



**/ ANNUAL REPORT 2020**



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# / ARCHROMA. LIFE ENHANCED.

## Purpose

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

## Vision

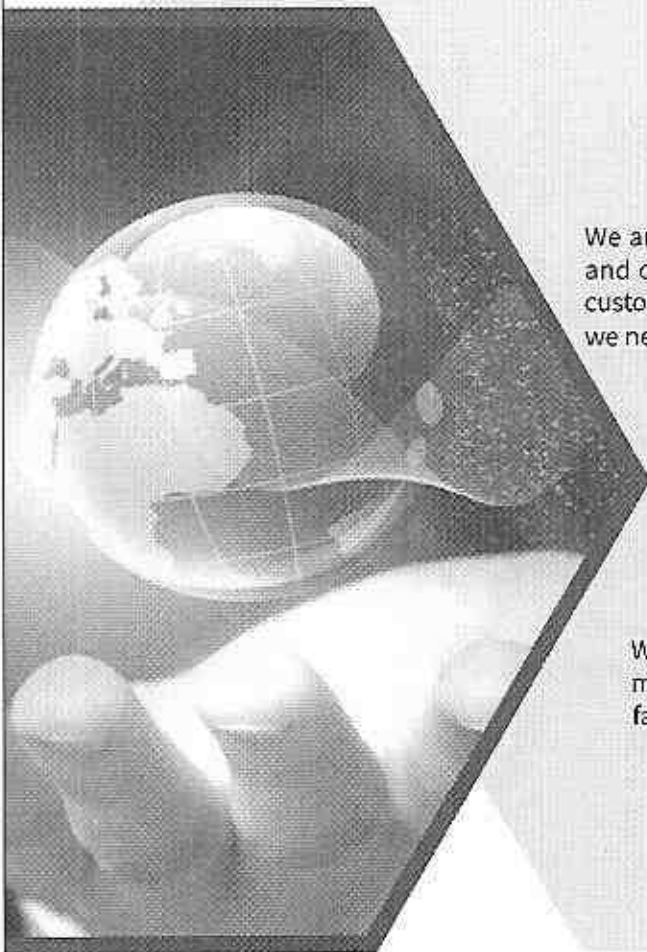
We are passionate to deliver leading and innovative solutions, enhancing people's lives and respecting our planet.

## 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 Mubarik 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: Irfan Chawala) (Alternate: Naveed Kamil)</p> <p>- Chief Executive Officer</p> <p>(Alternate: M Veqar Arif)</p>
Audit Committee	<ul style="list-style-type: none"><li>• M Z Moin Mohajir</li><li>• Michel Zumstein</li><li>• Shahid Ghaffar</li><li>• Irfan Lakhani</li></ul>	<p>- Chairman (Alternate: Naveed Kamil)</p> <p>- Secretary</p>
Human Resources and Remuneration Committee	<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>
Management Committee	<ul style="list-style-type: none"><li>• Mujtaba Rahim</li><li>• Qazi Naeemuddin</li><li>• Irfan Chawala</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>
Chief Financial Officer	<ul style="list-style-type: none"><li>• Irfan Chawala</li></ul>	
Company Secretary	<ul style="list-style-type: none"><li>• Irfan Lakhani</li></ul>	
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 Advisor	<ul style="list-style-type: none"><li>• Fazlegani Advocates</li></ul>	
Share Registrar	<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>• B 157 Lalarukh, Wah Cantt</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>	

## / BUSINESSES

### 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, Archroma Way, sustainability service, to ensure that customers generate greater value from their system solutions.

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, environmentally 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 denim, automotive and home textiles, digital printing, hygiene protection, medical textile and technical textiles, turn to us to meet their sector's constantly changing specifications.

# / BUSINESSES

## 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.

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 oriented 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.

## / **BUSINESSES**

### 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.

# / DIRECTORS' PROFILE

## Dr. S. Mubarik Ali

Dr. Syed Mubarik Ali was elected to the Board of Directors in 2018 and holding Directorship since 1996. Being non executive director, he is also a Chairman of the Board. He is Ph.D in Chemistry from UK and has a wide experience of almost 35 years in dyes & chemicals. Dr. Mubarik has worked for Sandoz UK and Pakistan (1979-2008) on senior positions in production, operations and as Divisional Head of the Company.

## Mr. Irfan Chawala

Mr. Irfan Chawala was appointed to the Board of Directors in 2020. He is a Fellow Member of Institute of Chartered Accountants of Pakistan with over 25 years of diverse working experience in different roles, industries & markets. He worked with Clariant for about 14 years in Finance, Marketing and Operations / Business Support in Pakistan, China & Singapore / South East Asia. During his professional career, he has attended many extensive Leadership development programs and trainings in Europe and Asia. Mr. Irfan Chawala also worked in the past with PricewaterhouseCoopers and Lucky Cement as CFO / Finance Director before re-joining Archroma in February 2020. He strongly believes in core values that motivate people to collaborate and win as one team with shared objectives.

## Mr. Mujtaba Rahim

Mr. Mujtaba Rahim was elected to the Board of Directors in 2018 and holding this position since 2004. He holds Masters degree in Applied Chemistry from University of Karachi. He has attended high profile national & international courses on leadership and strategic management programs. He has over 38 years of experience in dyes & chemicals industry. In 1982 he joined Sandoz. Within a short span he was moved to sales team and became Product Manager Textiles. He further climbed the career ladder and in 2004 was appointed Divisional Head - Textile, Leather & Paper. Since 2006, Mr. Mujtaba took over as the Chief Executive Officer of Clariant, a position that he holds to date with distinction after the company changed its name to Archroma. He believes in core values that inspires work ethics at Archroma.

# / DIRECTORS' PROFILE

## Mr. Marcos Furrer

Mr. Marcos Furrer was elected to the Board of Directors in 2018 as Non-Executive Director. With a career spanning to over two decades, Mr. Furrer has earned a strong reputation as a well-rounded business manager with excellent leadership skills, working with teams and delivering ambitious targets. A Chemical Engineer from Ingenieurschule beider Basel, Switzerland, Mr. Furrer started his career with Clariant, Switzerland in 1997. He grew within the organization working on different positions in different countries. He is the President of Textile Specialties since January 2015 based in Switzerland. Mr. Furrer speaks five languages: English, German, Spanish, Portuguese and French.

## Mr. Michel Zumstein

Mr. Michel Zumstein was elected to the Board of Directors in 2018. Mr Zumstein graduated from ESSEC Business School in Paris and has a Ph.D in Political Science from University of Strasbourg, France. He started his career with Sandoz in 1993 as Corporate Internal Auditor. During the past 27 years he has worked in Europe and Asia in corporate & operational, global & regional Finance positions enabling him to become a seasoned finance all-rounder with an in-depth understanding of business. More recently, Michel had been instrumental in establishing finance services and processes. As Head of Controlling, he helped to drive business / financial performance management in Archroma. In February 2018, Mr. Zumstein was appointed as President Region Asia.

## Mr. M.Z. Moin Mohajir

Mr. M.Z. Moin Mohajir was appointed to the Board of Directors in 2018 as an Independent director. He is also Chairman of Audit Committee. He is a fellow member of Institute of Chartered Accountants of Pakistan. Mr. Mohajir worked on senior positions in various organizations and has four decades of rich experience in Finance, Taxation & Audit. Currently he is Deputy Secretary General of Overseas Investors Chamber of Commerce & Industry (OICCI).

## Mr. Naveed Kamil

Mr. Naveed Kamil was appointed to the Board of Directors in 2018 and holding this position since 2017. He graduated in Mathematics & Computing from UK in 1985. He started his carrier in 1986 from National Development Finance Corporation (NDFC) and in 1989 joined Sandoz as System Analyst. He is currently Head of Human Resources of cluster Pakistan.

# / DIRECTORS' PROFILE

## Mr. Roland Waibel

Mr. Roland Waibel was elected to the Board of Directors in 2018 as a Non- Executive Director. He holds degree in Business Administration and Ph.D in Operations Research from University of Berne, Switzerland. Mr. Waibel has 25 years of experience in Financial and Executive Functions for public listed and privately owned companies. He is an internationally oriented Finance Executive with broad experience in accounting, auditing, taxation, treasury, insurance, risk management, financial planning and controlling in mid-sized and large industrial groups. He also has experience in Business Process Management and Change Management.

## Mr. Veqar Arif

Mr. Veqar Arif was elected to the Board of Directors in 2018 and holding this position since 2004. He is a fellow member of Institute of Chartered Accountants of Pakistan & Institute of Corporate Secretaries of Pakistan. Mr. Veqar joined Sandoz in 1990 and has more than 30 years experience in Finance, Administration & Audit. He has attended numerous national & international courses on leadership and strategic management programs.

## Mr. Shahid Ghaffar

Mr. Shahid Ghaffar was appointed to the Board of Directors in 2018 as an Independent director. He is also a member of Audit Committee. He has a Masters degree in Business Administration. He was associated with different institutions namely Pakistan Stock Exchange, Securities & Exchange Commission of Pakistan, Habib Bank Limited, HBL Assets Management Limited. During his 40 years of professional career, Mr. Ghaffar has been nominated on the Boards of 30 listed companies.

## Ms. Yasmin Peermohammad

Ms. Yasmin Peermohammad was appointed to the Board of Directors in 2018 as an Independent director. She has a Bachelors degree in Commerce from University of Karachi. She has a number of trainings in different fields to her credit from Swissair Training School, Switzerland. Ms. Yasim specializes in Marketing and Customer Management.

# 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 challenging period.

The Financial Year 2019-20 (FY20) was a very difficult year world over and in Pakistan due to the COVID-19 pandemic. Global and local business environment remained highly challenging, with the impact of COVID-19 spreading across the whole world within weeks. COVID-19 has also been catastrophic for Pakistan's already ailing economy.

The COVID-19 pandemic badly affected the entire corporate sector. Despite the country's economic woes and rampant inflation, the Company managed to operate, often with very thin staff and successfully deployed business continuity and incident management plans to cope with this crisis.

With the grace of Allah Almighty, despite these challenges, your Company managed to make sales of Rs 17,894 million and attaining profit after tax of Rs 1,169 million. The earnings per share decreased to Rs 34.27 as compared to Rs 50.48 during the corresponding year, which reiterates our ongoing commitment to creating shareholders' value. The Board has proposed a dividend of Rs. 30 per share, i.e. 300% for the Financial Year 2020 for approval of members at the Annual General Meeting to be held on 29th December 2020 in order to pass on the benefit of this achievement to the shareholders.

The Board constantly reviews principal risks facing the Company and considers whether they reflect an acceptable level of risk. Where this is not the case, the Board also considers what is required to reduce the likelihood and potential impact of the risk. The Board either approves the level of risk being taken or requires management to reduce the risk exposure.

The Company has highly diverse and competent Board which holds to the Company's vision, mission, and core values with the ultimate goal of serving the interests of all stakeholders. The Board closely monitored the performance of the business with a focus to achieve continued improvement in productivity and efficiency while optimizing costs 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.

We believe in steadily improving the governance framework of the Company. For this purpose, a formal and effective mechanism is in place for critical evaluation of the Board.

In accordance with the Code of Corporate Governance, during 2020 the Board carried out an evaluation of performance of its individual members, the Board and its performance. Board evaluation process is conducted internally by the Company Secretary who prepares an annual Evaluation Assessment Questionnaire which is circulated amongst the Board Members to provide clarifications and further insights and perspectives on the performance of the Board.

The Board has performed its duties and responsibilities diligently, and has contributed effectively in guiding the Company in its strategic affairs. Currently the areas of focus as identified by the Board are risk management, business growth and opportunities and providing oversight to management. The Board also played a key role in monitoring of management performance and focusing on major risk areas. The Board was fully involved in the strategic planning process and enhancing the vision of the Company.

Both our Audit Committee and HR&R Committee are chaired by independent directors, indicating our commitment to the highest levels of governance and transparency.

The Board sets several targets for the CEO including development of short term and long term strategies for management committees. The CEO has also been advised to work on succession planning for different tiers of Management and develop an objective, metrics-based system for appraisal of overall organizational performance as well as that of individual employees.

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 comply with all the regulatory requirements and best practices.
- o Ensured appropriate measures were in place for safeguarding of 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 2019.



Dr. S. Mubarak Ali  
Chairman

# / CEO'S MESSAGE

Dear Archroma Shareholders,

I am delighted to present to you Annual Report of Archroma Pakistan for the financial year 2019-2020.

Archroma has been renamed in 2013, (earlier it operated as Sandoz 1963 - 1995 and Clariant 1996 - 2013). We commenced business efforts with a product portfolio that includes innovative solutions for the textile, paper and coating industry. We are humbled to put on record our achievements of seventh year.

Within Archroma, it has now become a regular norm to question the status quo, think proactively with an open mindset and come to a logical conclusion that more progress can be achieved when sustainability is kept at the forefront. We are happy to say that the industries where we operate are also beginning to adopt our ideology of questioning, improving and moving forward.

During the current year, our textile specialties earned exceptional acceptance from the market. We were able to launch 7 new innovations and more than 25 solution systems. Similarly we served paper, coating, adhesives & sealant markets with technical support. Our R&D team at Archroma Center of Excellence works relentlessly to provide round-the-clock service to industry.

Our Internal and external approach has been redefined giving clarity to our core ideology, which we term as "The Archroma Way to a sustainable world". It has three elements - safety, efficiency and enhanced value. Safety leads to our deeply rooted goal to protect people and planet, by being efficient we innovate and rethink sustainable manufacturing enabling to minimize resources and maximize productivity and enhanced innovation adds another level of value to help our partners in achieving their respective goals.

As the Covid-19 pandemic gripped continents with its misfortunes from beginning of 2020, our R & D team was busy finding solutions for frontline soldiers - doctors and paramedics in hospitals and isolation centers and public at large. Breakthrough was achieved as we successfully developed Kieralon® hand sanitizer based on WHO recommended formulae.

Inspite of the challenges, Archroma bagged 3rd position amongst Top 25 Best Performing Companies at Pakistan Stock Exchange. A number of prestigious recognitions were also received on our efforts in management excellence, corporate social responsibility, global compact and fire safety.

It is a matter of great satisfaction that academic alliances built few years ago have now converted into a solid partnership wherein Archroma takes a lead role. Almost all educational institutions are aligned with us through memorandum of understanding.

We take pride to report that Jamshoro site celebrated its golden jubilee anniversary and also completed two million safe working hours, an honor that we cherish with distinction.

I would like to express my sincere gratitude to our partners, associates and team members for their continued support. In the coming years, Archroma Pakistan will be playing a leading role in shaping future values of the corporate world. Let us all join hands to fulfil our purpose of touching and coloring people's lives every day, everywhere!



Mujtaba Rahim  
Chief Executive Officer

# / DIRECTORS' REPORT

## Report of the Board of Directors for the year ended 30 September 2020

The Directors of your Company are pleased to present their Report together with the audited financial statements for the year ended 30 September 2020.

### Business Overview

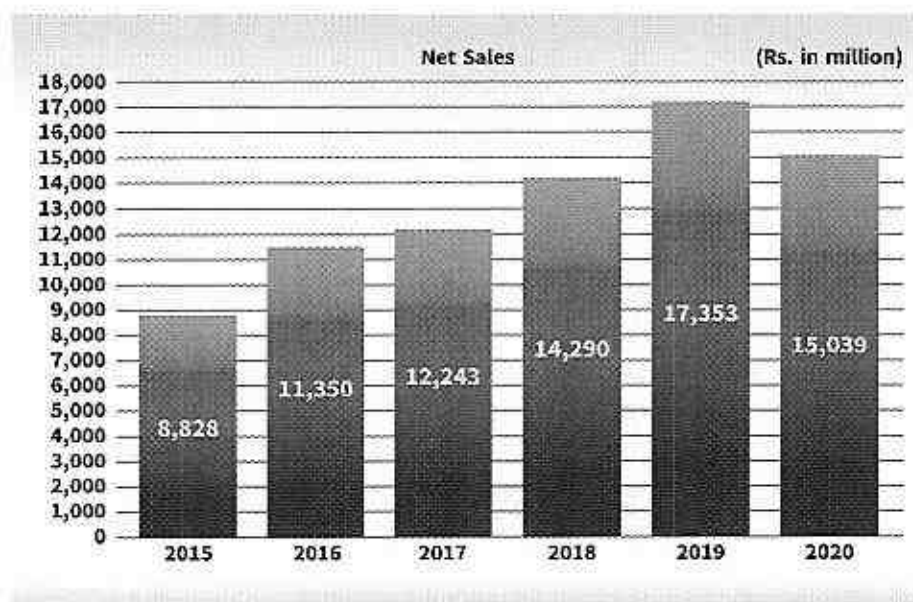
The global implementation of safety and precautionary measures taken to control the spread of COVID-19 Pandemic, including lock-downs, travel bans, quarantines, social distancing and closure of non-essential services and factories triggered significant disruptions to majority of businesses worldwide, resulting in an overall economic slowdown, which have also adversely impacted the year's business performance of your Company.

With the advent of COVID-19 in the Country, the Company went into strict implementation of various checks & SOPs at its Operating sites to ensure safety and protection of all its employees. Fortunately your Company was able to get special permission to re-start its production and sales operations during the lock-down period, with priority to process and ship pending export orders.

During the year under review, Company's customers & consumption markets for both local & exports operated at less than 50% capacity utilization and that to with severe liquidity and conversion to Cash challenges. With the given challenging market scenario, the entire Archroma team joined hands to prioritize "Cash collections over Sales". This strategy of the Company was also fully supported by its business partners, customers and all stakeholders.

With the gradual improvement of sales in the last quarter of current financial year, built upon a strong foundation of pre-COVID first half year's sales performance, your Company managed to reduce the sales performance gap created from lower third quarter sales and was able to achieve an overall net sales of PKR 15,039 million for the financial year 2020 as compared to PKR 17,353 million last year, which represents a decline of 13.3% as compared to last year.

Despite of this challenging business environment & lower sales volumes in the third quarter, the Company managed to achieve bottom-line profitability of PKR 1,169 million for the financial year 2020 versus PKR 1,722 million, last year.



# / DIRECTORS' REPORT

## Future Outlook

With the availability of good flow of orders in the pipeline, first quarter of next financial year is expected to maintain the sales improvement trend carried forward from previous quarter. However, much is dependent on how the global economies manage the upcoming winter season with growing threat from the increasing numbers of COVID-19, coming from the spread of second wave of the pandemic.

Moreover, with the world's new experience towards changes in consumption lifestyles has also provided the Company with an opportunity to more effectively manage the decline in Fashion & Clothing with more sustainable growth in Denim & casual wear, Safety & protective gear, Medical textiles, Home Care & hygiene segments of the Specialty Chemicals Industry.

## Principal Business Activities

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

## Risk & Uncertainties

Adopting to the new norm of increasing speed and agility to smartly manage cash-flows and fixed costs are the key risks associated with Company's operations, going forward.

## Board Changes

Mr. Irfan Chawala has been appointed as alternate director with effect from 23 April 2020. The Board welcomed Mr. Irfan Chawala and shared that his contribution will be of utmost benefit for the Company.

## Change of Chief Financial Officer

With effect from 01 November 2020 there has been one notable change stating that Mr. M. Veqar Arif retired as a Chief Financial Officer of the Company and was replaced by Mr. Irfan Chawala who has dynamic experience. Detail information regarding Mr. Irfan Chawala including experience, qualification and background is provided on page 07 of this annual report.

## Composition of Board

The composition of Board is in compliance with the requirements of Code of Corporate Governance Regulations, 2019 applicable on listed entities which is given below:

Total number of directors:

a)	Male Directors	07
b)	Female Director	01
		<u>08</u>

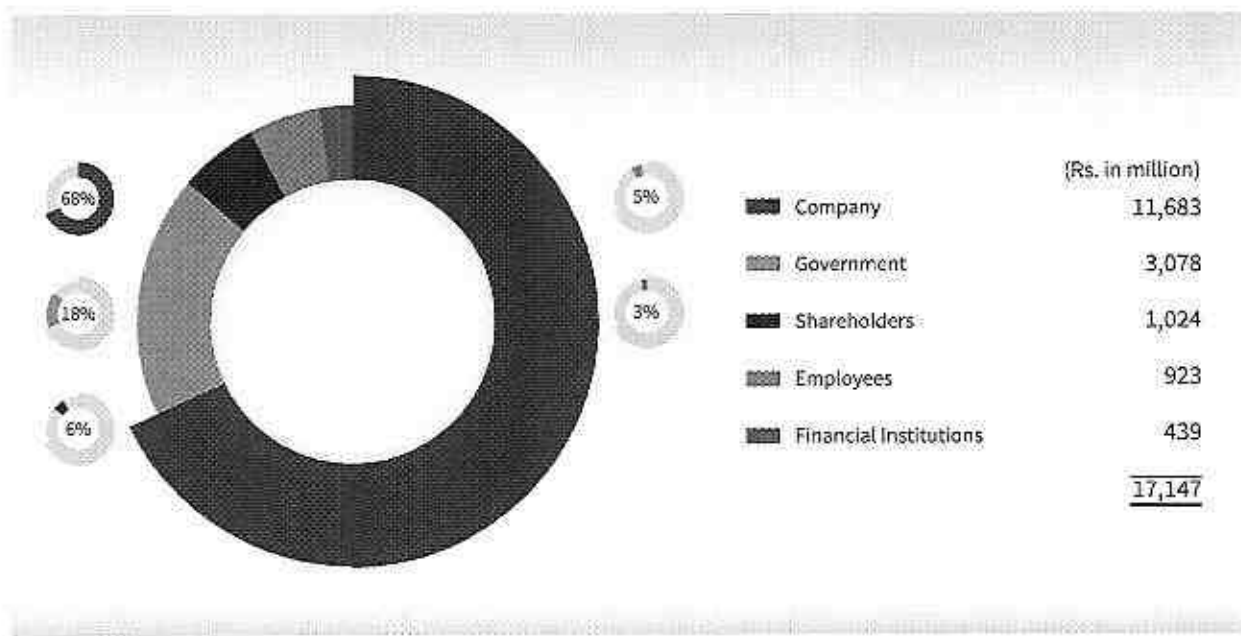
Composition:

i)	Executive Director	01
ii)	Other Nonexecutive Directors	04
iii)	Independent Directors	03
		<u>08</u>

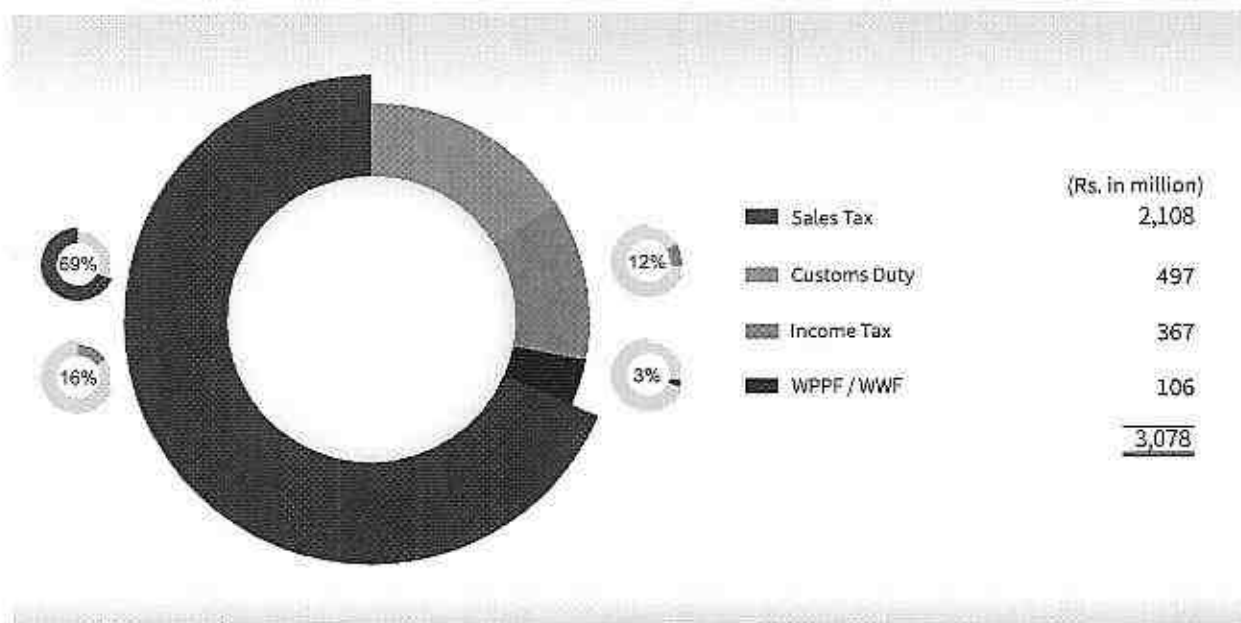


# / DIRECTORS' REPORT

## Value Distribution



## Contribution to National Exchequer - 2020



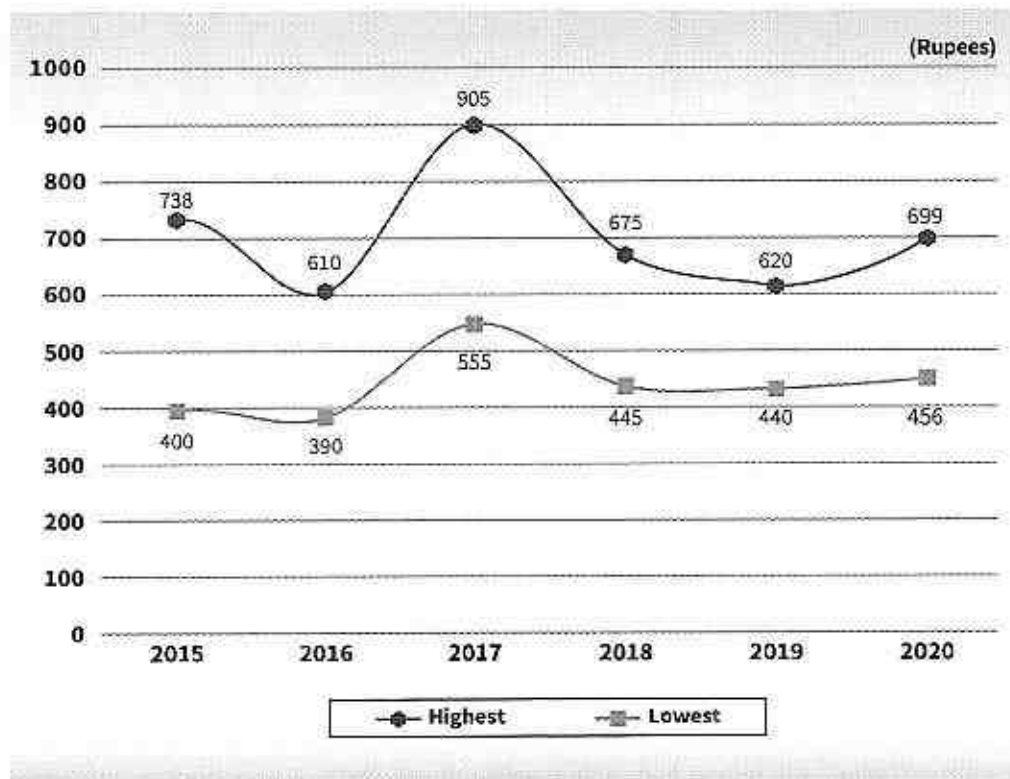
# / DIRECTORS' REPORT

## Earnings per Share

The profit for the year stood at Rs. 1,169 million (last year Rs. 1,722 million). On this basis the earnings per share for the year has decreased to Rs. 34.27 as compared to last year's earnings per share of Rs. 50.48.

## Share Price

Share price in the stock market moves due to various factors such as Company's performance, market sentiments, economic events, interest rates and some other factors. During the year under report the Company's share price touched the peak of Rs. 699 whereas, the lowest recorded price was Rs. 456 on the Pakistan Stock Exchange Ready Board quotations.



## Donations

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

# / DIRECTORS' REPORT

## Appropriation of Profit

The proposed appropriation of profit of the Company decided in the Board of Directors meeting held on 28 October 2020 is given below:

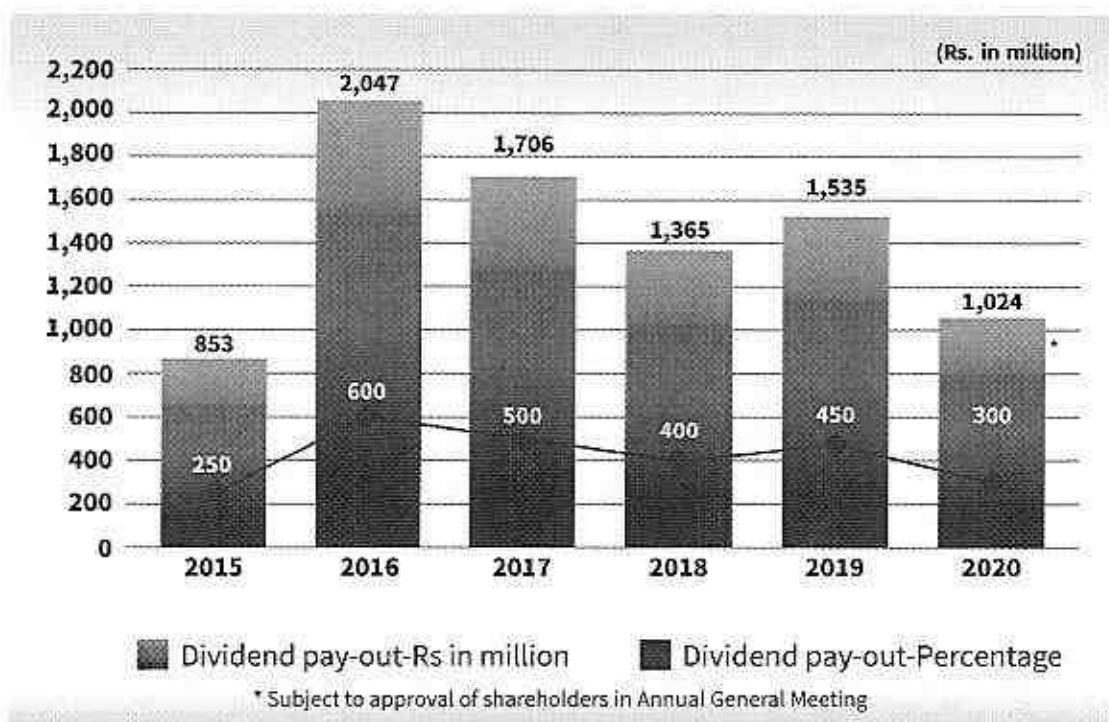
	(Rs. in million)
Total comprehensive income for the period	922
Unappropriated profit brought forward	02
Profit available for appropriation	924

### Appropriation:

Proposed 300% final cash dividend to be paid after approval in the Annual General Meeting	1,024
Transfer from Revenue Reserves	100
Unappropriated profit carried forward	-

## Dividend

As mentioned above the Board of Directors of the Company at its meeting held on 28 October 2020 has proposed a final cash dividend @ Rs.30.00 per share for the year ended 30 September 2020.



# / DIRECTORS' REPORT

## Social Contribution

Archroma fully understand its ethical responsibility for sustainable, economic and ecological, as well as fair, business practices. Corporate Social Responsibility is therefore an integral component of our company's philosophy. We actively develop talent, promote diversity and invest in our employees' skills to enable a high-level performance for both current and future responsibilities.

