Financial Officer

# STATEMENT OF CASH FLOWS

For the year ended 30 September 2019

	Note	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	37	1,919,087	2,232,554
Staff gratuity contribution paid		(31,332)	(19,718)
Other long term employee benefits paid		(3,012)	(882)
Mark-up paid		(211,212)	(358,178)
Income taxes paid		(458,262)	(520,449)
Movement in long term loans		466	1,218
Movement in long term deposits and prepayments		526	1,441
<b>Net cash generated from operating activities</b>		<b>1,216,261</b>	<b>1,335,986</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(223,092)	(433,309)
Proceeds from disposal of property, plant and equipment		6,027	12,092
<b>Net cash used in investing activities</b>		<b>(217,065)</b>	<b>(421,217)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments against finance lease obligations		(18,599)	(26,126)
Payments / Financing against diminishing musharika finance		20,080	(16,875)
Short-term borrowings - proceeds		2,909,914	900,000
Short-term borrowings - repayments		(1,767,191)	(500,000)
Dividend paid		(1,364,194)	(1,685,219)
<b>Net cash used in financing activities</b>		<b>(219,990)</b>	<b>(1,328,220)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>779,206</b>	<b>(413,451)</b>
Cash and cash equivalents at beginning of the year		(1,057,596)	(644,145)
Cash and cash equivalents at end of the year	38	<b>(278,390)</b>	<b>(1,057,596)</b>

The annexed notes 1 to 43 form an integral part of these financial statements.

  
Mujtaba Rahim  
Chief Executive Officer


  
M Veqar Arif  
Director and Chief Financial Officer

# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2019

	Issued, subscribed and paid-up capital	General reserves		Total
		Revenue reserves	Unappro- priated profit	
------(Rupees in '000)-----				
Balance as at 30 September 2017	341,179	2,808,000	1,868,467	5,017,646
<b>Transaction with owners in the capacity as owners directly recorded in equity - distribution</b>				
- Final dividend at 500% (i.e. Rs. 50 per share) for the year ended 30 September 2017	-	-	(1,705,894)	(1,705,894)
Transfer to revenue reserves appropriated subsequent to year end	-	160,000	(160,000)	-
<b>Total comprehensive income for the year ended 30 September 2018</b>				
Profit for the year	-	-	1,536,276	1,536,276
Other comprehensive income	-	-	(42,816)	(42,816)
	-	-	1,493,460	1,493,460
<b>Balance as at 30 September 2018</b>	341,179	2,968,000	1,496,033	4,805,212
<b>Transaction with owners in the capacity as owners directly recorded in equity - distribution</b>				
- Final dividend at 400% (i.e. Rs. 40 per share) for the year ended 30 September 2018	-	-	(1,364,715)	(1,364,715)
Transfer to revenue reserves appropriated subsequent to year end	-	128,000	(128,000)	-
<b>Total comprehensive income for the year ended 30 September 2019</b>				
Profit for the year	-	-	1,722,380	1,722,380
Other comprehensive income	-	-	(45,440)	(45,440)
	-	-	1,676,940	1,676,940
<b>Balance as at 30 September 2019</b>	341,179	3,096,000	1,680,258	5,117,437

The annexed notes 1 to 43 form an integral part of these financial statements.

  
Mujtaba Rahim  
Chief Executive Officer

  
M Veqar Arif  
Director and Chief Financial Officer

# **NOTES TO THE FINANCIAL STATEMENTS**

## For the year ended 30 September 2019

### **1. THE COMPANY AND ITS OPERATIONS**

Archroma Pakistan Limited (the Company) is a limited liability company, incorporated and domiciled in Pakistan. The address of its registered office is 1-A/1, Sector 20, Korangi Industrial Area, Karachi, Pakistan. The Company is listed on Pakistan Stock Exchange Limited. The Company is a subsidiary of Archroma Textiles S.a.r.l., incorporated in Luxembourg, headquartered in Reinach, Switzerland, which holds 75% of the share capital of the Company.

The Company is primarily engaged in the manufacture, import and sale of chemicals, dyestuffs and coating, adhesive and sealants. It also acts as an indenting agent.

The manufacturing facilities and sales offices of the Company are situated at the following locations:

#### ***Factories***

- Petaro Road, Jamshoro
- LX-10, LX-11 Landhi Industrial Area, Karachi

#### ***Sales offices***

- Katar Bund Road, Off. Multan Road, Thokar Niaz Baig, Lahore
- Canal Road, Abdullah Pur, Faisalabad
- House # 78, Block S, Masoom Shah Road, Gulistan Chowk, New Multan

### **2. BASIS OF PREPARATION**

#### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

#### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention unless stated otherwise.

# **NOTES TO THE FINANCIAL STATEMENTS**

## For the year ended 30 September 2019

### **2.3 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand of rupees, unless stated otherwise.

### **2.4 Use of judgments and estimates**

The preparation of these financial statements in conformity with approved accounting and reporting standards as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Information about judgments made by the management in the application of approved accounting and reporting standards, as applicable in Pakistan, that have the most significant effects on the amount recognized in the financial statements and information about assumptions and estimation uncertainties with significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next year are described in the following:

- i) estimation of useful lives and residual values of operating fixed assets (notes 3.2 and 4.1);
- ii) estimation in writing down items of stores and spares to their net realisable value (notes 3.4 and note 6);
- iii) estimation in writing down items of stock-in-trade to their net realisable value (notes 3.5 and 7);
- iv) estimation of provision for impairment of trade debts (notes 3.8 and 8);
- v) provision for taxation (notes 3.7 and 30);
- vi) measurement of defined benefit obligation and other long term employment benefits : key actuarial assumptions (notes 3.12 and 26);
- vii) lease classification (notes 3.18 and 16);
- viii) recognition and measurement of provisions and contingencies (notes 3.14 and 21).

### **2.5 Changes in accounting standards, interpretations and pronouncements**

#### **2.5.1 New or amendments / interpretations to existing standards, interpretation and forthcoming requirements**

There are new and amended standards and interpretations that are mandatory for accounting periods beginning on or after 01 July 2018 other than those disclosed in note 3.1, are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

### 2.5.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRS 16 'Leases' (effective for the annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The management is in the process of analysing the potential impacts on adoption of this standard.
- Amendment to IFRS 9 'Financial Instruments' - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion - i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on the Company's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after (01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's financial statements.
- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

# **NOTES TO THE FINANCIAL STATEMENTS**

## For the year ended 30 September 2019

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (IASB) has issued a revised Conceptual Framework for Financial Reporting, which is applicable immediately, contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle - the improvements address amendments to following approved accounting and reporting standards:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
  - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 01 January 2019 and are not likely to have an impact on the Company's financial statements.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are set out below:

#### **3.1 Changes in significant accounting policies**

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 01 October 2018 which are effective for annual periods beginning on or after 01 July 2018 and for reporting period / year ending on or after 30 June 2019 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

### 3.1.1 IFRS 15 'Revenue from contracts with customers'

IFRS 15 - Revenue from contracts with customers (IFRS 15) became applicable to the Company from 01 October 2018. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of goods or services.

The Company has applied the modified retrospective method upon adoption of IFRS 15 as allowed under the Standard. This method requires the recognition of the cumulative effect (without practical expedients) of initially applying IFRS 15 to retained earnings. Accordingly, the information presented for comparative period in these financial statements have not been restated i.e. it is presented, as previously reported under IAS 18 and related interpretations.

Management has concluded that revenue from sale of goods be recognized at a point in time when control of the asset is transferred to the customer, which is when the goods are delivered and invoiced to the customer.

The above is generally consistent with the timing and amounts of revenue that the Company recognised in accordance with the previous standard, IAS 18. Therefore, management has concluded that the adoption of IFRS 15 did not have material impact on the timing and amounts of revenue recognition of the Company.

However, the amount of revenue to be recognized was affected as it changed the way the Company accounts for consideration payable to customers, cost of fulfilling the service (performance obligation) to customer and certain payments to customers or consumers, all of which were previously shown as distribution expenses, to be shown as deductions from revenue or included in cost of sales.

The impact of adoption of IFRS 15 on the statement of profit or loss and other comprehensive income for year ended 30 September 2019 is as follows:

Statement of profit or loss	Amount in ('000)		
	IAS 18	Reclassification	IFRS 15
Sales	18,955,833	-	18,955,833
Trade discounts and commission	765,621	57,364	822,985
Sales tax	779,798	-	779,798
	1,545,419	57,364	1,602,783
<b>Net sales</b>	17,410,414	(57,364)	17,353,050
Cost of goods sold	12,006,899	-	12,006,899
<b>Gross profit</b>	5,403,515	(57,364)	5,346,151
Distribution and marketing expenses	1,801,693	(57,364)	1,744,329
Administrative expenses	507,625	-	507,625
Impairment Loss	143,406	-	143,406
Other expenses	136,480	-	136,480
	2,589,204	(57,364)	2,531,840
Other income	15,978	-	15,978
	2,830,289	-	2,830,289
Finance costs	680,270	-	680,270
<b>Profit before taxation</b>	<b>2,150,019</b>	<b>-</b>	<b>2,150,019</b>

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

### 3.1.2 IFRS 9 'Financial Instruments'

IFRS 9 - Financial Instruments became applicable to the Company for the reporting period beginning from 01 October 2018. IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The management has concluded that the adoption of IFRS 9 did not have material impact on the financial statements. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

#### i. Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available for sale. IFRS 9, classifies financial assets in the following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortised cost.

#### ii. Impairment

From 01 October 2018 the Company has implemented an expected credit loss impairment model for financial assets. For trade receivables, the calculation methodology has been updated to consider expected losses based on aging profile. The adoption of the expected loss approach has not resulted in a material change in impairment provision for trade receivables only. The comprehensive policy is disclosed in note 3.8.1.4.

#### 3.1.2.1 Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 01 October 2018 are compared as follows:

Financial Assets	IAS 39		IFRS 9	
	Measurement Category	Carrying Amount	Measurement Category	Carrying Amount
------(Rupees in '000)-----				
Loans	Loans and receivables	2,897	Amortised cost	2,897
Deposits	Loans and receivables	24,512	Amortised cost	24,512
Trade debts	Loans and receivables	3,733,326	Amortised cost	3,733,326
Other receivables	Loans and receivables	46,233	Amortised cost	46,233
Cash and bank balances	Loans and receivables	532,105	Amortised cost	532,105
<b>Total financial assets</b>		<b>4,339,073</b>		<b>4,339,073</b>

Financial Liabilities	IAS 39		IFRS 9	
	Measurement Category	Carrying Amount	Measurement Category	Carrying Amount
------(Rupees in '000)-----				
Liabilities against assets subject to finance lease	Amortised cost	40,254	Amortised cost	40,254
Liabilities against diminishing musharika financing	Amortised cost	85,237	Amortised cost	85,237
Short-term borrowings	Amortised cost	2,489,701	Amortised cost	2,489,701
Mark-up accrued	Amortised cost	40,444	Amortised cost	40,444
Trade and other payables	Amortised cost	3,002,920	Amortised cost	3,002,920
<b>Total financial liabilities</b>		<b>5,658,556</b>		<b>5,658,556</b>

# **NOTES TO THE FINANCIAL STATEMENTS**

## For the year ended 30 September 2019

### **3.2 Property, plant and equipment**

#### **3.2.1 Operating fixed assets**

##### *Owned assets*

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except freehold land and capital work-in-progress which are stated at cost less accumulated impairment losses, if any. Whereas, cost includes expenditures that are directly attributable to the acquisition of the assets. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation is charged using the straight line method, whereby the depreciable amount of an asset is written off over its estimated useful life. The cost of leasehold land is amortised equally over the lease period. The asset's residual values and useful lives are reviewed, and adjusted if required, at each reporting date.

Depreciation is charged on additions from the month the asset is available for use and on disposals upto the month preceding the month of disposal. The rates of depreciation are stated in respective note in these financial statements.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income account as and when incurred.

Gains / losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Statement of Profit or Loss and Other Comprehensive Income account in the year in which they arise.

##### *Leased assets*

Upon initial recognition, an asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments, each determined at the inception of the lease. Subsequent to initial recognition, the asset is stated at the amount determined at initial recognition less accumulated depreciation and impairment losses, if any.

Depreciation is charged on the same basis as used for owned assets.

#### **3.2.2 Capital work-in-progress**

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress at cost. These are transferred to specific assets as and when these are available for use.

#### **3.2.3 Impairment**

The Company assesses at each reporting date whether there is objective evidence that property, plant and equipment may be impaired. If any such indication exists, the recoverable amount is estimated which is the greater of its value in use and its fair value less cost to sell. An impairment loss is recognised, if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in Statement of Profit or Loss and Other Comprehensive Income account.

