



# / ANNUAL REPORT 2014



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## **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 customer to win in their market, we push limits to outperform and we never give up!

# COMPANY INFORMATION

Chairman / Chief Executive Officer	<ul style="list-style-type: none"><li>• Mujtaba Rahim</li></ul>	
Directors	<ul style="list-style-type: none"><li>• Dr S Mubarik Ali</li><li>• Hans Lourens</li><li>• M Veqar Arif</li><li>• Rahat Kaunain Hassan</li><li>• Roland Waibel</li><li>• Thomas Winkler</li></ul>	(Alternate: Zafir Hussain)
Company Secretary	<ul style="list-style-type: none"><li>• M Veqar Arif</li></ul>	
Management Committee	<ul style="list-style-type: none"><li>• Mujtaba Rahim</li><li>• Ali Gul Haji</li><li>• Zafir Hussain</li></ul>	<ul style="list-style-type: none"><li>• M Veqar Arif</li><li>• Naveed Kamil</li></ul>
Audit Committee	<ul style="list-style-type: none"><li>• Dr S Mubarik Ali</li><li>• Hans Lourens</li><li>• Rahat Kaunain Hassan</li><li>• M Irfan Lakhani</li></ul>	<ul style="list-style-type: none"><li>- Chairman (Alternate: Zafir Hussain)</li><li>- Secretary</li></ul>
Human Resources and Remuneration Committee	<ul style="list-style-type: none"><li>• Dr S Mubarik Ali</li><li>• Mujtaba Rahim</li><li>• M Veqar Arif</li><li>• Naveed Kamil</li></ul>	<ul style="list-style-type: none"><li>- Chairman</li><li>- Secretary</li></ul>
Bankers	<ul style="list-style-type: none"><li>• Faysal Bank Limited</li><li>• Habib Bank Limited</li><li>• Meezan Bank Limited</li><li>• National Bank of Pakistan</li><li>• Standard Chartered Bank (Pakistan) Limited</li></ul>	
Auditors	<ul style="list-style-type: none"><li>• KPMG Taseer Hadi &amp; Co. Chartered Accountants</li></ul>	
Legal Advisors	<ul style="list-style-type: none"><li>• RIAALAW</li></ul>	
Share Registrars	<ul style="list-style-type: none"><li>• FAMCO Associates (Pvt) Limited 8-F, Next to Hotel Faran, Nursery Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi</li></ul>	
Registered Office	<ul style="list-style-type: none"><li>• 1-A/1, Sector 20, Korangi Industrial Area, Korangi, Karachi</li></ul>	
Factory	<ul style="list-style-type: none"><li>• Petaro Road, Jamshoro</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>• 20-T, Block Masoom Shah Road, Near Multan.</li></ul>	
Website	<ul style="list-style-type: none"><li>• <a href="http://www.archroma.com.pk">www.archroma.com.pk</a></li></ul>	

## Textile Specialties



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

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

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

## Paper Solutions



Archroma's Paper Solutions 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, environmentally friendly, and sustainable solutions for the paper markers around the world, offering the most cost-effective product choices and solutions to its customers.

## Emulsions Products



From paints, adhesives and construction to the textile, leather and paper industries, Archroma's Emulsion Products 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 outstanding success of Archroma's Mowilith emulsions since its first patent was obtained in 1912.

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

Our Emulsions, business is a leading supplier of key raw materials for Paint industry, Construction industry and Adhesives (Packaging) application. We also deliver synthetic latexes/polymer dispersions for paints, coatings, adhesives, sealants, and for textile, leather, and Paper industries.

# **DIRECTORS REPORT**

## Report of the Board of Directors for the period ended 30 September 2014

The Directors are pleased to present their report together with audited Financial Statements of the Company for the period ended 30 September 2014.

### New Corporate Identity

Following the change in shareholding, your Company has evolved a new corporate logo which was launched on 01 January 2014. The new logo reflects the Company's growth aspirations whilst reinforcing its strong heritage and values.