## Fighting COVID-19 Pandemic

The COVID-19 pandemic brought unprecedented suffering to the nation. Acute shortage of hand sanitizers was witnessed and even hospitals and isolation centers ran short of supply for frontline soldiers and patients. In line with our sustainability vision to help community, a swift assessment was made on the impact of shortage of hand sanitizers during continuance of the pandemic. As a CSR initiative, we aimed to help fight the virus and contain its spread by producing hygiene products that supported needs of patients, doctors, paramedical staff, sanitary workers and general public.

In record time, our R&D at Archroma Center of Excellence formulated a world class Hand Sanitizer Kieralon® based on WHO recommended guidelines. Cross functional teams worked with speed and precision and since June 2020, Kieralon® is being produced at our Landhi site in bulk and small packs.

Through this initiative, we are able to play our part in containing the COVID-19 pandemic in Pakistan and defeating the worsening hygiene situation by ensuring smooth supplies of sanitizers for the community.

Archroma donated and distributed Kieralon® to hospitals, community centers and welfare organizations. It is a matter of great pride for your Company that a leading national airline "Serene Air" readily adopted Kieralon® as a complimentary gift to all on-board airline passengers.



# / DIRECTORS' REPORT

## Sustainability Workshops for Textile Industry

Archroma always adopts a proactive approach to prepare its partners towards compliance on local and global regulatory requirements. In February 2020, we organized a series of exclusive workshops at Lahore and Karachi for Style Textiles, Nishat Group, K&M, US Denim Group, Gul Ahmed Textiles, Yunus Textiles, Artistic Denim Mills, Soorty Enterprises and Lucky Textile Mills. Global Head of Sustainability at Archroma, Mr. James Carnahan specially flew in to conduct the workshops. The workshops focused on individual queries on sustainability that arise from time to time and global trends that would lead the textile markets. Archroma endeavoured to prepare its partners on equipping them with latest knowledge on Sustainability.



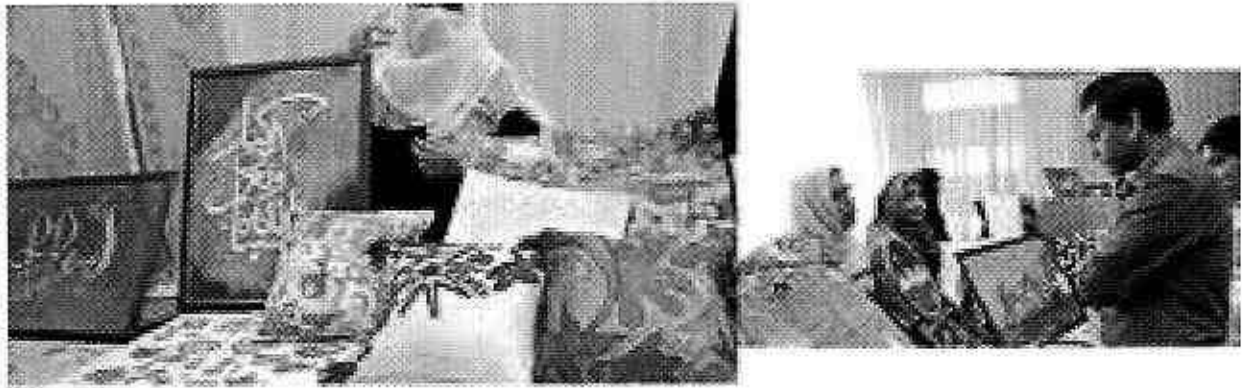
## Strengthening Textile Industry by Promoting Latest Advancements

Archroma held the 3rd International Conference on Sustainable Textiles in February 2020 at Faisalabad in collaboration with University of Engineering & Technology and Society of Dyers & Colorists. This is a much awaited annual event with presentation on new research developments in textiles, grand finale of 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.



## / DIRECTORS' REPORT

About 200 students from textile institutes all over Pakistan participated in the national color competition based on our Color Atlas. The topic was "Colors of the Universe" which encompassed a broad spectrum. It was a unique motley of colors, shades and creative designs. Archroma backed the students with global tutorials on usage of Color Atlas. The Directors of Skill Development Council (SDC), UK highly appreciated the competition and quality of presentations by the students.



### Archroma Promotes Entrepreneurship

Archroma paid rich tribute to the textile brands in Pakistan who have contributed to the economy and enhanced the scope of business not only in main cities but also to the smaller districts. An exhibition of creations by some of the most soulful fashion brands based on the theme "Colors of the Universe" was an attraction too. Brands made attractive exhibits of their textile portfolio. Archroma presented certificates of participation to the brand owners.

### Memorandum of Understanding with DICE Foundation

Archroma started the first day of the year 2020 by signing an MoU with DICE Textile, Innovation Platform of DICE Foundation, USA. The term 'DICE' stands for Distinguished Innovations, Collaborations and Entrepreneurship and is a non-profit organization. The vision of DICE program is to foster innovation, entrepreneurship of indigenous product development in Pakistan and to provide a platform for academia, industry, government and entrepreneurs to interact, share knowledge and collaborate on capability building, innovation development & commercialization and textile policy input.



# / DIRECTORS' REPORT

## Encouraging Students of Textile Engineering 4th International Textile Conference & 5th All Pakistan DICE Textile Innovation Event

Archroma participated in the national event organized by NED University of Engineering & Technology and DICE Foundation held at the University premises on 2nd & 3rd March 2020. The conference had a lengthy agenda and we specially encouraged students who presented new ideas on National Innovation Basket.

### A Door to Serve

Technical expertise is another attribute with which Archroma is recognized worldwide. Archroma Center of Excellence (ACE) is a state-of-the-art R&D lab to support the industry when technical answers cannot be easily found. A brisk round-the-clock expert service is provided to industry on product stewardship, trouble shooting, regulatory requirements for exports e.g. REACH and ecological services to meet ever changing brand standards and evaluation of processes for sustainable alternatives.

ACE, therefore provides cutting edge guidance to the textile industry purely on complimentary basis as our initiative to earn recognition for the country.

ACE is also home to technical training to students who wish to make a career in textile chemistry. They have gone through our rigorous training syllabus and now have a successful career in the industry.

So far, 201 batches comprising 5,827 students have been trained by Archroma. During the period under review, Company has contributed Rs. 9 million for complimentary training of students and technicians.

Increase in female interns is also a commendable feature of our program as almost 30% of our trainees are females. Training is also provided to technicians and entrepreneurs and therefore, we have shouldered corporate social responsibility of sustainable development by passing the torch of knowledge to our next generation.



Archroma also serves textile engineering students in universities through guest lecture series. An interactive session on "Latest trends in Indigo Dyeing" was held at the Textile Department, NED University of Engineering & Technology in December 2019.

# / DIRECTORS' REPORT

## Free Water Supply to Neighborhood

Another water supply arrangement has been made in the vicinity of Jamshoro site where water is stored in two ponds and thereafter sent to filtration plant. It is supplied to nearby households absolutely free of cost. Houses of this locality have been build by Archroma and handed over to residents post flood damages.

Clean drinking water is also distributed from our Jamshoro site where neighbors collect water during the day. An estimated 11,000 gallons of water /day is provided free of cost.



## Tree Plantation Campaigns

Tree Plantation is our permanent project and is held twice a year in spring and monsoon seasons. Our employees plant trees in the production site and Archroma also partners with civic organizations for tree plantations at their premises. In Jamshoro, we arranged massive tree plantation in government schools, provincial government offices and police headquarters. In November 2019, a well- attended campaign was organized at Sindh Environment Agency offices spreading over many acres of land. Our aim is to make environment clean and green.



# / DIRECTORS' REPORT

## Awareness Sessions

Archroma shares information by keeping its employees informed about new developments specially in medical emergencies. During COVID-19 lockdown the management held a number of informative sessions online enabling employees and their families to get better equipped in fighting the pandemic.

Other sessions on health are also being held from time to time. One such session was held on "Awareness of Breast Cancer" in November 2019. We invited a Specialist, Dr. Nusrat Anis who gave valuable information on the topic and preventive measures as well.



# / DIRECTORS' REPORT

## Orientation Visits on Environment Protection

Archroma is showcased a model of environmental compliance within the industry. We welcomed environmental specialists from textile mills of Punjab at our sites in October & November 2019 liaising with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH in their national project to raise awareness on environmental upgradation and water saving.

## 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 on going concern.
- Key operating and financial data of last six years in summarized form is annexed (page 77).
- 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' REPORT

## Internal Controls

The Company has employed an effective system of internal control to carry on its business in an orderly manner, safeguard its assets and secure the accuracy and reliability of its records. The Management 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 financial statements, reports, profit forecasts and other financial and statistical information. Analysis of budgetary control is regularly done and the Board reviews material variance and calls for explanation.

## Directors' Training Program

Board of Directors training helps the Board fulfill its role and make a real difference to the 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 seven directors had already completed directors training program. In addition one director met the criteria of exemption under 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. 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 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 area with reference to 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.

# / DIRECTORS' REPORT

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

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

## 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
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	4	4	1
Marcos Furrer (Alternate: Irfan Chawala)	Non-Executive	3	-	-
M Z Moin Mohajir	Independent	4	4	-
Shahid Ghaffar	Independent	4	4	-
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 financial statements at 30 June 2020 and at 30 June 2019 are as follows.

	2020 (Rupees in mio)	2019
Gratuity Fund	867	771
Employees Provident Fund	695	608

The value of investment includes accrued markup.

# **/ DIRECTORS' REPORT**

## **Holding Company**

Archroma Textiles GmbH (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 and registered 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 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, Messrs. KPMG Taseer Hadi & Co. Chartered Accountants.

The retiring auditors, Messrs. KPMG Taseer Hadi & Co. Chartered Accountants retire at the conclusion of the 25th 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 77.

# / DIRECTORS' REPORT

## Pattern of Shareholding

A Statement of the pattern of shareholding is shown on page 133.

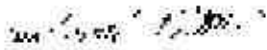
There was no trading in the shares of the company by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children during the financial year.

## Acknowledgement

The Board is sincerely thankful & acknowledges all the staff members and workers for their excellent performance during these challenging times and positively looks forward for more success in the future.

On behalf of the Board, we would like to put on record our gratitude towards valued shareholders, customers, suppliers, contractors, bankers and other stakeholders for their full support, trust and confidence.

On behalf of the Board



Mujtaba Rahim  
Chief Executive Officer



Veqar Arif  
Director

Karachi: 28 October 2020

## بورڈ آف ڈائریکٹرز کی رپورٹ برائے سالِ مختتمہ ۳۰ ستمبر ۲۰۲۰

کمپنی کے بورڈ آف ڈائریکٹرز 30 ستمبر 2020ء کو اختتام پذیر ہونے والی مدت کیلئے اپنی رپورٹ کے ساتھ آڈٹ شدہ مالیاتی حسابات پیش کرتے ہوئے پرمسرت ہیں۔

### کاروباری جائزہ

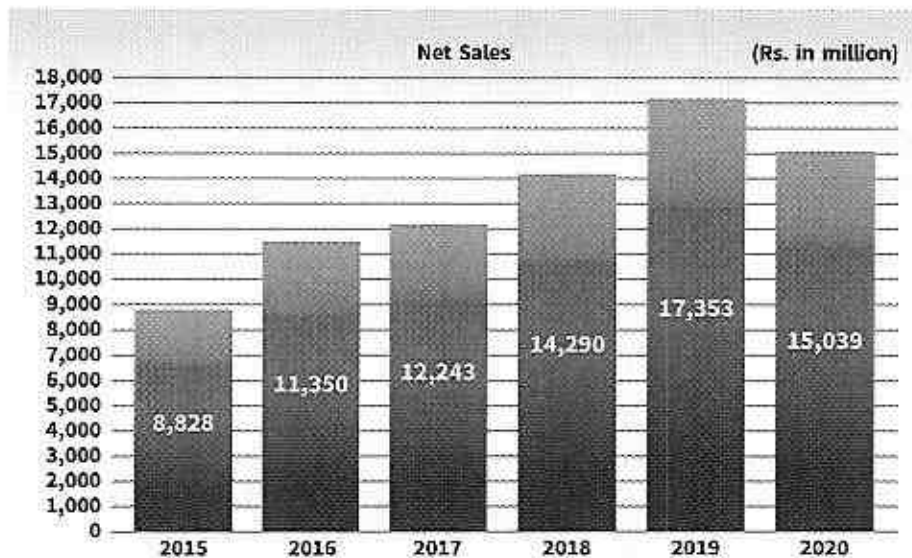
عالمی سطح پر کورونا وبا کے پھیلاؤ کو کنٹرول کرنے کیلئے حفاظتی اور احتیاطی اقدامات کئے گئے جس میں لاک ڈاؤن، سفری پابندی، قرنطینیہ، سماجی فاصلہ اور غیر ضروری خدمات اور فیکٹریوں کی بندش شامل تھی جس سے دنیا بھر کے کاروباری امور میں رکاوٹیں پیدا ہوئیں جس کے نتیجے میں معیشت سست روی کا شکار ہوئی جس نے آپ کی کمپنی کی سالانہ کارکردگی کو بھی بے حد متاثر کیا۔

ملک میں کورونا وبا کی آمد کے ساتھ کمپنی نے اپنے آپریٹنگ سائٹس پر چیننگ کے ساتھ ساتھ SOPs پر سختی سے عملدرآمد کیا تاکہ ملازمین کی حفاظت اور تحفظ کو یقینی بنایا جاسکے۔ اس نے لاک ڈاؤن کی مدت کے دوران کمپنی کے پیداواری عمل اور فروخت کے آپریشنز دوبارہ شروع کرنے اور ترجیحی بنیاد پر زیر التواء برآمدات کے آرڈرز حاصل کرنے کے بھی قابل بنایا۔

زیر جائزہ مدت کے دوران کمپنی کے گسٹرز اور گھپت کی مارکیٹوں نے مقامی اور برآمداتی دونوں پر 50 فیصد سے بھی کم پر کاروبار کیا اور یہ شدید لیکویڈیٹی اور نقد میں تنہلی کے باعث ہوا۔ دیئے گئے چیلنجنگ مارکیٹ منظر نامے کے ساتھ یورپی آرگروماٹیم نے نقد رقم کو اکٹھا کرنے کو فروخت پر ترجیح دی۔ کمپنی کی اس حکمت عملی کو اس کے کاروباری شرائط و احوال، گسٹرز اور تمام اسٹیک ہولڈرز نے سراہا۔

رواں مالی سال کی آخری سرمایہ میں فروخت میں بتدریج بہتری کے ساتھ کورونا سے قبل سال کی پہلی سرمایہ کی فروخت کی کارکردگی بہتر رہی، آپ کی کمپنی تیسری سرمایہ کی کم فروخت سے پیدا ہونے والے فروخت کی کارکردگی کے خلاف کو کم کرنے میں کامیاب رہی اور مجموعی طور پر گزشتہ سال مبلغ 17,353 ملین پاکستانی روپے کے مقابلے میں مالیاتی سال 2020ء میں مبلغ 15,039 ملین پاکستانی روپے کی فروخت کرنے میں کامیاب رہی جو کہ گزشتہ سال کے مقابلے میں 13.3 فیصد کمی کی نمائندگی کرتی ہے۔

تیسری سرمایہ میں اس مشکل کاروباری ماحول اور فروخت میں کمی کے باوجود کمپنی گزشتہ سال 1,722 ملین پاکستانی روپے کے مقابلے میں مالیاتی سال 2020ء کیلئے مبلغ 1,169 ملین پاکستانی روپے کا منافع حاصل کرنے میں کامیاب رہی۔



# \ ڈائریکٹرز رپورٹ

## مستقبل پر نظر

اچھے آرزوؤں کی پائپ لائن میں دستیابی کے ساتھ، اگلے مالیاتی سال کی پہلی سہ ماہی میں توقع ہے کہ گذشتہ سہ ماہی سے فروخت میں بہتری کے رجحان کو برقرار رکھے گا۔ تاہم اس کا زیادہ تر انحصار اس بات پر ہے کہ عالمی معیشت موسم سرما میں گورنہ و باہ کے اضافہ اور آنے والی وبا کی دوسری لہر کو پھیلنے کے خطرے کا مقابلہ کس طرح کرتی ہیں۔

مزید برآں، عالمی طور پر استعمال کی اشیاء کی تبدیلیوں کے طرز عمل کو کمپنی نے بہتر طور پر سنبھالا کیونکہ کمپنی ڈینم اور آرام دہ اور پرسکون لباس، حفاظتی پوشاک، میڈیکل ٹیکسٹائل، ہوم کیئر خصوصی طور پر کیمیکلز اینڈ سٹری کی حفظان صحت میں پائیدار ترقی کو موثر طریقہ سے سنبھالنے کا تجربہ حاصل ہے۔

## اہم کاروباری سرگرمیاں

کمپنی خصوصی کیمیکلز بشمول ڈائی اسٹنس اور گونگ ایڈیسیو اور سیلنٹس کی پیداوار، فروخت اور انڈسٹریلنگ کے کاروبار میں مصروف ہے۔

## خطرہ اور غیر یقینی صورتحال

تیزی سے بڑھتے ہوئے کیش فلوڈ اور مقررہ اخراجات کیلئے نئے طریقہ کار کو اپنانا کمپنی کے آپریشنز سے وابستہ اہم خطرات ہیں جو آگے بڑھ رہے ہیں۔

## بورڈ میں تبدیلیاں

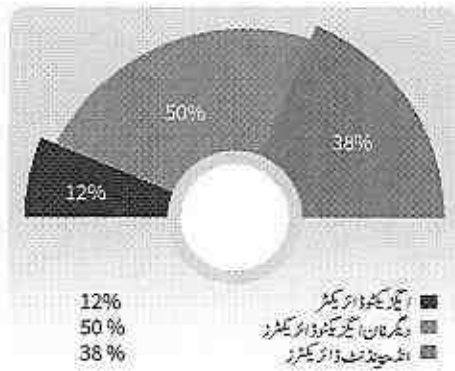
مورچہ 23 اپریل 2020ء کو جناب عرفان چاہ والا بطور تہاؤل ڈائریکٹر تقرر کئے گئے۔ بورڈ نے جناب عرفان چاہ والا کا خیر مقدم کیا اور ان کی شراکت کو کمپنی کے لئے فائدہ مند قرار دیا۔

## چیف فنانشل آفسیر کی تبدیلی

یکم نومبر 2020ء سے ایک قابل ذکر تبدیلی آئی ہے جس کے مطابق جناب ایم وقار عارف صاحب کے کمپنی کے چیف فنانشل آفسیر کے عہدے سے ریٹائر ہونے کے بعد ان کی جگہ جناب عرفان چاہ والا صاحب آگئے ہیں۔ جناب عرفان چاہ والا صاحب کے بارے میں تفصیلی معلومات، تجربہ، قابلیت اور پس منظر کمپنی کی سالانہ رپورٹ کے صفحہ ۷۰ پر فراہم کی گئی ہیں۔

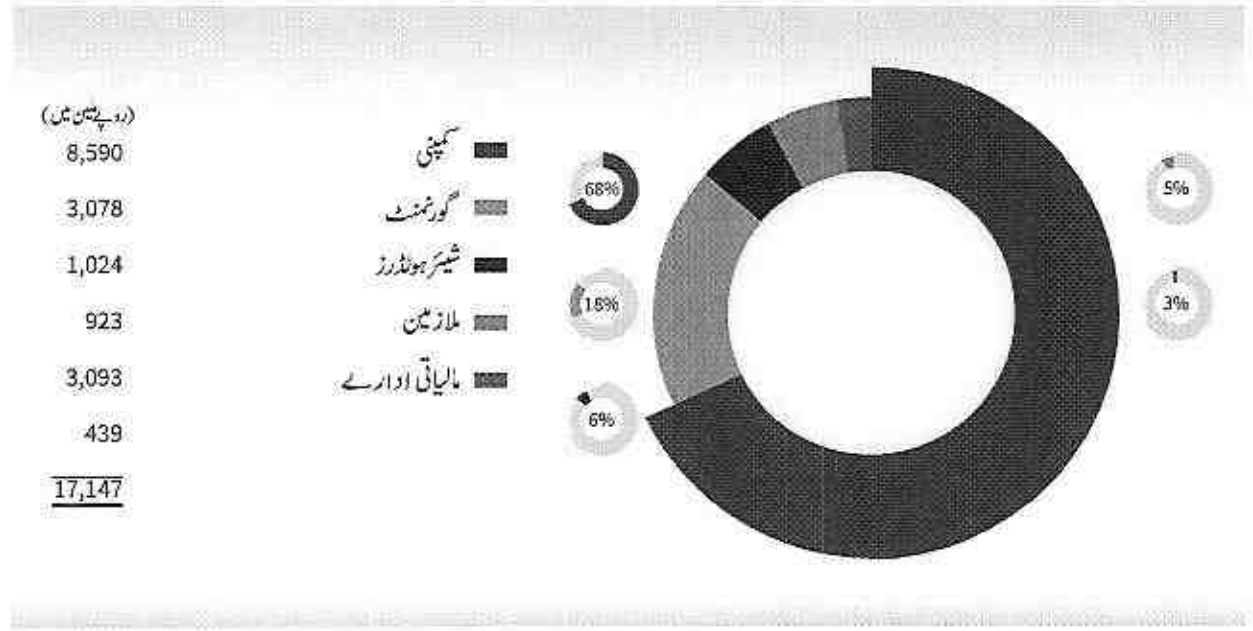
## بورڈ کی تشکیل

ڈائریکٹرز کی کل تعداد:

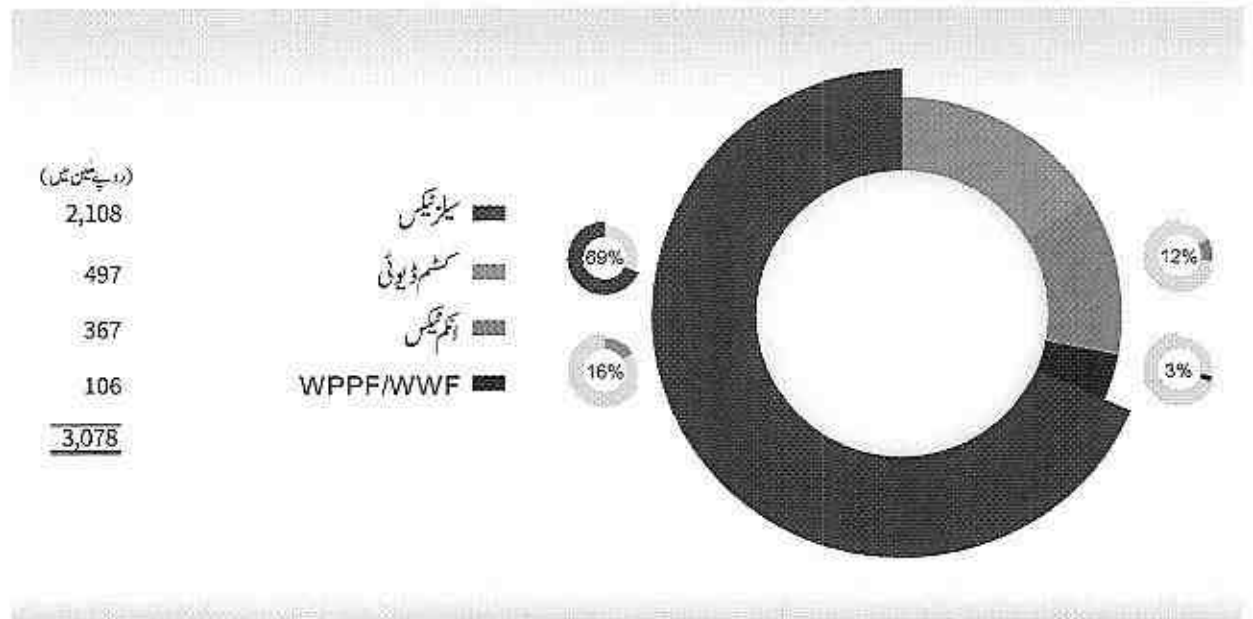


07	مرد ڈائریکٹرز	(i)
01	خواتین ڈائریکٹرز	(ii)
<u>08</u>		تشکیل
01	ایگزیکٹو ڈائریکٹر	(i)
04	دیگر نان ایگزیکٹو ڈائریکٹرز	(ii)
03	انڈیپنڈنٹ ڈائریکٹرز	(iii)
<u>08</u>		

## آمدن کی تقسیم



## قومی خزانے میں حصہ - ۲۰۲۰ء

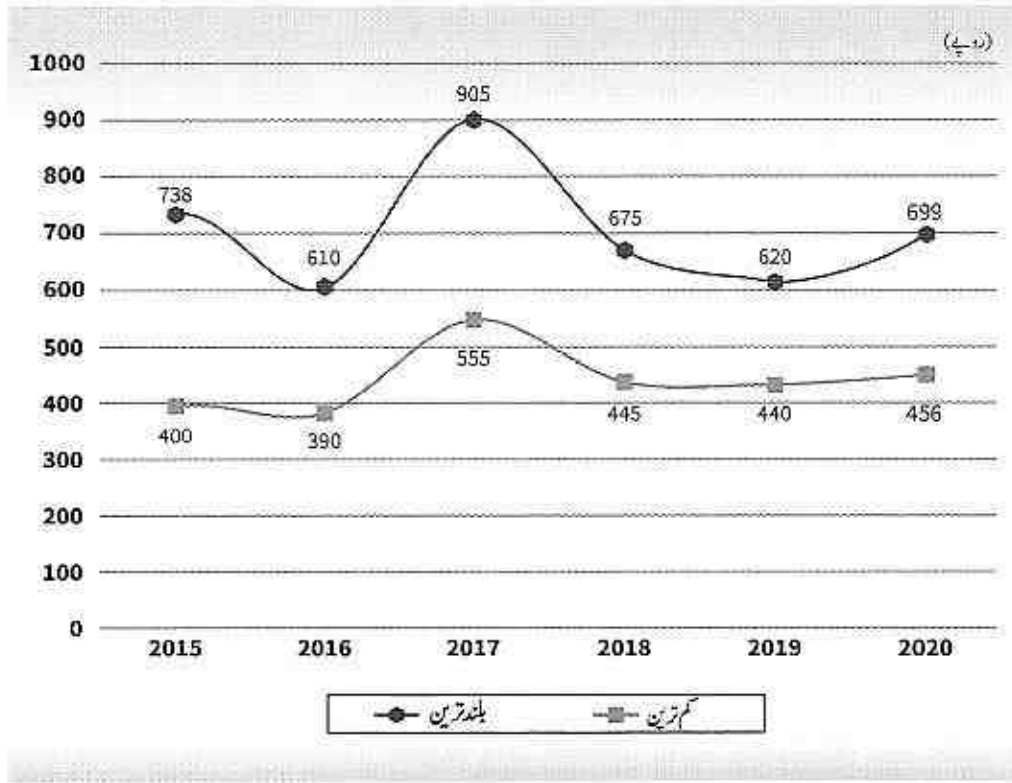


## فی حصص آمدنی

دوران سال منافع مبلغ 1,169 ملین روپے رہا (گذشتہ سال مبلغ 1,722 ملین روپے)۔ اس بنیاد پر گذشتہ سال فی حصص آمدنی مبلغ 50.48 روپے کے مقابلے میں دوران سال فی حصص آمدنی کی کے ساتھ مبلغ 34.27 روپے رہی۔

## حصص کی قیمت

اسٹاک مارکیٹ میں حصص کی قیمت مختلف عوامل جیسا کہ کمپنی کی کارکردگی، مارکیٹ کی مندی، معاشی واقعات اور زیادہ شرح سود وغیرہ کی وجہ سے حرکت میں آتی ہے۔ پاکستان اسٹاک ایکسچینج ریگولیٹری بورڈ کے نوٹیشن پر کمپنی کے حصص کی بلند ترین قیمت مبلغ 699 روپے ہے جبکہ سب سے کم ریکارڈ شدہ قیمت 456 روپے تھی۔



## عطیات

آزکرومانے مختلف وفاقی، تعلیمی اور میڈیکل تنظیموں کو عطیات کے ذریعے مالی مدد فراہم کی۔ زیرجائزہ مدت کے دوران ہماری کمپنی نے 1 ملین روپے کے عطیات دیئے۔

# ڈائریکٹرز رپورٹ

## منافع کی مد بندی

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

(روپے ملین میں)

922
02
<hr/>
924

اس مدت کے لئے کل جامع منافع

غیر مد بند منافع سے حساب میں لایا گیا

مد بندی کے لئے دستیاب منافع

### مد بندی

تجویز کردہ 300 فیصد فائل کیش ڈیویڈنڈ جس کی ادائیگی

سالانہ جنرل میٹنگ میں منظوری کے بعد کی جائے گی۔

محصولات کے ذخائر سے منتقلی

غیر مد بند منافع

1,024

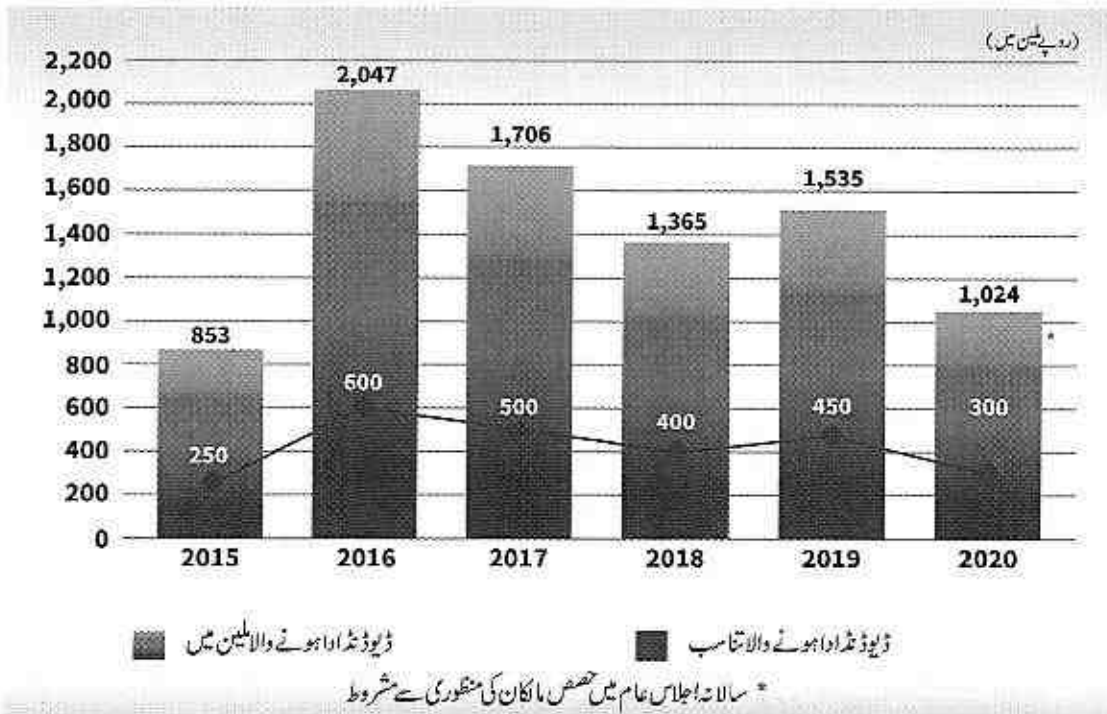
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### ڈویڈنڈ