# **NOTES TO THE FINANCIAL STATEMENTS**

## For the year ended 30 September 2019

### **3.2.4 Borrowing costs**

Borrowing costs are recognised as an expense in the period in which these are incurred except in cases where such costs are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) in which case such costs are capitalised as part of the cost of that asset.

### **3.3 Loans, advances and deposits**

These are stated at cost less estimates made for any doubtful receivables based on a review of all outstanding amounts at the reporting date. Balances considered bad and irrecoverable are written off when identified.

### **3.4 Stores and spares**

Stores and spares are valued at the lower of cost determined on the moving average method and net realisable value. Cost in respect of items in transit includes the invoice values and other charges incurred thereon.

Provision for obsolete and slow moving stores and spares is determined based on the management's assessment regarding their future usability.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and estimated costs necessarily to be incurred to make the sale.

### **3.5 Stock-in-trade**

Stock-in-trade are valued at the lower of cost determined on the moving average method and net realisable value.

Cost of work-in-process and manufactured finished goods comprises cost of direct materials, direct labour and an appropriate portion of production overheads. Cost in respect of items in transit includes the invoice values and other charges incurred thereon.

Provision for obsolete and slow moving inventories is determined based on management's assessment regarding their future usability.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and estimated costs necessarily to be incurred to make the sale.

### **3.6 Trade and other receivables**

Trade and other receivables are recognized initially at their transaction price and subsequently measured at amortised cost less loss allowances. These assets are written off when there is no reasonable expectation of recovery. The Company applies the IFRS 9 simplified approach for measuring expected credit loss (ECL) on trade receivables at an amount equal to lifetime credit loss. The ECL on trade receivables are calculated based on actual credit loss experience over the last year on the total balance of non-credit impaired trade receivables.

# **NOTES TO THE FINANCIAL STATEMENTS**

## For the year ended 30 September 2019

### **3.7 Taxation**

#### **Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any and taxes paid under Final Tax Regime. The charge for current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the period.

#### **Deferred**

Deferred taxation is recognised using the balance sheet liability method on all major temporary differences arising between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

### **3.8 Financial instruments**

#### **3.8.1 Financial assets**

##### **3.8.1.1 Classification**

The Company classifies financial assets on the basis of the business model within which they are held and their contractual cash flow characteristics. The financial assets of the Company are categorized as follows:

#### **a) Financial assets at amortised cost**

- these are the financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### **b) Financial assets measured at fair value through other comprehensive income (FVOCI)**

- these are the financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### **c) Financial assets measured at fair value through profit or loss (FVPL)**

- these are the financial assets measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income (FVOCI).

# **NOTES TO THE FINANCIAL STATEMENTS**

## For the year ended 30 September 2019

### **3.8.1.2 Initial recognition and measurement**

All financial assets are recognised at the time the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are taken directly to the statement of profit or loss and other comprehensive income account.

### **3.8.1.3 Subsequent measurement**

Subsequent to initial recognition, financial assets are valued as follows:

#### **a) Debt Investments at FVOCI**

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss. Other net gains and losses are recognised in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.

#### **b) Equity Investments at FVOCI**

These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to the statement of profit or loss.

#### **c) Financial assets at FVTPL**

These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in profit or loss.

#### **d) Financial assets measured at amortized cost**

These assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss.

### **3.8.1.4 Impairment**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

# **NOTES TO THE FINANCIAL STATEMENTS**

## For the year ended 30 September 2019

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Impairment losses related to trade and other receivables, are presented separately in the Statement of Profit or Loss. Trade and other receivables are written off when there is no reasonable expectation of recovery. The Management used actual credit loss experience over past years to base the calculation of ECL on adoption of IFRS 9. Given the Company's experience of collection history and no historical loss rates/bad debts and normal receivable aging, the move from an incurred loss model to an expected loss model has not had an impact on the financial position and/or financial performance of the Company.

### **3.8.1.5 Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or winding up of the Company or the counter parties.

### **3.8.2 Financial liabilities**

Financial liabilities are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Financial liabilities include mark-up bearing borrowings and trade and other payables. The Company derecognises the financial liabilities when contractual obligations are discharged or cancelled or expire. Financial liability other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest rate method.

### **3.8.3 Derecognition**

Financial assets are derecognised at the time when the Company's contractual right to the cash flows from the asset expires or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the transferred asset. Financial liabilities are derecognised at the time when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the Statement of Profit or Loss and other comprehensive income.

### **3.8.4 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price, without any deduction for transaction costs.

# **NOTES TO THE FINANCIAL STATEMENTS**

## For the year ended 30 September 2019

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e. using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e. discounted cash flow analysis making as much use of available and supportable market data as possible).

All assets and liabilities for which fair value is measured or disclosed in these financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value:

Level 1: Quoted prices (unadjusted) in active markets for identical asset

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurs.

### **3.9 Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents include cash in hand, cash in transit, cheques and drafts in hand and in transit, balances held with banks in current accounts, short term highly liquid investments that are readily convertible to known amount of cash with insignificant risk of change in value having maturity of three months or less from the date of acquisition and short-term running finances that are repayable on demand and form an integral part of the Company's cash management. Short-term running finances are shown within short-term borrowings in current liabilities on the statement of financial position.

### **3.10 Trade and other payables**

Trade and other payables are recognised initially at fair value which is consideration to be paid in the future for goods and services whether or not billed to the Company.

### **3.11 Borrowings**

Borrowings (including short term borrowing and diminishing musharika financing) are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in statement of profit or loss over the period of the borrowings using the effective interest method. Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expires.

### **3.12 Staff benefits**

#### **3.12.1 Retirement benefits**

The Company operates:

- a) an approved contributory provident fund for all eligible employees; and

# **NOTES TO THE FINANCIAL STATEMENTS**

## For the year ended 30 September 2019

b) an approved gratuity fund for all employees. Annual contributions are made to the fund on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability / (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the actual period to the then - net defined benefit liability / (asset) during the period as a result of contribution and benefit payments. Net interest expense and current service cost are recognized in the statement of profit or loss and other comprehensive income. The latest actuarial valuation was conducted at the reporting date by Archroma Group's globally appointed actuary.

Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

c) The Company's net obligation in respect of other long-term employee benefits i.e. long service award (Jubilee Plan), other than defined benefit obligation, is the amount of future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in Statement of Profit or Loss in the period in which they arise.

### **3.12.2 Compensated absences**

The liability in respect of compensated absences of employees on unavailed leave balances is accounted for in the period in which the leave is earned.

### **3.13 Foreign currency transactions**

Transactions in foreign currencies are translated to Pakistani Rupees at the foreign exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange approximating those at the reporting date. Exchange gains / losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to the statement of profit or loss and other comprehensive income.

### **3.14 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

### **3.15 Proposed dividend and transfer between reserves**

Dividends declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

### 3.16 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be measured reliably. Revenue is measured net of trade discounts, volume rebates and allowances, if any. Revenue comprise the fair value of consideration received or receivable on the following basis:

- Sales are recognised as revenue when goods are delivered and invoiced.
- Indenting commission is recognised on receipt of shipment confirmation from suppliers.
- Interest income is accrued on a time apportion basis on the principal outstanding at the rates applicable.
- Miscellaneous income is recognized on receipt basis.

### 3.17 Expenses

All expenses are recognized in the statement of profit or loss and other comprehensive income on accrual basis.

### 3.18 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases including leases under ijarah financing.

Lease payments under finance lease are apportioned between finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in the statement of profit or loss and other comprehensive income account, unless they are directly attributable to qualifying assets, in which case they are capitalized. Payments made under operating leases and ijarah financing (net of any incentives received from the lessor) are charged to statement of profit or loss and other comprehensive income account on straight line basis over the period of the lease / ijarah term.

### 3.19 Segment reporting

Operating segments are determined and presented in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Company's other components.

The Company has determined operating segments using business units. The business units have been established on the basis of products offered to external customers. The Company's Chief Executive Officer reviews the financial performance of the Company by business units.

In accordance with the Company's internal reports, that are regularly reviewed by the entity's chief operating decision-maker to allocate resources to the segments and assess their performance, function costs (comprising those with respect to finance, procurement, other administration, legal, information technology, human resources, etc.) are allocated to the respective operating segments.

## 4. PROPERTY, PLANT AND EQUIPMENT

	Note	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
Operating fixed assets	4.1	1,869,849	1,878,620
Capital work-in-progress	4.5	44,615	74,068
		<b>1,914,464</b>	<b>1,952,688</b>

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

### 4.1 Operating fixed assets:

	30 September 2019									Total
	Freehold Land	Leasehold Land	Buildings on Leasehold Land	Buildings on freehold Land	Plant and machinery	Furniture, fixtures and equipment		Vehicles		
						Owned	Leased	Owned	Leased	
----- (Rupees in '000) -----										
<b>At 01 October 2018</b>										
Cost	47	392,232	201,029	565,307	2,393,894	610,746	39,917	56,318	134,084	4,393,574
Accumulated depreciation	-	(14,428)	(77,553)	(310,497)	(1,521,354)	(486,836)	(34,948)	(16,572)	(52,766)	(2,514,954)
Net book value	47	377,804	123,476	254,810	872,540	123,910	4,969	39,746	81,318	1,878,620
<b>Year ended 30 September 2019</b>										
Opening net book value	47	377,804	123,476	254,810	872,540	123,910	4,969	39,746	81,318	1,878,620
Additions	-	-	2,094	-	163,891	45,528	3,400	-	37,632	252,545
Disposals / write-offs										
Cost	-	-	-	-	-	6,453	-	2,823	12,948	22,224
Accumulated depreciation	-	-	-	-	-	(6,385)	-	(2,642)	(7,904)	(16,931)
	-	-	-	-	-	68	-	181	5,044	5,293
Depreciation charge for the year	-	(3,962)	(7,078)	(25,816)	(148,910)	(33,283)	(5,014)	(1,670)	(30,290)	(256,023)
Closing net book value	47	373,842	118,492	228,994	887,521	136,087	3,355	37,895	83,616	1,869,849
<b>At 30 September 2019</b>										
Cost	47	392,232	203,123	565,307	2,557,785	649,821	43,317	53,495	158,768	4,623,895
Accumulated depreciation	-	(18,390)	(84,631)	(336,313)	(1,670,264)	(513,734)	(39,962)	(15,600)	(75,152)	(2,754,046)
Net book value	47	373,842	118,492	228,994	887,521	136,087	3,355	37,895	83,616	1,869,849
<b>Depreciation rate: % per annum</b>	-	1.00%	3.33%	2.5 - 10%	10 - 50%	10 - 33.33%	33.33%	20%	20 - 25%	
----- (Rupees in '000) -----										
	30 September 2018									Total
	Freehold land	Leasehold Land	Buildings on leasehold land	Buildings on freehold land	Plant and machinery	Furniture, fixtures and equipment		Vehicles		
						Owned	Leased	Owned	Leased	
----- (Rupees in '000) -----										
<b>At 01 October 2017</b>										
Cost	47	392,232	197,938	512,179	2,095,361	551,893	37,304	74,393	79,852	3,941,199
Accumulated depreciation	-	(10,466)	(70,544)	(287,907)	(1,377,691)	(458,453)	(26,889)	(23,023)	(26,259)	(2,281,232)
Net book value	47	381,766	127,394	224,272	717,670	93,440	10,415	51,370	53,593	1,659,967
<b>Year ended 30 September 2018</b>										
Opening net book value	47	381,766	127,394	224,272	717,670	93,440	10,415	51,370	53,593	1,659,967
Additions	-	-	3,091	53,128	304,150	62,702	2,613	-	54,232	479,916
Disposals / write-offs:										
Cost	-	-	-	-	5,617	3,849	-	18,075	-	27,541
Accumulated depreciation	-	-	-	-	(4,946)	(3,814)	-	(8,533)	-	(17,293)
	-	-	-	-	671	35	-	9,542	-	10,248
Depreciation charge for the year	-	(3,962)	(7,009)	(22,590)	(148,609)	(32,197)	(8,059)	(2,082)	(26,507)	(251,015)
Closing net book value	47	377,804	123,476	254,810	872,540	123,910	4,969	39,746	81,318	1,878,620
<b>At 30 September 2018</b>										
Cost	47	392,232	201,029	565,307	2,393,894	610,746	39,917	56,318	134,084	4,393,574
Accumulated depreciation	-	(14,428)	(77,553)	(310,497)	(1,521,354)	(486,836)	(34,948)	(16,572)	(52,766)	(2,514,954)
Net book value	47	377,804	123,476	254,810	872,540	123,910	4,969	39,746	81,318	1,878,620
<b>Depreciation rate: % per annum</b>	-	1.00%	3.33%	2.5 - 10%	10 - 50%	10 - 33.33%	33.33%	20%	20 - 25%	