### Change of Financial Year

As approval by the Board, the financial year of your Company has been changed from January-December to October-September for which all the required approvals from the authorities have been obtained. This has been done with intent of aligning the financial year of Archroma Pakistan Limited with associated companies in the Group. As a result, the current year audited financial statements have been prepared for a period of nine months (a one-off measure from January to September 2014) and it will be considered as final accounts for the year 2014.

### Board Changes

Consequent to the resignation of Mr. Khawaja Mustafa Zulqarnain Majid nominee of NIT from the Board and M/s Rahat Kaunain Hassan has been appointed as an independent, Non-Executive Director of the Company with effect from 01 November 2014 to fill in the casual vacancy for the remainder of the term. There has been no other change in the Board during the year.

### Material Information

In Ludwigshafen, Germany dated 16 October 2014 – BASF and Archroma have agreed on the sale of BASF's global textile chemicals business to Archroma, a supplier of specialty chemicals to the textile, paper & emulsions industries. The transaction comprises the global textile chemicals business, as well as the legal entity BASF Pakistan (Pvt) Ltd.

### Business Overview

We are pleased to report that 2014 was another year of good performance for Archroma Pakistan Limited. This has been achieved following a well planned strategy enabling the Company to deliver consistent value for our shareholders by embracing the ACTS, the four pillars of Archroma culture.



# / DIRECTORS REPORT



**ACCOUNTABILITY  
FOR PERFORMANCE**



**CUSTOMER &  
MARKET FOCUS**



**TEAMWORK &  
COLLABORATION**



**SPEED &  
SIMPLICITY**

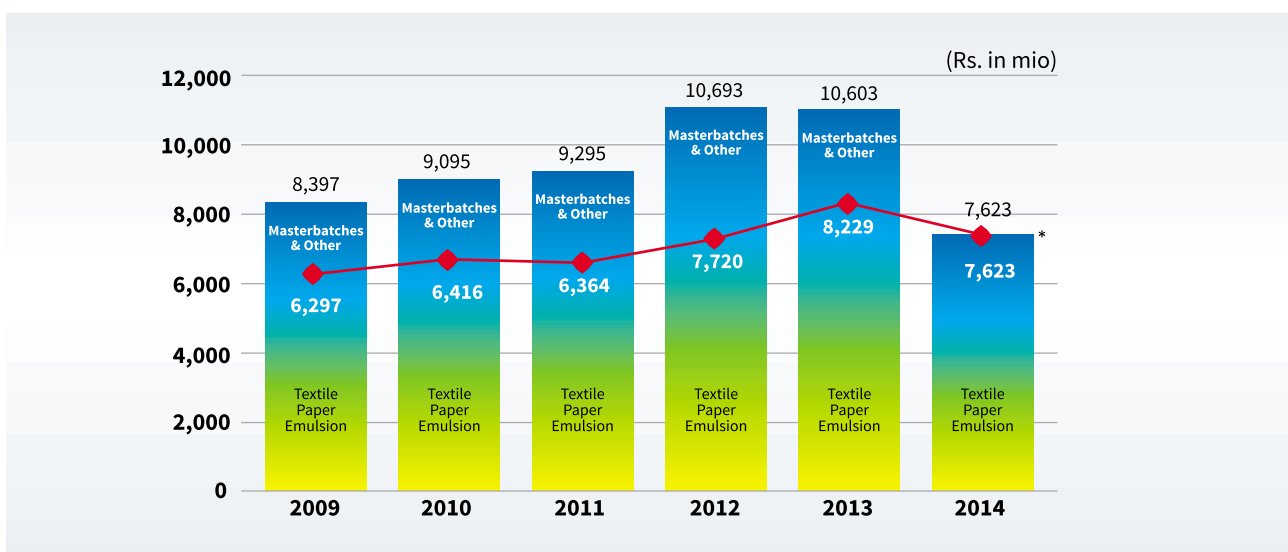
The Accountability and Speed leads to execution, and execution leads us to the expected results. We are continuously striving to deliver sustainable profitable performance and maintain strong market leadership through Customer & market focus and Teamwork & collaboration.