کمپنی کے بورڈ آف ڈائریکٹرز نے 28 اکتوبر 2020ء کو مستندہ اپنی میٹنگ میں 30 ستمبر 2020ء کو ختم ہونے والے سال کیلئے مبلغ 30 روپے فی حصص اتھمی نقد ڈویڈنڈ کی تجویز پیش کی ہے۔



آرکرو ماہیاری معاشرہ اور ماحولیاتی نیز منصفانہ کاروباری طریقوں کی اخلاق ذمہ داری سے بھرتی ہے۔ لہذا کارپوریٹ سماجی ذمہ داری ہماری کمپنی کے فلسفہ کا ایک لازمی جزو ہے۔ ہم موجودہ اور آئندہ دونوں ذمہ داریوں کے لئے اعلیٰ سطحی کارکردگی کو قابل بنانے کے لئے فعال طور پر مصلحتوں کو فروغ دیتے ہیں، تنوع کو فروغ دیتے ہیں اور اپنے ملازمین کی مصلحتوں میں صرف کرتے ہیں۔

## کورونا وباء سے مقابلہ کرنا

کورونا وباء سے قوم کو کافی مشکلات کا سامنا کرنا پڑا ہے۔ ہینڈ سینیٹائزرز کی شدید قلت دیکھی گئی اور یہاں تک کہ ہسپتالوں اور آنسو لینٹن کے مراکز میں فرنیٹ لائن سولجرز اور مریضوں کیلئے فراہمی کا فقدان رہا۔ معاشرے کی مدد کیلئے ہمارے محکمہ نظریے کی مناسبت سے وباء کے تسلسل کے دوران ہینڈ سینیٹائزرز کی کمی کے اثرات پر توجہ کی گئی۔ CSR کے اقدام کے طور پر ہم نے اس وباء سے لڑنے میں مدد دینے اور حفظان صحت سے متعلق مصنوعات تیار کر کے اس کے پھیلاؤ پر قابو پانا ہے جو مریضوں، ڈاکٹرز، پیرا میڈیکل اسٹاف، سینیٹری ورکرز اور عام لوگوں کی ضروریات کی تائید کرتا ہے۔

قلیل مدت میں ہمارے آرکرو ماسٹرز پر R&D میں WHO کے سفارش کردہ رہنما اصولوں پر مبنی ورلڈ کلاس ہینڈ سینیٹائزر Kieralon تیار کیا گیا۔ اس فکشنل ٹیموں نے تیزی سے صحت سے متعلق امور پر کام کیا اور جون 2020ء سے ہماری لائٹنگ سائٹ پر زیادہ تعداد میں چھوٹی اور بلیک بیکنگ پر Kieralon تیار کیا جا رہا ہے۔

اس اقدام کے ذریعے، ہم پاکستان میں کورونا وباء پر قابو پانے اور معاشرے کو آسانی سے فراہمی کو یقینی بنا کر حفظان صحت کی خراب صورتحال کو ٹھکست دینے میں اپنا کردار ادا کر رہے ہیں۔

آرکرو مانے Kieralon کو ہسپتالوں، کمیونٹی مراکز اور فلاحی اداروں میں عطیہ اور تقسیم کیا۔ آپ کی کمپنی کے لئے یہ فخر کی بات ہے کہ ایک قومی ایئر لائن "Serene Air" نے جہاز پر موجود تمام ایئر لائن مسافروں کیلئے Kieralon کو اعزازی تحفہ کے طور پر پیش کیا۔



## ٹیکسٹائل انڈسٹری کیلئے مستحکم ورکشاپس

آکر دومانے شراکت داروں کو مقامی اور عالمی ریگولیٹری تقاضوں کی تعمیل کی تیاری کیلئے ہمیشہ ایک فعال نقطہ نظر اپناتا ہے۔ فروری 2020ء میں ہم نے لاہور اور کراچی میں اسٹائل ٹیکسٹائل مینٹننس گروپ، کے اینڈ ایم، یو ایس ڈی ایم گروپ، گل احمد ٹیکسٹائلز، یو ایس ٹیکسٹائلز، آرٹیکس ڈینم ملز، سویتی انٹر پرائز اور کئی ٹیکسٹائل ملز کے لئے خصوصی ورکشاپس کا ایک سلسلہ منعقد کیا۔ آکر دومانے سربراہ برائے استحکام جناب James Carnahan خاص طور پر ورکشاپس کے انعقاد کے لئے شامل ہوئے۔ ورکشاپس میں وقتاً فوقتاً ہونے والے انفرادی سوالات اور عالمی رجحانات جو ٹیکسٹائل مارکیٹس کی رہنمائی کرتے ہیں پر توجہ مرکوز کی گئی۔ آکر دومانے اپنے شراکت داروں کو استحکام کے بارے میں جدید ترین علم سے آراستہ کرنے کیلئے تیار کرنے کی کوشش کی۔



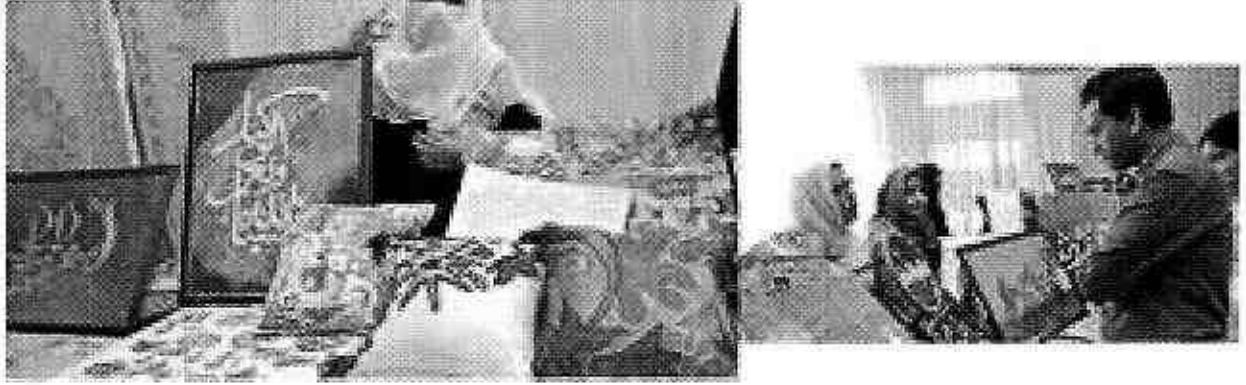
## جدید پیشرفت کے ذریعہ ٹیکسٹائل انڈسٹری کو مضبوط بنانا

آکر دومانے فروری 2020ء میں یونیورسٹی آف انجینئرنگ اینڈ ٹیکنالوجی اور سوسائٹی آف ڈیزائنرز اینڈ کلائمٹس کے تعاون سے فیصل آباد میں ٹیکسٹائل کے استحکام کے بارے میں تیسری بین الاقوامی کانفرنس کا انعقاد کیا۔ میٹشل کلر مقابلہ اور ٹیکسٹائل برانڈ کی نمائش کے گریڈ فاسٹ ٹیکسٹائل میں نئی تحقیقی پیشرفت پر پیشکش کے ساتھ انتظار کیے جانے والے سالانہ پروگرامز ہیں۔ دن بھر کی کانفرنس میں ماہرین نے پیداوار کے دوران استحکام، پانی اور وسائل کی بچت، ڈیجیٹل پرنٹنگ، جدید پالیمر ٹیکنالوجی اور ویلیو ایڈیشن اثرات کے چیلنجز اور مواقعوں کے بارے میں پریزنٹیشن دیں۔



## ڈائریکٹرز رپورٹ

ہمارے کلر اٹلاس پر مبنی پیشکش کلر مقابلے میں پورے پاکستان میں ٹیکسٹائل انٹرنیشنل ٹیوٹ کے 200 طلباء نے حصہ لیا۔ موضوع "Colors of the Universe" (کائنات کے رنگ) تھا جو کہ ایک وسیع اسپیکٹرم کا احاطہ کرتا ہے۔ یہ رنگ، سائے اور تخلیقی ڈیزائنز کا ایک انوکھا امتزاج تھا۔ آرکرومانے کلر اٹلاس کے استعمال سے متعلق عالمی اساتذہ کی مدد سے طلباء کی حمایت کی۔ UK.SDC کے ڈائریکٹرز نے طلباء کی جانب سے اس مقابلہ اور پیشکش کے معیار کو بے حد سراہا۔



## آرکرومانٹر پر ریزشپ کو فروغ دیتا ہے

آرکرومانے پاکستان میں ٹیکسٹائل برانڈز کو زبردست خراج تحسین پیش کیا جنہوں نے معیشت میں اہم کردار ادا کیا اور نہ صرف اہم شہروں بلکہ چھوٹے چھوٹے اضلاع میں بھی کاروبار کے دائرہ کار میں اضافہ کیا۔ "Colors of the Universe" (کائنات کے رنگ) کے موضوع پر مبنی کچھ انتہائی پر جوش فیشن برانڈز کی تخلیقات کی نمائش بھی ایک کشش تھی۔ برانڈز نے اپنے ٹیکسٹائل پورٹ فولیو کی پرکشش نمائش کی۔ آرکرومانے برانڈ مالکان کو شرکت کیلئے سرٹیفکیٹ پیش کئے۔

## DICE فاؤنڈیشن کے ساتھ یادداشت مفاہمت

آرکرومانے سال 2020ء کا پہلا دن ڈائریکٹرز، یو ایس اے کے ڈائریکٹرز فاؤنڈیشن کے انویشن پیٹ فارم کے ساتھ یادداشت مفاہمت پر دستخط کر کے شروع کیا۔ اصطلاح "ڈائریکٹرز" معزز اختراعات، معاون اور انٹر پرائز ریزشپ اور غیر منافع تنظیم ہے۔ ڈائریکٹرز پروگرام کا نقطہ نظر جدت کو فروغ دیتا ہے، پاکستان میں ایسی مصنوعات کی ترقی کو فروغ دیتا اور تعلیم، صنعت، حکومت اور کاروباری افراد کے لئے بات چیت کرنا، علم کا تبادلہ کرنا اور صلاحیتوں میں اضافہ کرنا، اختراعات کی ترقی، تجارت کاری اور ٹیکسٹائل پالیسی کے ان پٹ کے ساتھ تعاون کرنے کیلئے ایک پلیٹ فارم مہیا کرتا ہے۔



## ٹیکسٹائل انجینئرنگ کے طلباء کی حوصلہ افزائی

چوتھی بین الاقوامی ٹیکسٹائل کانفرنس اور پانچواں آل پاکستان ڈائریکٹرز ٹیکسٹائل انوویشن یونٹ:

آکرمانے 2 اور 3 مارچ 2020ء کو یونیورسٹی کے احاطے میں منعقدہ NED یونیورسٹی آف انجینئرنگ اینڈ ٹیکنالوجی اور ڈائریکٹرز ٹیکسٹائل انوویشن کے زیر اہتمام قومی یونٹ میں حصہ لیا۔ ہم نے خصوصی طور پر ایسے طلباء کی حوصلہ افزائی کی جنہوں نے قومی انوویشن باسکٹ پراپٹے سے آئیڈیاز پیش کئے۔

## خدمت کا ایک دروازہ

ٹیکسٹائل مہارت اور دیگر مہارتوں کے لحاظ سے آکرمانے کو عالمی سطح پر جانا پہچانا جاتا ہے۔ آکرمانے سینٹر آف ایپلیکیشنز (ACE) ایک جدید ترین آرائیڈ ڈی لیب ہے جو کہ آسانی سے حاصل نہ ہونے والے ٹیکسٹائل جوہات کے سلسلے میں صنعت کو سپورٹ کرتا ہے۔ صنعت کو پروڈکٹ اسٹیورڈ شپ، مزیل شوٹنگ، برآمدات کے لئے ریگولیشن کی ضروریات مثلاً بدلتے ہوئے برانڈ کے میچر کے لئے پائیدار تبادول اور عمل کی جانچ پڑتال کرنے اور ماحولیاتی خدمات کی فراہمی کیلئے چوبیس گھنٹے ماہرانہ سروس فراہم کی جاتی ہے۔

انڈیا، ACE، ٹیکسٹائل انڈسٹری کو مکمل طور پر اعزازی بنیادوں پر ملکی پیمانے حاصل کرنے کیلئے اپنے اقدام کے طور پر جدید رہنمائی فراہم کرتا ہے۔

ٹیکسٹائل ٹیکسٹری میں کیریئر بنانے کے خواہش مند طلباء کے لئے ACE ٹیکسٹائل تربیت کا گھر بھی ہے۔ جہاں طلبہ ہمارے سخت تربیتی نصاب سے گزرنے کے بعد اس صنعت میں کامیاب کیریئر کے حاش ہیں۔

آکرمانے کی جانب سے اب تک 5,827 طلباء پر مشتمل 201 پھڑ کو تربیت دی جا چکی ہے۔ زیر جائزہ مدت کے دوران کئی نے طلباء اور ٹیکسٹائل ماہرین کی تکنیکی تربیت کے لئے 9 ملین روپے خرچ کئے ہیں۔

خواتین کے انٹرن میں اضافہ بھی ہمارے پروگرام کی ایک قابل ستائش خصوصیت ہے کیونکہ ہمارے تربیت حاصل کرنے والوں میں تقریباً 30 فیصد تعداد خواتین کی ہے۔ ٹیکسٹائل ماہرین اور انٹرن پریز کو بھی تربیت فراہم کی جاتی ہے اور اسی وجہ سے ہم نے اپنی نسل کو معلومات کی روشنی منتقل کر کے پائیدار ترقی کے کارپوریٹ معاشرتی ذمہ داری نبھانے کی ہے۔



آکرمانے ٹیکسٹائل انجینئرنگ کے طلباء کو یونیورسٹی میں گیسٹ لیکچریرز کے ذریعہ بھی خدمات فراہم کرتی ہے۔ دسمبر 2019ء میں NED یونیورسٹی آف انجینئرنگ اینڈ ٹیکنالوجی کے ٹیکسٹائل ڈپارٹمنٹ میں "Latest Trends in Indigo Dyeing" کے بارے میں ایک انٹرنیشنل سیمینار کا انعقاد کیا گیا۔

## پانی کی مفت ترسیل

جامشور سائٹ کے آس پاس پانی کی فراہمی کا ایک اور انتظام کیا گیا ہے جہاں دو تالابوں میں پانی ذخیرہ ہوتا ہے اور اس کے بعد فلٹریشن پلانٹ کو بھیجا جاتا ہے۔ یہ فراہمی قریبی گھرانوں کو بالکل مفت کی جاتی ہے۔ اس علاقے کے مکانات آرکرومانے تعمیر کروائے ہیں اور سیلاب سے ہونے والے نقصانات کے بعد ہائینٹیوں کے حوالے کر دیئے گئے۔

ہماری جامشور سائٹ سے پینے کا صاف پانی بھی تقسیم کیا جاتا ہے جہاں پڑوسی دن کے وقت پانی حاصل کرتے ہیں۔ ایک اندازے کے مطابق 11,000 گیلن پانی یومیہ مفت فراہم کیا جاتا ہے۔



## درخت لگانے کی مہم

درخت لگانا ہمارا مستقل منصوبہ ہے اور موسم بہار اور مون سون کے موسم میں سال میں دو بار لگائے جاتے ہیں۔ ہمارے ملازمین پروڈکشن سائٹ میں درخت لگانے کے لئے رضا کارانہ طور پر کام کرتے ہیں اور آرکرومانشی ٹیموں کے ساتھ بھی مل کر اپنے احاطے میں درخت لگانے کے لیے شراکت کرتی ہے۔ جامشور میں ہم نے سرکاری اسکولوں، صوبائی سرکاری دفاتر اور پولیس ہیڈ کوارٹرز میں بڑے پیمانے پر درخت لگانے کا اہتمام کیا۔ نومبر 2019ء میں سندھ انوائزمنٹ ایجنسی کے دفاتر میں شراکتی مہم کا انعقاد کیا گیا جو کہ کئی ایکڑ اراضی پر پھیلا ہوا تھا۔ ہمارا مقصد ماحول کو صاف ستھرا اور تیز بنانا ہے۔



# ڈائریکٹرز رپورٹ

## آگاہی کالمیشن

آکر واپس ملازمین کو خصوصی طور پر طبی ہنگامی صورتحال میں نئی پیشرفتوں کے بارے میں آگاہ کرتے ہوئے خبروں کی پیشرفت سے متعلق معلومات کا تبادلہ کرتی ہے۔ کورونا واپس کے دوران انتظامیہ نے متعدد آن لائن معلوماتی سیشنز کا انعقاد کیا جس سے ملازمین اور ان کے اہل خانہ کو وبائی بیماریوں سے لڑنے کیلئے مزید آگاہی دی گئی۔

صحت سے متعلق دوسرے سیشن بھی وقتاً فوقتاً منعقد ہوتے رہتے ہیں۔ ایک بار اس طرح کا اجلاس نومبر 2019ء میں ”چھاتی کے کینسر سے آگاہی“ پر ہوا۔ ہم نے ایک ماہر ڈاکٹر نصرت انیس کو مدعو کیا جنہوں نے موضوع اور احتیاطی تدابیر کے بارے میں بھی قیمتی معلومات فراہم کیں۔



## ماحولیاتی تحفظ سے متعلق واقفیت کے وزٹس

آرکرو صنعت میں ماحولیاتی تعمیل کا ایک شوکیس ماڈل ہے۔ ہم نے اکتوبر اور نومبر 2019ء میں ماحولیاتی ترقی اور پانی کی بچت کے بارے میں شعور بیدار کرنے کے لئے اپنے قومی منصوبے میں Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH کے ساتھ اپنی سائنٹ پر پنجاب کی ٹیکنیکل ملز کے ماحولیاتی ماہرین کو خوش آمدید کہا۔

## 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، کمپنیز قوانین 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 مضابطہ 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۔
- کمپنی کی کاروبار چلانے اور منافع کمانے کی صلاحیت پر کوئی شبہات نہیں ہیں۔
- گزشتہ چھ سال کا ہم آپریٹنگ اور فنانشل ڈیٹا تخمینہ کی صورت میں منسلک ہے (صفحہ 67)۔
- غیر ادا شدہ ٹیکس اور محصولات منسلک ڈٹ 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 روپ 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 رپورٹ

## انٹرنل کنٹرول

کمپنی نے اپنے کاروبار کو چلانے، اپنے اثاثوں کی حفاظت اور اپنے ریکارڈز کی درستگی اور اعتبار کو یقینی بنانے کیلئے منظم طریقہ سے انٹرنل کنٹرول کا ایک موثر نظام استعمال کیا ہے۔ انتظامی نگرانی اور جائزہ انٹرنل کنٹرول کے نظام کا ایک لازمی عنصر ہے۔ انتظامیہ نے تفصیلی جانچ اور خصوصی جائزے کا کام انٹرنل آڈٹ کی ٹیم کو سونپا ہے۔ عبوری مالیاتی حسابات، رپورٹس، منافع کی پیش گوئی اور دیگر مالی و شماراتی معلومات کے ذریعہ بورڈ یا قائدہ و قفوں سے کمپنی کے مالیاتی امور اور پوزیشن کا جائزہ لیتا ہے۔ بجٹ کنٹرول کا تجزیہ زیر استعمال ہے اور بورڈ مادی تغیرات کا جائزہ لے کر وضاحت طلب کرتا ہے۔

## ڈائریکٹرز ٹریننگ 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 جانچ ڈائریکٹرز اب تک ڈائریکٹرز ٹریننگ 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 کے معاوضے کی پالیسی

بورڈ آف ڈائریکٹرز نے نان ایگزیکٹو اور انڈیپنڈنٹ ڈائریکٹرز کیلئے معاوضے کی پالیسی کی منظوری دے دی ہے۔ جن کی نمایاں خصوصیات درج ذیل ہیں:

بورڈ آف ڈائریکٹرز یا اس کی کمیٹیوں کے اجلاسوں میں شرکت کیلئے ایک ڈائریکٹر کا معاوضہ وقتاً فوقتاً بورڈ آف ڈائریکٹرز کے ذریعے طے کیا جائے گا اور اس کی منظوری لی جائے گی۔

## آڈٹ کمیٹی

بورڈ کی جانب سے آڈٹ کمیٹی کا رپورٹ گورننس کے کوڈ کے نفاذ کے بعد تشکیل دے دی گئی تھی۔ اس وقت کمیٹی کے تمام تین اراکین جن میں جناب محبت مہاجر صاحب، جناب مشیل

آڈٹ کمیٹی کے ممبر 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 قسم کی معلومات اور وضاحتیں طلب کر سکے۔

یہ کمیٹی کم از کم ایک بار سہ ماہی میں مالیاتی گوشواروں کا جائزہ لینے اور کمیٹی 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 سمجھتی ہے جو سی ای او اور سی ایف او کی طرف سے اچھی طرح سے توثیق شدہ ہوتی ہے۔

# ڈائریکٹرز رپورٹ

## افراد 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 بیڑ محمد صاحبہ، جناب مجتبیٰ رحیم صاحب اور مشعل زمین صاحبہ) پر مشتمل ہے۔ کمیٹی کے شرائط وحوالہ جات شاہن ہیں لیکن ان تک محدود نہیں جیسا کہ کوڈ آف کارپوریٹ گورننس میں ذکر کیا گیا ہے۔

## بورڈ اور کمیٹیوں کی میٹنگوں کی حاضری

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

ڈائریکٹرز کے نام	عہدہ	بورڈ آف ڈائریکٹرز		آڈٹ کمیٹی	HR&R
		4-اجلاس	4-اجلاس		
مجتبیٰ رحیم	انگریجو	4	-	-	1-اجلاس
ڈاکٹر ایس مبارک علی	نان انگریجو	4	-	-	-
روانہ وکیل (متبادل ایگزیکٹو رول)	نان انگریجو	4	-	-	-
مشعل زمین (متبادل تویہ کمال)	نان انگریجو	4	4	4	1
مارکوس فیور (متبادل عرفان چاودا)	نان انگریجو	3	-	-	-
ایم زیہ مبین مہاجر	انڈیپنڈنٹ	4	4	4	-
شاہد فقار	انڈیپنڈنٹ	4	4	4	-
یاسمین بیڑ محمد	انڈیپنڈنٹ	4	-	-	1

میٹنگ میں غیر حاضر رہنے والے ڈائریکٹرز کو چھٹی دی گئی اور ان کی نمائندگی ان کے متعلقہ متبادل نمائندگان نے کی۔

## گریجویٹی اور پروویڈنٹ فنڈ

30 جون 2020ء اور 30 جون 2019ء کو تازہ ترین مالیاتی گوشواروں پر مبنی گریجویٹی اور پروویڈنٹ فنڈ کی سرمایہ کاری کی ویلیو درج ذیل ہے:

2019	2020
771	867
608	695

(روپے ملین میں)

گریجویٹی فنڈ

ملازمین کا پروویڈنٹ فنڈ

سرمایہ کاری کی ویلیو میں حاصل شدہ منافع شامل ہے۔

# \ ڈائریکٹرز رپورٹ

## ما تحت کمپنی

آرکروما ٹیکسٹائل GMBH (آرکرما) عالمی سطح پر ڈائرس کا فراہم کنندہ ہے اور بالخصوص ٹیکسٹائلز کی کارکردگی، پیکیجنگ، ویپر، کونٹیکٹر، چمکنے والا اور سیلٹ مارکیٹوں میں برانڈ ڈیکمپلر پیش کرنے والا ہے۔ اس کارجنس ڈیپارٹمنٹ کو آرکروما سٹور لینڈز کے شہر Reinach، میں واقع ہے، کمپنی ایک اعلیٰ مربوط، کسٹمر پر مبنی پلیٹ فارم کی حامل ہے جو کہ 100 سے زائد ممالک میں خصوصی کارکردگی اور کلائر سروسز پیش کرتی ہے۔ آرکروما 35 ممالک میں 3,000 ملازمین اور 25 پروڈکشن سائٹس کے ساتھ کام کرتی ہے۔

## ویب سائٹ

ہمارے تمام اسٹیک ہولڈرز اور عام لوگ آرکروما پاکستان لمیٹڈ کی ویب سائٹ [www.archroma.com.pk](http://www.archroma.com.pk) ملاحظہ کر سکتے ہیں جس میں متعلقہ معلومات پر مشتمل سرماریکاروں کے لئے ایک نامزد سیکشن ہے۔

## ای میل

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

## بعد از واقعات

کمپنی کے مالیاتی سال کے اختتام اور اس رپورٹ کی تاریخ کے مابین کمپنی کی مالی حیثیت کو متاثر کرنے والی کوئی مادی تبدیلیاں یا وعدے نہیں کئے گئے ہیں۔

## مالیاتی گوشوارے اور آڈیٹرز

آڈیٹرز میسرز KPMG ٹاچر حدادی اینڈ کمپنی چارٹرڈ اکاؤنٹینٹس کے ذریعہ کمپنی کے مالیاتی گوشواروں کا بغیر کسی المیت کے آڈٹ کیا گیا اور اس کی منظوری دے دی گئی ہے۔

ریٹائر ہونے والے آڈیٹرز میسرز KPMG ٹاچر حدادی اینڈ کمپنی چارٹرڈ اکاؤنٹینٹس نے 25 ویں سالانہ جنرل میٹنگ کے اختتام پر خود کو دوبارہ تقرری کیلئے پیش کیا ہے۔ آڈٹ کمپنی ان کی دوبارہ تقرری کیلئے سفارش کرتی ہے۔

## اہم امور اور مالیاتی اعداد و شمار

گذشتہ چھ سالوں کے اہم امور اور مالیاتی اعداد و شمار صفحہ نمبر 77 پر درج ہیں۔

# ڈائریکٹرز رپورٹ

## شیر ہولڈنگ کا پٹرن

شیر ہولڈنگ کے بٹرن کا اسٹینٹ صفحہ نمبر ۳۳ پر درج ہے۔  
دوران سال ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکریٹری اور ان کے شریک حیات اور نابالغ بچوں نے کمپنی کے شیئرز میں کوئی تجارت نہیں کی۔

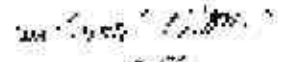
## اظہار تشکر

بورڈ مشکل وقت میں اپنے ممبران اور ورکرز کی عمدہ کارکردگی کیلئے ان کی خدمات کا اعتراف کرتا ہے اور مستقبل میں ان کی مزید کامیابی کیلئے دعا گو ہے۔

بورڈ کی جانب سے ہم اپنے تمام قابل قدر شیئرز ہولڈرز، صارفین، سپلائرز، کنٹریکٹرز، مینجمنٹ اور دیگر اسٹیک ہولڈرز اور ان کی معاونت، اعتماد اور بھروسہ مندی کے حوالے سے ممنونیت کا اظہار کرتے ہیں۔ ان تمام ملازمین کا شکریہ 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۔

  
امیر وقار عارف  
ڈائریکٹر

  
چیف ایگزیکٹو آفیسر

کراچی ۲۸ اکتوبر ۲۰۲۰ء

# / SWOT ANALYSIS

## STRENGTHS

- Market leader in Speciality Chemicals, including Dyestuff and Coating Adhesive & Sealants.
- Availability of State of the art local production capacity.
- Global presence .
- Competent and committed team.
- System Selling approach.
- Strong Corporate Governance structure.

S

## WEAKNESSES

- Reliance on major key imported materials.
- Cash cycle.
- Limited access to untapped markets.

W

## OPPORTUNITIES

- Increased demand of Indigo and Indigo Pure locally and internationally.
- New market segments of hand sanitizer, medical textiles and home care industry.
- Government incentive package for construction industry.
- Growth in textile industry.

O

## THREATS

- Uncertain situation due to COVID-19.
- Raw material prices & availability.
- Lack of level playing field for local manufacturing
- Government policies.
- Volatility of exchange rates.
- Continuous delays in Sales & income tax refunds.

T

# / AWARDS AND ACCREDITATIONS

## Top 25 Companies Award

Pakistan Stock Exchange ranked Archroma on 3rd position for the year 2019. A remarkable feat achieved for the 17th time in a row that Archroma wins positions amongst Top 25 companies at the Stock Exchange. Our consecutive achievement is a recognition of sustainable compliance with the high standards corporate governance set by the Stock Exchange. The winning criteria is based on capital efficiency, good corporate governance, listing regulations, transparency and timely distribution of profits.



Mr. Vaqar Arif receiving the Top 25 Companies Award from the Honourable Prime Minister, Mr. Imran Khan

## Corporate Excellence Award

Archroma Pakistan was adjudged winner of 35th Corporate Excellence Award in the Chemical Sector by Management Association of Pakistan for the 9th time in a row. We take great pride of this continuous recognition of our best practices in management, finance, corporate social responsibility initiatives and employee motivation. The Award was presented by Mr. Asad Umar, Federal Minister for Planning & Development, Government of Pakistan, to Mr. Vaqar Arif in March 2020 in the presence of a large gathering from the corporate sector.



## / AWARDS AND ACCREDITATIONS

### Recognition of a Hat Trick Employer of the Year Award & CEO of the Year

Archroma is the only company in corporate sector with a hat-trick in winning the First Prize as "Employer of the Year" in the category of Multinational Companies and accordingly Mr. Mujtaba Rahim being declared "CEO of the Year" in recognition of his leadership acumen of winning company for the years 2015, 2016 & 2017.

At the 7th contest, Employers Federation of Pakistan recognized Archroma's unbeatable record and presented a Shield of Appreciation. It was presented by Mr. Anwar Solangi, Provincial Secretary Labour & Manpower, Government of Sindh in November 2019.



Mr. Anwar Solangi, Provincial Secretary Labour & Manpower, Government of Sindh presenting the Award to Mr. Vagar Arif in a well-attended ceremony in November 2019

### Corporate Social Responsibility Award

Archroma Pakistan won CSR Award in protection area of Biodiversity & Conservation in recognition of its many actions aimed at environment protection and water conservation. The national contest was organized by the National Forum for Environment & Health. We continuously challenge the status quo with the deep belief that it can make our industry sustainable.



Mr. Tariq Saleem receiving CSR Award from Mr. Amin Aslam, Minister of State on Environment

## / AWARDS AND ACCREDITATIONS

### First Prize on Occupational Safety & Health

Archroma bagged first prize on Occupational Safety & Health after being adjudged best performer in the corporate sector. The nationwide contest was organized by Employers Federation of Pakistan. The Award is a recognition of our best practices in occupational safety and health specially at our Jamshoro & Landhi sites. Of special importance were the tools & SOPs practiced during the Covid-19 pandemic and guidance provided to employees to safeguard them against the pandemic. Our environmental protection measures, enormous water saving at Sustainable Effluent Treatment plant, daily supply of 11,000 liters of clean drinking water to the neighboring communities absolutely free of cost, process of organic waste recycling to convert it into useful compost, green office initiatives, vast fruit & vegetable gardens developed at open spaces and energy conservation enabled us to win this most prestigious national award.



Mr. Mujtaba Rahim receiving the Occupational Safety & Health Award

### Living The Global Compact Business Sustainability Award

Archroma is the founding signatory of Global Compact rolled out to the corporate world in December 2005 by Employers Federation of Pakistan. Its ten complying principles relate to Human rights, Labor, Environment and Anti-Corruption. Within Archroma, we observe all principles with full sanctity and discipline. Our conformity earned the GC Sustainability Award in February 2020.