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

4.2	The depreciation charge for the year has been allocated as follows:	Note	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
	Cost of goods sold	23	212,581	204,047
	Distribution and marketing expenses	24	22,892	26,202
	Administrative expenses	25	20,550	20,766
			<b>256,023</b>	<b>251,015</b>

4.3 Details of property, plant and equipment disposed off / written off during the year having book value of Rs. 500,000 or more have been disclosed and where the aggregate book value of fixed assets sold exceeds five million rupees:

Description	Mode of disposal	Cost	Book Value	Sale proceeds	Gain on disposal	Purchaser	Relationship with purchaser
----- (Rupees in '000) -----							
<b>Vehicles</b>							
Honda City	Company policy	1,494	1,214	1,223	9	Mr. Javed Iqbal	Ex-employee
Corolla Altis	Company policy	2,110	528	528	-	Mr. Anwaar Haider	Employee
		<b>3,604</b>	<b>1,742</b>	<b>1,751</b>	<b>9</b>		

4.4 Particulars of immovable property (i.e. land & building) in the name of the Company are as follows:

Locations	Usage of immovable property	Total Area (in Sq. Ft)	Covered Area (in Sq. Ft)
Landhi	Manufacturing Plant	<b>451,920</b>	<b>176,195</b>
Jamshoro	Manufacturing Plant	<b>3,964,204</b>	<b>2,047,320</b>

4.5	Capital work-in-progress	Note	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
	Plant and machinery		41,893	67,977
	Equipment		2,722	6,091
			<b>44,615</b>	<b>74,068</b>
5.	<b>LONG TERM LOANS</b>			
	<b>Considered good - secured</b>			
	Due from:			
	Executives		24	1,346
	Employees		531	1,551
		5.1	<b>555</b>	<b>2,897</b>
	Less: Receivable within one year	9	<b>(448)</b>	<b>(2,324)</b>
			<b>107</b>	<b>573</b>

5.1 Loans to executives and employees are provided by the Company in accordance with the terms of their employment. These loans are interest free and secured against provident fund, repayable over varying periods ranging between two to five years.

5.2	Reconciliation of carrying amount of loans to Executives	30 September 2019 Executives	30 September 2018 Executives
	Opening balance	1,346	2,969
	Repayments during the year	(1,322)	(1,623)
	Closing balance	<b>24</b>	<b>1,346</b>

5.3 The maximum aggregate amount outstanding at the end of any month during the year were Rs. 0.120 million (2018: Rs. 2.224 million) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

6. STORES AND SPARES		30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
Stores and spares		48,245	45,264
In transit		1,112	172
		<u>49,357</u>	<u>45,436</u>
<b>6.1</b>	Provision against slow moving and obsolete stores and spares amounts to Rs. 4.108 million (2018: Rs. 3.643 million) and written off there against amounting to Nil (2018: Nil).		
7. STOCK-IN-TRADE	Note	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
Raw and packing materials including goods in transit of Rs. 130.005 million (2018: Rs. 314.555 million)		1,644,739	1,524,421
Work-in-process	23	108,614	168,386
Finished goods including goods in transit of Rs. 26.830 million (2018: Rs. 49.810 million)	7.1 & 23	1,302,701	1,001,719
		<u>3,056,054</u>	<u>2,694,526</u>
<b>7.1</b>	This includes imported finished goods amounting to Rs 301.199 million (2018: Rs. 238.497 million).		
<b>7.2</b>	Provision against slow moving and obsolete stock including net realisable value amounts to Rs. 108.941 million (2018: Rs. 71.821 million) and written off there against amounting to Nil (2018: Nil).		
8. TRADE DEBTS	Note	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
Related parties - considered good and secured			
- Archroma Turkey Chemical Industry and Trade Limited Liability Company		89,840	21,785
- PT Archroma Indonesia		2,392	2,010
- Archroma (Thailand) Company Limited		56,652	28,660
- Archroma Tianjin Limited		-	1,765
- Archroma Shanghai (WFOE)		-	4,771
- Archroma Textile Mexico		-	18,657
- Archroma Peru S.A.		136,241	42,420
- Archroma Singapore Pte Limited		114,783	88,640
- Archroma Chemicals China Limited		25,633	-
- Archroma India Private Limited		-	33,596
- Archroma U.S. Inc		7,507	8,408
- PT Archroma Specialties		16,877	16,373
		<u>449,925</u>	<u>267,085</u>
Others - considered good:			
- Secured		244,113	222,836
- Unsecured		3,222,308	3,243,405
		<u>3,916,346</u>	<u>3,733,326</u>
Others - considered doubtful		535,932	392,526
		<u>4,452,278</u>	<u>4,125,852</u>
Less: Allowance for impairment loss against trade debts	8.1	(535,932)	(392,526)
		<u>3,916,346</u>	<u>3,733,326</u>
<b>8.1 Reconciliation of allowance for impairment loss against trade debts:</b>			
Opening balance		392,526	332,348
Charge for the year		143,406	60,178
Closing balance		<u>535,932</u>	<u>392,526</u>

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

8.2 The aging of the trade debts receivable from related parties as at the reporting date is as under:

	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
Not past due	441,977	220,217
Past due 1-60 days	7,948	46,868
Total	449,925	267,085

8.3 The maximum aggregate amount due from the related party at the end of any month during the year are as follows:

- Archroma Turkey Chemical Industry and Trade Limited Liability Company	92,990	21,785
- PT Archroma Indonesia	11,307	2,010
- Archroma (Thailand) Company Limited	84,988	67,858
- Archroma Tianjin Limited	6,607	5,766
- Archroma Shanghai (WFOE)	25,633	16,960
- Archroma Textile Mexico	37,655	48,779
- Archroma Peru S.A.	208,255	42,420
- Archroma Singapore Pte Limited	116,584	120,025
- Archroma India Private Limited	19,816	34,466
- Archroma U.S. Inc	16,935	8,408
- PT Archroma Specialties	20,938	16,372
	641,708	384,849

### 9. LOANS AND ADVANCES

Note

#### Considered good - secured

Current portion of loans and advances Amounts due from:

- Executives	24	1,338
- Employees	424	986
	448	2,324

5

#### Considered good - unsecured

Advances for supplies and services

-	1,092
448	3,416

9.1 These advances do not carry any mark up arrangement.

### 10. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Deposits	16,270	18,357
Short-term prepayments	41,422	30,068
	57,692	48,425

10.1

10.1 These prepayments are mainly against rent and insurance. These do not carry any mark up arrangements.

### 11. OTHER RECEIVABLES

Due from the Government:

- Sales tax	1,680,107	1,724,254
-------------	-----------	-----------

Indenting commission due from:

- Related parties - group companies	2,915	2,934
-------------------------------------	-------	-------

11.1

Receivable from provident fund (related party)	1,958	5,348
------------------------------------------------	-------	-------

Others	29,270	37,951
--------	--------	--------

1,714,250	1,770,487
-----------	-----------

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

**11.1** The names of group companies and the corresponding amounts due from them in respect of indenting commission are as follows:

	Note	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
Archroma Management GmbH		2,095	2,533
Archroma India Private Limited		124	231
Archroma (Thailand) Company Limited		520	-
Archroma Hong Kong Private Limited		176	140
Archroma Singapore Pte Limited		-	30
		<b>2,915</b>	<b>2,934</b>

**11.1.1** The aging of the indenting commission due from related parties as at the reporting date is as under:

Not past due		2,738	2,396
Past due more than 1 year		177	538
		<b>2,915</b>	<b>2,934</b>

### 12. CASH AND BANK BALANCES

Cash at banks	12.1	72,872	2,622
Cash in hand		1,270	622
Cheques in hand		524,815	528,861
		<b>598,957</b>	<b>532,105</b>

**12.1** The current accounts are placed with banks under conventional banking arrangements.

### 13. SHARE CAPITAL

#### 13.1 Authorised capital

2019	2018		30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
<b>50,000,000</b>	<b>50,000,000</b>	Ordinary shares of Rs 10 each	<b>500,000</b>	<b>500,000</b>

#### 13.2 Issued, subscribed and paid-up capital

2019	2018		30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
<b>7,441,639</b>	7,441,639	Ordinary shares of Rs. 10 each issued for consideration other than cash	<b>74,416</b>	74,416
<b>26,676,242</b>	26,676,242	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	<b>266,763</b>	266,763
<b>34,117,881</b>	<b>34,117,881</b>		<b>341,179</b>	<b>341,179</b>

**13.3** Archroma Textiles S.a.r.l., Luxembourg held 25,588,533 (2018: 25,588,533) ordinary shares of Rs 10 each at 30 September 2019.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

14. DEFERRED TAXATION - NET	Note	30 September	30 September
		2019 (Rs '000)	2018 (Rs '000)
<i>Deferred tax liabilities arising on taxable temporary differences:</i>			
Accelerated tax depreciation allowance and others		222,708	240,292
<i>Deferred tax assets arising on deductible temporary differences:</i>			
Provision for impairment against trade debts		120,404	80,881
Other long term employee benefits		2,200	2,591
Obligation under finance lease		28,526	28,714
Employees retirement benefits - net		11,997	650
		163,127	112,836
<b>15. DEFERRED LIABILITIES</b>		<b>59,581</b>	<b>127,456</b>
Employee retirement benefits	26.1.3	53,398	2,842
Other long term employee benefits	15.1	9,791	11,322
		<b>63,189</b>	<b>14,164</b>

15.1 This represents long service awards operated by the Company for eligible employees. The Company's obligation is determined by the Archroma group's globally appointed actuary using projected unit credit method. Remeasurement amounting to Rs. 1.48 million (2018: Rs. 2.63 million) has been recognised in statement of profit or loss account during the year.

### 16. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Minimum lease payments		Future finance costs		Present value of minimum lease payments	
	2019	2018	2019	2018	2019	2018
----- (Rupees in '000) -----						
Not later than one year	14,341	19,947	2,098	2,579	12,243	17,368
Later than one year and later than five years	9,927	24,477	515	1,591	9,412	22,886
	<b>24,268</b>	<b>44,424</b>	<b>2,613</b>	<b>4,170</b>	<b>21,655</b>	<b>40,254</b>
Less: Current portion shown under current liabilities					(12,243)	(17,368)
					<b>9,412</b>	<b>22,886</b>

The lease rentals carry mark-up at 6 months KIBOR +1%. The said mark-up rates are revised on a biannual basis and lease rentals are payable on monthly basis.

These assets have been leased from various financial institutions under leasing arrangements for three, four and five years as the case may be. After the completion of the term of the lease, the assets will be transferred to the Company upon the payment of 20% or 25% of the cost of the asset.

### 17. LIABILITIES AGAINST DIMINISHING MUSHARIKA FINANCE

	Due within one year		Due after one year but within 5 years		Total 30 September	
	2019	2018	2019	2018	2019	2018
----- (Rupees in '000) -----						
Principal Repayment	24,157	16,053	81,160	69,184	105,317	85,237
Profit	13,381	6,377	17,281	10,670	30,662	17,047
	<b>37,538</b>	<b>22,430</b>	<b>98,441</b>	<b>79,854</b>	<b>135,979</b>	<b>102,284</b>

During the year, the Company has obtained various vehicles under diminishing musharika financing arrangement entered into with the Modaraba having various maturity dates up to 15 September 2023 with monthly principal repayments. The financing is secured against the respective vehicles. The rate of profit on the borrowing is 6 months KIBOR + 1% per annum.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

18. TRADE AND OTHER PAYABLES	Note	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
Creditors		518,839	476,642
Accrued liabilities	18.1	493,207	507,091
Advance from customers		14,649	60,092
Bills payable:			
- Related parties		217,862	189,453
- Others		1,301,782	1,583,511
Export commission payable to related parties		19,689	29,228
Workers' Profit Participation Fund	18.2	56,569	58,315
Workers' Welfare Fund		85,762	106,484
Royalty payable to Archroma Management GmbH		191,847	179,040
Payable to employees cooperative society (related party)	18.3	32,368	28,254
Others		94,996	74,985
		<b>3,027,570</b>	<b>3,293,095</b>

**18.1** Accrued liabilities include contract liabilities amounting to Rs. 180 million (2018: Rs. 164 million) and provision for employees compensated absences amounting to Rs. 71.95 million (2018: Rs. 64.323 million).

18.2 Workers' Profit Participation Fund	Note	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
Opening balance		58,315	33,281
Allocation for the year	27	114,155	103,612
		<b>172,470</b>	136,893
Interest on funds utilised in the Company's business	29	1,726	4,016
		<b>174,196</b>	140,909
Less: Amounts paid to and on behalf of the fund		117,627	82,594
Closing Balance		<b>56,569</b>	58,315

**18.3** This represents amount with respect to voluntary contributions made by labour employees in terms of Bye Laws of Archroma Employees Co-operative Credit Society Limited.