The Company has achieved impressive growth in its operations during the year, operational excellence and management skills have positioned the Company to achieve sustained and qualitative growth in the long run. Despite of strong head winds particularly on account of unprecedented volatility in raw material prices and chronic energy crisis in the country, the Company overcome the challenges and deliver record performance. The directors and the management are closely monitoring the performance of the business with a focus to achieve continued improvements in productivity and efficiency while optimizing cost and processes to ensure profitable growth of the Company.

The business agenda is determined by the strategy which is revised and updated continuously, setting out the targets for financial return and services standards, and identifying and prioritizing improvement opportunities to deliver the targets.

## Sales

The sales value during the year under review increased by 1459 million registering an improvement of 24% as compare to same period (January- September) of last year. Favorable sales growth has been recorded in the segment of Paper at 27% Textile at 17% and Emulsions at 15%

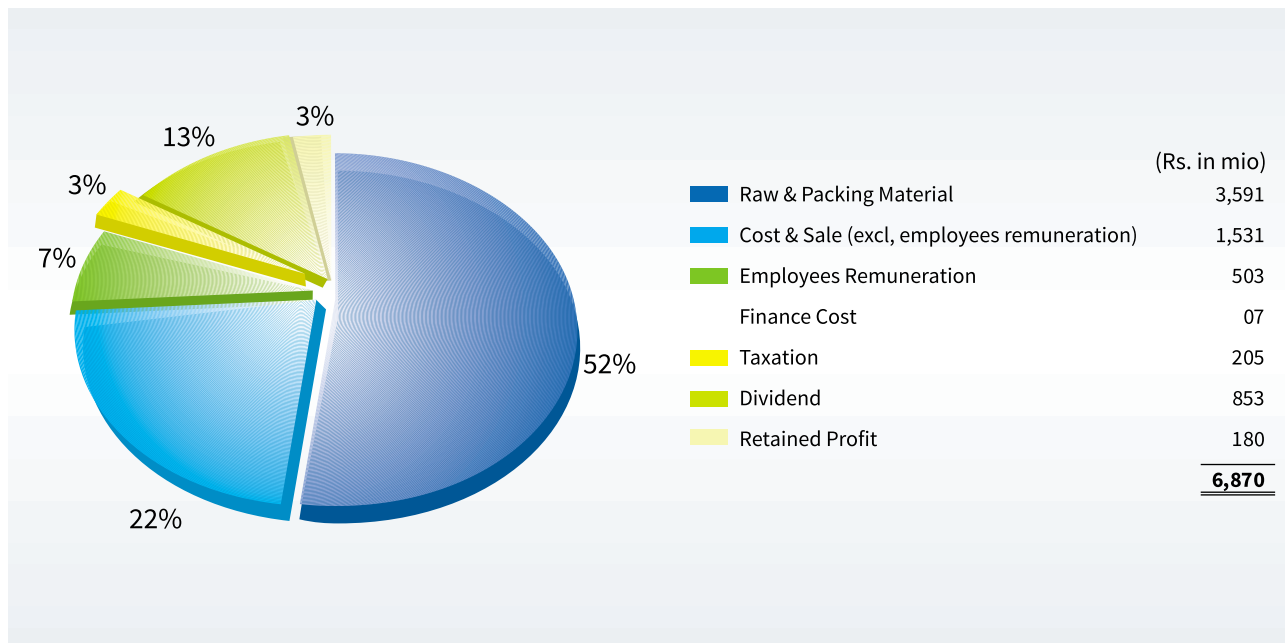


\* Sales for the period ended nine months ended 30 September 2014.

■ Upto 31 August 2013 Company was also engaged in business of Masterbatches, Leather Services and Pigments. Sale of these business units are reported separately in pervious years for comparison.