Mr. Vaqar Arif receiving the Global Compact Award

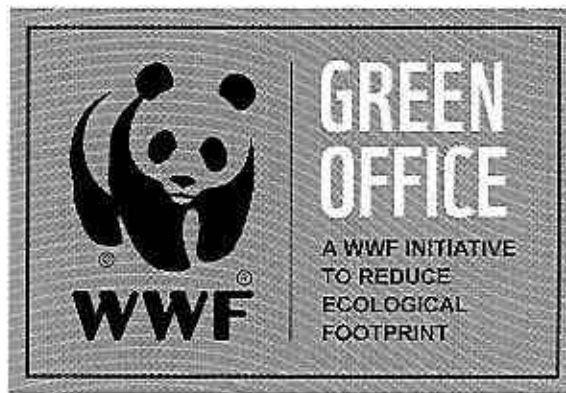
# / AWARDS AND ACCREDITATIONS

## Green Offices

Archroma is amongst the forerunners to adopt "Green Office" initiatives of WWF effective 2016. It enables us to take concrete steps in environmental protection through internal management practices e.g. saving in water usage, utilities - electricity, gas and fuel and waste management.

Our main application laboratory is designed in such a manner that we take maximum benefit of daylight, where no bulbs are used. Used water lines from taps are laid towards green spaces where it is utilized for plantation.

In January 2020, in a nationwide contest, WWF presented Archroma with "Eco-Efficiency Award". We were adjudged on implementation of green initiatives e.g. water saving techniques, lesser fuel consumption and composting at production sites.



## Tree Plantation Award

Archroma promotes tree plantation in schools, civil administration offices and neighborhood. At our production sites in Jamshoro and Landhi, it is our motto to plant fruit trees with the result that mangoes, guavas, Sapota (Chikoo), dates, grape fruit, papayas and coconuts are available in abundance every season. We utilize designated open spaces for growing vegetables. Archroma contributes to a cleaner environment by converting organic solid waste into compost. So far 7000 kgs of organic compost has been made to enrich the soil. Composting is a new initiative of our team and is done in-house using re-cycled items in recognition of our efforts to conserve the environment, National Forum for Environment & Health presented us with the Tree Plantation Award for the second year in running in September 2020.



# / SYNOPSIS OF COMPANY'S POLICIES

## Communication and Investor Relation Policy

The Communication and Investor Relation Policy sets out the Company's policies and procedures in terms of its communication and disclosures, which are aimed at ensuring that the Company complies with the applicable laws and regulations. The goal of this Policy is to ensure that all shareholders and stakeholders have, simultaneously and without delay, sufficient, reliable, essential and consistent information about the Company and its operations as well as about matters affecting the value of the Company's financial strength. Information that may affect the value of the Company's financial reports are announced to Capital Markets and other key stakeholders simultaneously without undue delay.

## Related Party Transactions Policy

The Board of Directors of Archroma Pakistan Limited (APL), in pursuance of the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019, has adopted the Related Party Transactions Policy to regulate the transactions between APL and its related parties. The Policy is applicable to all Related Party Transactions irrespective of their nature & value. The Policy is intended to ensure that Related Party Transactions are conducted in a manner that will protect the Company from conflict of interest, which may arise between the Company and its Related Parties and to ensure proper review approval, and disclosure of transactions between the Company and its Related Parties as required in compliance with regulatory requirements.

## Whistleblowing Policy

This Policy intends to provide a mechanism where employees can, without fear of reprisal, report illegal and unethical activities for preemptive remedial measures in a confidential manner. The Whistleblowing Policy is applicable to all employees and outsiders for the reporting of any illegal or unethical activities that may harm the interests of APL and/or any stakeholder or external agency dealing with the Company. This Policy covers all illegal and unethical activities that include but are not limited to violation of any of the related laws or policies of APL.

## Corporate Social Responsibility (CSR)

The objective of this Policy is to enable Archroma Pakistan Limited (APL) to contribute meaningfully to the society, the environment, and national causes, by creating opportunities for employees to participate in socially responsible initiatives, as well as establishing an implementation & monitoring mechanism for CSR initiatives. APL undertakes its activities in a manner that exhibits its responsibility towards the environment & society, and complements its core business strategy and corporate values.

## Succession Planning Policy

Archroma Pakistan Limited is fully committed to maintaining the bench-strength of highly-skilled and professionally competent business leaders. The Company has a well-structured Succession Planning Policy for achieving the desired results. Critical or high turnover positions are reviewed frequently to ensure smooth succession planning and availability of the right resources.

# / SYNOPSIS OF COMPANY'S POLICIES

## Environmental Policy

Archroma Pakistan Limited is committed to ensuring a safe and healthy workplace for its employees and minimizes any potential negative impact on the environment, either because of its products or because of its operations. The management is responsible for the safe operation of its manufacturing facilities in a manner that employees, neighboring communities and the environment is not endangered.

## Internal Control System

The Board reviews the effectiveness of established internal controls through the Audit Committee, which receives reports from Internal Audit, and the External Auditor on the systems of internal control and risk management arrangements. The Board confirms that the actions they consider necessary have been taken to remedy such weaknesses as it has determined to be significant from its review of the system of internal control.

The Internal Control System carries out the internal audit of various activities in accordance with the audit plan approved by the Board Audit Committee (BAC) prior to execution. Emphasis continues to be on internal compliance measured against set standards and best practices.

## Remuneration Policy for Non-Executive Directors including Independent Directors

This Policy sets out to provide remuneration guidelines for members of the Board. The policy is aimed at providing a market competitive remuneration to the members of the Board in furtherance of achieving the Company's objectives. The objectives of the remuneration policy for the Board Members are to attract and retain qualified and experienced Directors to drive the Company's strategy and attain its objectives and ensure the level of remuneration for Non-Executive Directors including Independent Directors is commensurate with the level of responsibilities and expertise to encourage value addition.

## Risk Management Policy

APL's risks may come from any internal or external events which, if they incur, may affect the ability of the Company to efficiently and effectively operate. Internal risks are faced from within the Company and arise during the normal operations of the Company. External risks are those risks that are outside the control of the Company. External risks include risks related to market conditions and regulatory and/or legal obligations. The specific objectives of this Policy is to ensure that risk management is adopted throughout the Organization as a prudent management practice and to ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified and appropriately mitigated.

## Procurement of Goods and Services

The policy has been established to assure that all company-purchasing activities are conducted in accordance with Legal Requirements, best Business Practices, Archroma's Quality Management Framework, Archroma's Sourcing Process, Company Policies and Guidelines for Environment, Safety and Health as well as Values described in the Archroma Code of Conduct and the Archroma Sustainability Policy.

# / SUSTAINABILITY REPORT

## Sustainability - A Solid Foundation of our Performance

Every aspect of functionality at Archroma carries a distinct notion - Sustainability! From procuring raw material, production at sites, storage at warehouses to technical support at customers' end, we ensure that our products and services remain sustainable at all times. It is for this reason that Archroma products are so well aligned with market dynamics.

Since our inception in 2013, Archroma is fully compliant to international standards of quality management systems and standards - ISO 9001, IMS 14001, OHSAS 18001. We strictly adhere to Responsible Care® initiatives, ten principles of United Nations Global Compact. As a recognition of our sustainable practices, we are a regular recipient of "Best Practices in Global Compact" awards. We have a well defined "Suppliers Code of Conduct" which maintains our professional partnership on principled grounds.

Going an extra mile in sustainability, Archroma has developed strong affiliations with international institutions leading to advanced systems of quality:

Bluesign® - system committed to textile value chains

Cefic® - relates to expert facilitation within EU for broad based policy making

ETAD® - collaborates for ecological & toxicological aspects of dyes

SDC® - partners for the science of color and dyes

TEGEWA® - associates with textile auxiliaries, tanning and detergent raw materials

Sustainability initiatives of safety are embodied in "12 Safety Rules" binding on all employees within Archroma @ "Safety First". In June 2020, Jamshoro site celebrated two million accident free hours whereas Landhi site after completing one million accident free hours is fast on its way to achieve the second million.

At Archroma, our systems are designed in such a meaningful way that risks are with speed through "Disaster Control Plans". Teams are trained and prepared round-the-clock for combating any risks. Efficiency of our system was demonstrated at the beginning of 2020 when Covid-19 pandemic engulfed the world with its miseries. As we do not compromise on any health & safety issues and have "Zero tolerance" on safety issues, proactive measures provided support to our employees, their families and our associates through regular sessions on covid. SOPs compliance enabled us satisfactorily to combat the medical emergency which otherwise could have cause sizeable damage.

Cognizant to the medical emergency of Covid-19 pandemic, our R&D teams successfully developed an original research hand sanitizer based WHO recommended formulation, Kieralon® for frontline soldiers and public. Kieralon® is our innovation and speedy response to the prevailing situation.

Product stewardship systems defined in "Archroma Way to Sustainable World" lead the industry to reduced usage of natural resources, water conservancy and energy efficiency. Locally we have further enhanced it through initiatives like - Green Office.

# / SUSTAINABLE DEVELOPMENT GOALS



## SUSTAINABLE DEVELOPMENT GOALS



# / SUSTAINABLE DEVELOPMENT GOALS



## Gender Equality

As a global company operating in many countries, we embrace Diversity. We do not tolerate any form harassment, bullying and unbecoming behaviour. Anti-harassment Policies are part of our Procedures Manual.

Archroma is one of the company to adopt Gender Equality Policy rolled out by Employers Federation of Pakistan in December 2008. We are an equal opportunity employer. Training and career development is discrimination free. Women are working at decision making positions.

Archroma made a hat trick by winning three consecutive Awards on Excellence in Women Empowerment in 2016, 2017 & 2018.

Employees Code of Conduct defines work culture pillars rolled out globally is binding on all employees. Principles of Diversity, Anti-discrimination and Welcoming Workplace are elaborated therein. It caters specifically for women protection.

Being a top performing public limited company at Pakistan Stock Exchange, we have an active women representation at our Board of Directors too. We received "Women Enlistment Award" as a guiding example in the corporate sector.



Archroma Pakistan recipient of Women Enlistment Award

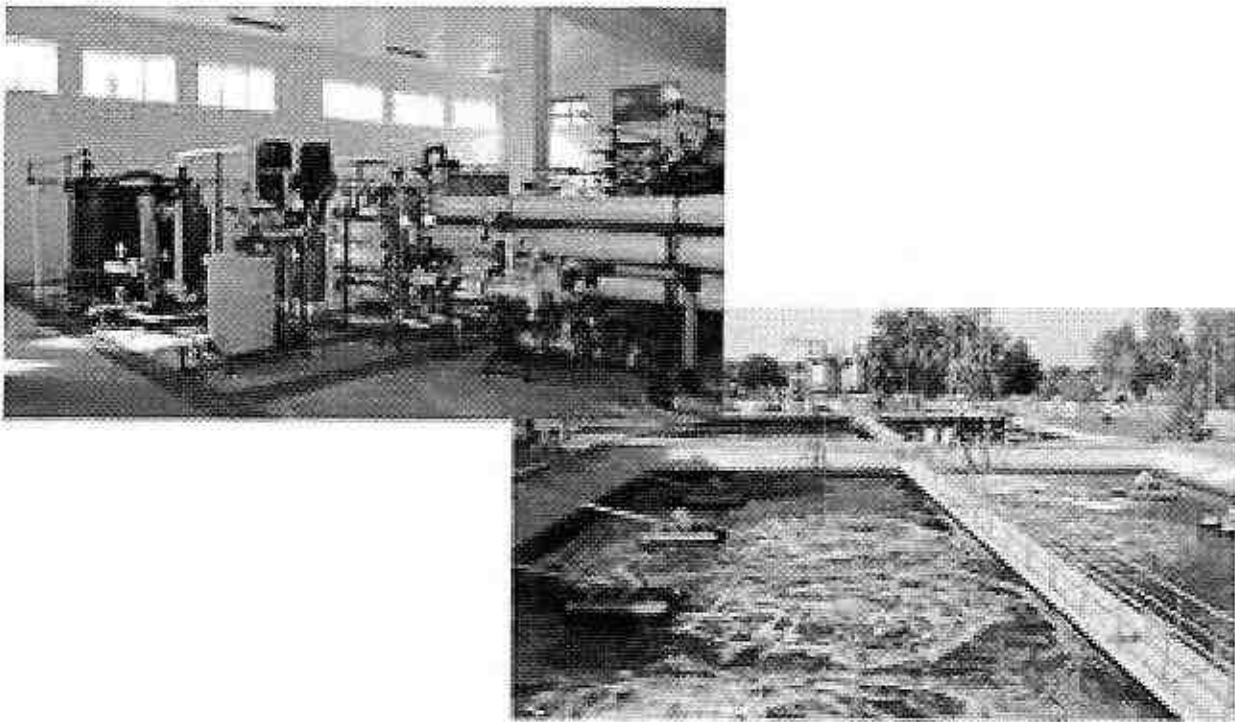
# / SUSTAINABLE DEVELOPMENT GOALS



## Clean Water and Sanitation

We, in Archroma, are cognizant to the growing water scarcity that has become more pronounced in the past decades. Sindh being a water stressed land is more affected by water scarcity. A state-of-the-art Sustainable Effluent Treatment (SET) Plant was constructed by our engineers and technicians at Jamshoro site and is fully operation since December 2013. It works on "Zero Liquid Discharge" principle which means that not a single drop of water is wasted.

Being a responsible corporate citizen, our second Biological Effluent Treatment Plant is located at Landhi site, Karachi wherein waste water is re-cycled and re-used. In recognition of our efforts, Archroma received "Global Water Stewardship Award" at Paris in 2014. Our project was selected out of 600 global nomination entries in water management.



Water, purified from at our SET plant is absolutely clean and fit for drinking purposes. The residents of our plant neighborhood are also supplied water from our site for their use. Approximately 11,000 gallons of water / day is distributed free of cost.

# / SUSTAINABLE DEVELOPMENT GOALS



## Affordable and Clean Energy

Energy supply accounts for approximately 60% of greenhouse gas emissions. We have taken strict measures to control energy consumption simultaneously adopting innovative solutions to reduce electricity usage.

As our measure on resource optimization, Sodium lights were replaced with LED lights at all sites. This change brought reduction in cost, energy efficiency as well as made the environment cleaner.



## Decent Work and Economic Growth

Within Archroma, decent work practices are fully implemented. Our work ethics revolve around transparent communication systems that are free from discrimination and unfair employment practices. All employment contracts are voluntary, merit being our sole criteria for recruitment. We make use of modern technology, train our employees and harness their soft and technical skills on continuous basis. Our compensation basket is regularly updated through local comparative assessment and holds remuneration and social benefits equivalent or above market. We follow all relevant laws and regulations pertinent to our industry. Freedom of Association is practiced in letter and spirit, as our two CBAs operate with complete openness.

Archroma Center of Excellence (ACE) is a unique training center wherein students are provided complimentary training in textile applications, dyeing techniques and textile chemicals theoretical knowledge. To date more than 8,000 students have completed our six-week internship program. Our training holds a strong in corporate sector and ensure gainful employment to the participants.

In recognition of our management practices, Management Association of Pakistan presented us with "Excellence Award" for the 9th ninth time in a row.

# / SUSTAINABLE DEVELOPMENT GOALS

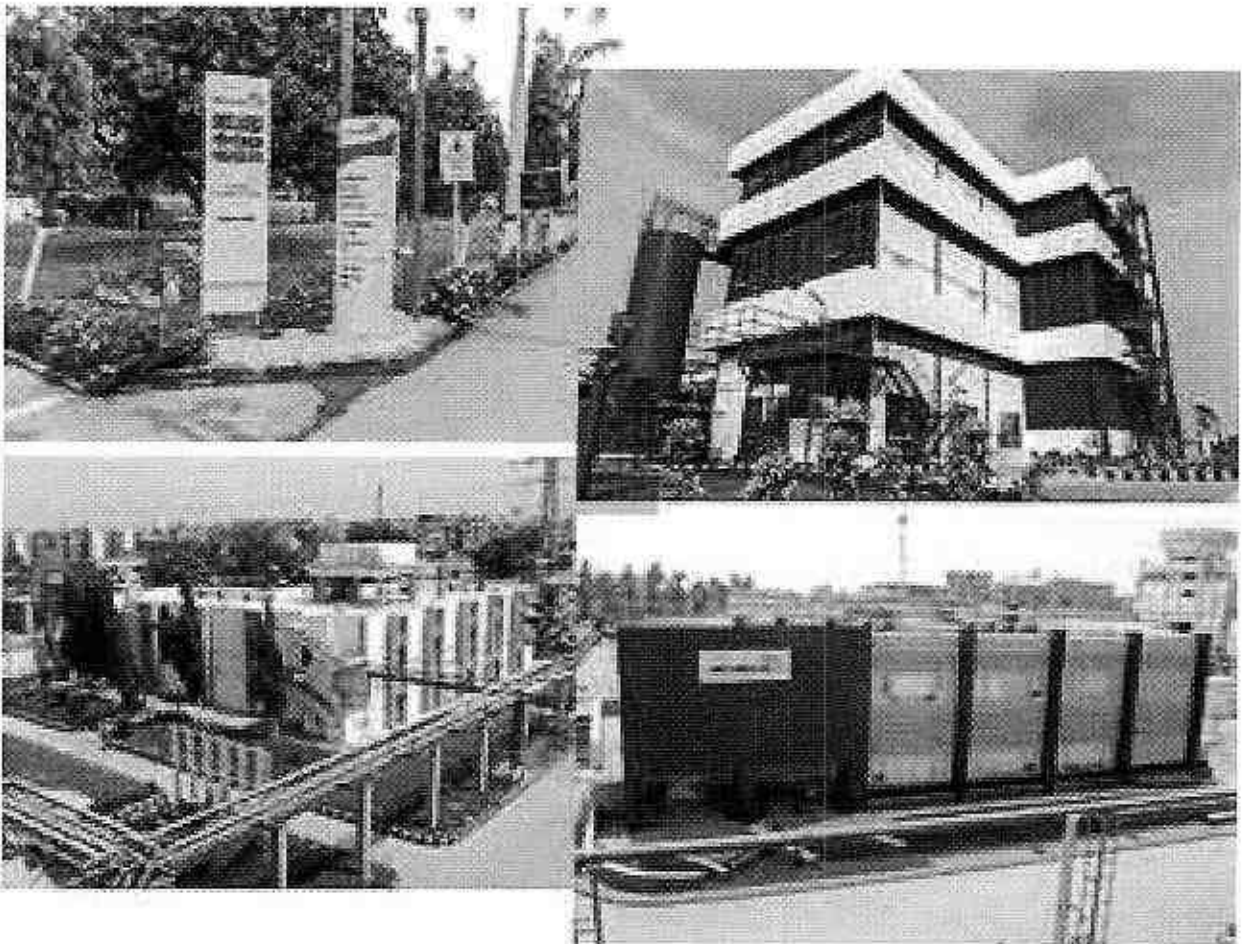


## Industry, Innovation and Infrastructure

All sites of Archroma are built with best building materials and strong structures as well as they give an aesthetic architectural look. We have invested in making our production sites compatible with international standards. Employees are highly comfortable at their respective workplaces wherein all amenities are provided enabling them to concentrate on their functions without any discomfort.

Alongwith concrete structures, we have created huge open green spaces as part of sustainable industrialization designs.

Canteen, assembly points, walkways & stairs and work stations are designated with office décor matching our company culture. Archroma systems fully integrate with the jobs operated. We are therefore fully compliant to this goal.



# / SUSTAINABLE DEVELOPMENT GOALS



## Responsible Consumption and Production

This goal aims to foster eco-friendly production, reduce waste and boost recycling.

The two production sites of Archroma at Jamshoro and Landhi, Karachi operate with full compliance on the principles of Good Manufacturing Practices (GMP). Our Sustainable Effluent Treatment (SET) plant recycles water converting it into drinking water, steam for energy and as end process convert the remaining sludge into bricks which are donated to local communities for construction. At Landhi site, water is recycled and re-used for utilities and gardening. Our organic vegetable and fruit gardens have set a standard within the industry. Natural resource i.e. sunlight is utilized at its maximum thereby reducing electricity cost and environmental impact.



## Climate Action

Archroma complies with all directives of Environment Protection Agency, provincial regulations and international standards. We are ISO 9001:2000, EMS 14001 and OHSAS 18001 certified by international auditors. In line with our high end research, commercial production of Aniline-free\* Indigo was commenced at our Jamshoro site which is the only site in the world that produces this hazard-free dye for the Denim industry. Archroma is amongst the first signatory of United Nations Global Compact since 2005 and accordingly is a leader in environment protection measures. Our technical managers train staff of textile mills teaching them ways & means to enhance environment parameters.

## Independent Directors

Our Independent Directors are being compliant with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the eligibility criteria as set out in Section 153 and 166 of the Companies Act, 2017 to act as Director or an Independent Director of a listed company

Following are Independent Directors of our Company.

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

Both our Audit Committee and HR&R Committee are chaired by independent directors, indicating our commitment to the highest levels of governance and transparency.

## Representation of Female Director on the Board

In compliance with regulatory requirements, a female director was elected on the Board in the elections held in March 2018.

Therefore, keeping in line with APL's diversity and in order to meet the requirements of the law, APL is fully compliant with the female representation on the Board of Directors.

## Board Meetings Held Outside Pakistan

There were no Board meetings held outside Pakistan during the year.

## Role of the Chairman

The Chairman is responsible for the Board's leadership and effective performance of the Board and sets high standards of governance. Ensures that the Board as a whole is thoroughly and constructively involved in establishing and determining the strategy and policies of the Company and that the decisions taken by the Board are in the best interests of the Company and represents the consensus of the Board. Promotes the highest standards of integrity, probity and corporate governance and establishes good corporate governance policies and practices. Ensures that the Chief Executive Officer and management successfully execute the plans and policies decided by the Board.

He has all the powers vested in him under the Code of Corporate Governance and presides over all Board meetings. The Primary role of the Chairman is to ensure that the Board of Directors remains effective in its tasks of setting and implementing the Company's direction, entrusted with the overall supervision and direction of the Board's proceedings, and has the power to set the agenda, give directions and sign the minutes of the Board meetings. He is also responsible to ensure that the Board plays an effective role in fulfilling its responsibilities, besides assessing and making recommendations on the efficiency of the Committees and individual Directors in fulfilling their responsibilities.

# **/ CORPORATE GOVERNANCE**

He ensures a conducive environment for overall effectiveness of the Board, and facilitates and encourages the contribution of executive, non-executive, and independent directors in carrying out the Board's business in line with applicable laws, rules and regulations. At the start of the term of newly appointed directors, the Chairman informs them about their roles, responsibilities, duties and powers to help them effectively manage the affairs of the Company.

## **Role of the Chief Executive Officer (CEO)**

The Chief Executive Officer (CEO) is entrusted with the general management of the Company's business and affairs with authority to exercise all such powers and directions as are conferred upon the Board of Directors by Articles and Memorandum of Association of the Company. The CEO leads the management, builds an organizational culture and is a role model for the entire Company. He is responsible for proposing and developing the Company's strategy and overall commercial objectives, which he does in close consultation with the Chairman and the Board of Directors. He is responsible for the implementation of the plans and policies approved by the Board and its Committees in pursuit of the Company's goals and objectives with the support of the management.

He performs his duties under the powers vested by the law and the Board, recommends and implements the business plans and is responsible for overall control and operation of the Company. The CEO of the Company is to whom all Business and Functional Heads directly or indirectly report.

He is responsible for providing effective leadership to the management and employees. He keeps the Board updated on significant and sensitive issues that might affect the Company.

## **Remuneration Policy for Non-Executive Directors including Independent Directors**

This Policy sets out to provide remuneration guidelines for members of the Board. The policy is aimed at providing a market competitive remuneration to the members of the Board in furtherance of achieving the Company's objectives. The objectives of the remuneration policy for the Board Members are to attract and retain qualified and experienced Directors to drive the Company's strategy and attain its objectives.

Keeping in view of the Company's objectives, APL operates an independent and transparent method in order to fix independent directors' remuneration. The key element of determining the remuneration is by market benchmarking against other key players of the Industry and remuneration is not at a level that could be perceived to compromise the independence of the Directors. For the purposes of clarity, no Director is involved in deciding their own remuneration.

Independent Directors are only entitled to receive fixed fees in lieu of remuneration for attendance of the Board and Committee Meetings.

## **Board's Policy on Diversity**

APL has a diverse and balanced Board which not only represents the shareholders proportionately but also provides a mix of professional expertise in leadership, finance, economics, corporate law, and production disciplines and business management skills and experiences.

The Board follows the diversity parameters set in the Listed Companies (Code of Corporate Governance) Regulations, 2019.

Currently the Board comprises of one executive, four non-executive directors and three independent directors.

In compliance with regulatory requirements, a female director was elected on the Board in the elections held on March, 2018.

We take a progressive approach to diversity because we want everyone to be themselves and bring their own perspectives to our business. Together, this unique perspective and wide variety of personal experiences make our business stronger and enhancing our ability to innovate.

We believe that everyone has a part to play in creating a fair and inclusive work environment that respects human rights and the diversity of the cultures we operate in.

We do not tolerate harassment, unwelcome, unreasonable or offensive behaviour, or discrimination of any kind.

The Board recognizes the importance of having an inclusive culture and the value that diversity brings to APL. The Board aims to reflect this within the composition of the Board. The Board seeks to ensure that the composition of the Board includes individuals whose varied backgrounds, experience, knowledge and expertise bring a wide range of perspectives to the business.

## **Directors' Training Program**

The Company encourages that its Directors have completed the Directors Training Program as per the requirements of the Companies Listed (Code of Corporate Governance) Regulations, 2019 seven Directors had acquired the prescribed certification under the Director Training Program offered by institutions that meet the criteria specified by the Commission and approved by it. One of the Directors has met the criteria of exemption as allowed under the Listed Companies (Code of Corporate Governance) Regulations, 2019.

The Board is kept up-to-date on legal, regulatory and governance matters through regular papers and briefings from the Company Secretary.

Directors are responsible for upholding the corporate governance and giving the Company a strategic direction. To optimise the effectiveness of the Board, it is pertinent for new members to learn the dynamics and operations of the Company.

# **/ CORPORATE GOVERNANCE**

Names of Directors who have successfully completed the Director Training Program certification from SECP approved institutions are provided below.

- Mr. Mujtaba Rahim
- Mr. M. Veqar Arif
- Mr. Irfan Chawala
- Mr. Shahid Ghaffar
- Mr. M.Z Moin Mohajir
- Ms. Yasmin Peermohammad
- Mr. Naveed Kamil

From time to time, orientation sessions are carried out to apprise the Board Members about the latest changes in corporate regulatory and governance regime in the Country.

## **Security Clearance of Foreign Directors**

The Company obtains security clearance from the Ministry of Interior (Moi) in case of its foreign directors and in the manner prescribed.

All foreign directors on our Board are required to submit relevant documents, including declarations and/or undertaking and any document required to facilitate security clearance undertaken by the Ministry of Interior. The documents of all foreign directors are submitted to SECP within the prescribed time and further documents to assist the clearance from Ministry of Interior are made available as and when needed.

## **Terms of Reference (ToR) of Audit Committee**

### **Introduction**

Audit committee should consist of at least three members, comprising of non - executive Directors. The audit committee is being formed in order to comply with the Code of Corporate Governance and applicable to all companies having their securities listed on the Pakistan Stock Exchange. This code is also a part of the listing regulations of the Pakistan Stock Exchange.

### **Frequency of Meetings**

The Audit Committee shall meet at least once every quarter of the financial year . A meeting of the Audit Committee shall also be held if requested by the external auditors or the Head of internal audit.

### **Internal Audit**

There should be an internal audit function in the company. The Head of internal audit shall have access to the chair of the Audit Committee. The auditors shall discuss any major findings in relation to the reports with the Audit Committee , which shall report matters of significance to the Board Of Directors. Internal Audit is engaged in performing following categories of audit.

- Financial Audit
- Operational Audit
- Compliance Audit

# **/ CORPORATE GOVERNANCE**

## **Terms of Reference**

In line with best practices the Board of Directors has established the audit committee. The Term of Reference of the committee have been developed on the lines as laid down in the Code of Corporate Governance and approved by the Board.

### **These include:**

- To recommend to the Board of Directors the appointment of external auditors and consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service in addition to audit of its financial statements;
- To review the quarterly, half-yearly and annual financial statements prior to their approval by the Board of Directors;
- To facilitate the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight;
- To review the management letter issued by external auditors and management's response thereto;
- To ensure coordination between internal and external auditors;
- To review the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the company;
- To consider the major findings of internal investigation and management's response thereto;
- To ascertain that the internal control system including financial and operational control, accounting system and reporting structure are adequate and effective;
- Instituting special projects and value for money studies.
- To determine compliance with relevant statutory requirements ; and
- To monitor compliance with the best practices of corporate governance and identification of signification violation thereof.

## **Reporting Procedure**

The Audit Committee shall appoint secretary of the Committee. The Secretary shall circulate the minutes of the meetings of the Audit Committee to all members, directors and person entitled to attend the meeting.

## **Terms of Reference of Human Resource & Remuneration Committee**

The Terms of reference of committee shall be determined by the board of directors, which may include the following:

- i. recommend to the board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors and members of senior management). The definition of senior management will be determined by the board which shall normally include the first layer of management below the chief executive officer level;
- ii. undertaking annually a formal process of evaluation of performance of the board as a whole and its committees either directly or by engaging external independent consultant and if so appointed, a statement to that effect shall be made in the directors' report disclosing name, qualifications and major terms of appointment;
- iii. recommending human resource management policies to the board;
- iv. recommending to the board the selection, evaluation, development, compensation (including retirement benefits) of chief operating officer, chief financial officer, company secretary and head of internal audit;
- v. consideration and approval on recommendations of chief executive officer on such matters for key management positions who report directly to chief executive officer or chief operating officer; and
- vi. where human resource and remuneration consultants are appointed, their credentials shall be known by the committee and a statement shall be made by them as to whether they have any other connection with the company.

## **Presence of the Chairperson Audit Committee at the AGM**

To address any concerns and queries raised by our esteemed shareholders, the Board including the Chairperson Audit Committee, Chief Executive and other senior management personnel were present at the General Meeting held last year.

## **Date of Authorization of Financial Statements**

In order to timely communicate financial results to the stakeholders, annual financial statements of the Company were approved by the Board in its meeting held on October 28, 2020. Necessary disclosures to PSX and SECP were made on the same day after conclusion of the Board meeting.



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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, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Archroma Pakistan Limited** (the Company) for the year ended 30 September 2020 in accordance with the requirements of regulation 36 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 the 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. 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.

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 2020.

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

**Karachi**  
**Date: 29 October 2020**

# / STATEMENT OF COMPLIANCE

## Statement of Compliance with listed Companies (Code of Corporate Governance) Regulations, 2019

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 (Alternate Mr. Irfan Chawala)  
Mr. Roland Waibel (Alternate Mr. M. Veqar Arif)  
Dr. S. Mubarik Ali

**Executive Director**

Mr. Mujtaba Rahim

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
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. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
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 have a formal policy and transparent procedures for the remuneration of Directors in accordance with the Act and these Regulations.
9. The Board has arranged Directors' Training program for the following:
  1. Mr. Mujtaba Rahim
  2. Mr. M. Veqar Arif
  3. Mr. Irfan Chawala
  4. Mr. Shahid Ghaffar
  5. Mr. M.Z Moin Mohajir
  6. Ms. Yasmin Peermohammad
  7. Mr. Naveed Kamil
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.