19. MARK-UP ACCRUED	Note	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
Mark-up accrued on:			
Secured short-term Istisna		2,512	-
Secured short-term Offshore loan		36,530	-
Short-term finance facilities		39,399	39,396
Short-term borrowing under Export Refinance Scheme		3,545	1,048
		<b>81,986</b>	40,444
<b>20. SHORT-TERM BORROWINGS - SECURED</b>			
<b>From banking companies - Islamic</b>			
Short-term running facilities under Islamic mode	20.1	877,347	1,589,701
Short-term borrowing under Export Refinance Scheme	20.2	1,135,000	900,000
Short-term Istisna Loan	20.3	200,000	-
Short-term Murabaha Loan	20.4	707,723	-
		<b>2,920,070</b>	2,489,701

**20.1** Short term running facilities are available under Islamic financing from various banks under profit arrangements, amounting to Rs.4,200 million (2018: Rs. 3,500 million). These facilities have various maturity dates up to 30 September 2020. These arrangements are secured against a pari passu charge of hypothecation on stock-in-trade and trade debts with minimum 16.67% margin. These facilities carry profit ranging from 1 month KIBOR + 0.25% to 3 months KIBOR + 0.4% per annum calculated on a daily product basis and payable quarterly. The aggregate amount of these facilities which have not been availed as at the reporting date amounts to Rs. 1,279.93 million (2018: Rs. 1,059.57 million).

**20.2** The Company has availed Islamic Export Refinance facility under the Export Financing Scheme of the State Bank of Pakistan (SBP) amounting to Rs. 1,135 million (2018: Rs. 900 million). The profit on the facility is 2.5% to 2.75% per annum.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

**20.3** The Company has obtained Istisna loan during the year amounting to Rs. 200 million (2018: Rs. Nil) under short-term finance facilities available to the Company.

**20.4** During the year, the Company has availed Commodity Murabaha Loan under short term finance facility under Islamic mode amounting to Rs. 707.7 million (USD 5 million). The facility matures on 08 October 2019 and is secured against first pari passu joint hypothecation charge over stocks and receivables of the Company. The profit rate on the facility is 6 month KIBOR plus 0.02%.

### **21. CONTINGENCIES AND COMMITMENTS**

#### **21.1 Contingencies**

**21.1.1** Octroi levies amounting to Rs. 31.32 million are in dispute with a contractor. A petition has been filed by the Company in the Court challenging the above levies which was decided in favor of the Company during the year ended 31 December 2012. However, an appeal has been filed by the counter party which is pending for hearing. As management is confident that the decision will be in favour of the Company, no provision has been made in these financial statements in respect of the aforesaid amount.

**21.1.2** During the year ended 31 December 2007, damages and compensation case was filed in the Civil Court, Lahore against the Company and one of its affiliates for claim of Rs. 41.1 million (USD 148,509) on account of short supplies and late shipment. The Company acted as an indenting agent for this supply. Management is confident that the matter will be decided in favour of the Company and it will not be exposed to any loss on account of this claim. Accordingly, no provision has been made in these financial statements in respect of this claim.

**21.1.3** During the year ended 31 December 2009, the Company had received notices from the sales tax authorities demanding payment of Rs 233.42 million on account of sales tax along with the default surcharges on supply of the products to its customers as zero rated by the Company from June 2007 to June 2009. The Company had filed a case in the High Court of Sindh against which the Court has issued decree dated 04 August 2017 in favour of the Company. In the decree the Court has declared that product will be given the benefit of SRO 163(1)/2011; hence, the impugned letters including demands of defendants are illegal which are set aside and the defendants are directed to consider the refund claims of plaintiff within the parameters of the Law. Subsequently, tax authorities have filed an appeal against the Company in the High Court of Sindh against the decree and order issued in the case, which is still pending for hearing. Management expect that the appeal will also be decided in the Company's favour. Accordingly alleged demand has not been recognised in these financial statements.

**21.1.4** During the year ended 2015, the Government of Pakistan passed a new law "Gas Infrastructure Development Cess Act 2015", by virtue of which all prior enactments have been declared infructuous. The said Act levies GIDC at Rs. 200/MMBTU on captive power consumption effective 01 July 2011 and at Rs. 100/MMBTU on industrial connection from the date of passing that Act. Certain companies have obtained a stay order on the retrospective application of the Act from The Honourable High Court of Sindh and also contesting the case. On 26 October 2016, the High Court of Sindh held that enactment of GIDC Act 2015 is ultra-vires to the Constitution of Pakistan. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of High Court of Sindh and is pending for adjudication. On 31 May 2017, a separate petition filed by another company in the Peshawar High Court challenging the vires of the GIDC Act 2015 was dismissed for the reason that the Act has been passed by the Parliament strictly in accordance with the legislative procedures contained in the Constitution of Pakistan and therefore no procedural defect in the Act which could be made as a ground for its annulment. In view of decision of the High Court of Sindh on uncertainties regarding applicability of the Act retrospectively, management has therefore not recognised provision approximately amounting to Rs. 48.73 million, pertaining to period from 01 July 2011 to 30 September 2014, in these financial statements with respect to captive power plant installed at Jamshoro.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

### 21.2 Commitments

**21.2.1** Commitments for rentals under operating lease agreements in respect of vehicles and equipment amounted to Rs. Nil (2018: Rs. 0.475 million). The amounts payable over the next five years are as follows:

Year	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
Not later than one year	-	475
Later than one year but not later than five years	-	-
	<u>-</u>	<u>475</u>

**21.2.2** Commitments for rentals under operating lease agreements in respect of rented property amounted to Rs. 42.805 million (2018: Rs. 43.249 million). The amounts payable over the next five years and onwards are as follows:

	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
Not later than one year	<b>20,591</b>	10,417
Later than one year but not later than five years	<b>22,214</b>	23,672
Later than five years	-	9,160
	<u><b>42,805</b></u>	<u>43,249</u>

**21.2.3** Commitments for Ijarah rentals in respect of Ijarah transactions amounted to Rs. Nil (2018: Rs. 0.377 million).

	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
Not later than one year	-	377
Later than one year but not later than five years	-	-
	<u>-</u>	<u>377</u>

**21.2.4** Commitments for capital expenditure as at 30 September 2019 aggregated Rs. 31.349 million (2018: Rs. 18.47 million).

**21.2.5** Commitments under letters of credit for raw materials and spares as at 30 September 2019 amounted to Rs. 495.842 million (2018: Rs. 666.903 million).

**21.2.6** Banks have provided guarantees to various parties on behalf of the Company. Guarantees outstanding as at 30 September 2019 amounted to Rs. 101.217 million (2018: Rs. 101.22 million).

**21.2.7** The Company has provided post dated cheques amounting to Rs. 2,506.16 million (2018: Rs. 600.99 million) in favour of the Collector of Customs and which are, in the normal course of business, to be returned to the Company after fulfilment of certain conditions.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

### 22. NET SALES

	Brand & Performance Textile Specialties		Others *		Total	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018	30 September 2019	30 September 2018
----- (Rupees in '000) -----						
<b>Sales</b>						
Local	12,945,740	10,637,798	1,961,924	2,023,638	14,907,664	12,661,436
Export	3,919,544	2,434,913	128,625	107,734	4,048,169	2,542,647
<b>Total sales</b>	<b>16,865,284</b>	<b>13,072,711</b>	<b>2,090,549</b>	<b>2,131,372</b>	<b>18,955,833</b>	<b>15,204,083</b>
Trade Discounts and commission	809,522	593,148	13,463	11,490	822,985	604,638
Sales tax	528,243	49,299	251,555	260,057	779,798	309,356
	1,337,765	642,447	265,018	271,547	1,602,783	913,994
<b>Net sales</b>	<b>15,527,519</b>	<b>12,430,264</b>	<b>1,825,531</b>	<b>1,859,825</b>	<b>17,353,050</b>	<b>14,290,089</b>

\*Others represent revenue from non-core business activities of the Company.

22.1 Advances from customers amounting to Rs. 59.653 million represents advance consideration received from customers at the beginning of the year have been recognised as revenue for year ended 30 September 2019.

### 23. COST OF GOODS SOLD

	Note	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
Raw and packing materials consumed		9,865,485	7,727,700
Stores, spares and supplies consumed		61,602	50,312
Salaries, wages and benefits	23.1	427,660	362,537
Outside service charges		252,465	235,830
Fuel and power		179,077	150,906
Legal and professional charges		3,035	3,060
Traveling and entertainment		7,683	4,378
Communication		3,187	2,842
Rent, rates and taxes		4,203	5,627
Insurance		7,432	6,048
Repairs and maintenance		56,806	61,009
Depreciation	4.2	212,581	204,047
Printing and stationery		5,274	6,373
Opening stock of work-in-process		168,386	55,260
Closing stock of work-in-process	7	(108,614)	(168,386)
Cost of goods manufactured		11,146,262	8,707,543
Opening stock of finished goods		1,001,719	865,099
Finished goods purchased		1,168,451	1,218,153
Included under distribution and marketing expenses:			
Cost of samples issued	24	(4,813)	(4,904)
Cost of shortages and breakages	24	(1,330)	(4,948)
Rebate on exports		(689)	(7,412)
Closing stock of finished goods	7	(1,302,701)	(1,001,719)
		<b>12,006,899</b>	<b>9,771,812</b>

23.1 Salaries, wages and benefits include Rs. 16.294 million and Rs. 14.639 million (2018: Rs. 4.637 million and Rs. 13.47 million) in respect of defined benefit scheme and defined contribution plan respectively.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

24. DISTRIBUTION AND MARKETING EXPENSES	Note	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
Salaries and benefits	24.1	235,631	248,695
Outside service charges		79,759	89,153
Traveling and entertainment		43,708	62,768
Repairs and maintenance		12,538	19,084
Business event participation		8,610	10,184
Rent, rates and taxes		21,337	21,187
Communication		5,368	5,639
Supplies, printing and stationery		75,283	71,731
Insurance		11,631	9,279
Royalty	24.2	855,289	573,585
Legal and professional charges		3,003	11,339
Fuel and power		19,443	17,062
Depreciation	4.2	22,892	26,202
Outward freight and handling		341,229	301,052
Shortages and breakages	23	1,330	4,948
Samples issued	23	4,813	4,904
Fees and subscription		2,265	2,585
Books and periodicals		200	817
		<b>1,744,329</b>	<b>1,480,214</b>

**24.1** Salaries and benefits include Rs. 5.196 million and Rs. 9.478 million (2018: Rs. 2.46 million and Rs. 9.788 million) in respect of defined benefit scheme and defined contribution plan respectively.

**24.2** This represents royalty expense payable to Archroma Management GmbH, one of the affiliated company, located at Neuhofstrasse 11, 4153 Reinach, Switzerland.

25. ADMINISTRATIVE EXPENSES	Note	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
Salaries and benefits	25.1	228,741	259,190
Outside service charges		200,089	161,788
Traveling and entertainment		5,967	8,312
Repairs and maintenance		15,706	12,796
Rent, rates and taxes		7,317	8,430
Communication		8,845	7,029
Printing and stationery		9,392	10,104
Insurance		1,267	1,281
Legal and professional charges		3,216	3,022
Fuel and power		2,513	2,148
Depreciation	4.2	20,550	20,766
Fees and subscription		3,882	3,719
Books and periodicals		140	148
		<b>507,625</b>	<b>498,733</b>

**25.1** Salaries and benefits include Rs. 1.791 million and Rs. 10.350 million (2018: Rs. 12.62 million and Rs. 9.987 million) in respect of defined benefit scheme and defined contribution plan respectively.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

### 26. STAFF RETIREMENT BENEFIT

#### 26.1 Defined benefit plan - approved gratuity fund

##### 26.1.1 Salient features

The Company offers an approved gratuity fund for all eligible employees. Annual contributions are made to the fund on the basis of actuarial recommendations. The gratuity is governed under the Trust Act, 1882, Trust Deed and Rules of Fund, the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002.

The Company faces the following risks on account of gratuity fund:

##### Final salary risks

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

##### Asset volatility

Most assets are invested in risk free investments. However, investments in mutual fund units and term finance certificates are subject to adverse fluctuation as a result of change in market price.

##### Discount rate fluctuation

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plan's bond holdings.

##### Investment risks

The risk of the investment underperforming and not being sufficient to meet the liabilities. The risk is mitigated by closely monitoring the performance of investment.

##### Risk of insufficiency of assets

This is managed by making regular contribution to the Fund as advised by the actuary.