# / DIRECTORS REPORT

## Distribution of Revenue – 2014



## Earning Per share

Profit after tax also propped up to 1.03 billion which translated into an EPS of Rs. 30.88 as against Rs. 55.8 in the comparative year 2013. The break up is as follows:

	2014	2013
	(Rupees)	
Earnings per share - continuing operations	* <u>30.88</u>	<u>26.79</u>
Earnings per share - discontinued operations	-	<u>4.61</u>
Earnings per share – Disposal of Businesses & Properties	-	<u>24.40</u>
	<u>30.88</u>	<u>55.80</u>

\* Earning per share for the nine months ended 30 September 2014

## Appropriation of Profit

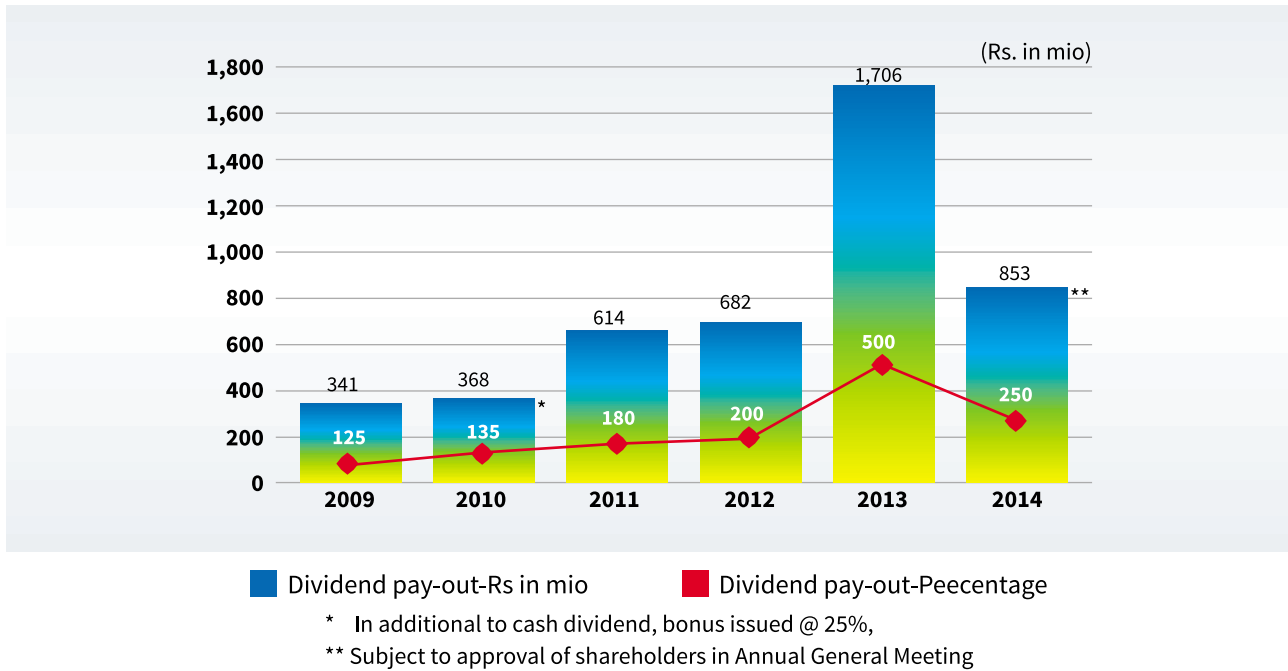
The proposed appropriation of profit of the company is as under:

	(Rupees in mio)
Total Comprehensive income for the period	1,033.70
Unappropriated profit brought forward	0.32
Profit available for appropriation	1,034.02
<b>Appropriation:</b>	
Proposed 250% final cash dividend	852.90
To be paid after approval in the Annual General Meeting	
Transferred to Revenue Reserves	180.00
Unappropriated profit carried forward	1.12