# / STATEMENT OF COMPLIANCE

11. Chief Financial Officer and Chief Executive Officer 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. 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 and advised 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 September 30, 2020 |
| HR and Remuneration | One meeting during the financial year ended 30 September 2020              |
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 and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan (ICAP) and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, Dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer Head Of Internal Audit, Company Secretary or director of the company;
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 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with;

On behalf of the Board of Directors



DR. S. MUBARIK ALI  
Chairman

Karachi  
Dated: 28 October 2020

# / AUDIT COMMITTEE

The Board Audit Committee (BAC) of the Company comprises of one Non-Executive Director including two Independent Directors, Mr. M Z Moin Mohajir who is an Independent Director is the Chairman of the Committee. More than one member of the BAC qualifies as financially literate. The Head of Internal Audit is the secretary of the Committee. Senior Management Officers are invited to attend the Committee's meetings when the business of the Committee requires as such. The Committee separately meets the external auditors at least once in a year without the presence of the Management

Meetings of the BAC are held at least once every quarter. Four meetings of the Committee were held during the year 2019-2020.

The Committee reviewed and recommended the quarterly, half-yearly, annual financial statements and an annual budget of the Company for onward submission for approval of the Board of Directors. Further, the financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017, and applicable International Accounting Standards and International Financial Reporting Standards notified by SECP.

The BAC is responsible for exercising the full powers and authority of the Board in accounting, financial reporting and operational matters as per terms of reference.

The Annual Report of the Company is fair, balanced and understandable. The Committee has reviewed and approved all related party transactions. The Committee takes into account any feedback from the Board of Directors and incorporates for improvement.

During the year, the BAC reviewed the new emerging risks and challenges faced by the Company owing to the COVID-19 Pandemic and recommend mitigating actions for continuity of the operations to the Board.

## Internal Audit Work

Risk-based Internal Audit Plan is approved by BAC annually. On the basis of this plan, audits are conducted and reports are submitted. The Committee on the basis of the said reports reviews the adequacy of controls and compliance, shortcomings in areas audited and discusses corrective actions. Regular follow-ups of these reports are also taken. This ensures the continual evaluation of controls and improved compliance. During the year, Minutes of the Committee meetings are timely circulated to the Board of Directors.

For continuous improvement of internal controls, the Committee also discusses the internal controls and the management letter with the external auditors.

## External Audit

The external auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants were allowed direct access to the Audit Committee and necessary coordination with internal auditors was ensured. Major findings arising from audits and any matters that the external auditors wished to highlight were freely discussed with them.

The Audit Committee has reviewed and discussed with the external auditors and management, all the key audit matters and other issues identified during the external audit.

Being eligible for reappointment as Auditors of the Company, the Audit Committee has recommended the appointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants as External Auditors of the Company for the year ending September 30, 2021.

# / AUDIT COMMITTEE

## Composition of Board Audit Committee (BAC)

Mr. M Z Moin Mohajir  
Mr. Shahid Ghaffar  
Mr. Michel Zumstein  
Mr. Irfan Lakhani

Independent Director  
Independent Director  
Non-Executive Director  
Manager Internal Audit

Chairman  
Member  
Member  
Secretary

## Role of the Committee in discharging its responsibilities for the significant issues in relation to the financial statements

The auditors have issued unmodified audit reports in respect of the above financial statements in line with the Auditors (Reporting Obligations) Regulations, 2018 issued by SECP. Furthermore, post completion of the external audit, the Committee also got understanding of the significant issues in relation to the financial statements and the treatment by the external auditors and actions of management against those issues.

## Internal Control System

The Board of Directors is responsible for ensuring an adequate and effective internal control system in the company. The management of the company assumes responsibility of designing, establishing and maintaining effective internal controls including controls over financial reporting. The objective of such controls is to ensure reliability and completeness of accounting records and timely preparation of reliable financial and management information. The internal control system also ensures compliance with all applicable laws and regulations, promises optimum utilization of resources and protects the Company's assets and stakeholder's interests.

The Company has a properly laid down organizational structure and system of documenting processes, in the form of Management System Procedures, to ensure orderly and efficient conduct of its business operations. All policies are approved by the Board of Directors and are reviewed periodically. In addition, the Company has a Whistle Blower's Policy to address fraud and other wrongdoings at workplace, if any. In Compliance of requirements of Listed Companies (Code of Corporate Governance) Regulations, 2019, the Board of Directors of the Company has set up Internal Audit function, which is headed by Head Internal Audit who functionally reports to Audit Committee of the Board of Directors. Based on the work performed by the internal and external auditors and the reviews performed by the management and the relevant Board Committees, including the Audit Committee, the Board is of the opinion that the Company's internal controls including controls over financial reporting are sound in design and were effectively implemented and monitored during financial year 2019-20.

## Risk Management

Effective management of risks is recognised as a key priority for APL, as it contributes to business performance, achievement of organisational objectives, resilience and adherence to corporate governance standards. The Company's risk management strategy is to create a positive risk culture throughout the organisation. APL aims to manage risk in a manner which maximises value and minimises potential negatives.

The Company's Board of Directors is responsible for the governance of risk at APL, for determining the Company's level of risk appetite and tolerance, and establishing risk management policies and framework.

# / BOARD PERFORMANCE EVALUATION

In pursuance of Clause 10(3)(v) of Listed Companies (Code of Corporate Governance) Regulations 2019 a formal and effective mechanism is in place for annual evaluation of the Board's own performance and Members of the Board.

The Board has an evaluation process to assess its own performance. Board evaluations are carried out annually to evaluate its performance. The evaluation found that APL's Board holds many strong attributes including highly relevant Board capability and governance processes. The said evaluation was carried out for the Financial Year 2019-20 as required under Clause No. 10 (v) of the Listed Companies (Code of Corporate Governance) Regulations, 2019 issued by the Securities and Exchange Commission of Pakistan. The performance framework is in the light of following guide lines:

- Is the composition of the board appropriate, having the right mix of knowledge, expertise and skills to maximize performance.
- How well the board exercise its role ensuring that the organisation supports and upholds the vision and mission, core values etc.
- What has been the board's contribution towards developing strategies.
- Is the board able to make timely strategic decisions ensuring operations are in line with strategies.
- What has been the board's contribution in ensuring robust and effective risk management.
- Has the board ensured that internal control, audit function and IT security function in an effective manner.
- Has the board taken proactive measures to ensure proper deployment of MIS, important certifications etc.
- Has the board ensured timely and accurate disclosure on all material information.
- Is the board as a whole, up-to-date with latest development in the regulatory environment.
- Are the board procedures conducive to effective performance and flexible enough to deal with all eventualities.
- Is the board effective in adherence to the code of conduct.
- Has the chairman played his role in ensuring adequate and constructive debate on important matters, conflict resolution, leadership qualities etc.

Mechanism for Board's Performance Evaluation Template contains Performance Factors covering areas such as Composition of the Board and its Committees, Functions and Performance of the Board and its Committees, Governance Structure and Practices, and Company Performance Monitoring System, Mandate and Functioning of the Committee, Role of Committee's Chairman.

For FY 2019-20, Evaluation Templates were forwarded to all Board Members. The Directors were requested to rate each Factor on a scale of 1 to 5. The scores were consolidated through a specially designed.

As per the methodology, if the mean value against any performance factor is less than 3, it needs improvement. If the mean value is above 3, the performance factor is acceptable.

## Results of Evaluation for FY 2019-20

Board Evaluation for the year 2019-20 revealed that the average mean value against all performance factors was above 3, which showed that in the opinion of the Directors, the composition and performance of the Board and overall governance of the affairs of the Company was satisfactory.

# HORIZONTAL ANALYSIS

## Statement of Financial Position

	2020	20 v/s 19	2019	19 v/s 18	2018	18 v/s 17	2017	17 v/s 16	2016	16 v/s 15	2015	15 v/s 14
	Rs. in mio	%age	Rs. in mio	%age	Rs. in mio	%age	Rs. in mio	%age	Rs. in mio	%age	Rs. in mio	%age
<b>ASSETS</b>												
<b>Non-current assets</b>												
Property, plant and equipment	1,975.8	3.3	1,914.5	(2.0)	1,952.7	11.9	1,744.3	(3.9)	1,815.4	(6.2)	1,934.4	89.4
Long term loans	-	(100.0)	0.1	(81.3)	0.6	(68.0)	1.8	(70.8)	6.1	(56.7)	14.2	(38.4)
Long term deposits	6.1	0.1	6.1	(1.0)	6.2	14.3	5.4	75.9	3.0	(36.5)	4.8	81.7
Long term prepayments	-	(100.0)	1.1	(42.2)	1.9	(54.3)	4.1	124.7	1.9	(13.3)	2.2	(11.7)
Deferred taxation - net	15.5	100.0	-	-	-	-	-	-	-	-	-	-
	<u>1,998.4</u>	<u>4.0</u>	<u>1,921.7</u>	<u>(2.0)</u>	<u>1,961.3</u>	<u>11.7</u>	<u>1,755.5</u>	<u>(3.9)</u>	<u>1,826.5</u>	<u>(6.6)</u>	<u>1,955.6</u>	<u>86.3</u>
<b>Current assets</b>												
Stores and spares	53.6	8.7	49.4	8.5	45.4	12.9	40.2	23.4	32.6	(15.4)	38.6	54.8
Stock-in-trade	3,089.9	1.1	3,055.1	13.4	2,694.5	27.8	2,107.6	28.4	1,641.5	(4.0)	1,709.3	9.1
Trade receivables	2,786.2	(28.8)	3,916.3	4.9	3,733.3	17.9	3,165.8	14.9	2,755.3	0.8	2,733.4	34.6
Loans and advances	0.7	56.3	0.4	(86.9)	3.4	(60.6)	8.7	(19.2)	10.7	(34.2)	16.3	(28.8)
Trade deposits and short-term prepayments	24.4	(57.8)	57.7	19.1	48.4	(18.0)	59.1	19.8	49.3	(27.9)	68.4	250.9
Other receivables	1,347.5	(21.4)	1,714.3	(3.2)	1,770.5	(9.4)	1,954.0	(2.5)	2,003.2	(3.5)	2,076.4	29.2
Taxation - net	225.2	52.2	147.9	(14.0)	172.0	138.8	72.0	164.0	27.3	(70.4)	92.3	100.0
Cash and bank balances	269.2	(55.0)	599.0	12.6	532.1	(9.5)	587.9	74.2	337.5	(4.0)	351.6	(13.6)
	<u>7,796.7</u>	<u>(18.3)</u>	<u>9,541.1</u>	<u>6.0</u>	<u>8,999.8</u>	<u>12.6</u>	<u>7,995.4</u>	<u>16.6</u>	<u>6,857.3</u>	<u>(3.2)</u>	<u>7,086.8</u>	<u>24.8</u>
<b>TOTAL ASSETS</b>	<b><u>9,797.1</u></b>	<b><u>(14.5)</u></b>	<b><u>11,462.8</u></b>	<b><u>4.6</u></b>	<b><u>10,961.0</u></b>	<b><u>12.4</u></b>	<b><u>9,750.9</u></b>	<b><u>12.3</u></b>	<b><u>8,683.8</u></b>	<b><u>(4.0)</u></b>	<b><u>9,042.4</u></b>	<b><u>34.4</u></b>
<b>EQUITY AND LIABILITIES</b>												
<b>Share capital and reserves</b>												
<b>Authorized share capital</b>												
50,000,000 ordinary shares of Rs. 10 each	500.0	-	500.0	-	500.0	-	500.0	-	500.0	-	500.0	-
<b>Share capital</b>												
Issued, subscribed and paid-up capital	341.2	-	341.2	-	341.2	-	341.2	-	341.2	-	341.2	-
<b>Reserves</b>												
Revenue reserve	3,238.0	4.6	3,096.0	4.3	2,968.0	5.7	2,808.0	(13.5)	3,248.0	8.9	2,983.0	6.4
Unappropriate profit	924.7	(45.0)	1,580.3	12.3	1,496.0	(19.9)	1,868.5	3.9	1,798.2	37.4	1,308.7	26.6
	<u>4,162.7</u>	<u>(12.8)</u>	<u>4,776.3</u>	<u>7.0</u>	<u>4,464.0</u>	<u>(4.5)</u>	<u>4,676.5</u>	<u>(7.3)</u>	<u>5,046.2</u>	<u>17.5</u>	<u>4,291.7</u>	<u>11.8</u>
	<u>4,503.9</u>	<u>(12.0)</u>	<u>5,117.4</u>	<u>6.5</u>	<u>4,805.2</u>	<u>(4.2)</u>	<u>5,017.6</u>	<u>(6.9)</u>	<u>5,387.4</u>	<u>16.3</u>	<u>4,632.9</u>	<u>10.9</u>
<b>LIABILITIES</b>												
<b>Non-current liabilities</b>												
Deferred taxation - net	-	(100.0)	59.6	(53.3)	127.5	(16.6)	152.9	94.4	113.7	(56.8)	263.3	485.8
Deferred liabilities	341.1	(39.9)	53.2	346.1	14.2	1.5	14.0	(92.5)	186.9	1,871.2	9.5	100.0
Long term loan - secured	209.8	100.0	-	-	-	-	-	-	-	-	-	-
Lease liabilities	95.7	916.4	9.4	(58.9)	22.9	(48.5)	44.4	(13.0)	51.1	36.9	37.3	100.0
Liabilities against diminishing musharaka finance	94.1	15.9	81.2	17.3	59.2	82.9	37.8	100.0	-	-	-	-
	<u>740.7</u>	<u>247.2</u>	<u>213.3</u>	<u>(8.7)</u>	<u>233.7</u>	<u>(6.2)</u>	<u>249.1</u>	<u>(29.2)</u>	<u>351.7</u>	<u>13.4</u>	<u>310.1</u>	<u>589.9</u>
<b>Current liabilities</b>												
Trade and other payables	2,118.4	(30.0)	3,027.6	(8.1)	3,293.1	23.5	2,666.7	15.3	2,312.9	(2.9)	2,367.7	53.7
Unclaimed dividend	67.5	2.3	66.0	0.8	65.5	46.2	44.8	100.0	-	-	-	-
Mark-up accrued	17.9	(78.2)	82.0	102.7	40.4	259.1	11.3	57.0	7.2	(61.2)	19.3	(22.1)
Short-term borrowings	2,143.0	(26.5)	2,920.1	17.3	2,489.7	43.7	1,732.0	183.4	604.6	(64.4)	1,698.7	90.3
Current portion of long term loan	148.2	100.0	-	-	-	-	-	-	-	-	-	-
Current portion of lease liabilities	21.5	75.5	12.2	(29.5)	17.4	(20.8)	21.9	10.0	19.3	48.3	13.4	100.0
Current portion of liabilities against diminishing musharaka finance	36.0	49.2	24.2	50.5	16.1	115.7	7.4	100.0	-	-	-	-
	<u>4,552.6</u>	<u>(25.8)</u>	<u>6,132.0</u>	<u>3.5</u>	<u>5,922.1</u>	<u>32.1</u>	<u>4,484.1</u>	<u>52.3</u>	<u>2,944.7</u>	<u>(28.2)</u>	<u>4,099.3</u>	<u>63.6</u>
	<u>5,293.3</u>	<u>(16.6)</u>	<u>6,345.4</u>	<u>3.1</u>	<u>6,155.8</u>	<u>30.1</u>	<u>4,733.2</u>	<u>43.6</u>	<u>3,295.4</u>	<u>(25.2)</u>	<u>4,409.5</u>	<u>72.9</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>9,797.1</u></b>	<b><u>(14.5)</u></b>	<b><u>11,462.8</u></b>	<b><u>4.6</u></b>	<b><u>10,961.0</u></b>	<b><u>12.4</u></b>	<b><u>9,750.9</u></b>	<b><u>12.3</u></b>	<b><u>8,683.8</u></b>	<b><u>(4.0)</u></b>	<b><u>9,042.4</u></b>	<b><u>34.4</u></b>

# / HORIZONTAL ANALYSIS

## Statement of Profit and Loss

	2020	20 V/s 19	2019	19 V/s 18	2018	18 V/s 17	2017	17 V/s 16	2016	16 V/s 15	2015	15 V/s 14
	Rs. in mio	%age	Rs. in mio	%age	Rs. in mio	%age	Rs. in mio	%age	Rs. in mio	%age	Rs. in mio	%age
Sales	17,893.7	(3.6)	18,955.8	24.7	15,204.1	15.0	13,226.4	6.8	12,475.7	27.2	9,805.9	28.6
Trade discounts and commission	746.9	(5.2)	823.0	26.1	604.6	(12.8)	693.7	4.0	667.3	12.8	591.3	28.7
Sales tax	2,107.9	170.3	779.8	152.1	303.4	6.7	189.9	(36.4)	456.2	18.2	386.9	32.5
	2,854.8	78.1	1,602.8	75.4	914.0	(7.1)	883.7	(12.4)	1,123.5	15.0	977.3	30.2
Net sales	15,038.9	(13.3)	17,353.1	21.4	14,290.1	16.7	12,242.7	7.9	11,350.2	20.6	8,828.6	28.5
Cost of goods sold	13,834.1	(9.8)	12,006.9	22.9	9,771.8	16.6	8,377.7	9.1	7,680.2	22.0	6,255.5	27.3
Gross profit	4,204.7	(21.4)	5,346.2	18.3	4,518.3	16.9	3,865.0	5.3	3,670.0	44.9	2,533.1	31.5
Distribution and marketing expenses	1,569.6	(10.0)	1,744.3	17.8	1,480.2	75.9	841.3	10.3	762.8	16.8	642.1	44.8
Administrative expenses	560.1	10.3	507.6	1.8	498.7	1.6	490.7	50.5	326.0	37.1	237.8	91.9
Impairment loss on trade receivables	13.2	(90.8)	143.4	(38.3)	60.2	100.0	-	-	-	-	-	-
Other expenses	112.1	(17.9)	136.5	5.8	129.0	(27.8)	178.6	(4.2)	186.5	69.5	110.0	(0.9)
	2,254.9	(10.9)	2,531.8	16.8	2,168.2	43.5	1,510.6	18.5	1,275.2	28.8	990.0	45.9
Other income	25.9	62.2	16.0	(32.5)	23.8	10.9	21.5	(50.2)	53.9	(66.3)	171.3	850.3
Operating profit	1,975.7	(30.2)	2,821.3	19.1	2,373.9	(0.1)	2,375.9	(3.0)	2,448.7	42.8	1,714.4	35.4
Finance costs	439.2	(35.4)	580.3	58.2	429.9	117.3	135.5	3.6	128.3	(4.5)	130.4	1,721.2
Profit before taxation	1,536.5	(28.5)	2,156.0	10.6	1,944.0	(13.2)	2,240.4	(3.4)	2,320.4	46.9	1,580.1	25.5
Taxation	367.2	(14.1)	427.6	4.9	407.7	(34.1)	618.9	3.1	600.4	77.6	338.1	64.7
Profit for the year	1,169.3	(32.1)	1,722.4	12.1	1,536.3	(5.3)	1,621.5	(5.7)	1,720.0	38.5	1,242.0	17.9

# VERTICAL ANALYSIS

## Statement of Financial Position

	2020		2019		2018		2017		2016		2015	
	Rs. in mio	%age	Rs. in mio	%age	Rs. in mio	%age	Rs. in mio	%age	Rs. in mio	%age	Rs. in mio	%age
<b>ASSETS</b>												
<b>Non - current assets</b>												
Property, plant and equipment	1,976.8	20.2	1,914.5	16.7	1,952.7	17.8	1,744.3	17.9	1,815.4	20.9	1,934.4	21.4
Long term loans	-	-	0.1	0.0	0.6	0.0	1.8	0.0	6.1	0.1	14.2	0.2
Long term deposits	6.1	0.1	6.1	0.1	6.2	0.1	5.4	0.1	3.0	0.0	4.8	0.1
Long term prepayments	-	-	1.1	0.0	1.9	0.0	4.1	0.0	1.9	0.0	2.2	0.0
Deferred tax on - net	15.5	0.2	-	-	-	-	-	-	-	-	-	-
	<u>1,998.4</u>	<u>20.4</u>	<u>1,921.7</u>	<u>16.8</u>	<u>1,961.3</u>	<u>17.9</u>	<u>1,755.5</u>	<u>18.0</u>	<u>1,826.5</u>	<u>21.0</u>	<u>1,955.6</u>	<u>21.6</u>
<b>Current assets</b>												
Stores and spares	53.6	0.5	49.4	0.4	45.4	0.4	40.2	0.4	32.6	0.4	38.6	0.4
Stock-in-trade	3,089.9	31.5	3,056.1	26.7	2,694.5	24.5	2,107.6	21.6	1,641.5	18.9	1,709.9	18.9
Trade receivables	2,788.2	28.5	3,816.3	34.2	3,733.3	34.1	3,165.8	32.5	2,755.3	31.7	2,733.4	30.2
Loans and advances	0.7	0.0	0.4	0.0	3.4	0.0	8.7	0.1	10.7	0.1	15.3	0.2
Trade deposits and short-term prepayments	24.4	0.2	57.7	0.5	48.4	0.4	59.1	0.6	49.3	0.6	68.4	0.8
Other receivables	1,347.5	13.8	1,714.3	15.0	1,770.5	16.2	1,954.0	20.0	2,009.2	23.1	2,076.4	23.0
Taxation - net	225.2	2.3	147.9	1.3	172.0	1.6	72.0	0.7	27.3	0.3	92.3	1.0
Cash and bank balances	269.2	2.7	569.0	5.2	532.1	4.9	587.9	6.0	337.5	3.9	351.6	3.9
	<u>7,798.7</u>	<u>79.6</u>	<u>9,541.1</u>	<u>83.2</u>	<u>8,999.8</u>	<u>82.1</u>	<u>7,995.4</u>	<u>82.0</u>	<u>6,857.3</u>	<u>79.0</u>	<u>7,086.8</u>	<u>78.4</u>
<b>TOTAL ASSETS</b>	<b><u>9,797.1</u></b>	<b><u>100.0</u></b>	<b><u>11,462.8</u></b>	<b><u>100.0</u></b>	<b><u>10,961.0</u></b>	<b><u>100.0</u></b>	<b><u>9,750.9</u></b>	<b><u>100.0</u></b>	<b><u>8,683.8</u></b>	<b><u>100.0</u></b>	<b><u>9,042.4</u></b>	<b><u>100.0</u></b>
<b>EQUITY AND LIABILITIES</b>												
<b>Share capital and reserves</b>												
<b>Authorised share capital</b>												
50,000,000 ordinary shares of Rs. 10 each	500.0	5.1	500.0	4.4	500.0	4.6	500.0	5.1	500.0	5.8	500.0	5.5
<b>Share capital</b>												
Issued, subscribed and paid-up capital	341.2	3.5	341.2	3.0	341.2	3.1	341.2	3.5	341.2	3.9	341.2	3.8
<b>Reserves</b>												
Revenue reserve	3,238.0	33.1	3,096.0	27.0	2,968.0	27.1	2,808.0	28.8	3,248.0	37.4	2,983.0	33.0
Unappropriated profit	924.7	9.4	1,680.3	14.7	1,496.0	13.6	1,868.5	19.2	1,798.2	20.7	1,308.7	14.5
	<u>4,162.7</u>	<u>42.5</u>	<u>4,776.3</u>	<u>41.7</u>	<u>4,464.0</u>	<u>40.7</u>	<u>4,676.5</u>	<u>48.0</u>	<u>5,046.2</u>	<u>58.1</u>	<u>4,291.7</u>	<u>47.5</u>
	<u>4,503.9</u>	<u>46.0</u>	<u>5,117.4</u>	<u>44.6</u>	<u>4,805.2</u>	<u>43.8</u>	<u>5,017.6</u>	<u>51.5</u>	<u>5,387.4</u>	<u>62.0</u>	<u>4,632.9</u>	<u>51.2</u>
<b>LIABILITIES</b>												
<b>Non - current liabilities</b>												
Deferred taxation - net	-	-	59.6	0.5	127.5	1.2	152.9	1.6	113.7	1.3	263.3	2.9
Deferred liabilities	341.1	3.5	63.2	0.6	14.2	0.1	14.0	0.1	186.9	2.2	9.5	0.1
Long term loan - secured	209.8	2.1	-	-	-	-	-	-	-	-	-	-
Lease liabilities	95.7	1.0	9.4	0.1	22.9	0.2	44.4	0.5	51.1	0.6	37.3	0.4
Liabilities against diminishing musharaka finance	94.1	1.0	81.2	0.7	69.2	0.6	37.8	0.4	-	-	-	-
	<u>740.7</u>	<u>7.6</u>	<u>213.3</u>	<u>1.9</u>	<u>233.7</u>	<u>2.1</u>	<u>249.1</u>	<u>2.6</u>	<u>351.7</u>	<u>4.0</u>	<u>310.1</u>	<u>3.4</u>
<b>Current liabilities</b>												
Trade and other payables	2,118.4	21.6	3,027.6	26.4	3,293.1	30.0	2,666.7	27.3	2,312.9	26.6	2,367.7	26.2
Unclaimed dividend	67.5	0.7	66.0	0.6	65.5	0.6	44.8	0.5	-	-	-	-
Mark-up accrued	17.9	0.2	82.0	0.7	40.4	0.4	11.3	0.1	7.2	0.1	19.5	0.2
Short-term borrowings	2,143.0	21.9	2,920.1	25.5	2,489.7	22.7	1,732.0	17.8	604.8	7.0	1,698.7	18.8
Current portion of long term loan	148.2	1.5	-	-	-	-	-	-	-	-	-	-
Current portion of lease liabilities	21.5	0.2	12.2	0.1	17.4	0.2	21.9	0.2	19.9	0.2	13.4	0.1
Current portion of liabilities against diminishing musharaka finance	36.0	0.4	24.2	0.2	16.1	0.1	7.4	0.1	-	-	-	-
	<u>4,552.6</u>	<u>46.5</u>	<u>6,232.0</u>	<u>53.5</u>	<u>5,922.1</u>	<u>54.0</u>	<u>4,484.1</u>	<u>46.0</u>	<u>2,944.7</u>	<u>33.9</u>	<u>4,099.3</u>	<u>45.3</u>
	<u>5,293.3</u>	<u>54.0</u>	<u>6,245.4</u>	<u>55.4</u>	<u>6,155.8</u>	<u>56.2</u>	<u>4,733.2</u>	<u>48.5</u>	<u>3,296.4</u>	<u>38.0</u>	<u>4,409.5</u>	<u>48.8</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>9,797.1</u></b>	<b><u>100.0</u></b>	<b><u>11,462.8</u></b>	<b><u>100.0</u></b>	<b><u>10,961.0</u></b>	<b><u>100.0</u></b>	<b><u>9,750.9</u></b>	<b><u>100.0</u></b>	<b><u>8,683.8</u></b>	<b><u>100.0</u></b>	<b><u>9,042.4</u></b>	<b><u>100.0</u></b>

# VERTICAL ANALYSIS

## Statement of Profit and Loss

	2020		2019		2018		2017		2016		2015	
	Rs. in mio	%age	Rs. in mio	%age	Rs. in mio	%age	Rs. in mio	%age	Rs. in mio	%age	Rs. in mio	%age
Sales	17,893.7	100	18,555.8	100	15,204.1	100	13,226.4	100	12,473.7	100	9,805.9	100
Trade discounts and commission	746.9	4.2	823.0	4.3	604.6	4.0	693.7	5.2	667.3	5.3	591.3	5.0
Sales tax	2,107.9	11.8	779.8	4.1	305.4	2.0	289.9	2.2	456.2	3.7	385.0	3.9
	2,854.8	16.0	1,602.8	8.5	914.0	6.0	983.7	7.4	1,123.5	9.0	977.3	10.0
Net sales	15,038.9	84.0	17,353.1	91.5	14,290.1	94.0	12,242.7	92.6	11,350.2	91.0	8,828.6	90.0
Cost of goods sold	10,894.2	60.5	12,006.9	63.3	9,771.8	64.3	8,377.7	63.3	7,680.2	61.5	6,295.5	64.2
Gross profit	4,204.7	23.5	5,346.2	28.2	4,518.3	29.7	3,865.0	29.2	3,670.0	29.4	2,533.1	25.8
Distribution and marketing expenses	3,569.6	8.8	1,744.3	9.2	1,480.2	9.7	841.3	6.4	762.8	6.1	642.1	6.5
Administrative expenses	560.1	3.1	507.6	2.7	498.7	3.3	490.7	3.7	326.0	2.5	237.8	2.4
Impairment loss on trade receivables	13.2	0.1	143.4	0.8	63.2	0.4	-	-	-	-	-	-
Other expenses	112.1	0.6	136.5	0.7	129.0	0.8	178.6	1.4	185.5	1.5	110.0	1.1
	2,254.9	12.6	3,531.8	13.4	2,168.2	14.3	1,510.6	11.4	1,275.2	10.2	990.0	10.1
Other income	25.9	0.1	16.0	0.1	23.8	0.2	21.5	0.2	53.9	0.4	171.5	1.7
Operating profit	1,975.7	11.0	2,830.3	14.9	2,373.9	15.6	2,375.9	18.0	2,448.7	19.6	1,714.4	17.5
Finance costs	439.2	2.5	580.3	3.6	429.9	2.8	135.5	1.0	128.3	1.0	134.4	1.4
Profit before taxation	1,536.5	8.6	2,150.0	11.3	1,944.0	12.8	2,240.4	16.9	2,320.4	18.6	1,580.1	16.1
Taxation	357.2	2.1	427.6	2.3	407.7	2.7	518.9	4.7	600.4	4.8	338.1	3.4
Profit for the year	1,169.3	6.5	1,722.4	9.1	1,536.3	10.1	1,621.5	12.3	1,720.0	13.8	1,242.0	12.7

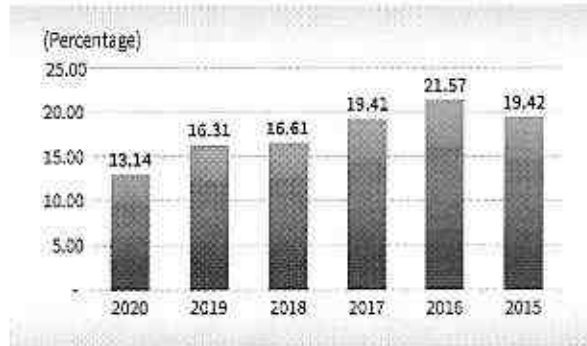
# / PERFORMANCE INDICATORS

		2020	2019	2018	2017	2016	2015
<b>Profitability Ratios</b>							
Net profit to net sales	%	7.77	9.93	10.75	13.24	15.15	14.07
Operating profit to net sales	%	13.14	16.31	16.61	19.41	21.57	19.42
EBITDA margin to net sales	%	14.99	17.79	18.37	21.53	23.76	21.37
Return on equity	%	25.96	33.66	31.97	32.32	31.93	26.81
<b>Liquidity Ratios</b>							
Current ratio	Times	1.71	1.56	1.52	1.78	2.33	1.73
Quick Ratio	Times	1.03	1.06	1.06	1.31	1.77	1.31
Cash to current liabilities	Times	0.06	0.10	0.09	0.13	0.11	0.09
<b>Activity / Turnover Ratios</b>							
Cash conversion cycle	Days	131	113	112	102	91	118
Days sales outstanding / debtor days	Days	68	82	95	94	89	113
Days inventory outstanding	Days	104	93	101	92	78	99
Days payable outstanding	Days	41	62	84	84	76	94
Debtor turnover	Times	5.39	4.43	3.83	3.87	4.12	3.23
Total assets turnover	Times	1.54	1.51	1.30	1.26	1.31	0.98
Fixed assets turnover	Times	7.61	9.06	7.32	7.02	6.25	4.56
<b>Investment / Market Ratios</b>							
Earnings per share (EPS) - basic	Rupees	34.27	50.48	45.03	47.53	50.41	36.40
Price earnings - on the basis of earning per share	Times	16.54	9.11	11.44	13.82	11.72	11.26
Price to book ratio	Times	4.30	3.07	3.66	4.47	3.74	3.02
Dividend yield	%	5.29	9.77	7.76	7.61	10.11	6.06
Dividend payout ratio	%	87.54	89.14	88.82	105.20	119.02	68.68
Dividend cover	Times	1.14	1.12	1.13	0.95	0.84	1.45
Dividend per share	Rupees	30	45	40	50	60	25
<b>Market value per share</b>							
Year end	Rupees	567	460	515	657	591	410
Highest during the year	Rupees	699	620	675	905	610	738
Lowest during the year	Rupees	456	440	445	555	390	400
<b>Capital Structure Ratios</b>							
Mark-up cover ratio	Times	8.43	10.40	15.73	28.99	29.48	18.89