##### 26.1.2 Valuation results

Actuarial valuation is carried out every year and the latest valuation was carried out as at 30 June 2019 and 30 June 2018 by the Archroma Group on global basis. The information provided in notes 26.1.3 to 26.1.13 has been obtained from the actuarial valuation carried out as at 30 June 2019 and 30 June 2018. The following significant assumptions have been used for valuation of this scheme:

##### Financial assumptions

- a) Expected rate of increase in salary level
- b) Discount rate
- c) Expected return on plan assets
- d) Price inflation

##### Demographic assumptions

- Mortality rate
- Rates of employee turnover

	2019	2018
	<b>6.50%</b>	6.50%
	<b>13.7%</b>	10.0%
	<b>13.0%</b>	13.0%
	<b>6.0%</b>	6.0%
	<b>SLIC (2001-05)</b>	SLIC (2001-05)
	<b>Low</b>	Low

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

26.1.3 Amounts recognised in the Statement of Financial Position:	Note	2019 (Rs '000)	2018 (Rs '000)
Present value of defined benefit obligation	26.1.4	865,614	912,549
Less: Fair value of plan assets	26.1.5	<u>(812,216)</u>	<u>(909,707)</u>
Deficit/(surplus)		<u>53,398</u>	<u>2,842</u>
<b>26.1.4 Movement in present value of defined benefit obligation:</b>			
Obligation at the beginning of the year		912,549	936,407
Current service cost		31,652	32,100
Interest cost		82,600	76,635
Benefits paid		(53,934)	(35,747)
Remeasurement gain		<u>(107,253)</u>	<u>(96,846)</u>
Obligation at the end of the year		<u>865,614</u>	<u>912,549</u>
<b>26.1.5 Movement in fair value of plan assets:</b>			
Fair value at the beginning of the year		909,707	989,084
Return on plan assets		90,971	89,018
Company contributions		31,332	19,718
Amount withdrawn by the Company		-	-
Benefits paid		(53,934)	(35,747)
Remeasurement (loss) / gain		<u>(165,860)</u>	<u>(152,366)</u>
Fair value at the end of the year		<u>812,216</u>	<u>909,707</u>
<b>26.1.6 Movement in the net defined benefit (liability) / asset</b>			
Opening balance		(2,842)	52,677
Net periodic cost for the year		(23,281)	(19,717)
Contribution paid during the year		31,332	19,718
Re-measurements recognised in other comprehensive income during the year		<u>(58,607)</u>	<u>(55,520)</u>
Closing balance		<u>(53,398)</u>	<u>(2,842)</u>
<b>26.1.7 Amounts recognised in total comprehensive income:</b>			
The following amounts have been charged in respect of these benefits to statement of profit or loss and other comprehensive income:		30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
<i>Component of defined benefit costs recognised in statement of profit or loss and other comprehensive Income</i>			
- Current service cost		31,652	32,100
- Net interest		<u>(8,371)</u>	<u>(12,383)</u>
		23,281	19,717
<i>Component of defined benefit costs (re-measurement) recognised in other comprehensive income</i>			
Actuarial (gain) / loss on defined benefit obligation for the year			
- (Gain) / loss due to change in experience adjustments		<u>(107,253)</u>	<u>(96,846)</u>
Actuarial loss / (gain) on fair value of plan assets during the year		165,860	152,366
Net re-measurement recognised in other comprehensive income		58,607	55,520
Total defined benefit (cost)/ reversal recognised in statement of profit or loss and other comprehensive income		<u>(81,888)</u>	<u>(75,237)</u>

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

**26.1.8** Actual return on plan assets during the year was Rs. 74.889 million (30 September 2018: Rs. 63.348 million).

### 26.1.9 Sensitivity analysis

The impact of 0.5% change in following variables on defined benefit obligation is as follows:

Change in assumption	2019	
	Percentage change	Increase / (decrease) in assumption
	Percentage (%)	(Rupees in '000)
Increase by 50 basis points	<b>Discount rate + 0.5%</b>	<b>(95,000)</b>
Decrease by 50 basis points	<b>Discount rate - 0.5%</b>	<b>100,000</b>

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant assumptions, same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability.

The comparative figures of sensitivity analysis are as follows:

Change in assumption	2018	
	Percentage change	Increase / (decrease) in assumption
	Percentage (%)	(Rupees in '000)
Increase by 50 basis points	Discount rate + 0.5%	(25,004)
Decrease by 50 basis points	Discount rate - 0.5%	26,373

**26.1.10** The weighted average duration of the defined benefit obligation is 15 years.

### 26.1.11 Plan assets comprise of the following:

	30 September 2019 (Rs '000) (unaudited)	30 September 2019 Percentage composition	30 September 2018 (Rs '000) (unaudited)	30 September 2018 Percentage composition
Term finance certificates	98,594	12.14%	11,072	1.22%
Investments in units of mutual funds	690,664	85.03%	867,244	95.33%
Balances with banks	-	0.00%	1,084	0.12%
Cash	22,958	2.83%	-	0.00%
Others	-	0.00%	30,307	3.33%
	<b>812,216</b>	<b>100.00%</b>	<b>909,707</b>	<b>100.00%</b>

**26.1.12** As per the actuarial recommendations, the expected return on plan assets was taken as 13% (2018: 13%), which is representative of yields on long-term Government bonds. Due to the increased volatility of share prices in recent months, there is no clear indication of return on equity. It is therefore assumed that the yield on equity matches the return on debt.

**26.1.13** Based on actuarial advice, the Company intends to charge an amount of Rs. 19.325 million in the financial statements for the year ending 30 September 2020.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

### 26.2 Defined contribution plan - Employees Provident Fund

During the year an amount of Rs. 34.479 million (2018: Rs. 33.244 million) has been charged to the statement of profit or loss and other comprehensive income account in respect of the Company's contributions towards employees provident fund.

**26.2.1** All investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act 2017 and the conditions specified thereunder.

27. OTHER EXPENSES	Note	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
Auditors' remuneration	27.1	3,600	3,790
Workers' Profit Participation Fund	18.2	114,155	103,612
Workers' Welfare Fund		17,199	20,639
Donations	27.2	1,000	1,000
Others		526	-
		<b>136,480</b>	<b>129,041</b>
<b>27.1 Auditors' remuneration</b>			
Audit fee		2,585	2,585
Fee for half yearly review		585	585
Special certifications and sundry services		220	410
Out of pocket expenses and others		210	210
		<b>3,600</b>	<b>3,790</b>

**27.2** Donation did not include any amount paid to any person or organization or institution in which a director or his / her spouse had any interest.

28. OTHER INCOME	Note	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
<i>Income from non-financial assets</i>			
Indenting commission - net of payment of Rs. 2.590 million (2018: Rs. 1.411 million)		3,916	3,707
Sale of scrap		11,328	5,874
Gain on disposal of operating fixed assets		734	1,844
Mark-up income from retirement benefit plan		-	12,383
		<b>15,978</b>	<b>23,808</b>
<b>29. FINANCE COSTS</b>			
Mark-up on:			
Workers' Profit Participation Fund	18.2	1,726	4,016
Mark-up on:			
- Finance lease obligation		15,074	9,724
- Short-term running finances	29.1	229,556	125,166
- Export refinance facility	29.2	23,198	12,007
- Deposits by employees society		2,553	1,560
Exchange loss		374,258	251,553
Bank charges and other costs		33,905	25,913
		<b>680,270</b>	<b>429,939</b>

**29.1** This represents markup on running finance balance obtained from Islamic banks.

**29.2** This represents markup on export refinance facility balance obtained from Islamic banks.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

30. TAXATION	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
Current - for the year	<b>482,351</b>	420,447
Deferred	<b>(54,712)</b>	(12,743)
	<b>427,639</b>	407,704

### 30.1 Relationship between income tax expense and accounting profit

	30 September 2019 (Effective tax rate %)	30 September 2018 (Effective tax rate %)	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
Profit before taxation			<b>2,150,019</b>	1,943,980
Tax at the enacted tax rate	<b>29.00</b>	29.00	<b>623,506</b>	563,754
Effect of change in tax rate	<b>0.00</b>	(0.31)	-	(6,000)
Tax effect of rebate / credits	<b>(0.01)</b>	(1.58)	<b>(290)</b>	(30,705)
Tax effect on exports under Final Tax Regime	<b>(7.34)</b>	(5.82)	<b>(157,767)</b>	(113,062)
Tax effect of Items that are not deductible in determining taxable profit - permanent differences	<b>(1.76)</b>	(0.32)	<b>(37,810)</b>	(6,130)
Others including the impact of allocation ratio of NTR and FTR and tax rebates	<b>0.00</b>	(0.01)	-	(153)
	<b>19.89</b>	20.96	<b>427,639</b>	407,704

**30.2** Income tax assessments of the Company have been finalized up to and including tax year 2019 on the basis of the tax return filed under section 120 of the Income Tax Ordinance 2001 (the Ordinance). However, the return may be amended in the assessment, if any audit within five years from the date of filing of return and the Income Tax the CIR-A against the order of DCIR. The appeal is pending adjudication. if any.

Tax year 2013 of the Company was selected for tax audit under Section 177 of the Ordinance by the Commissioner Inland Revenue (CIR), Audit Division, Large Taxpayers Unit, Karachi. The CIR concluded the audit proceedings and passed an order that amended the assessment under section 122 of the Ordinance. The Company has filed appeal against the amended assessment order before the learned Commissioner Inland Revenue (Appeals) [CIR(A)], Karachi. On the appeal filed by the Company, the learned CIR(A) has confirmed the above actions of the CIR. The Company preferred an appeal before the ATIR which was remanded back to Additional Commissioner Inland Revenue (ACIR). ACIR accordingly passed the set-aside order and allowed tax refund of Rs 6.09 million. The income tax department has also filed an appeal before the learned ATIR against the decision of the learned CIR(A) on remanding back of the issues of exchange loss and claim of shortage and breakage expense which were disallowed by taxation authority without considering the details and documentary evidences submitted during the proceedings of the amended assessment for the tax year 2009. Appeal have been heard by the learned ATIR, who remanded back the issue of scrap sales and dismissed addition on account of disallowance of administrative and distribution expenses. No proceedings of re-examination of scrap sales have been initiated.

The case of the Company for the tax year 2014 has been selected for audit and the audit proceedings are still in progress.

**30.3** In respect of business acquired by the Company (now merged with the Company), the tax authorities for the tax year 2012 and 2013 has created demand of Rs. 20 million which has been paid by the Company. The Company has filed appeal against the order of assessing officer before Commissioner Inland Revenue (Appeals) who has allowed partial relief to them. Currently, these appeals are pending before Appellate Tribunal Inland Revenue (ATIR) for adjudication.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

31. EARNINGS PER SHARE	30 September 2019	30 September 2018
	(Rs '000)	(Rs '000)
<b>31.1 Basic</b>		
Profit after taxation attributable to ordinary shareholders	<b>1,722,380</b>	1,536,276
	(Number of shares)	(Number of shares)
Weighted average number of ordinary shares outstanding during the year	<b>34,117,881</b>	34,117,881
	(Rupees)	(Rupees)
Earnings per share	<b>50.48</b>	45.03

### 31.2 Diluted

There were no convertible dilutive potential ordinary shares in issue as at 30 September 2019 and 30 September 2018.

### 32. SEGMENT INFORMATION

	Brand & Performance Textile Specialties		Others *		Total	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	(Rupees in '000)					
Net sales	<b>15,527,519</b>	12,430,264	<b>1,825,531</b>	1,859,825	<b>17,353,050</b>	14,290,089
Segment results based on 'management approach'	<b>2,802,818</b>	2,233,356	<b>150,286</b>	263,943	<b>2,953,104</b>	2,497,299
Other operating expenses - WPPF and WWF					<b>(131,354)</b>	(124,251)
Assets charged to profit and loss for internal reporting purposes based on group guidelines					<b>8,539</b>	871
<b>Operating profit</b>					<b>2,830,289</b>	2,373,919
Finance costs					<b>(680,270)</b>	(429,939)
<b>Profit before taxation</b>					<b>2,150,019</b>	1,943,980
<b>32.1 Segment assets</b>	<b>7,869,816</b>	7,395,577	<b>496,642</b>	707,509	<b>8,366,458</b>	8,103,086
Unallocated					<b>3,096,333</b>	2,857,942
					<b>11,462,791</b>	10,961,028
<b>32.2 Segment liabilities</b>	<b>2,356,142</b>	2,489,802	<b>244,885</b>	273,863	<b>2,601,027</b>	2,763,665
Unallocated					<b>3,744,327</b>	3,392,151
					<b>6,345,354</b>	6,155,816
<b>32.3 Fixed capital expenditures</b>	<b>163,568</b>	394,165	<b>2,427</b>	102	<b>165,995</b>	394,267
Unallocated					<b>57,097</b>	39,042
					<b>223,092</b>	433,309
<b>32.4 Depreciation</b>	<b>234,315</b>	231,575	<b>1,807</b>	1,212	<b>236,122</b>	232,787
Unallocated					<b>19,901</b>	18,228
					<b>256,023</b>	251,015

\*Others represent revenue from non-core business activities of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

### 32.5 Geographical information

The Company's gross revenue from external customers by geographical location is detailed below:

Domestic sales  
Export sales

The Company exports its products to numerous countries.