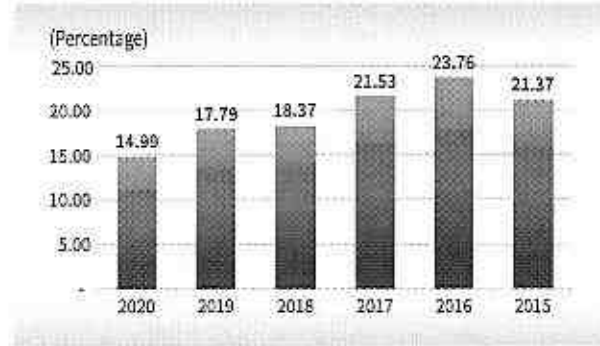
# / PERFORMANCE INDICATORS

## Profitability Ratios

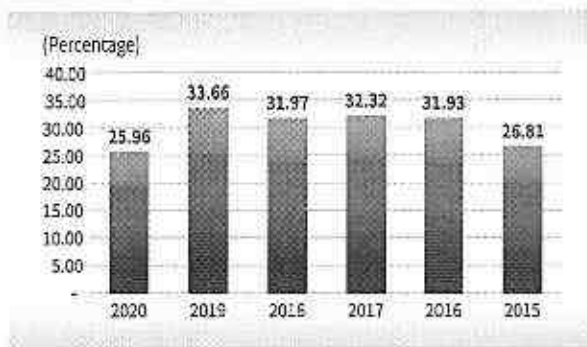
Operating profit to net sales



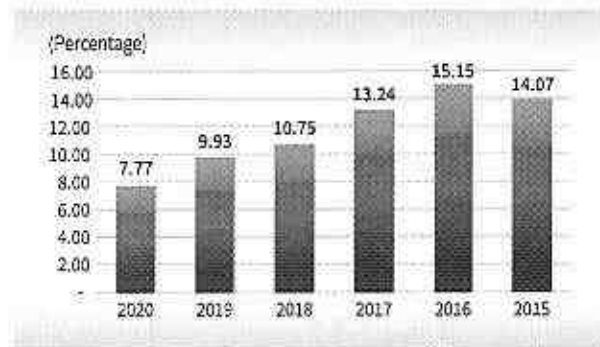
EBITDA margin to net sales



Return on equity

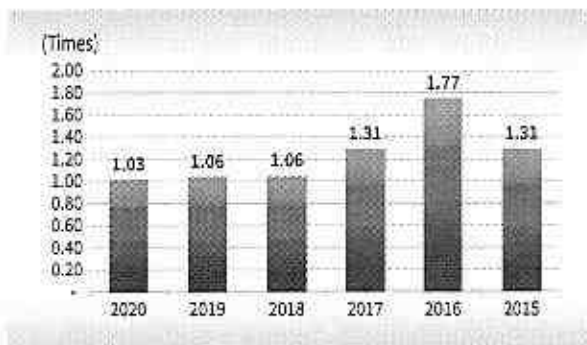


Net profit to net sales

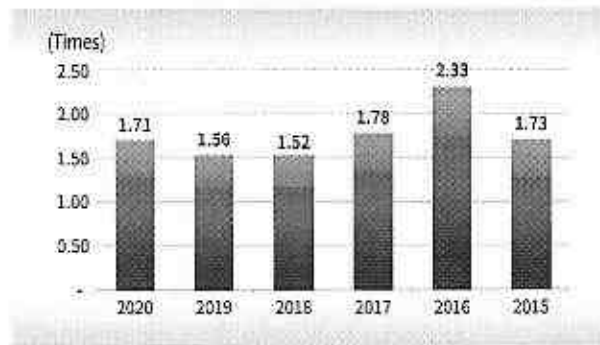


## Liquidity Ratios

Quick Ratio



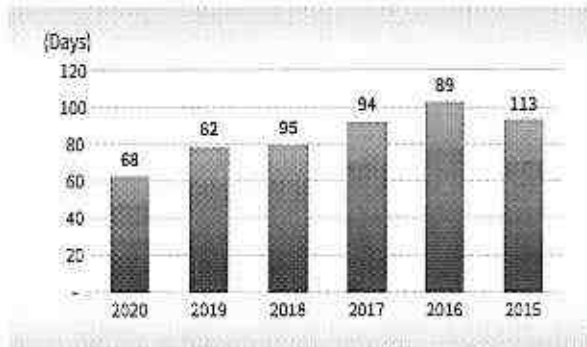
Current ratio



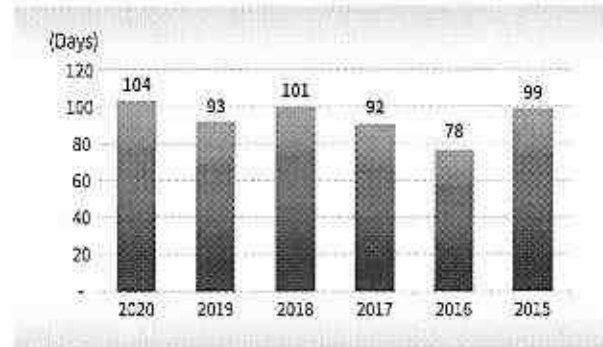
# / PERFORMANCE INDICATORS

## Activity Ratios

Days sales outstanding

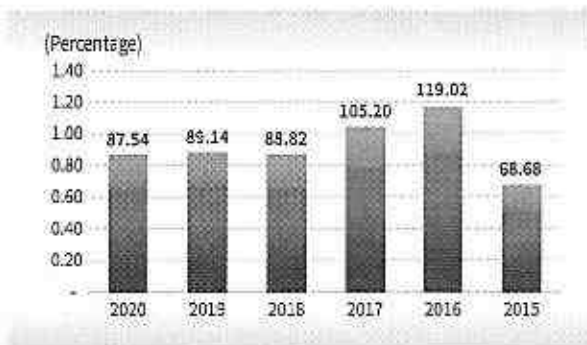


Days inventory outstanding

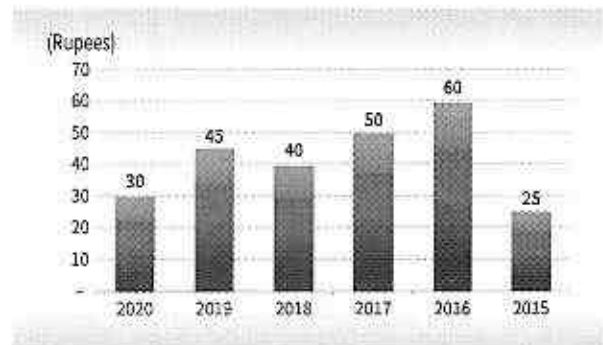


## Investment / Market Ratios

Dividend payout ratio

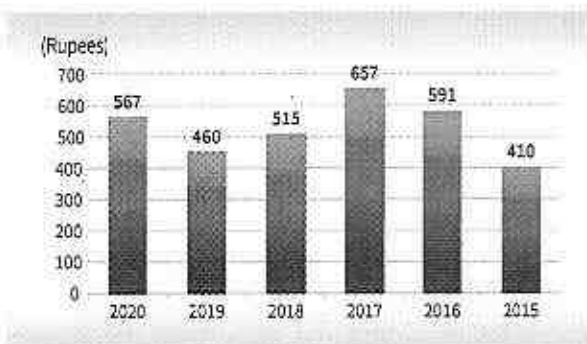


Dividend per share

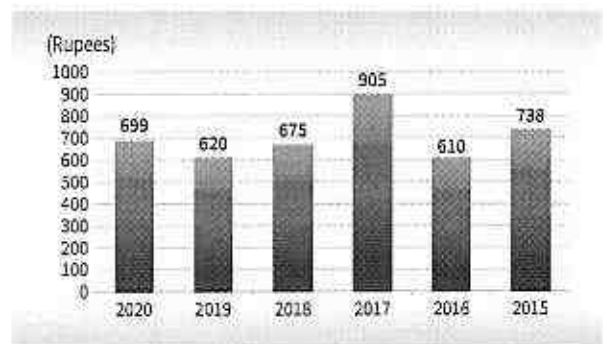


## Market value per share

Year end



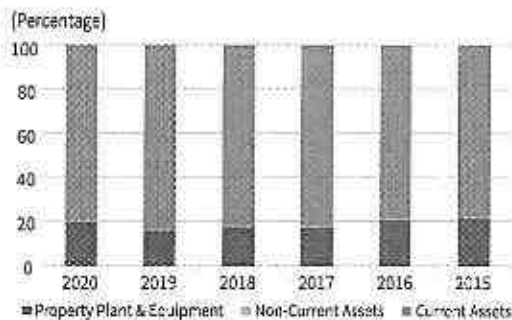
Highest during the year



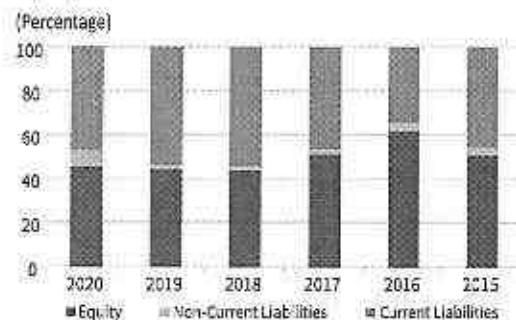
# SIX YEARS AT A GLANCE

	2020	2019	2018	2017	2016	2015
	(Rupees '000)					
Property Plant & equipment	1,976,820	1,914,464	1,952,688	1,744,273	1,815,404	1,934,400
Other assets	21,598	7,275	8,586	11,245	11,078	21,167
Current assets	7,798,704	9,541,052	8,999,754	7,995,376	6,857,347	7,086,800
<b>Total assets employed</b>	<b>9,797,122</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>
Share capital	341,179	341,179	341,179	341,179	341,179	341,179
Revenue reserves and unappropriated profit	4,162,681	4,776,258	4,464,033	4,676,467	5,046,233	4,291,729
Bank borrowings	2,501,054	2,920,070	2,489,701	1,732,030	604,765	1,698,740
Other liabilities	2,792,208	3,425,284	3,666,115	3,001,218	2,691,652	2,710,719
<b>Total Funds Employed</b>	<b>9,797,122</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>
Net Sales	15,038,941	17,353,050	14,290,089	12,242,715	11,350,227	8,828,624
Profit before tax	1,536,493	2,150,019	1,943,980	2,240,384	2,320,392	1,580,064
Profit after Tax	1,169,266	1,722,380	1,536,276	1,621,473	1,720,031	1,241,982
Cash Dividend %	300	450	400	500	600	250
Earning Per share	34.27	50.48	45.03	47.53	50.41	36.40
Break-up value per share	132.00	149.99	140.84	147.07	157.91	135.79

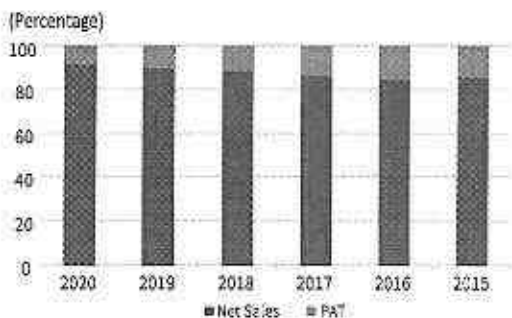
## Financial Position Assets



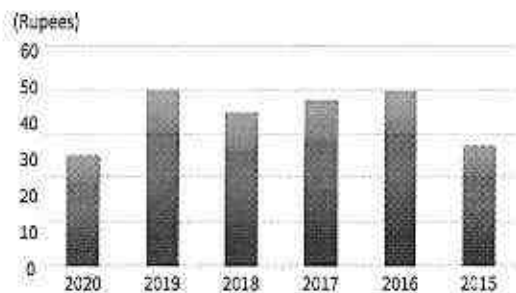
## Financial Position Equity & Liabilities



## Profit or Loss Income over Sales



## Profit or Loss EPS





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## **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 2020, 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 2020 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



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whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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 4.16 and 24 to the Company's financial statements.</p> <p>Revenue is recognized when control of the underlying product has been transferred to the customer.</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not be recognized in the appropriate period.</p>	<p>Our audit procedures in relation to recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"><li>assessed the design, implementation and tested the operating effectiveness of the relevant key internal controls over the Company's system which governs revenue recognition;</li><li>assessed the appropriateness of the Company's accounting policies for revenue recognition including its compliance with applicable accounting standards;</li><li>obtained an understanding of the nature of the revenue contracts entered and tested a sample of sales contracts to understand and assess appropriateness of management's application of applicable accounting standard's requirements;</li><li>obtained invoices and related documents, on sample basis for selected revenue transactions recorded during the current year to assess whether the related revenue was recognized in accordance with the requirements of applicable accounting standard; and</li><li>tested on sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period.</li></ul>



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S No.	Key audit matters	How the matters were addressed in our audit
2.	<p><b>Valuation of Stock-in-trade</b></p> <p>Refer notes 4.5 and 8 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.</p> <p>We identified the valuation of 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 obsolete and slow moving stock-in-trade involves significant management judgment and estimation.</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>• obtained an understanding of and assessed the design and implementation of management's controls over valuation of stock-in-trade including identification of slow moving and obsolete stock-in-trade and estimation of NRV;</li> <li>• tested, 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>• tested the accuracy of provision for slow moving and obsolete stock-in-trade with the help of aging report and underlying documentation; and</li> <li>• assessed that valuation of stock-in-trade has been appropriately done at lower of cost and net realizable value.</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.

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



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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.

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:



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- 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 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



KPMG Taseer Hadi & Co.

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 (XVII 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: 29 October 2020

Karachi

  
KPMG Taseer Hadi & Co.  
Chartered Accountants

# STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Note	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
<b>ASSETS</b>			
<b>Non - current assets</b>			
Property, plant and equipment	5	1,976,820	1,914,464
Long term loans	6	-	107
Long term deposits		6,099	6,095
Long term prepayments		-	1,073
Deferred taxation - net	15	15,499	-
		<b>1,998,418</b>	<b>1,921,739</b>
<b>Current assets</b>			
Stores and spares	7	53,645	49,357
Stock-in-trade	8	3,089,893	3,056,054
Trade receivables	9	2,788,159	3,916,346
Loans and advances	10	700	448
Trade deposits and short-term prepayments	11	24,362	57,692
Other receivables	12	1,347,491	1,714,250
Taxation - net		225,219	147,948
Cash and bank balances	13	269,235	598,957
		<b>7,798,704</b>	<b>9,541,052</b>
<b>TOTAL ASSETS</b>		<b>9,797,122</b>	<b>11,462,791</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised share capital 50,000,000 ordinary shares of Rs. 10 each		500,000	500,000
<b>Share capital</b>			
Issued, subscribed and paid-up capital	14	341,179	341,179
<b>Reserves</b>			
Revenue reserve		3,238,000	3,096,000
Unappropriated profit		924,681	1,680,258
		<b>4,162,681</b>	<b>4,776,258</b>
		<b>4,503,860</b>	<b>5,117,437</b>
<b>LIABILITIES</b>			
<b>Non - current liabilities</b>			
Deferred taxation - net	15	-	59,581
Deferred liabilities	16	341,138	63,189
Long term loan - secured	17	209,782	-
Lease liabilities	18	95,668	9,412
Liabilities against diminishing musharika finance	19	94,097	81,160
		<b>740,685</b>	<b>213,342</b>
<b>Current liabilities</b>			
Trade and other payables	20	2,118,389	3,027,570
Unclaimed dividend		67,536	65,986
Mark-up accrued	21	17,853	81,986
Short-term borrowings	22	2,143,046	2,920,070
Current portion of long term loan	17	148,226	-
Current portion of lease liabilities	18	21,488	12,243
Current portion of liabilities against diminishing musharika finance	19	36,039	24,157
		<b>4,552,577</b>	<b>6,132,012</b>
		<b>5,293,262</b>	<b>6,345,354</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,797,122</b>	<b>11,462,791</b>
<b>Contingencies and commitments</b>			
	23		

The annexed notes 1 to 45 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 2020

	Note	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
Sales		17,893,711	18,955,833
Trade discounts and commission		(746,891)	(822,985)
Sales tax		(2,107,879)	(779,798)
<b>Net sales</b>	24	<b>15,038,941</b>	<b>17,353,050</b>
Cost of goods sold	25	(10,834,222)	(12,006,899)
<b>Gross profit</b>		<b>4,204,719</b>	<b>5,346,151</b>
Distribution and marketing expenses	26	(1,569,555)	(1,744,329)
Administrative expenses	27	(560,070)	(507,625)
Impairment loss on trade receivables	9.1	(13,183)	(143,406)
Other expenses	29	(112,091)	(136,480)
		(2,254,899)	(2,531,840)
Other income	30	25,917	15,978
		1,975,737	2,830,289
Finance costs	31	(439,244)	(680,270)
<b>Profit before taxation</b>		<b>1,536,493</b>	<b>2,150,019</b>
Taxation	32	(367,227)	(427,639)
<b>Profit for the year</b>		<b>1,169,266</b>	<b>1,722,380</b>
<b>Other comprehensive loss</b>			
<i>Items that will not be reclassified to statement of profit or loss:</i>			
Remeasurement loss on defined benefit liabilities	28	(323,782)	(58,607)
Impact of deferred tax		76,244	13,167
		(247,538)	(45,440)
<b>Total comprehensive income for the year</b>		<b>921,728</b>	<b>1,676,940</b>
		(Rupees)	(Rupees)
<b>Earnings per share (basic and diluted)</b>	33	<b>34.27</b>	<b>50.48</b>

The annexed notes 1 to 45 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 2020

	Note	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	39	2,649,976	1,919,087
Staff gratuity paid		(73,053)	(31,332)
Other long term employee benefits paid		(1,283)	(3,012)
Mark-up paid		(270,748)	(211,212)
Income taxes paid		(519,578)	(458,262)
Movement in long term loans		107	466
Movement in long term deposits and prepayments		1,069	526
<b>Net cash generated from operating activities</b>		<b>1,786,490</b>	<b>1,216,261</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(162,349)	(223,092)
Proceeds from disposal of property, plant and equipment		7,646	6,027
<b>Net cash used in investing activities</b>		<b>(154,703)</b>	<b>(217,065)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments against lease liabilities		(31,873)	(18,599)
Financing against diminishing musharika finance - net		24,819	20,080
Long term loans - proceeds		356,324	-
Short-term borrowings - proceeds		2,022,246	2,909,914
Short-term borrowings - repayments		(2,080,973)	(1,767,191)
Dividend paid		(1,533,755)	(1,364,194)
<b>Net cash used in financing activities</b>		<b>(1,243,212)</b>	<b>(219,990)</b>
<b>Net increase in cash and cash equivalents</b>		<b>388,575</b>	<b>779,206</b>
Cash and cash equivalents at beginning of the year		(278,390)	(1,057,596)
Cash and cash equivalents at end of the year	40	<b>110,185</b>	<b>(278,390)</b>

The annexed notes 1 to 45 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 2020

	Issued, subscribed and paid-up capital	Reserves		Total
		Revenue reserves	Unappro- priated profit	
(Rupees in '000)				
<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 loss	-	-	(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
<b>Transaction with owners in the capacity as owners directly recorded in equity - distribution</b>				
- Final dividend at 450% (i.e. Rs. 45 per share) for the year ended 30 September 2019	-	-	(1,535,305)	(1,535,305)
Transfer to revenue reserves appropriated subsequent to year end	-	142,000	(142,000)	-
<b>Total comprehensive income for the year ended 30 September 2020</b>				
Profit for the year	-	-	1,169,266	1,169,266
Other comprehensive loss	-	-	(247,538)	(247,538)
	-	-	921,728	921,728
<b>Balance as at 30 September 2020</b>	<b>341,179</b>	<b>3,238,000</b>	<b>924,681</b>	<b>4,503,860</b>

The annexed notes 1 to 45 form an integral part of these financial statements.

  
Mujtaba Rahim  
Chief Executive Officer

  
M Veqar Arif  
Director and Chief Financial Officer

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## For the year ended 30 September 2020

### 1. THE COMPANY AND ITS OPERATIONS

Archroma Pakistan Limited ("the Company") is a limited liability company and is incorporated and domiciled in Pakistan. The address of its registered office is 1-A/1, Sector 20 Korangi Industrial Area, Korangi, Karachi, Pakistan. The Company is listed on the Pakistan Stock Exchange. The Company is a subsidiary of Archroma Textiles GmbH, registered and having head quarter in Reinach, Switzerland which holds 75% of 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.
- B157 Lalarukh, Wah Cantt.

### 2. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

On March 11, 2020, the World Health Organization (WHO) declared the 2019 Novel Coronavirus (COVID-19) outbreak a pandemic which impacted countries globally including Pakistan. Due to COVID-19 and resulting measures taken to control the spread of virus including travel bans, quarantines, social distancing and closures of non-essential services impacted adversely various businesses and enhanced volatility in the Pakistan Stock Exchange (PSX). From March 2020 onwards till 30 September 2020, the Company was conducting business with some modifications to employee working and cancellation of certain events, among other modifications while following all necessary Standard Operating Procedures (SOPs). The situation has gradually improved in Pakistan and the Company will continue to actively monitor the situation and may take further actions as may be required by federal, provincial or local authorities or that are in the best interests of their employees, customers, partners, and stockholders.

Management based on its assessment considers that there would be no significant impact that will adversely affect the Company's business results of operations and financial condition in future period.

### 3. BASIS OF PREPARATION

#### 3.1 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 the IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 3.2 Basis of measurement

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

## 3.3 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.

## 3.4 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 4.2 and 5.1);
- ii) estimation in writing down items of stores and spares to their net realisable value (notes 4.4 and 7);
- iii) estimation in writing down items of stock-in-trade to their net realisable value (notes 4.5 and 8);
- iv) estimation of allowance for impairment loss against trade receivables (notes 4.8, 1.4 and 9);
- v) provision for taxation (notes 4.7 and 32);
- vi) measurement of defined benefit obligation and other long term employment benefits : key actuarial assumptions (notes 4.12 and 28);
- vii) lease classification (notes 4.1.1 and 18);
- viii) recognition and measurement of provisions and contingencies (notes 4.14 and 23);

## 3.5 Changes in accounting standards, interpretations and pronouncements

### 3.5.1 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 October 2020:

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

- 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 1 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.
- 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 1 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 (the 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 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.
- Amendments to IFRS-16 - IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  - there is no substantive change to the other terms and conditions of the lease.
- **Classification of liabilities as current or non-current (Amendments to IAS 1)** effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
  - **Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)** effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
  - **Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)** effective for the annual period beginning on or after 1 January 2022, clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognised in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

#### Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- **IFRS 9** – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability.
- **IFRS 16** – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- **IAS 41** – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above amendments are effective from annual period beginning on or after 1 July 2020 and are not likely to have an impact on the Company's financial statements.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## For the year ended 30 September 2020

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 4.1 Changes in significant accounting policies

The Company has adopted IFRS 16 'Leases' from 01 October 2019 which is effective for annual periods beginning on or after 01 January 2019 and the key changes to the Company's accounting policies resulting from adoption of IFRS 16 are summarized below:

##### 4.1.1 IFRS 16 'Leases'

International Accounting Standards Board (IASB) introduced IFRS 16 'Leases' which had a mandatory effective date for annual reporting periods beginning on or after 1 January 2019. By virtue of SRO 434(I)/2018, SECP made mandatory for all classes of companies to adopt IFRS 16 'Leases' for annual reporting periods beginning on or after 1 January 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. It requires lessee to recognise right-of-use (RoU) assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 October 2019. Accordingly, the comparative information presented for FY 2019 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the change in accounting policies are discussed below.

The Company has various lease agreements for head office, area offices and vehicles which were previously classified by the Company based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for all the leases - i.e. these leases are on statement of financial position.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The lease liabilities are measured as the present value of remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 October 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 October 2019 is 14.158%.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of properties that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on straight-line basis over the lease term.

The impact of adoption of IFRS 16 on the statement of financial position as at 30 September 2020 is as follows:

	Carrying Amount	
	30 September 2020 (Rs '000)	1 October 2019 (Rs '000)
Right-of-use asset - Building presented in operating fixed assets*	<b>107,898</b>	119,317
Lease liability	<b>108,514</b>	110,772
	Year ended 30 September 2020	
Depreciation expense	<b>11,419</b>	
Interest expense presented in finance costs	<b>14,074</b>	

\* This includes prepaid rent amounting to Rs. 8.99 million.

## 4.2 Property, plant and equipment

### 4.2.1 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. 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 note 5.1 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 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 in the year in which they arise.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 4.2.2 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.

## 4.2.3 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.

## 4.2.4 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.

## 4.3 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.

## 4.4 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.

## 4.5 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 share of production overheads based on normal operating capacity. 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.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 4.6 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.

## 4.7 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 year.

### 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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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.

## 4.8 Financial instruments

### 4.8.1 Financial assets

#### 4.8.1.1 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.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## For the year ended 30 September 2020

### 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).

#### 4.8.1.2 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.

#### 4.8.1.3 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.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 4.8.1.4 Impairment

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. 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.

Loss allowance on debt securities are measured at 12 months expected credit losses as those are determined to have low credit risk at the reporting date. Since there is no loss given default, no credit loss is expected on these securities. Loss allowance on other securities and bank balances is also measured at 12 months expected credit losses. Since these assets are short term in nature, therefore no credit loss is expected on these balances.

## 4.8.1.5 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 counterparties.

## 4.8.2 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.

## 4.8.3 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 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.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 4.8.4 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.

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.

## 4.9 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 and saving 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 Company's cash management. Short-term running finances are shown within short-term borrowings in current liabilities on the statement of financial position.

## 4.10 Trade and other payables

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 4.11 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 expired.

## 4.12 Staff benefits

### 4.12.1 Retirement benefits

The Company operates:

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

### 4.12.2 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.

# **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

## For the year ended 30 September 2020

### **4.13 Foreign currency transactions**

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

### **4.14 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.

### **4.15 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 or transfers are made.

### **4.16 Revenue recognition**

Revenue from the sale of goods is recognized at the point in time when the performance obligations arising from the contract with a customer is satisfied and the amount of revenue that it expects to be entitled to can be determined. This usually occurs when control of the asset is transferred to the customer, which is when goods are invoiced and delivered to the customer.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue is disclosed net of returns, discounts and other allowances.

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.

### **4.17 Expenses**

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 4.18 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.

## 4.19 Government grants

Government grants are transfers of resources to an entity by a government entity in return for compliance with certain past or future conditions related to the entity's operating activities - e.g. a government subsidy. The definition of "government" refers to governments, government agencies and similar bodies, whether local, national or international.

The Company recognises government grants when there is reasonable assurance that grants will be received and the Company will be able to comply with conditions associated with grants.

Government grants are recognised at fair value, as deferred income, when there is reasonable assurance that the grants will be received and the Company will be able to comply with the conditions associated with the grants.

Grants that compensate the Company for expenses incurred, are recognised on a systematic basis in the income for the year in which the related expenses are recognised. Grants that compensate for the cost of an asset are recognised as income in profit or loss on a systematic basis over the expected useful life of the related asset.

A loan is initially recognised and subsequently measured in accordance with IFRS 9. IFRS 9 requires loans at below-market rates to be initially measured at their fair value - e.g. the present value of the expected future cash flows discounted at a market-related interest rate. The benefit that is the government grant is measured as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant.