30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
<b>14,907,664</b>	12,661,436
<b>4,048,169</b>	2,542,647
<b>18,955,833</b>	15,204,083

32.6 As at 30 September 2019 all non-current assets of the Company are located in Pakistan.

32.7 Management considers that revenue from its ordinary activities are shariah compliant.

32.8 24.92 % and 16.32% (collectively 41.24%) of the Company's gross sales for the year ended 30 September 2019 {30 September 2018: 34.2% and 25.07% (collectively 59.27%)} were made to two distributors. The segment wise sales to these two distributors is as follows:

	Brand & Performance Textile Specialties		Coating, Adhesives & Sealants		Packaging & Paper Specialties		Total	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	-----%							
Distributor 1	<b>24.92</b>	34.20	-	-	-	-	<b>24.92</b>	34.20
Distributor 2	<b>16.32</b>	25.07	-	-	-	-	<b>16.32</b>	25.07

### 33. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

33.1 The aggregate amounts charged in these financial statements in respect of remuneration including all benefits to chief executive, directors and executives of the company are as follows:

	Chief Executive Officer		Directors		Executives		Total	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	----- (Rupees in '000) -----							
<b>Short-term employee benefits</b>								
Managerial remuneration (including and leave pay)	<b>31,407</b>	29,066	-	14,618	<b>230,411</b>	238,272	<b>261,818</b>	281,956
Bonus	<b>11,603</b>	31,526	-	5,014	<b>37,668</b>	33,710	<b>49,271</b>	70,250
Housing and utilities	<b>12,670</b>	11,740	-	6,806	<b>111,285</b>	116,454	<b>123,955</b>	135,000
Medical	<b>129</b>	149	-	250	<b>6,111</b>	6,396	<b>6,240</b>	6,795
<b>Post employment benefits</b>								
Retirement benefits	<b>7,520</b>	6,855	-	3,394	<b>47,079</b>	46,944	<b>54,599</b>	57,193
	<b>63,329</b>	79,336	-	30,082	<b>432,554</b>	441,776	<b>495,883</b>	551,194
Number of persons	<b>1</b>	1	-	1	<b>72</b>	99	<b>73</b>	101

33.2 The remuneration for Executives also includes Rs 48.10 million (2018: Rs 17.90 million) paid to 2 (2018: 1) alternate Directors.

33.3 The aggregate amount charged in these financial statements for fee to non-executive directors is Rs. 0.7 million (2018: Rs 0.2 million).

33.4 The Chief Executive Officer is provided with free furnished accommodation. In addition, the Chief Executive Officer, Directors and certain Executives are also provided with free use of the Company cars, residential equipment, reimbursement of utilities and club memberships in accordance with their entitlements.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

### 34. TRANSACTIONS WITH RELATED PARTIES

	Parent Company		Other Related Parties		Key Management Personnel	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	----- (Rupees in '000) -----					
Sales	-	-	<b>2,104,007</b>	1,263,879	-	-
Purchases of goods and machinery	-	-	<b>615,460</b>	626,293	-	-
Indenting commission earned	-	-	<b>6,506</b>	4,946	-	-
Export commission	-	-	<b>77,091</b>	37,341	-	-
Royalty expense	-	-	<b>855,290</b>	573,584	-	-
Other charges	-	-	<b>173,663</b>	137,404	-	-
Dividend paid	<b>1,023,541</b>	1,279,427	-	-	-	-
Transaction by virtue of common directorship:						
Annual subscription	-	-	<b>438</b>	390	-	-
Purchase of goods	-	-	<b>104,227</b>	79,543	-	-
Transaction with key management personnel:						
- Salaries, benefits and compensation	-	-	-	-	<b>145,083</b>	154,833
- Post employment benefits	-	-	-	-	<b>18,338</b>	16,737

During the year equipment having book value of Rs. Nil have been disposed of to key management personnel for Rs. 0.687 million as per company policy

The Company enters into transactions with related parties for the sale of its products, purchase of goods, indenting business and rendering of certain services.

Consideration for purchase and sales of goods and for services is determined with mutual agreement considering the nature and level of such goods and services. In the case of indenting business, the Company acts only as an agent for the supplier for which it receives indenting commission.

In addition, royalty for the use of technical know-how is also paid to Archroma Management GmbH, Reinach, Switzerland on the sales of such branded locally manufactured products as are included in the royalty agreement duly registered with the State Bank of Pakistan.

Balance outstanding with related parties as at the year end have been disclosed in the relevant statement of financial position notes. All balances are interest free, unsecured and repayable on demand and are settled in ordinary course of business.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Company considers all members of their management team, including the Chief Executive Officer and Directors to be key management personnel.

There are no transactions with key management personnel other than those under their terms of employment. These transactions are disclosed in notes 33 to the financial statements. Particulars of transactions with Workers' Profit Participation Fund and staff retirement benefit funds are disclosed in notes 18.2, 26, 27 and 29 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

**34.1** The following are the related parties with whom the Company had entered into transaction or have arrangement / agreement in place:

<b>S.No.</b>	<b>Name of the Related Party</b>	<b>Basis of association</b>	<b>Aggregate % of Shareholding</b>
1	Archroma Textiles S.à r.l.	Parent / Holding Company	75%
2	Archroma Argentina, SA	Group Company	N/A
3	Archroma Bangladesh Ltd	Group Company	N/A
4	Archroma Brasil Indústria	Group Company	N/A
5	Archroma Holdings, S.à r.l.	Group Company	N/A
6	Archroma Management GmbH	Group Company	N/A
7	Archroma Chile, Ltda	Group Company	N/A
8	Archroma Tianjin Ltd	Group Company	N/A
9	Archroma Shanghai (WFOE)	Group Company	N/A
10	Archroma Colombia, SAS	Group Company	N/A
11	Archroma Germany GmbH	Group Company	N/A
12	Archroma Egypt for Chemicals SAE	Group Company	N/A
13	Archroma Ibérica, SL	Group Company	N/A
14	Archroma France, SAS	Group Company	N/A
15	Archroma UK, Ltd	Group Company	N/A
16	Archroma Hong Kong, Pvt. Limited	Group Company	N/A
17	PT Archroma Indonesia	Group Company	N/A
18	PT Archroma Specialties Indonesia	Group Company	N/A
19	Archroma India Private Limited	Group Company	N/A
20	Archroma Italy S a.r.l.	Group Company	N/A
21	Archroma Japan, KK	Group Company	N/A
22	Archroma Textiles Mexico, S. de R.L. de C.V.	Group Company	N/A
23	Archroma Peru, SA	Group Company	N/A
24	Archroma Singapore, Pte. Ltd.	Group Company	N/A
25	Archroma (Thailand) Company Limited	Group Company	N/A
26	Archroma Turkey Chemical Industry and Trade LLC	Group Company	N/A
27	Archroma U.S., Inc.	Group Company	N/A
28	Archroma Thai Holdings, LLC	Group Company	N/A
29	Archroma Venezuela, S.A.	Group Company	N/A
30	Overseas Investors Chamber of Commerce and Industry (OICCI)	Common Directorship	N/A
31	Pakistan Oxygen Limited	Common Directorship	N/A
32	New Jubilee Insurance Company (NJIC)	Common Directorship	N/A
33	Auditor Oversight Board (AOB)	Common Directorship	N/A
34	Swiss Business council	Common Directorship	N/A

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

35. CAPACITY AND PRODUCTION	Note	30 September 2019 (Tonnes)	30 September 2018 (Tonnes)
Actual production		<b>51,455</b>	<b>57,772</b>
<p>The capacity is indeterminable because of multi-product plants involving varying processes of manufacture. The Company's production was according to market demand.</p>			
36. STAFF STRENGTH		2019 No. of employees	2018 No. of employees
Number of employees of the Company at the year end		<b>284</b>	<b>287</b>
Average number of employees of the Company during the year		<b>288</b>	<b>288</b>
37. CASH GENERATED FROM OPERATIONS		30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
Profit before taxation		<b>2,150,019</b>	1,943,980
Adjustments for non-cash charges and other items:			
Depreciation	4.2	<b>256,023</b>	251,015
Other employee benefits		-	(1,752)
Provision against doubtful debts	8.1	<b>143,406</b>	60,178
Gain on disposal of operating fixed assets		<b>(734)</b>	(1,844)
Provision for staff gratuity	26.1.6	<b>23,281</b>	19,717
Other long term benefit	15.1	<b>1,481</b>	-
Interest / mark-up expense		<b>252,754</b>	407,836
Working capital changes	37.1	<b>(907,143)</b>	(446,576)
		<b>1,919,087</b>	<b>2,232,554</b>
37.1 Working capital changes			
<b>Decrease / (increase) in current assets</b>			
Stores and spares		<b>(3,921)</b>	(5,193)
Stock-in-trade		<b>(361,528)</b>	(586,882)
Trade debts		<b>(326,426)</b>	(627,672)
Loans and advances		<b>2,968</b>	5,245
Trade deposits and short-term prepayments		<b>(8,948)</b>	10,648
Other receivables		<b>56,237</b>	130,843
		<b>(641,618)</b>	(1,073,011)
<b>(Decrease) / Increase in current liabilities</b>			
Trade and other payables - net		<b>(265,525)</b>	626,435
		<b>(907,143)</b>	(446,576)
38. CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the Statement of Cash Flow comprise of the following statement of financial position amounts:			
Cash and bank balances	12	<b>598,957</b>	532,105
Short-term running finance facilities	20.1	<b>(877,347)</b>	(1,589,701)
		<b>(278,390)</b>	(1,057,596)

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

### 39. FINANCIAL INSTRUMENTS BY CATEGORY AND FAIR VALUE MEASUREMENT

The following table shows the carrying amounts of financial assets and financial liabilities along with fair value measurement hierarchy.

	Carrying amount		Fair value		
	Amortised cost	Financial liabilities	Level 1	Level 2	Level 3
----- (Rupees in '000) -----					
<b>Financial assets not measured at fair value</b>					
Loans	555	-	-	-	-
Deposits	22,365	-	-	-	-
Trade debts	3,916,346	-	-	-	-
Other receivables	34,143	-	-	-	-
Cash and bank balances	598,957	-	-	-	-
<b>Other financial liabilities at amortised cost</b>					
Liabilities against assets subject to finance lease	-	21,655	-	-	-
Liabilities against diminishing musharika financing	-	105,317	-	-	-
Short-term borrowings	-	2,920,070	-	-	-
Mark-up accrued	-	81,986	-	-	-
Trade and other payables	-	2,870,590	-	-	-

Management considers that fair value of above assets and liabilities approximate their carrying amount due to short term nature of these assets and liabilities or fair value not significantly different to their carrying amounts owing to credit standing of counter parties.

### 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities are exposed to a variety of financial risks namely credit risk, foreign exchange risk, interest rate risk and liquidity risk. The Company is not exposed to any price risk as it does not hold any investments exposed to price risk. The Company has established adequate procedures to manage each of these risks as explained below:

#### 40.1 Credit risk and concentration of credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk arises from bank balances, cheques in hand, deposits and credit exposures to customers, including trade debts and other receivables.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

The total bank balance of Rs. 72.872 million (2018: Rs 2.622 million) have been placed with banks having short-term credit rating ranging from A1+ to F2. Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. 97.71% of cheques in hand reported on statement of financial position have been subsequently cleared.

Deposits are provided to counterparties as security for continued provision of services to the Company. Management does not expect to incur material losses as such amounts are provided based on agreement with counterparties and are refundable upon termination of related services.

Management does not expect to incur losses in other receivable and loans as significant amount in other receivable is due from related parties and also loans to employees which are secured against provident fund balance of respective employees.

The most significant financial asset exposed to credit risk is the trade debts of the Company. For trade debts, individual credit limits are assigned to customers based on the recommendations from respective business unit heads keeping in view their payment history, financial position, past experience and other factors. The utilization of credit limits is regularly monitored. The concentration of credit risk lies in the top 5 (2018: 5) customers which constitute 44.4% (2018: 56.09%) of the Company's trade debts.

The breakup of amount due from customers other than related parties as disclosed in note 8 to these financial statements is presented below:

	30 September 2019 (Rs '000)	30 September 2018 (Rs '000)
<b>Due from customers other than related parties</b>		
Direct customers	<b>2,318,614</b>	2,164,209
Distributors	<b>1,683,739</b>	1,694,558
	<b>4,002,353</b>	<b>3,858,767</b>

Out of the total trade debts of Rs. 4,452.278 million (2018: Rs. 4,125.85 million), the Company has made a provision for Rs. 535.932 million (2018: Rs. 392.527 million) as the amounts being doubtful of recovery from customers. The aging profile of trade debts overdue but not impaired has been as follows:

	30 September 2019 Gross amount	30 September 2019 Impairment	30 September 2018 Gross amount	30 September 2018 Impairment
	----- (Rupees in '000) -----			
Not yet Due	<b>3,615,336</b>	-	2,805,756	-
Upto 3 months	<b>273,375</b>	-	799,603	-
3-6 Months	<b>27,635</b>	-	127,967	-
6-12 Months	<b>37,309</b>	<b>37,309</b>	72,309	72,309
Over 1 years	<b>498,623</b>	<b>498,623</b>	320,218	320,218
	<b>4,452,278</b>	<b>535,932</b>	<b>4,125,853</b>	<b>392,527</b>

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

### 40.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash and bank balances and availability of funding through an adequate amount of committed credit facilities. The Company aims to maintain flexibility in funding by keeping committed credit lines open.

The maturity profile of the Company's liabilities based on contractual maturities is as follows:

	30 September 2019				
	Carrying amount	On demand	Contractual cash flows	Upto one year	More than one year
	(Rupees in '000)				
<b>Financial liabilities</b>					
Trade and other payables	2,870,590	-	(2,870,590)	(2,870,590)	-
Mark-up accrued	81,986	-	(81,986)	(81,986)	-
Short term borrowings	2,920,070	(2,920,070)	-	-	-
Liabilities against assets subject to finance lease	21,655	-	(24,268)	(14,341)	(9,927)
Liabilities against diminishing musharika financing	105,317	-	(105,317)	(24,157)	(81,160)
	<b>5,999,618</b>	<b>(2,920,070)</b>	<b>(3,082,161)</b>	<b>(2,991,074)</b>	<b>(91,087)</b>
	30 September 2018				
	Carrying amount	On demand	Contractual cash flows	Upto one year	More than one year
	(Rupees in '000)				
<b>Financial liabilities</b>					
Trade and other payables	3,002,920	-	(3,002,920)	(3,002,920)	-
Mark-up accrued	40,444	-	(40,444)	(40,444)	-
Short term borrowings	2,489,701	(2,489,701)	-	-	-
Liabilities against assets subject to finance lease	40,254	-	(44,424)	(19,947)	(24,477)
Liabilities against diminishing musharika financing	85,237	-	(85,237)	(16,053)	(69,184)
	<b>5,658,556</b>	<b>(2,489,701)</b>	<b>(3,173,025)</b>	<b>(3,079,364)</b>	<b>(93,661)</b>

### 40.3 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk and interest rate risk.

#### 40.3.1 Currency Risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company primarily has foreign currency exposures in US Dollars (USD), Euro and JPY. The details of balances are as follows:

	30 September 2019				
	(USD '000)	(EUR '000)	(JPY '000)	(RMB '000)	(YUN'000)
Trade and other receivables	28,323	-	-	-	-
Trade payables	6,903	153	7,714	17,373	794
Other payables	1,627	-	-	-	-
Net foreign currency exposure	<b>36,853</b>	<b>153</b>	<b>7,714</b>	<b>17,373</b>	<b>794</b>
	30 September 2018				
	(USD '000)	(EUR '000)	(JPY '000)	(CHF '000)	
Trade debts	4,115	-	-	-	
Trade payables	13,860	139	8,766	70	
Other payables	1,676	1	-	-	
Net foreign currency exposure	<b>19,651</b>	<b>140</b>	<b>8,766</b>	<b>70</b>	

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

At 30 September 2019, if the Pakistani Rupee had weakened / strengthened by 1% against the US Dollar, Euro and Swiss Francs with all other variables held constant, profit before taxation for the year would have been higher / lower by Rs. 26.47 million (2018: Rs. 24.71 million). The sensitivity analysis is not actual indicator of impact owing to future fluctuation in exchange rate. The analysis is performed on the same basis for 2018.

### 40.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the interest rate exposure arises from short and long term borrowings from banks.

At the Statement of Financial Position date, the interest rate profile of the Company's interest-bearing financial instrument is:

	Carrying amount 30 September 2019 (Rs '000)	Carrying amount 30 September 2018 (Rs '000)
<b>Variable rate instruments</b>		
Financial liabilities	<b>3,047,042</b>	2,615,192

### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at 'fair value through profit or loss account'. Therefore a change in interest rates at the reporting date would not affect the statement of profit or loss and other comprehensive income account.

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and the profit by Rs. 21.63 million (2018: Rs. 12.91 million) with the corresponding effect on the carrying amount of the liability. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2018. The sensitivity analysis is not actual indicator of impact owing to movement in future interest rate.

### 40.3.3 Reconciliation of movements of liabilities to cash flows arising from financing activities

	2019			
	Short term borrowings used for cash management purpose	Other short term borrowings including related accrued markup	Retained earnings	Total
	----- (Rupees in '000) -----			
Balance as at 31 October 2018	1,629,097	901,048	1,496,033	4,026,178
Changes from financing cash flows				
Repayment of loan	-	-	-	-
Proceeds from loan	-	-	-	-
Dividend paid	-	-	(1,364,194)	(1,364,194)
<b>Total changes from financing activities</b>	<b>1,629,097</b>	<b>901,048</b>	<b>131,839</b>	<b>2,661,984</b>
<i>Other changes - interest cost</i>				
Interest expense	-	23,198	-	23,198
Interest paid	-	(20,701)	-	(20,701)
Changes in running finance	234,414	235,000	-	469,414
<b>Total loan related other changes</b>	<b>234,414</b>	<b>237,497</b>	<b>-</b>	<b>471,911</b>
<b>Total equity related other changes</b>	<b>-</b>	<b>-</b>	<b>1,548,419</b>	<b>1,548,419</b>
<b>Balance as at 30 September 2019</b>	<b>1,863,511</b>	<b>1,138,545</b>	<b>1,680,258</b>	<b>4,682,314</b>

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 September 2019

### 40.4 Capital risk management

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

### 41. NON-ADJUSTING EVENT AFTER THE STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors of the Company in their meeting held on 30 October 2019 has proposed a cash dividend in respect of the year ended 30 September 2019 of Rs. 45 per share (2018: cash dividend of Rs 40 per share). Further, the Board has also announced appropriation of Rs. 142 million (2018: Rs. 128 million) from unappropriated profit to revenue reserves. These appropriations will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended 30 September 2019 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending 30 September 2020.


### 42. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purpose of comparison and to reflect the substance of the transactions. Following major reclassifications have been made during the year.

Description	Reclassified		Rupees in '000
	From	To	
Royalty	Cost of goods sold	Distribution and marketing expenses	573,585

### 43. DATE OF AUTHORISATION

These financial statements were authorised for issue on 30 October 2019 by the Board of Directors of the Company.

  
Mujtaba Rahim  
Chief Executive Officer

  
M Veqar Arif  
Director and Chief Financial Officer

## Notice of Meeting

NOTICE is hereby given that the Twenty-Fourth Annual General Meeting of Archroma Pakistan Limited will be held at the Company's Registered Office at 1-A/1, Sector 20, Korangi Industrial Area, Korangi, Karachi on Monday, 30 December 2019 at 09:30 a.m. for the purpose of transacting the following business.

### ORDINARY BUSINESS

1. To receive and approve the Audited Financial Statements for the Period ended 30 September 2019 alongwith the Directors' Report thereon.
2. To approve final cash dividend @ 450% i.e. (Rs: 45/- per share), as recommended by the Board.
3. To approve appointment of external auditors for the year 2020 and to fix their remuneration.

### SPECIAL BUSINESS

4. To consider and approve the amendment in Memorandum and Articles of Association of the Company to align the same according to the requirement of Co. Act 2017.
  - i. To consider and, if thought fit, to pass, with or without modifications, a special resolution to amend Clause III (I) of the Memorandum of Association.

**RESOLVED THAT** the Clause III (I) of the Memorandum of Association of the company be amended to include as under:

#### Existing

III (I) To acquire and take over as a going concern the Chemicals and Dyestuffs business now carried on in Pakistan by Sandoz (Pakistan) Limited and all or any of the properties, assets, credits, liabilities, interest, benefits, titles, obligations relating to that business and in connection therewith.

#### Proposed

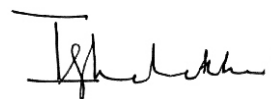
To acquire and take over as a going concern the chemicals and dyestuffs business now carried on in Pakistan by Sandoz (Pakistan) Limited and all or any of the properties, assets, credits, liabilities, interest, benefits, titles, obligations relating to that business and in connection therewith, and to carry on the business of manufacturing, selling and indenting of chemicals including dyestuffs and coating, adhesives and sealants.

- ii. **FURTHER RESOLVED** as and by way of Special Resolution THAT the revised Articles of Association submitted to this meeting, be approved and adopted as the Articles of Association of the Company, in substitution for and to the exclusion of, all the existing Articles of the association.

#### ANY OTHER BUSINESS

5. To transact any other ordinary business with the permission of the Chair.

By order of the Board



M Irfan Lakhani  
Company Secretary

Karachi: 30 October 2019

## Notice of Meeting

### NOTES:

1. The Share Transfer Books of the Company will remain closed from 23 December 2019 to 30 December 2019 (both days inclusive). Transfers received in order by the Company's Share Registrar, M/s. FAMCO Associates (Pvt) Limited, 8-F, Next to Hotel Faran, Nursery, Block- 6, P.E.C.H.S Shahreh-e-Faisal, Karachi, by 22 December 2019 will be in time to entitle the transferees for the dividend and to attend and vote at the Annual General Meeting.
2. A member entitled to attend and vote at the meeting may appoint proxy to attend and vote instead of him/her. A proxy need not be a member of the company. Proxies, in order to be valid must be received at the Registered Office of the Company not later than 48 hours before the Meeting.
3. Shareholders who shares are deposited with Central Depository Company (CDC) are requested to bring their Original National Identity Card and account number in CDC for verification.

### Copy of CNIC and Payment of Cash Dividend Electronically (Mandatory)

As per the requirement if your CNIC number is not available in our records, your dividend will not be credited in your given account. In order to comply with this regulatory requirement, you are requested to kindly send photocopy of your CNIC to your broker (Participant) / CDC and in case of physical shareholding immediately to Company's Share Registrar M/S FAMCO Associates (Pvt) Limited.

In compliance with Section 242 of the Companies Act, 2017 it is mandatory for a public listed company to pay cash dividend to its shareholders through electronic mode ONLY, directly into the bank account designated by the eligible shareholder.

Therefore, all shareholder of Archroma Pakistan Limited, who have not provide their bank details are once again, through this public notice requested to update their exact and complete 24 digits IBAN together with the bank's name, branch's address, CNIC number and correct email address to respective Participants/Investors' Account Services of CDC for electronic form of shares, in case of physical shareholding to our Shares Registrar, M/S FAMCO Associates (Pvt) Limited, 8-F Next to Hotel Faran, Nursery Block 6, P.E.C.S, Shahrah-e-Faisal Karachi.

Please note that all dividends will only be remitted electronically to the designated bank accounts and in absence of E-Dividend mandate, such cash dividends will be withheld by APL.

### CDC Shareholders:

You are requested to submit your E-dividend mandate and CNIC directly to your broker (participant) CDC.

The payment of cash dividend will be processed based on the account number alone. Your Company is entitled to rely on the account number as per your instructions. The company shall not be responsible for any loss, damage, liability or claim arising, directly or indirectly, from any error, delay, or failure in performance of any of its obligations hereunder which is caused by incorrect payment instructions and /or due to any event beyond the control of the company.

### Registration in CCDR web portal of CDC (Mandatory)

Central Depository Company (CDC) has developed Centralized Cash Dividend Registrar ("CCDR"), on eServices web portal, which contains details pertaining to cash dividends paid, unpaid or withheld by listed companies. The CCDR will help to maintain history of dividends paid to shareholders by listed companies and access of all such information will be provided to the respective shareholders including details of Income Tax / Zakat deduction etc. (if any) and the net amount credited into their accounts.

The Shareholders are requested to registrar themselves to CDC's eservices Portal <https://eservices.cdaccess.com.pk> to get above facility.

## Notice of Meeting

### Deduction of Income Tax From Dividend Under Section 150 the Income tax Ordinance, 2001 (Mandatory)

- (i) Pursuant to the provisions of the Finance Act 2019 effective 01 July 2019, the rates of deduction of income tax from dividend payments under the income Tax Ordinance have been revised as follows:
- Rate of tax deduction for filer of income tax return 15%
  - Rate of tax deduction for non-filer of income tax return 30%

To enable the company to make tax deduction in the amount of cash dividend @ 15% instead of 30%, shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

- (ii) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder(s) based on their shareholding proportions, in case of joint accounts.