## 5. PROPERTY, PLANT AND EQUIPMENT

	Note	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
Operating fixed assets	5.1	1,831,239	1,869,849
Capital work-in-progress	5.5	145,581	44,615
		<b>1,976,820</b>	<b>1,914,464</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## For the year ended 30 September 2020

### 5.1 Operating fixed assets

		30 September 2020										
		Freehold Land	Leasehold Land	Buildings on Leasehold Land	Buildings on freehold Land	ROUA Buildings	Plant and machinery	Furniture, fixtures and equipment		Vehicles		Total
								Owned	ROUA	Owned	ROUA	
		[Rupees in '000]										
<b>At 1 October 2019</b>												
Cost	47	392,232	203,123	565,307	-	2,557,785	649,611	43,317	53,495	158,768	-	4,623,895
Recognition of right-of-use assets on initial application of IFRS 16	-	-	-	-	119,317	-	-	-	-	-	-	119,317
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	119,317	887,521	136,087	3,355	37,895	83,616	-	1,989,166
<b>Year ended 30 September 2020</b>												
Opening net book value	47	373,842	118,492	228,994	119,317	887,521	136,087	3,355	37,895	83,616	-	1,989,166
Additions	-	-	-	589	-	13,728	67,216	9,611	-	56,748	-	127,743
Disposals/write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	83	-	7,641	6,306	-	1,639	23,453	-	38,614
Accumulated depreciation	-	-	-	(83)	-	(7,250)	(6,104)	-	(1,019)	(16,432)	-	(30,955)
Depreciation charge for the year	-	(3,962)	(7,048)	(25,749)	(11,419)	(351,235)	(38,138)	(2,612)	(1,682)	(36,757)	-	(377,972)
Closing net book value	47	369,880	111,444	203,784	107,898	749,623	144,781	10,354	36,843	56,585	-	1,831,239
<b>At 30 September 2020</b>												
Cost	47	392,232	203,123	565,763	119,317	2,563,871	690,549	52,628	52,456	192,064	-	4,832,351
Accumulated depreciation	-	(22,352)	(91,679)	(361,879)	(11,419)	(1,814,249)	(545,768)	(42,574)	(15,613)	(55,479)	-	(3,001,112)
Net book value	47	369,880	111,444	203,784	107,898	749,623	144,781	10,354	36,843	56,585	-	1,831,239
Depreciation rate: % per annum	-	1.00%	3.33%	2.5 - 10%	2 - 80%	10 - 50%	10 - 33.33%	33.33%	20%	20 - 25%	-	-
		30 September 2019										
		Freehold land	Leasehold Land	Buildings on leasehold land	Buildings on freehold land	ROUA Buildings	Plant and machinery	Furniture, fixtures and equipment		Vehicles		Total
								Owned	Leased	Owned	Leased	
		[Rupees in '000]										
<b>At 1 October 2019</b>												
Cost	47	392,232	201,079	565,307	-	2,303,894	610,746	39,917	56,318	134,084	-	4,303,574
Accumulated depreciation	-	(14,428)	(71,552)	(310,497)	-	(1,521,354)	(486,298)	(34,948)	(16,572)	(52,766)	-	(2,514,954)
Net book value	47	377,804	129,476	254,810	-	782,540	124,510	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	-	874,540	123,010	4,969	39,746	81,318	-	1,875,620
Additions	-	-	2,094	-	-	162,691	45,528	1,402	-	37,632	-	252,343
Disposals/write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	6,433	-	1,823	12,948	-	22,211
Accumulated depreciation	-	-	-	-	-	-	(6,385)	-	(2,642)	(7,894)	-	(16,931)
Depreciation charge for the year	-	(3,567)	(7,078)	(25,816)	-	(140,219)	(31,283)	(5,014)	(1,670)	(36,230)	-	(256,013)
Closing net book value	47	373,842	118,492	228,994	-	887,521	136,087	3,355	37,895	83,616	-	1,831,239
<b>At 30 September 2019</b>												
Cost	47	392,232	203,123	565,307	-	2,557,785	649,611	43,317	53,495	158,768	-	4,633,895
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	-	1,989,166
Depreciation rate: % per annum	-	1.00%	3.33%	2.5 - 10%	-	10 - 50%	10 - 33.33%	33.33%	20%	20 - 25%	-	-

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

5.2	The depreciation charge for the year has been allocated as follows:	Note	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
	Cost of goods sold	25	223,380	212,581
	Distribution and marketing expenses	26	29,332	22,892
	Administrative expenses	27	25,260	20,550
			<b>277,972</b>	<b>256,023</b>

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

Description	Mode of disposal	Cost	Book Value	Sale proceeds	Gain on disposal	Purchaser	Relationship with purchaser
----- (Rupees in '000) -----							
<b>Vehicles - leased</b>							
Honda City	Company policy	1,547	825	825	-	Mehmood Hussain	Ex-Employee
Toyota Gl	Company policy	2,179	1,433	1,433	-	Qaiser Nazir	Ex-Employee
		<b>3,726</b>	<b>2,258</b>	<b>2,258</b>	<b>-</b>		

5.4 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	451,920	176,195
Jamshoro	Manufacturing Plant	3,964,204	2,047,320

5.5	Capital work-in-progress	Note	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
	Plant and machinery		145,581	41,893
	Equipment		-	2,722
			<b>145,581</b>	<b>44,615</b>

## 6. LONG TERM LOANS - SECURED

Due from:	Note	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
Executives		-	24
Employees	6.1	-	531
		-	555
Less: Receivable within one year	10	-	(448)
		-	107

### 6.1 Reconciliation of carrying amount of loans to Executives

Opening balance	24	1,346
Repayments during the year	(24)	(1,322)
Closing balance	-	24

6.2 The maximum aggregate amount outstanding at the end of any month during the year was Rs. 0.024 million (2019: Rs. 0.120 million) respectively.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

7. STORES AND SPARES	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
Stores and spares	51,869	48,245
In transit	1,776	1,112
	<u>53,645</u>	<u>49,357</u>

7.1 Provision against slow moving and obsolete stores and spares amounts to Rs. 6.389 million (2019: Rs.4.108 million) and written off there against amounting to Rs. Nil (2019: Rs. Nil).

8. STOCK-IN-TRADE	Note	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
Raw and packing materials including goods in transit of Rs. 333,797 million (2019: Rs. 130,095 million)	8.2 & 8.3	1,932,820	1,644,739
Work-in-process	25	99,836	108,614
Finished goods including goods in transit of Rs. 10,921 million (2019: Rs. 26,830 million)	8.1 & 8.2	1,057,237	1,302,701
		<u>3,089,893</u>	<u>3,056,054</u>

8.1 This includes imported finished goods amounting to Rs. 310,085 million (2019: Rs. 301,199 million).

8.2 Provision against slow moving and obsolete stock amounts to Rs. 173.858 million (2019: Rs. 108,941 million) and written off there against amounting to Rs. Nil (2019: Rs. Nil).

8.3 Raw and packing material amounting to Rs. 4,044 million (2019: Rs. Nil) has been written off directly during the year.

9. TRADE RECEIVABLES	Note	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
Related parties - secured			
- Archroma Turkey Chemical Industry and Trade Limited Liability Company		-	89,840
- PT Archroma Indonesia		-	2,392
- Archroma (Thailand) Company Limited		19,700	56,652
- Archroma Peru S.A.		-	136,241
- Archroma Singapore Pte Limited		121,600	114,783
- Archroma Chemicals China Limited		2,984	25,833
- Archroma U.S. Inc.		-	7,507
- PT Archroma Specialties		-	16,877
		<u>144,284</u>	<u>449,925</u>
Others			
- Secured		100,173	244,113
- Unsecured		3,092,817	3,758,240
		<u>3,337,274</u>	<u>4,452,278</u>
Less: Allowance for impairment loss against trade receivables	9.1	(549,115)	(535,932)
		<u>2,788,159</u>	<u>3,916,346</u>

#### 9.1 Reconciliation of allowance for impairment loss against trade receivables:

Opening provision	535,932	392,526
Charge for the year	13,183	143,406
Closing provision	<u>549,115</u>	<u>535,932</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

9.2 The aging of the trade receivables from related parties as at the reporting date is as under:

	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
Not past due	144,284	441,977
Past due 1-60 days	-	7,948
Total	144,284	449,925

9.3 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	224,537	92,990
- PT Archroma Indonesia	10,577	11,307
- Archroma (Thailand) Company Limited	69,619	84,988
- Archroma Tianjin Limited	976	6,607
- Archroma Shanghai (WFOE)	34,459	25,633
- Archroma Textile Mexico	-	37,655
- Archroma Peru S.A.	64,630	208,255
- Archroma Singapore Pte Limited	217,831	116,584
- Archroma India Private Limited	-	19,816
- Archroma U.S. Inc	10,188	16,935
- PT Archroma Specialties	13,315	20,538
	646,132	641,708

## 10. LOANS AND ADVANCES

### Secured

Current portion of loans and advances

Amounts due from:

- Executives
- Employees

### Unsecured

Advances for supplies and services

	Note	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
		25	24
	10.1	76	424
	6	101	448
		599	-
		700	448

10.1 These advances do not carry any mark up arrangement.

## 11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Deposits

Short-term prepayments

		6,011	16,270
	11.1	18,351	41,422
		24,362	57,692

11.1 These prepayments are mainly against insurance and these do not carry any mark up arrangements.

## 12. OTHER RECEIVABLES

Due from the Government:

- Sales tax

Indenting commission due from:

- Related parties - group companies

Receivable from provident fund (related party)

Others

		1,322,852	1,680,107
	12.1	3,802	2,915
		10,008	1,958
		10,829	29,270
		1,347,491	1,714,250

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## For the year ended 30 September 2020

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

	Note:	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
Archroma Management GmbH		2,218	2,095
Archroma India Private Limited		132	124
Archroma (Thailand) Company Limited		349	520
Archroma Hong Kong Private Limited		186	176
Archroma Singapore Pte Limited		410	-
Archroma Indonesia Private Limited		507	-
		<b>3,802</b>	<b>2,915</b>

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

Not past due		3,438	2,738
Past due more than 1 year		364	177
		<b>3,802</b>	<b>2,915</b>

### 13. CASH AND BANK BALANCES

Cash at banks			
- In current accounts	13.1	803	72,872
- In Islamic saving accounts	13.2	67,548	-
Cash in hand		257	1,270
Cheques in hand		200,627	524,815
		<b>269,235</b>	<b>598,957</b>

13.1 The current accounts are placed with banks under Islamic banking arrangements.

13.2 The saving account is placed with the bank under Islamic banking arrangements.

### 14. SHARE CAPITAL

#### 14.1 Authorised capital

2020 (Number of shares)	2019 (Number of shares)		30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
50,000,000	50,000,000	Ordinary shares of Rs 10 each	500,000	500,000

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

2020 (Number of shares)	2019 (Number of shares)			
7,441,639	7,441,639	Ordinary shares of Rs. 10 each issued for consideration other than cash	74,416	74,416
26,676,242	26,676,242	Ordinary shares of Rs. 10 each issued as bonus shares	266,763	266,763
<b>34,117,881</b>	<b>34,117,881</b>		<b>341,179</b>	<b>341,179</b>

14.3 Archroma Textiles GmbH, held 25,588,533 (2019: 25,588,533) ordinary shares of Rs 10 each at September 30, 2020

### 15. DEFERRED TAXATION - NET

*Deferred tax liabilities arising on taxable temporary differences:*  
Accelerated tax depreciation allowance

252,370	222,708
<b>252,370</b>	<b>222,708</b>

*Deferred tax assets arising on deductible temporary differences:*

Allowance for impairment loss against trade receivables  
Other long term employee benefits  
Obligation under finance lease  
Employees retirement benefits - net

129,306	120,404
4,165	2,200
58,232	28,526
76,166	11,997
<b>267,869</b>	<b>163,127</b>

Deferred tax (asset) / liability - net

<b>(15,499)</b>	<b>59,581</b>
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# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

16. DEFERRED LIABILITIES	Note	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
Employee retirement benefits	28.1.3	323,452	53,398
Other long term employee benefits	16.1	17,686	9,791
		<b>341,138</b>	<b>63,189</b>

16.1 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. 7,894 million (2019: Rs. 1.48 million) has been recognised in statement of profit or loss and other comprehensive income during the year.

17. LONG TERM LOAN - SECURED	Note	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
<b>From banking companies</b>			
Loan obtained under refinance scheme for payment of wages and salaries	17.1	337,099	-
Less: current portion of long term loan		(133,621)	-
		203,478	-
Deferred income - government grant		20,909	-
Current portion of deferred income - government grant		(14,605)	-
		6,304	-
		<b>209,782</b>	<b>-</b>

17.1 Due to the effects of pandemic, State Bank of Pakistan (SBP) took various steps to support the economy. SBP introduced a refinance scheme for payment of salaries and wages at subsidized rate of borrowing.

The Company has obtained the said borrowing from commercial bank at subsidized rate in 5 tranches on 20 May 2020, 29 June 2020, 27 July 2020, 26 August 2020 and 24 September 2020 at 3% and 2% concessional interest rates and is repayable by December 2022 in 8 quarterly installments to commercial bank under the SBP scheme.

Government grant amounting to Rs. 24.69 million has been recorded during the year ended 30 September 2020 and Rs. 3.79 million has been amortised during the year. In accordance with the terms of the grant, the Company is prohibited to lay-off the employees at least for three months for the period of the grant.

18. LEASE LIABILITIES	Note	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
<b>18.1 Lease liabilities included in the statement of financial position as at 30 September 2020</b>			
Current	18.4 & 18.5	21,488	12,243
Non-current		95,668	9,412
		<b>117,156</b>	<b>21,655</b>
<b>18.2 Maturity Analysis - Contractual discounted Cash Flows</b>			
Payable within one year		21,488	12,243
Payable after one year but not later than 5 years		61,187	9,412
Payable after 5 years		34,481	-
		<b>117,156</b>	<b>21,655</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 18.3 Reconciliation of movement of lease liabilities to cash flow arising from financing activities

### Balance at 1 October 2019

Recognition of lease liabilities on initial application of IFRS 16

### Changes from financing cash flows

Payment of lease liability

### Other Changes

Interest expense

As at 30 September 2020

30 September  
2020  
(Rs '000)

21,655

110,772

(31,873)

16,602

117,156

18.4 The lease rentals carry mark-up at 6 months KIBOR +1% and 3 months KIBOR + 0.9%. 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.

18.5 This includes present value of lease liabilities discounted at the incremental borrowing rate of 14.158% of the Company against lease agreement of head office and area office premises.

## 19. LIABILITIES AGAINST DIMINISHING MUSHARIKA FINANCE

	Due within one year		Due after one year but within 5 years		Total 30 September	
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Principal Repayment	36,039	24,157	94,097	81,160	130,136	105,317

During the year, the Company has obtained various vehicles under diminishing musharika financing arrangement entered into with a 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 and 3 months KIBOR + 0.9% per annum.

## 20. TRADE AND OTHER PAYABLES

	Note	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
Creditors		477,680	518,839
Accrued liabilities	20.1	463,788	493,207
Advance from customers	20.2	1,571	14,649
Bills payable:			
- Related parties		234,041	217,862
- Others		500,014	1,301,782
Export commission payable to related parties		25,235	19,689
Workers' Profit Participation Fund	20.3	39,717	56,569
Workers' Welfare Fund		81,584	85,762
Royalty payable to Archroma Management GmbH		143,058	191,847
Payable to employees cooperative society (related party)	20.4	37,011	32,368
Others		114,690	94,996
		<u>2,118,389</u>	<u>3,027,570</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

**20.1** Accrued liabilities include contract liabilities amounting to Rs.132.7 million and provision for employees compensated absences amounting to Rs. 61.479 million (2019: Rs. 71.95 million).

**20.2** The amount of Rs. 14.65 million outstanding in contract liabilities (advances from customers) at the beginning of the year has been recognised as revenue for the year ended 30 September 2020, while new advances amounting to Rs. 1,571 million were further received during the year which will be recognized as revenue in the next year.

<b>20.3</b>	<b>Workers' Profit Participation Fund</b>	Note	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
	Opening balance		56,569	58,315
	Allocation for the year	29	82,231	114,155
			<b>138,800</b>	<b>172,470</b>
	Interest on funds utilised in the Company's business	31	1,798	1,726
			<b>140,598</b>	<b>174,196</b>
	Less: Amounts paid to and on behalf of the fund		100,881	117,627
	Closing Balance		<b>39,717</b>	<b>56,569</b>

**20.4** 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.

<b>21.</b>	<b>MARK-UP ACCRUED</b>	Note	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
	Mark-up accrued on:			
	Secured short-term Istisna		-	2,512
	Secured short-term Offshore loan		-	36,530
	Short-term finance facilities		6,140	39,399
	Short term borrowing under Islamic Export Refinance Scheme		11,713	3,545
			<b>17,853</b>	<b>81,986</b>

## **22. SHORT-TERM BORROWINGS - SECURED**

### **From banking companies - Islamic**

Short-term running facilities under Islamic mode	22.1	159,050	877,347
Short-term borrowing under Islamic Export Refinance Scheme	22.2	1,983,996	1,135,000
Short-term Istisna Loan		-	200,000
Short-term Murabaha Loan		-	707,723
		<b>2,143,046</b>	<b>2,920,070</b>

**22.1** Short term Islamic finance facilities are available under Islamic financing from various banks under profit arrangements, amounting to Rs.5,000 million (2019: Rs. 4,200 million). These facilities have various maturity dates up to September 30, 2021. These arrangements are secured against a pari passu charge of hypothecation on stock-in-trade and trade receivables 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. 2,501 million (2019: Rs. 1,279.93 million).

**22.2** The Company has availed Islamic Export Refinance Facility - Part I amounting to Rs. 332.99 million (2019: Rs. Nil) and Islamic Export Refinance Facility - Part II amounting to Rs. 1,651 million (2019: Rs. 1,135 million) under the Export Financing Scheme of the State Bank of Pakistan (SBP). The profit on the facility is 3.00% per annum (30 September 2019: 2.5% to 2.75% per annum).

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 23. CONTINGENCIES AND COMMITMENTS

### 23.1 Contingencies

**23.1.1** 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 December 31, 2017. However, an appeal has been filed by the counter party which is pending for hearing. As the 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.

**23.1.2** During the year ended December 31, 2007, damages and compensation case was filed in the Civil Court, Lahore against the Company and one of its affiliates for claim (including damages) 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.

**23.1.3** During the year ended December 31, 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 Company's favour. Accordingly, no provision has been recognised in these financial statements.

### 23.2 Commitments

**23.2.1** Commitments for capital expenditure as at September 30, 2020 aggregated Rs. 15.395 million (2019: Rs. 31.349 million).

**23.2.2** Commitments under letters of credit for stock-in-trade and stores and spares as at September 30, 2020 amounted to Rs. 428 million (2019: Rs. 495.842 million).

**23.2.3** Banks have provided guarantees to various parties on behalf of the Company. Guarantees outstanding as at September 30, 2020 amounted to Rs. 119.417 million (2019: Rs. 101.217 million).

**23.2.4** The Company has provided post dated cheques amounting to Rs. 4,466.84 million (2019: Rs. 2,506.16 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 AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 24. NET SALES

	Brand & Performance Textile Specialties		Others *		Total	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019
(Rupees in '000)						
<b>Sales</b>						
Local	13,238,773	12,945,740	1,814,964	1,961,924	15,053,737	14,907,664
Export	2,755,976	3,919,544	83,998	128,625	2,839,974	4,048,189
Total sales	15,994,749	16,865,284	1,898,962	2,090,549	17,893,711	18,955,833
Discounts and commission	(734,380)	(809,522)	(12,511)	(13,463)	(746,891)	(822,985)
Sales tax	(1,857,853)	(528,243)	(250,026)	(251,555)	(2,107,879)	(779,798)
	(2,592,233)	(1,337,765)	(262,537)	(265,018)	(2,854,770)	(1,602,783)
<b>Net sales</b>	<b>13,402,516</b>	<b>15,527,519</b>	<b>1,636,425</b>	<b>1,825,531</b>	<b>15,038,941</b>	<b>17,353,050</b>

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

## 25. COST OF GOODS SOLD

	Note	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
Raw and packing materials consumed		8,590,148	9,865,485
Stores, spares and supplies consumed		80,238	61,602
Salaries, wages and benefits	25.1	430,880	427,660
Outside service charges		265,942	252,465
Fuel and power		209,688	179,077
Legal and professional charges		2,113	3,035
Traveling and entertainment		2,366	7,683
Communication		2,443	3,187
Rent, rates and taxes		2,415	4,203
Insurance		13,045	7,432
Repairs and maintenance		35,779	56,806
Depreciation	5.2	223,380	212,581
Printing and stationery		5,843	5,274
Opening stock of work-in-process		108,614	168,386
Closing stock of work-in-process	8	(99,836)	(108,614)
Cost of goods manufactured		9,873,058	11,146,262
Opening stock of finished goods		1,302,701	1,001,719
Finished goods purchased		720,531	1,168,451
Included under distribution and marketing expenses:			
Cost of samples issued	26	(3,834)	(4,813)
Cost of shortages and breakages	26	(626)	(1,330)
Rebate on exports		(371)	(689)
Closing stock of finished goods	8	(1,057,237)	(1,302,701)
		<b>10,834,222</b>	<b>12,006,899</b>

25.1 Salaries, wages and benefits include Rs. 15.371 million and Rs. 12.372 million (2019: Rs. 16.294 million and Rs. 14.639 million) in respect of defined benefit scheme and defined contribution plan respectively.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

26. DISTRIBUTION AND MARKETING EXPENSES	Note	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
Salaries and benefits	26.1	247,795	235,631
Outside service charges		74,324	79,759
Traveling and entertainment		31,663	43,708
Repairs and maintenance		13,827	12,538
Business event participation		6,321	8,610
Rent, rates and taxes		33,359	21,337
Communication		4,669	5,368
Supplies, printing and stationery		49,013	75,283
Insurance		14,199	11,631
Royalty	26.2	703,753	855,289
Legal and professional charges		1,420	3,003
Fuel and power		18,252	19,443
Depreciation	5.2	29,332	22,892
Outward freight and handling		334,939	341,229
Shortages and breakages	25	626	1,330
Samples issued	25	3,834	4,813
Fees and subscription		1,445	2,265
Books and periodicals		784	200
		<b>1,569,555</b>	<b>1,744,329</b>

26.1 Salaries and benefits include Rs. 10.744 million and Rs. 5.271 million (2019: Rs. 5.196 million and Rs. 9.478 million) in respect of defined benefit scheme and defined contribution plan respectively.

26.2 This represents royalty expense payable to Archroma Management GmbH, Reinach, Switzerland one of the affiliated company.

27. ADMINISTRATIVE EXPENSES	Note	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
Salaries and benefits	27.1	244,096	228,741
Outside service charges		223,823	200,089
Traveling and entertainment		3,280	5,967
Repairs and maintenance		23,765	15,706
Rent, rates and taxes		-	7,317
Communication		5,527	8,845
Printing and stationery		9,759	9,392
Insurance		1,499	1,267
Legal and professional charges		15,744	3,216
Fuel and power		2,722	2,513
Depreciation	5.2	25,260	20,550
Fees and subscription		4,479	3,882
Books and periodicals		116	140
		<b>560,070</b>	<b>507,625</b>

27.1 Salaries and benefits include Rs. 11.151 million and Rs. 1.682 million (2019: Rs. 1.791 million and Rs. 10.350 million) in respect of defined benefit scheme and defined contribution plan respectively.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 28. STAFF RETIREMENT BENEFITS

### 28.1 Defined benefit plan - approved gratuity fund

#### 28.1.1 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.

#### 28.1.2 Valuation results

Actuarial valuation is carried out every year and the latest valuation was carried out as at June 30, 2020 and June 30, 2019 by the Archroma Group on global basis. The information provided in notes 28.1.3 to 28.1.13 has been obtained from the actuarial valuation carried out as at September 30, 2020 and September 30, 2019. 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

	2020	2019
a)	6.5%	6.50%
b)	8.7%	13.7%
c)	8.7%	13.0%
d)	6.0%	6.0%
Mortality rate	SLIC (2001-05)	SLIC (2001-05)
Rates of employee turnover	Low	Low

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

28.1.3 Amounts recognised in the Statement of Financial Position:	Note	2020 (Rs '000)	2019 (Rs '000)
Present value of defined benefit obligation	28.1.4	1,226,718	865,614
Less: Fair value of plan assets	28.1.5	(903,266)	(812,216)
		<u>323,452</u>	<u>53,398</u>
<b>28.1.4 Movement in present value of defined benefit obligation:</b>			
Obligation at the beginning of the year		865,614	912,549
Current service cost		30,905	31,652
Interest cost		99,693	82,600
Benefits paid		(23,988)	(53,934)
Remeasurement loss / (gain)		254,494	(107,253)
Obligation at the end of the year		<u>1,226,718</u>	<u>865,614</u>
<b>28.1.5 Movement in fair value of plan assets:</b>			
Fair value at the beginning of the year		812,216	909,707
Return on plan assets		111,273	90,971
Company contributions		73,053	31,332
Benefits paid		(23,988)	(53,934)
Remeasurement loss		(69,288)	(165,860)
Fair value at the end of the year		<u>903,266</u>	<u>812,216</u>
<b>28.1.6 Movement in the net defined benefit liability</b>			
Opening balance		(53,398)	(2,842)
Net periodic cost for the year		(19,325)	(23,281)
Contribution paid during the year		73,053	31,332
Re-measurements recognised in other comprehensive income during the year		(323,782)	(58,607)
Closing balance		<u>(323,452)</u>	<u>(53,398)</u>
<b>28.1.7 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 2020 (Rs '000)	30 September 2019 (Rs '000)
<i>Component of defined benefit costs recognised in statement of profit or loss and other comprehensive income</i>			
- Current service cost		30,905	31,652
- Net interest		(11,580)	(8,371)
		<u>19,325</u>	<u>23,281</u>
<i>Component of defined benefit costs (re-measurement) recognised in other comprehensive income</i>			
Actuarial (loss) / (gain) on defined benefit obligation for the year			
- Loss / (gain) due to change in experience adjustments		254,494	(107,253)
Actuarial loss on fair value of plan assets during the year		69,288	165,860
Net re-measurement recognised in other comprehensive income		<u>323,782</u>	<u>58,607</u>
Total defined benefit (cost) / reversal recognised in statement of profit or loss and other comprehensive income		<u>(343,107)</u>	<u>(81,888)</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

28.1.8 Actual return on plan assets during the year was Rs. 41.985 million (2019: Rs. 74.889 million).

## 28.1.9 Sensitivity analysis

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

Change in assumption	2020	
	Percentage change	Increase / (decrease) in assumption
	Percentage (%)	(Rupees in '000)
Increase by 50 basis points	Discount rate + 0.5%	(29,708)
Decrease by 50 basis points	Discount rate - 0.5%	31,281

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

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

## 28.1.11 Plan assets comprise of the following:

	30 September 2020 (Rs '000) (unaudited)	30 September 2020 Percentage composition	30 September 2019 (Rs '000) (unaudited)	30 September 2019 Percentage composition
Term finance certificates	9,625	1.07%	98,594	12.14%
Investments in units of mutual funds	882,218	97.67%	690,664	85.03%
Balances with banks	-	0.00%	-	0.00%
Cash	11,423	1.26%	22,958	2.83%
Others	-	0.00%	-	0.00%
	<b>903,266</b>	<b>100.00%</b>	<b>812,216</b>	<b>100.00%</b>

28.1.12 As per the actuarial recommendations, the expected return on plan assets was taken as 8.7 % (2019: 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.

28.1.13 Based on actuarial advice, the Company intends to charge an amount of Rs. 54.212 million in the financial statements for the year ending September 30, 2021.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 28.2 Defined contribution plan - Employees Provident Fund

During the year an amount of Rs. 37,266 million (2019: Rs. 34,479 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.

28.2.1 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.

29.	OTHER EXPENSES	Note	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
	Auditor's remuneration	29.1	4,093	3,600
	Workers' Profit Participation Fund	20.3	82,231	114,155
	Workers' Welfare Fund		23,919	17,199
	Donations	29.2	1,000	1,000
	Others		796	526
	Loss on disposal of fixed assets		52	-
			<b>112,091</b>	<b>136,480</b>
29.1	<b>Auditors' remuneration</b>			
	Audit fee		2,585	2,585
	Fee for half yearly review		585	585
	Special certifications and sundry services		350	220
	Out of pocket expenses and others		573	210
			<b>4,093</b>	<b>3,600</b>
29.2	Donation do not include any amount paid to any person or organization or institution in which a director or his / her spouse had any interest.			
30.	<b>OTHER INCOME</b>	Note	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
	<i>Income from non-financial assets:</i>			
	Indenting commission - net of payment of Rs. 4,335 million (2019: Rs. 2,590 million)		4,909	3,916
	Sale of scrap		17,224	11,328
	Gain on disposal of operating fixed assets		-	734
	Grant income		3,784	-
			<b>25,917</b>	<b>15,978</b>
31.	<b>FINANCE COSTS</b>			
	Mark-up on:			
	Workers' Profit Participation Fund	20.3	1,798	1,726
	Mark-up on:			
	- Lease obligations		35,765	15,074
	- Short-term running finances	31.1	136,469	229,556
	- Export refinance facility	31.2	51,941	23,198
	- Long-term loans		5,901	-
	- Deposits by employees society		2,400	2,553
	Exchange loss		186,608	374,258
	Bank charges and other costs		18,362	33,905
			<b>439,244</b>	<b>680,270</b>

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

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 32. TAXATION

	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
Current - for the year	366,060	482,351
Deferred	1,167	(54,712)
	<b>367,227</b>	<b>427,639</b>

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

	30 September 2020 (Effective tax rate %)	30 September 2019 (Effective tax rate %)	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
Profit before taxation			<b>1,536,493</b>	<b>2,150,019</b>
Tax at the enacted tax rate	29.00	29.00	445,583	623,506
Effect of change in tax rate	0.00	0.00	-	-
Tax effect of rebate / credits	(0.02)	(0.01)	(290)	(290)
Tax effect on exports under Final Tax Regime	(4.83)	(7.34)	(74,243)	(157,767)
Tax effect of Items that are not deductible in determining taxable profit - permanent differences	(0.25)	(1.76)	(3,823)	(37,810)
Others including the impact of allocation ratio of NTR and FTR and tax rebates	0.00	0.00	-	-
	<b>23.90</b>	<b>19.89</b>	<b>367,227</b>	<b>427,639</b>

32.2 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 selected for detailed audit within five years from the date of filing of return.

The Company has filed the appeal before the learned Appellate tribunal Inland Revenue (ATIR) against the appellate order passed by the CIR(A) for the tax year 2009. 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 issues for certain disallowed expenses. The appeal has been heard by the learned ATIR which remanded back the issues including addition made on account of disallowance of expenses.

Tax year 2011 of the Company was selected for tax audit under Section 177 of the Ordinance. The Deputy Commissioner Inland Revenue (DCIR), Audit Unit-1, Zone-1, Large Taxpayers Unit, Karachi has passed an order on 21 June 2017 that amended the assessment under section 122(4) of the Ordinance. Liability arose under that order amounting to Rs. 40 million has been paid during the year. However, the Company has preferred an appeal before 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 Company was selected for audit for tax year 2014 under section 177 and consequently order u/s 122(1) was passed creating a demand on certain disallowances. The Company filed an appeal against the amended assessment order before CIR(A) who vice its order dated 19 October 2020 has provided certain reliefs. The management based on consultation with its tax advisor is confident that there will be no unfavorable outcome for said tax year and Accordingly no provision has been made in these financial statements.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

32.3 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.

## 33. EARNINGS PER SHARE

### 33.1 Basic

Profit after taxation attributable to ordinary shareholders

Weighted average number of ordinary shares outstanding during the year

Earnings per share

30 September 2020	30 September 2019
(Rs '000)	(Rs '000)
<b>1,169,266</b>	1,722,380
(Number of shares)	(Number of shares)
<b>34,117,881</b>	34,117,881
(Rupees)	(Rupees)
<b>34.27</b>	50.48

### 33.2 Diluted

There were no convertible dilutive potential ordinary shares in issue as at September 30, 2020 and September 30, 2019.

## 34. SEGMENT INFORMATION

	Brand & Performance Textile Specialties		Others *		Total	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	(Rupees in '000)					
Net sales	<b>13,402,516</b>	15,527,519	<b>1,636,425</b>	1,825,531	<b>15,038,941</b>	17,353,050
Segment results based on 'management approach'	<b>1,795,623</b>	2,802,818	<b>278,065</b>	150,266	<b>2,073,688</b>	2,953,104
Other operating expenses - WPPF and WWF					<b>(106,150)</b>	(131,354)
Assets charged to profit and loss for internal reporting purposes based on group guidelines					<b>8,199</b>	8,539
<b>Operating profit</b>					<b>1,975,737</b>	2,830,289
Finance costs					<b>(439,244)</b>	(680,270)
<b>Profit before taxation</b>					<b>1,536,493</b>	2,150,019
<b>34.1 Segment assets</b>	<b>7,254,114</b>	7,869,816	<b>320,948</b>	496,642	<b>7,575,062</b>	8,366,458
Unallocated					<b>2,222,060</b>	3,096,333
					<b>9,797,122</b>	11,462,791
<b>34.2 Segment liabilities</b>	<b>1,605,725</b>	2,356,142	<b>106,707</b>	244,885	<b>1,712,432</b>	2,601,027
Unallocated					<b>3,580,830</b>	3,744,327
					<b>5,293,262</b>	6,345,354
<b>34.3 Fixed capital expenditures</b>	<b>146,413</b>	163,568	<b>1,324</b>	2,427	<b>147,737</b>	165,995
Unallocated					<b>14,612</b>	57,097
					<b>162,349</b>	223,092
<b>34.4 Depreciation</b>	<b>253,946</b>	234,315	<b>2,046</b>	1,807	<b>255,992</b>	236,122
Unallocated					<b>21,980</b>	19,901
					<b>277,972</b>	256,023

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 34.5 Geographical information

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

Domestic sales  
Export sales

30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
15,053,737	14,907,664
2,839,974	4,048,169
<b>17,893,711</b>	<b>18,955,833</b>

The Company exports its products to numerous countries:

34.6 As at September 30, 2020 all non-current assets of the Company are located in Pakistan.

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

34.8 23.17 % and 10.45% (collectively 33.62%) of the Company's gross sales for the year ended 30 September 2020 ((2019: 24.92% and 16.32% (collectively 41.24%)) 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 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Distributor 1	23.17	24.92	-	-	-	-	23.17	24.92
Distributor 2	10.45	16.32	-	-	-	-	10.45	16.32

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

35.1 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		Executives		Total	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	(Rupees in '000)					
<b>Short-term employee benefits</b>						
Managerial remuneration (including and leave pay)	33,576	31,407	320,494	230,411	354,070	261,818
Bonus	2,900	11,603	12,336	37,668	15,236	49,271
Housing and utilities	13,600	12,670	144,745	111,285	158,345	123,955
Medical	500	129	7,990	6,111	8,490	6,240
Share-based payment	-	-	-	-	-	-
<b>Post employment benefits</b>						
Retirement benefits	7,735	7,520	59,666	47,079	67,401	54,599
	<b>58,311</b>	<b>63,329</b>	<b>545,231</b>	<b>432,554</b>	<b>603,542</b>	<b>495,883</b>
Number of persons	1	1	114	72	115	73

35.2 The remuneration for Executives also includes Rs 64 million (2019: Rs 48.10 million) paid to 3 (2019: 2) alternate Directors.