In this regard all shareholders who hold share jointly are requested to provide shareholding proportions of Principal shareholding and joint-holder(s) in respect of shares held by them to our Share registrar, in writing as follows:

Company name	Folio/CDS Account #	Total Shares	Principal Shareholder		Joint Shareholder	
			Name and CNIC #	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. of Shares)

The required information must be provided to our share Registrar FAMCO Associates (Pvt) Limited, 8-F Next to Hotel Faran, Nursery Block 6, P.E.C.S, Shahrah-e-Faisal Karachi as soon as possible. Otherwise it will be assumed that the share are equally held by Principal shareholder and Joint Holder(s).

- (iii) For any query/problem/information, the investors may contact the Company Secretary at phone: 021-111-275-786 and email address: muhammad.irfan@archroma.com and /or FAMCO Associates (Pvt) Ltd. At phone: 021-34380101-5 and email address: info.shares@famco.com.pk
- (iv) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to FAMCO Associates (Pvt) Ltd. The shareholders while sending CNIC copies or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

The Company has placed the Annual Report 2019 on its website [www.archroma.com.pk](http://www.archroma.com.pk)

## Notice of Meeting

### STATEMENT U/S 134(3) OF THE COMPANIES ACT, 2017 SPECIAL BUSINESS ITEM 4, i & ii

Statement as required by section 134(3) of the Companies Act 2017 in respect of the Special Business to be considered at the Annual General Meeting is appended below.

#### AMENDMENT IN MEMORANDUM OF ASSOCIATION:

The proposed amendment in Clause III (I) of the Memorandum of Association brings the Company's existing Memorandum of Association in line with the changes made by the promulgation of the Companies Act 2017.

A copy of the amended Memorandum of Association is attached.

#### INFORMATION REQUIRED PURSUANT TO SRO 423(I)/2018

S.R. No.	Description	Information Required
1	Comparative analysis of existing clause with the proposed amendment along with reasons for the change	The Company is amending its Memorandum of Association to ensure that it is in accordance with the provisions of the Companies Act, 2017.  A comparative analysis of the changes is attached herewith.
2	Reasons for each change in the memorandum of association of the company	Please see above.
3	A statement that the proposed alterations are in line with the applicable provisions of the law and regulatory framework	It is hereby confirmed that the proposed alterations to the Memorandum of Association of the Company are in line with the applicable provisions of the law and regulatory framework.

## Notice of Meeting

### AMENDED SET OF ARTICLES OF ASSOCIATION

The amended set of the articles of association brings the Company's existing Articles of Association in line with the changes made by the promulgation of the Companies Act 2017.

A copy of the amended set of Articles of Association is attached.

INFORMATION REQUIRED PURSUANT TO SRO 423(I)/2018

<b>S.R. No.</b>	<b>Description</b>	<b>Information Required</b>
1	Comparative analysis of existing clause with the proposed amendment along with reasons for the change	The Company is amending its Articles of Association to ensure that they are in accordance with the provisions of the Companies Act, 2017.  A comparative analysis of all the changes is attached herewith.
2	Reasons for each change in the articles of association of the company	To update the provisions of the existing Articles of Association of the Company as per the Companies Act, 2017.
3	A statement that the proposed alterations are in line with the applicable provisions of the law and regulatory framework	It is hereby confirmed that the proposed alterations to the Articles of Association of the Company are in line with the applicable provisions of the law and regulatory framework.

### INTEREST OF DIRECTORS AND THEIR RELATIVES

None of the directors or their relatives have any personal interest in amendments/ substitution of Memorandum and Articles of Association except in their capacity as shareholder or directors.

### INSPECTION OF DOCUMENTS

Copies of Memorandum and Articles of Association, Statement under section 134(3) of the Companies Act 2017, financial statements and other related information/ which may be inspected / procured during business hours on any working day of the Head Office of the company from the date of publication of this notice till conclusion of the Annual General Meeting.

# / PATTERN OF SHAREHOLDINGS

As at 30 September 2019

## Form 34

No. of Shareholders	Shareholding			Shares held
525	1	-	100	19,739
467	101	-	500	136,345
229	501	-	1,000	183,156
335	1,001	-	5,000	783,077
80	5,001	-	10,000	587,550
33	10,001	-	15,000	397,085
10	15,001	-	20,000	177,184
10	20,001	-	25,000	229,017
5	25,001	-	30,000	137,623
1	30,001	-	35,000	32,822
2	35,001	-	40,000	79,650
4	40,001	-	45,000	170,060
3	45,001	-	50,000	146,800
1	50,001	-	55,000	51,350
2	65,001	-	70,000	135,850
4	85,001	-	90,000	354,800
1	90,001	-	95,000	95,000
1	95,001	-	100,000	100,000
1	110,001	-	115,000	115,000
1	125,001	-	130,000	125,800
1	150,001	-	155,000	152,000
1	175,001	-	180,000	177,406
1	195,001	-	200,000	196,045
1	215,001	-	220,000	216,250
1	250,001	-	255,000	252,420
1	280,001	-	285,000	284,266
1	385,001	-	390,000	388,500
1	420,001	-	425,000	420,500
1	805,001	-	810,000	808,357
1	1,575,001	-	1,580,000	1,575,696
1	25,585,001	-	25,590,000	25,588,533
<b>1,726</b>				<b>34,117,881</b>

Shareholders Category	No. of Shareholder	No. of Shares	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	1	500	0.00
Associated Companies, Undertakings and related Parties	1	25,588,533	75.00
NIT and ICP	1	700	0.00
Banks, Development Financial Institutions, Non Banking Financial Institutions	4	253,875	0.74
Insurance Companies	7	956,407	2.80
Modarabas and Mutual Funds	7	1,752,068	5.15
Share holders holding 10%	1	25,588,533	75.00
General Public :			
a. Local	1,651	4,763,391	13.96
b .Foreign	-	-	-
Others	54	802,407	2.35
<b>Total (excluding : share holders holding 10%)</b>	<b>1,726</b>	<b>34,117,881</b>	<b>100.00</b>
<b>Shareholders holding 10% or more voting interest</b>			
Archroma Textiles S.a.r.l., Luxembourg	1	25,588,533	75.00

There was no trading in the shares of the Company by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children during the year.

# / PATTERN OF SHAREHOLDINGS

## Information as required under Code of Corporate Governance as at 30 September 2019

Shareholder's category	Number of shareholder	Number of share held
<b>I. Associated Companies, Undertakings and Related Parties (name wise details)</b>		
ARCHROMA TEXTILES S.A.R.L.	1	25,588,533
<b>Total :</b>	<b>1</b>	<b>25,588,533</b>
<b>ii. Mutual Funds (name wise details)</b>		
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	65,850
GOLDEN ARROW SELECTED STOCKS FUND LIMITED	1	44,122
CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	1	39,650
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	1,950
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	22,800
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	1,575,696
<b>Total :</b>	<b>6</b>	<b>1,750,068</b>
<b>iii. Directors and their spouse (to be confirmed by company)</b>		
	1	500
<b>Total :</b>	<b>1</b>	<b>500</b>
<b>iv. Executives (To be filled by company)</b>		
	-	-
<b>Total :</b>	<b>-</b>	<b>-</b>
<b>v. Public Sector Companies and Corporations</b>		
	2	1,024,607
<b>Total :</b>	<b>2</b>	<b>1,024,607</b>
<b>vi. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds</b>		
	13	587,831
<b>Total :</b>	<b>13</b>	<b>587,831</b>
<b>vii. Shareholders Holding five percent or more Voting Rights in the Listed Company (name wise details)</b>		
ARCHROMA TEXTILES S.A.R.L.	1	25,588,533
<b>Total :</b>	<b>1</b>	<b>25,588,533</b>

www.jamapunji.pk








 **Jama  
Punji**  
سرمایہ کاری سمجھداری کے ساتھ










**Be aware, Be alert,  
Be safe**

**Learn about investing at  
www.jamapunji.pk**

**Key features:**

-  Licensed Entities Verification
-  Scam meter\*
-  Jamapunji games\*
-  Tax credit calculator\*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator  
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler\*
-  Financial calculator
-  Subscription to Alerts (event  
notifications, corporate and  
regulatory actions)
-  Jamapunji application for  
mobile device
-  Online Quizzes



Jama Punji is an Investor  
Education Initiative of  
Securities and Exchange  
Commission of Pakistan

 [jamapunji.pk](http://jamapunji.pk)

 [@jamapunji\\_pk](https://twitter.com/jamapunji_pk)

\*Mobile apps are also available for download for android and ios devices

# FORM OF PROXY

Please quote Folio  
Number

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member of ARCHROMA PAKISTAN LIMITED, hereby appoint \_\_\_\_\_

\_\_\_\_\_

of \_\_\_\_\_

or failing him/her \_\_\_\_\_

of \_\_\_\_\_

as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 24th Annual General Meeting of the Company to be held on Monday, 30 December 2019 at 09:30 a.m. and at any adjournment thereof.

Revenue Stamp

Signed by the said \_\_\_\_\_

**Witness 1**

Signature \_\_\_\_\_

Name \_\_\_\_\_

CNIC No. \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

**Witness 2**

Signature \_\_\_\_\_

Name \_\_\_\_\_

CNIC No. \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

Place: \_\_\_\_\_

Date \_\_\_\_\_

**NOTES:**

1. This form of proxy duly completed, must be deposited at the Company's Registered Office at 1-A/1, Sector 20, Korangi Industrial Area, Korangi, Karachi not later than 48 hours before the meeting.
2. In pursuance of Circular No. 1 of 2000 of Securities and Exchange Commission of Pakistan (SECP) dated 26 January 2000, the beneficial owners of the shares registered in the name of Central Depository Company (CDC) and/or their proxies are required to produce their original National Identity Card (NIC) or Passport for identification purpose at the time of attending the meeting. The form of proxy must be submitted with the Company within the stipulated time, duly witnessed by two persons whose names, addresses and NIC numbers must be mentioned on the form, alongwith attested copies of the NIC or the Passport of the beneficial owner and the proxy.

برائے کرم  
فولیو نمبر درج کریں

میں مسماة / مسماة ساکن \_\_\_\_\_

ضلع \_\_\_\_\_ بحیثیت ممبر \_\_\_\_\_ لمیٹڈ، مسماة / مسماة \_\_\_\_\_

ساکن \_\_\_\_\_ کو بطور مختار (پراکسی) مقرر کرتا ہوں تاکہ وہ میری جگہ اور میری طرف سے

کمپنی کے چوبیسواں سالانہ اجلاس جو صبح 09:30 بجے، بتاریخ 30 دسمبر 2019ء بروز پیر منعقد ہو رہا ہے میں اور اس کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

(ریونیوا سٹیپ)

دستخط از: \_\_\_\_\_

گواہ (1): \_\_\_\_\_

دستخط: \_\_\_\_\_

نام: \_\_\_\_\_

شناختی کارڈ: \_\_\_\_\_

پتہ: \_\_\_\_\_

گواہ (2): \_\_\_\_\_

دستخط: \_\_\_\_\_

نام: \_\_\_\_\_

شناختی کارڈ: \_\_\_\_\_

پتہ: \_\_\_\_\_

جگہ: \_\_\_\_\_

تاریخ: \_\_\_\_\_

نوٹس:

۱۔ اس پراکسی فارم کو مکمل طور پر پُر کر کے میننگ سے 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس واقع 1-A/1، سیکٹر 20، کورنگی انڈسٹریل ایریا کورنگی کراچی میں جمع کرا دیا جائے۔

۲۔ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے سرکلر نمبر 1/2000 مورخہ 26 جنوری 2000 کی روشنی میں سینٹرل ڈپازٹری کمپنی (CDC) کے نام پر رجسٹرڈ شدہ شیئرز کے مالکان یا ان کے نائبین کے لئے ضروری ہے کہ وہ میننگ میں حاضری کے وقت اپنے اصل شناختی کارڈ یا پاسپورٹ پیش کریں۔ پراکسی فارم متعلقہ مدت میں کمپنی میں جمع کروائیں جس پر دو افراد گواہی کے طور پر دستخط کریں گے اس کے علاوہ ان کے نام پتے اور شناختی کارڈ نمبر بھی فارم پر درج کرنا ہونگے اس کے علاوہ متعلقہ مالک یا اس کے نائب کے شناختی کارڈ یا پاسپورٹ کی مصدقہ کاپیاں بھی جمع کرانی ہونگی۔





[www.archroma.com.pk](http://www.archroma.com.pk)  
[archroma.pakistan@archroma.com](mailto:archroma.pakistan@archroma.com)

**ARCHROMA PAKISTAN LTD.**

1-A/1, Sector 20,  
Korangi Industrial Area,  
Karachi 74900  
Pakistan  
Phone +92 21 111 275 786