35.3 The aggregate amount charged in these financial statements for fee to non-executive directors is Rs. 0.8 million (2019: Rs 0.7 million).

35.4 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 AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 36. TRANSACTIONS WITH RELATED PARTIES

	Parent Company		Other Related Parties		Key Management Personnel	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	(Rupees in '000)					
Sales	-	-	1,805,807	2,104,007	-	-
Purchases of goods and machinery	-	-	637,931	615,460	-	-
Indenting commission earned	-	-	9,245	6,506	-	-
Export commission	-	-	41,024	77,091	-	-
Royalty expense	-	-	703,752	855,290	-	-
Other charges	-	-	192,902	173,663	-	-
Dividend paid	1,151,484	1,023,541	-	-	-	-
Transaction by virtue of common directorship						
Annual subscription	-	-	450	438	-	-
Purchases of goods	-	-	151,401	104,227	-	-
Transaction with key management personnel:						
- Salaries, benefits and compensation	-	-	-	-	151,883	145,083
- Post employment benefits	-	-	-	-	19,852	18,338

During the year equipment having book value of Rs. Nil. have been disposed off to key management personnel for Rs. Nil 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 35 to the financial statements. Particulars of transactions with Workers' Profit Participation Fund and staff retirement benefit funds are disclosed in notes 20.3, 28, 29 and 31 to the financial statements.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

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

S.No.	Name of the Related Party	Basis of association	Aggregate % of Shareholding
1	Archroma Textiles GmbH	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, GmbH	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 UK, Ltd	Group Company	N/A
15	Archroma Hong Kong, Pvt. Limited	Group Company	N/A
16	Archroma Indonesia	Group Company	N/A
17	PT Archroma Specialties Indonesia	Group Company	N/A
18	Archroma India Private Limited	Group Company	N/A
19	Archroma Italy S.a.r.l.	Group Company	N/A
20	Archroma Japan, KK	Group Company	N/A
21	Archroma Textiles Mexico, S. de R.L. de C.V.	Group Company	N/A
22	Archroma Peru, SA	Group Company	N/A
23	Archroma Singapore, Pte. Ltd.	Group Company	N/A
24	Archroma (Thailand) Company Limited	Group Company	N/A
25	Archroma Turkey Chemical Industry and Trade LLC	Group Company	N/A
26	Archroma U.S., Inc.	Group Company	N/A
27	Archroma Thai Holdings, LLC	Group Company	N/A
28	Archroma Venezuela, S.A.	Group Company	N/A
29	Archroma Canada, Corp	Group Company	N/A
30	Archroma IP, GmbH	Group Company	N/A
31	Archroma consulting Switzerland GmbH	Group Company	N/A
32	Archroma Korea	Group Company	N/A
33	Archroma Honduras S.A. de C.V. PT	Group Company	N/A
34	SK Spice Holdings, S.a.r.l	Group Company	N/A
35	SK Spice, S.a.r.l	Group Company	N/A
36	Archroma Emulsions S.a.r.l	Group Company	N/A
37	Overseas Investors Chamber of Commerce and Industry (OICCI)	Common Directorship	N/A
38	Pakistan Oxygen Limited	Common Directorship	N/A
39	New Jubilee Insurance Company (NJIC)	Common Directorship	N/A
40	Auditor Oversight Board (AOB)	Common Directorship	N/A
41	Swiss Business Council	Common Directorship	N/A

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

37. CAPACITY AND PRODUCTION	Note	30 September 2020 (Tonnes)	30 September 2019 (Tonnes)
Actual production		<u>47,087</u>	<u>51,455</u>
The installed capacity is indeterminable because of multi-product plants involving varying processes of manufacture. The Company's production was according to market demand.			
38. NUMBER OF EMPLOYEES		2020 No. of employees	2019 No. of employees
Number of employees of the Company at the year end		<u>276</u>	<u>284</u>
Average number of employees of the Company during the year		<u>280</u>	<u>288</u>
39. CASH GENERATED FROM OPERATIONS		30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
Profit before taxation		1,536,493	2,150,019
Adjustments for non-cash charges and other items:			
Depreciation	5.2	277,972	256,023
Other employee benefits		-	-
Allowance for impairment loss against trade receivables	9.1	13,183	143,406
Loss / (gain) on disposal of operating fixed assets		52	(734)
Provision for staff gratuity	28.1.6	19,325	23,281
Other long term benefit	16.1	9,178	1,481
Interest / mark-up expense		226,240	252,754
Working capital changes	39.1	567,533	(907,143)
		<u>2,649,976</u>	<u>1,919,087</u>
39.1 Working capital changes			
<b>Decrease / (increase) in current assets</b>			
Stores and spares		(4,288)	(3,921)
Stock-in-trade		(33,839)	(361,528)
Trade receivables		1,115,004	(326,426)
Loans and advances		(252)	2,968
Trade deposits and short-term prepayments		33,330	(8,948)
Other receivables		366,759	56,237
		<u>1,476,714</u>	<u>(641,618)</u>
<b>Decrease in current liabilities</b>			
Trade and other payables		(909,181)	(265,525)
		<u>567,533</u>	<u>(907,143)</u>
40. 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	13	269,235	598,957
Short-term running finance facilities	22.1	(159,050)	(877,347)
		<u>110,185</u>	<u>(278,390)</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

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

The following table shows the carrying amounts 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	-	-	-	-	-
Deposits	12,110	-	-	-	-
Trade receivables	2,788,159	-	-	-	-
Other receivables	24,639	-	-	-	-
Cash and bank balances	269,235	-	-	-	-
<b>Other financial liabilities at amortised cost</b>					
Lease liabilities	-	117,156	-	-	-
Liabilities against diminishing musharika financing	-	130,136	-	-	-
Short-term borrowings	-	2,143,046	-	-	-
Mark-up accrued	-	17,853	-	-	-
Long term loan	-	358,008	-	-	-
Trade and other payables	-	1,995,517	-	-	-

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.

## 42. 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:

### 42.1 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 receivables and other receivables.

The total bank balance of Rs. 68.35 million (2019: Rs 72.872 million) have been placed with banks having short-term credit rating of A1+ . 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. 84% 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.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

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

The most significant financial asset exposed to credit risk is the trade receivables of the Company. For trade receivables, 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 utilisation of credit limits is regularly monitored. The concentration of credit risk lies in the top 5 (2019: 5) customers which constitute 33.7% (2019: 44.4%) of the Company's trade receivables.

The breakup of amount due from customers other than related parties as disclosed in note 9 to these financial statements is presented below:

	30 September 2020 (Rs '000)	30 September 2019 (Rs '000)
<b>Due from customers other than related parties</b>		
Direct customers	2,023,716	2,318,614
Distributors	1,169,274	1,683,739
	<b>3,192,990</b>	<b>4,002,353</b>

Out of the total trade receivables of Rs. 3,337,274 million (2019: Rs. 4,452,278 million), the Company has made an allowance for impairment loss amounting to Rs. 549,115 million (2019: Rs. 535,932 million)

## 42.2 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 2020				
	Carrying amount	On demand	Contractual cash flows	Upto one year	More than one year
	(Rupees in '000)				
<b>Financial liabilities</b>					
Long term loan - secured	358,008	-	(358,008)	(148,226)	(209,782)
Trade and other payables	1,995,517	-	(1,995,517)	(1,995,517)	-
Mark-up accrued	17,853	-	(17,853)	(17,853)	-
Short term borrowings	2,143,046	(2,143,046)	-	-	-
Lease liabilities	117,156	-	(117,156)	(21,488)	(95,668)
Liabilities against diminishing musharika financing	130,136	-	(130,136)	(36,039)	(94,097)
	<b>4,761,716</b>	<b>(2,143,046)</b>	<b>(2,618,670)</b>	<b>(2,219,123)</b>	<b>(399,547)</b>
	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)	-	-	-
Lease liabilities	21,655	-	(21,655)	(12,243)	(9,412)
Liabilities against diminishing musharika financing	105,317	-	(105,317)	(24,157)	(81,160)
	<b>5,999,618</b>	<b>(2,920,070)</b>	<b>(3,079,548)</b>	<b>(2,988,976)</b>	<b>(90,572)</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 42.3 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.

### 42.3.1 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 2020			
	(USD '000)	(EUR '000)	(RMB '000)	(CHF '000)
Trade and other receivables	1,475	-	-	-
Trade payables	(3,303)	(51)	(4,795)	(40)
Other payables	(480)	-	-	-
Net foreign currency exposure	<u>(2,308)</u>	<u>(51)</u>	<u>(4,795)</u>	<u>(40)</u>

	30 September 2019				
	(USD '000)	(EUR '000)	(RMB '000)	(JPY '000)	(YUN'000)
Trade and other receivables	28,323	-	-	-	-
Trade payables	(6,903)	(153)	(17,373)	(7,714)	(794)
Other payables	(1,627)	-	-	-	-
Net foreign currency exposure	<u>19,793</u>	<u>(153)</u>	<u>(17,373)</u>	<u>(7,714)</u>	<u>(794)</u>

At September 30, 2020, 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. 5.17 million (2019: Rs. 26.47 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 2019.

### 42.3.2 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 2020 (Rs '000)	Carrying amount 30 September 2019 (Rs '000)
<b>Variable rate instruments</b>		
Financial liabilities	<u>2,654,249</u>	<u>3,047,042</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 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. 18.85 million (2019:Rs. 21.63 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 2019. The sensitivity analysis is not actual indicator of impact owing to movement in future interest rate.

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

	2020						Total
	Long term loan-refinance scheme for payment of wages and salaries	Short term borrowings used for cash management purpose	Other short term borrowings including related accrued markup	Retained earnings	Diminishing Musharaka Liabilities	Lease Liabilities	
	----- (Rupees in '000) -----						
Balance as at October 1, 2019	-	1,863,511	1,138,545	1,680,258	105,317	21,655	4,809,286
Recognition of lease liabilities on initial application of IFRS 16	-	-	-	-	-	110,772	110,772
Changes from financing cash flows							
Repayment of lease liabilities	-	-	-	-	-	(31,873)	(31,873)
Repayment of loan	-	(1,685,973)	(395,000)	-	-	-	(2,080,973)
Proceeds from loan	356,324	778,250	1,243,996	-	-	-	2,378,570
Dividend paid	-	-	-	(1,533,755)	-	-	(1,533,755)
Net movement	-	-	-	-	24,819	-	24,819
<b>Total changes from financing activities</b>	<b>356,324</b>	<b>(907,723)</b>	<b>848,996</b>	<b>(1,533,755)</b>	<b>24,819</b>	<b>(31,873)</b>	<b>(1,243,212)</b>
Other changes - interest cost							
Interest expense	2,117	136,459	51,941	-	-	16,602	207,119
Interest paid	(434)	(209,020)	(43,773)	-	-	-	(253,227)
Changes in running finance	-	(718,037)	-	-	-	-	(718,037)
<b>Total loan related other changes</b>	<b>1,683</b>	<b>(790,598)</b>	<b>8,168</b>	<b>-</b>	<b>-</b>	<b>16,602</b>	<b>(764,145)</b>
<b>Total equity related other changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>778,178</b>	<b>-</b>	<b>-</b>	<b>778,178</b>
<b>Balance as at September 30, 2020</b>	<b>358,007</b>	<b>165,190</b>	<b>1,995,709</b>	<b>924,681</b>	<b>130,136</b>	<b>117,156</b>	<b>3,690,879</b>

# **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 September 2020

#### **42.4 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.

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

The Board of Directors of the Company in their meeting held on October 28, 2020 has proposed a cash dividend in respect of the year ended September 30, 2020 of Rs. 30 per share (2019: cash dividend of Rs 45 per share). Further, the Board has also announced appropriation of Rs. 100 million from revenue reserves to unappropriated profit. These appropriations will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended September 30, 2020 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending September 30, 2021.

#### **44. CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purpose of comparison and better presentation, the effect of which is immaterial.

#### **45. DATE OF AUTHORISATION**

These financial statements were authorised for issue on October 28, 2020 by the Board of Directors of the Company.

  
Mujtaba Rahim  
Chief Executive Officer

  
M Veqar Arif  
Director and Chief Financial Officer

# STAKEHOLDERS RELATIONSHIP AND ENGAGEMENT

Major stakeholders of the Company include Shareholders, Customers, Suppliers, Joint Venture Partners, Regulators, Banks and other Lenders, Media, Employees. Relationships with different stakeholders are extremely important for the Company as these relationships can impact APL's operations, revenues, corporate image and profile. APL maintains cordial relationships with all of its stakeholders.

In the performance of its legal duty to promote the success of the Company, the Board has regard to a number of factors, including listening to and considering the views of shareholders.

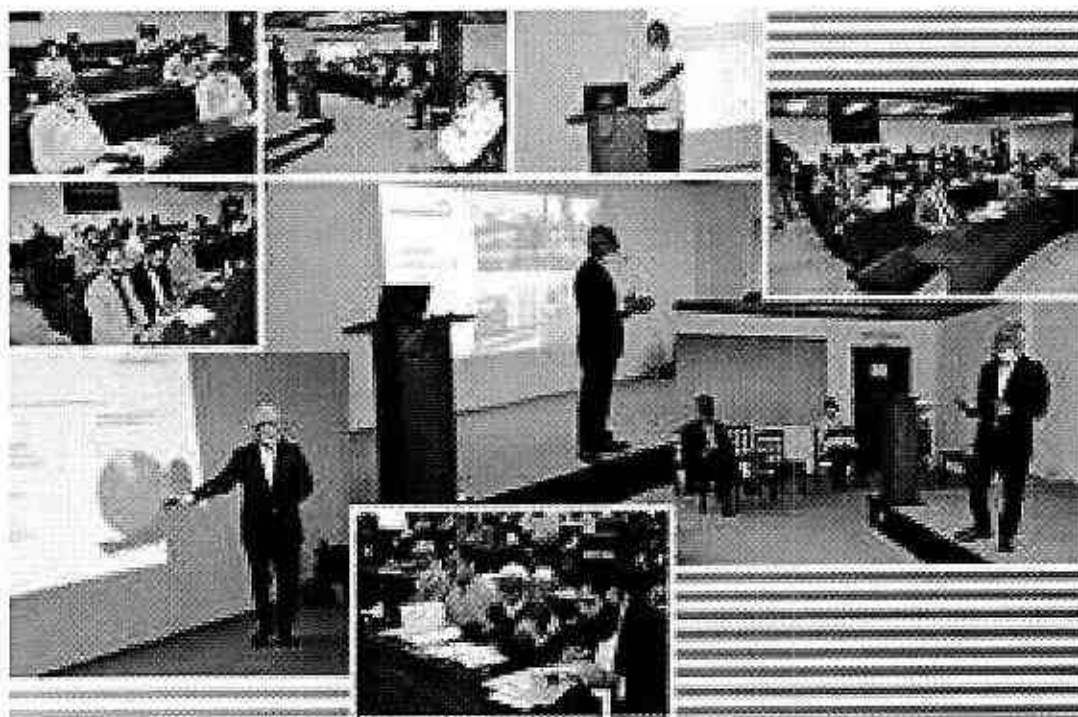
We try to engage with shareholders in several ways. This includes regular communications, the AGM and other investor relations activities. We announce our results on a quarterly basis and our annual results are included in our Annual Report. All shareholders receive our Annual Report and Notice of our Annual General Meeting. We strive to make full disclosure of all material information to all stakeholders by various announcements on its website, to the Stock Exchange and other sources available to help investors to make informed decisions.

Engagement with the Company's main stakeholder groups, shareholders, consumers, customers and employees, at all levels of the organisation and across the enterprise is summarised below:

## Corporate Briefing Session (CBS)

The Board values the importance of building a strong relationship with shareholders and investors. During the year under review, our corporate briefing sessions were focused on improving investors' understanding of the Company's strategy, operations, and performance.

Corporate briefings are interactive sessions between the Management of the Company and the investors' community which gives the Management an opportunity to inform them about the Company's operational and financial performance, the competitive business environment in which the Company operates, investment decisions, challenges, and business outlook.



# STAKEHOLDERS RELATIONSHIP AND ENGAGEMENT

As per the requirement of the Pakistan Stock Exchange, it is mandatory for all listed companies to hold at least one Corporate Briefing Session (CBS) for shareholders and analysts during a financial year.

As a good corporate governance practice the Archroma Pakistan Limited had two CBS during the year under review held in, December 2019 and in April 2020.

The objective behind the Company's investor engagement through these briefings was to give investors (both existing and potential) the right perspective of the Company's business affairs, which helped them to make their investment decisions.

Mr. Mujtaba Rahim, Chief Executive Officer, briefed the participants regarding Strategic/Operational Development, Financial Performance, Future Outlook/Challenges of the Company.

Investors from all walks of life attended both the corporate briefings of APL and showed their great interest in the affairs of the Company. The sessions were interactive and in Question and Answer session some thought provoking questions were put forward which were very well addressed by the Management to the satisfaction of the audience.

## Customers:

Our customers are mostly corporate entities in dedicated sectors of Brand and Performance Textile, Packing & Paper and Coating, Adhesive & Sealants distribution. Our interaction with these customers is B2B in nature. The Company maintains constant contact with all its customers through periodic meetings, official correspondences, and personal visits. APL segments its suppliers, and then employs an appropriate interaction model for each segment to maintain a collaborative working relationship with them. The Company treats its suppliers as strategic business partners for sustainable (reliable, ethical, cost effective) sourcing.

## Engagement with Regulators

- Relationship with SECP and PSX are managed as per applicable corporate laws/rules/regulations/notifications, notably the Companies Act 2017, Listed Companies (Code of Corporate Governance) Regulations 2019, Listing Regulations of PSX, and the Memorandum and Articles of Association of the Company.
- Annual and Quarterly Accounts of the Company are filed with the Registrar of the Companies and SECP and are also circulated to PSX.
- Material Information pertaining to the Company's operations is circulated to the PSX and SECP as and when need arises.
- The Company also participates in trainings and awareness seminars arranged by PSX and SECP from time to time.

## Suppliers & Distributors

We work with numerous suppliers, large and small, who provide goods and services that support us in delivering high-quality, products for our consumers.

# / **STAKEHOLDERS RELATIONSHIP AND ENGAGEMENT**

## Investors

As a listed entity, we maintain discussion with investors to communicate our strategy and performance in order to promote investor confidence. We strive to do so by holding successfully engaging corporate Briefing Sessions and holding Annual General Meetings.

## Employees

As a modern employer, we want to make sure that everyone is empowered to be themselves, feel good and keep growing at APL. We believe this will help us to attract, retain and motivate the very best people to support our business now and in the future. We involve and listen to employees to help us maintain strong employee engagement and retain talented people. Conducting employee survey so we can act on employee feedback.

## Engagement with Shareholders

- Relationships with the shareholders are managed in line with the provisions of the Shareholders and Participation Agreement, applicable corporate laws/rules/ regulations/notifications, notably the Companies Act 2017, Listed Companies (Code of Corporate Governance) Regulations 2019, Listing Regulations of PSX, and the Memorandum and Articles of Association of the Company. Annual and Quarterly Financial Statements of the Company are placed on the Company's Website while Annual Audited Financial Statements are also provided to the Shareholders in physical form, if demanded.
- Besides their right to appoint directors to oversee affairs of the Company, the Shareholders are invited to all the shareholders meetings (AGMs, EOGMs) and are encouraged to present their viewpoint on important matters.
- There is an Investor Relations Section on the Company's website which contains important Investor specific information as well as an Online Complaint Form for investors.
- The Board has approved an Investor Relations & Communication Policy which contains the mechanism for handling shareholders complaints and queries.
- Minority investors can also lodge their complaints and submit their queries directly to the Shares Department using conventional mail, email or phone.
- Material Information pertaining to the Company's operations is circulated to PSX, SECP and the Shareholders as and when need arises.

## Briefing to the Shareholders

During the Annual General Meeting every year, a detailed presentation is made by the Chief Executive Officer on the Company's performance during the year and its future plans. The presentation is followed by Q&A session wherein the views of the minority shareholders are solicited, their concerns are addressed and suggestions are noted for suitable action.

# / **STAKEHOLDERS RELATIONSHIP AND ENGAGEMENT**

## Reaching out to Shareholders for Delivery of Unclaimed Dividends / Shares

Pursuant to Section 244 of Companies Act 2017, the Company is vigorously reaching out to its shareholders to deliver unclaimed shares/dividends that have been lying pending with the Company since inception.

## Investors' Relation Section on Website

APL website provides a comprehensive collection of information and data relating to investors, including various announcements, quarterly, half-yearly, annual reports, and investors' relations. The Company's current information for investors is available on its website under the section "Investors Information" on the Company's website <http://www.archroma.com.pk> to enable access to the Company's stakeholders. This page is updated frequently to provide all investors and stakeholders open, accurate and up-to-date information. Complying with the laws and regulations, all details are made available on the APL website.

## Annual General Meeting

At the Company's Annual General Meeting (AGM) the Chairman presents a review of the key business developments during the year. This year's AGM will be held at 10:00 a.m. on Tuesday, December 29, 2020. The notice of AGM accompanies this annual report. Shareholders can ask questions on the matters put to the meeting, including the annual report and the running of the Company. All Directors are invited to attend each AGM and all Committee Chairman will be present to take questions at the AGM.

The Company sends the notice of AGM and related papers to shareholders at least 21 days before the meeting. The notice of AGM is available to view on the Company's website: <http://www.archroma.com.pk>

## Shareholders Engagement Policy

The Company regularly engages with shareholders through various disclosures during the year. The purpose is to provide shareholders and other parties with equal and simultaneous information about matters that may influence the share price of the Company. The Company communicates with all of its investors through meetings such as the general meetings of the shareholders, annual and interim reports, regular disclosures of information. Furthermore, the Company makes available Annual and Quarterly Reports, etc. as required by Companies Act, 2017, and other applicable laws on the Company's website for the information of its members and also transmitted electronically to the SECP and PSX.

# / **STAKEHOLDERS RELATIONSHIP AND ENGAGEMENT**

## Encouraging Minority Shareholders to Attend General Meetings

Keeping in line with the rules and laws, APL circulates the notice for its general meetings in widely circulated English and Urdu newspapers across Pakistan.

Companies and the shareholders have to play a role to make AGMs effective and meaningful. APL follows the legal requirements in letter and spirit to encourage participation of minority shareholders in AGMs. Dedicated Transportation and security arrangements are made for the Shareholders on the day of AGM.

To ensure participation of shareholders, to engage them to attend and vote in AGM following steps are being taken by the company;

- Providing Notice 21 days before AGM to Shareholders through:
- Stock Exchange Website.
- Company's Website.
- Provide proxy to attend and vote on behalf of shareholders, in case shareholders are unable to participate.

## Electronic Communications

The Company encourages shareholders to provide e-mail addresses to enable them to receive shareholder materials electronically.

Communicating electronically is faster and more cost-effective. However, the Company understands that this does not suit everyone, so the Company also provides hard copy of annual reports to shareholders who wish to receive the same.

## Market Disclosures

Through timely announcements and disclosures, the Company fully informed to Pakistan Stock Exchange Limited thus providing investors and stakeholders equal and timely access to material information.

## Insider Information Registers

In compliance with the regulatory requirements, the Company ensures that it maintains Insider Information Register, which is updated on a regular basis.

Investor Relations Contact

**Mr. Irfan Chawala**

Director

Telephone: (+9221) 111-275-786

Fax: (+9221) 35032337

E-mail: [irfan.chawala@archroma.com](mailto:irfan.chawala@archroma.com)

## Web Reference

The Company maintains a functional website. Annual, Half-yearly and Quarterly reports are regularly posted at the Company's website <http://www.archroma.com.pk>

# / PATTERN OF SHAREHOLDING

As at 30 September 2020

## Form 34

No. of Shareholders	Shareholding			Shares held
543	1	-	100	21,504
461	101	-	500	137,056
226	501	-	1,000	179,952
361	1,001	-	5,000	857,123
83	5,001	-	10,000	611,138
28	10,001	-	15,000	335,504
12	15,001	-	20,000	209,097
10	20,001	-	25,000	227,543
5	25,001	-	30,000	138,523
2	30,001	-	35,000	61,650
1	35,001	-	40,000	40,000
4	40,001	-	45,000	166,538
2	45,001	-	50,000	98,850
1	55,001	-	60,000	59,650
1	60,001	-	65,000	64,350
1	65,001	-	70,000	70,000
2	80,001	-	85,000	162,550
3	85,001	-	90,000	266,800
1	90,001	-	95,000	92,150
2	95,001	-	100,000	200,000
1	110,001	-	115,000	115,000
1	150,001	-	155,000	152,000
1	175,001	-	180,000	177,406
1	190,001	-	195,000	195,000
1	195,001	-	200,000	196,045
1	265,001	-	270,000	268,400
1	280,001	-	285,000	284,266
1	390,001	-	395,000	391,000
1	420,001	-	425,000	421,000
1	805,001	-	810,000	808,357
1	1,520,001	-	1,525,000	1,520,896
1	25,585,001	-	25,590,000	25,588,533
<u>1,761</u>				<u>34,117,881</u>

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	196,155	0.57
Insurance Companies	5	952,357	2.79
Modarabas and Mutual Funds	10	1,739,396	5.10
Share holders holding 10%	1	25,588,533	75.00
General Public :			
a. Local	1,650	4,665,405	13.73
b. Foreign	-	-	-
Others	89	954,835	2.80
<b>Total (excluding : share holders holding 10%)</b>	<u>1,761</u>	<u>34,117,881</u>	<u>100.00</u>
<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 SHAREHOLDING

## Information as required under Code of Corporate Governance as at 30 September 2020

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 AKD INDEX TRACKER FUND	1	1,950
CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	1	59,650
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	80,050
CDC - TRUSTEE LAKSON EQUITY FUND	1	350
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	30,850
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	1,520,896
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	22,800
CDC-TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND	1	16,150
MC.FSL - TRUSTEE JS GROWTH FUND	1	4,700
<b>Total :</b>	<b>9</b>	<b>1,737,396</b>
<b>iii. Directors and their spouse</b>		
SHAHID GHAFFAR	1	500
<b>Total :</b>	<b>1</b>	<b>500</b>
<b>iv. Executives</b>		
	-	-
<b>Total :</b>	<b>-</b>	<b>-</b>
<b>v. Public Sector Companies and Corporations</b>		
	1	808,357
<b>Total :</b>	<b>1</b>	<b>808,357</b>
<b>vi. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds</b>		
	20	543,011
<b>Total :</b>	<b>20</b>	<b>543,011</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>

## Notice of Meeting

NOTICE is hereby given that the Twenty-Fifth Annual General Meeting of Archroma Pakistan Limited will be held at the Company's Registered Office at I-A/1, Sector 20, Korangi Industrial Area, Korangi, Karachi on Tuesday, 29 December 2020 at 10:00 a.m. for the purpose of transacting the following business.

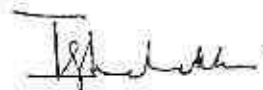
### **ORDINARY BUSINESS**

1. To receive and approve the Audited Financial Statements for the year ended 30 September 2020 alongwith the Directors' Report thereon.
2. To approve final cash dividend @ 300% i.e. (Rs. 30/- per share), as recommended by the Board.
3. To approve appointment of external auditors for the year 2021 and to fix their remuneration.

### **ANY OTHER BUSINESS**

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

By order of the Board



M Irfan Lakhani  
Company Secretary

Karachi: 28 October 2020

## Notice of Meeting

### **NOTES:**

1. The Share Transfer Books of the Company will remain closed from 22nd December 2020 to 29th December 2020 (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 21st December 2020 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 whose 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 and e-dividend mandate 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 as per section 243(3) of the Companies Act, 2017, listed companies are entitled to withhold payment of dividend, if necessary information is not provided by shareholders.

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

### Participation in the Annual General Meeting electronically

The shareholders who wish to attend the Annual General Meeting are requested to get themselves registered by sending their particulars at the designated e-mail address info.shares@famco.com.pk and muhammad.irfan@archroma.com), giving particulars as per below table by the close of business hours (5:00 p.m.) on December 21, 2020.

Name of Shareholder	CNIC No./NTN No.	CDC Participant ID/Folio No.	Cell No.	E-mail Address

The video link (Microsoft Teams Meeting) would be provided to the registered shareholders/proxies who have provided all the requested information. The shareholders are also encouraged to send their comments/suggestion related to the agenda items of the AGM on the above-mentioned e-mail address by the close of business hours (5:00 p.m.) on December 21, 2020.

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

- (i) Pursuant to the provisions of the Finance Act, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:
- a) Rate of tax deduction for filer of income tax return 15%
  - b) 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, Shahr-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 2020 on its website [www.archroma.com.pk](http://www.archroma.com.pk)

# / 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 25th Annual General Meeting of the Company to be held on Tuesday, 29 December 2020 at 10:00 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.



# Archroma Pakistan Limited

## Admission Slip

For the Twenty-Fifth Annual General Meeting of Archroma Pakistan Limited scheduled on Tuesday, 29 December 2020 at 10:00 a.m. at 1-A/1, Sector 20, Korangi Industrial Area, Korangi, Karachi. Kindly bring this slip duly signed by you for attending the Meeting.

**COMPANY SECRETARY**

Folio No. \_\_\_\_\_

Name \_\_\_\_\_

Joint holder(s), if any. i) \_\_\_\_\_

ii) \_\_\_\_\_

iii) \_\_\_\_\_

\_\_\_\_\_  
**Signature**

### **NOTES:**

- i) The signature of the shareholder must tally with the specimen signature on the Company record.
- ii) Shareholders are requested to hand over duly completed admission slips at the counter before entering the meeting premises.
- iii) The Company transport will be available at the Pakistan Stock Exchange (PSX) to bring only the shareholders to the place of meeting. It will leave PSX at 09:15 a.m. sharp. After the meeting the shareholders will be dropped at PSX.

**THIS ADMISSION SLIP IS NOT TRANSFERABLE**



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

**ARCHROMA PAKISTAN LTD.**

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Pakistan  
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