# / DIRECTORS REPORT

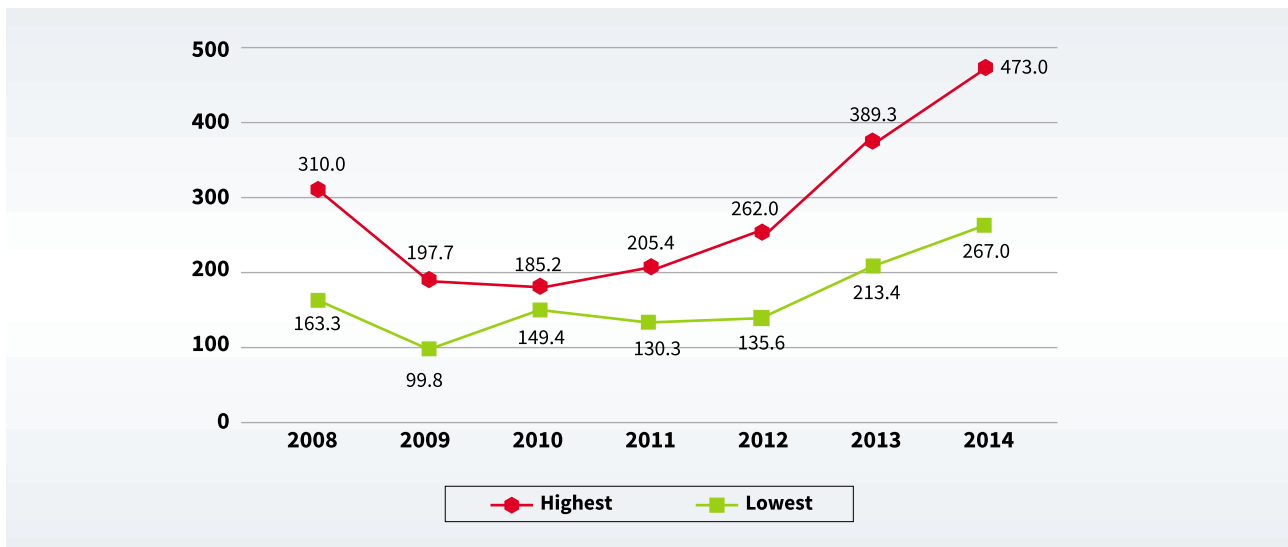
## Dividend

To pass on the benefit of this achievement to shareholders, the Board recommended a payment of 250% i.e Rs 25 per share cash dividend for the financial year 2014.



## Share Price

Company's share during the year was quoted at its highest of Rs.473 and lowest at Rs.267 on the Karachi Stock Exchange Ready Board quotations.



## Future Outlook

Going forward, there are considerable challenges in the months ahead. However the Company on its part has systems and procedures in place to meet surrounding risk and challenges. We are Archroma now, a different company with ACTS as foundation, and we believe that we can succeed only if we deliver disciplined execution.

We continue to focus on innovations, strive to simplify operational processes through manufacturing, commercial excellence initiatives in line with our strategic priorities, increased customer focus and a strong performance culture within the organization. Our people remain crucial for the continued growth of the business. We believe that the Company is well positioned to capitalize growth opportunities through expansion in new high potential product lines in the coming year to the benefit of our shareholders and customers.

## Corporate Social Responsibility Commitment & Archroma Excellence

Archroma commits itself to ethical and sustainable operation and development in all business activities according to Archroma own Code of Conduct. Archroma strives for a business culture of continuous improvement as well as for sustainable competitiveness and top performance in consideration of Archroma's ethical standards.

## Responsibility

Archroma bears an 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. All Archroma employees are educated and trained to assume responsibility in line with their function, level of authority and qualification.

## Archroma Management System

Archroma certified Management System adheres to all internal and external standards to which Archroma subscribes and forms the company's documented structural framework as the basis for objectives and programs. The system complies with ISO 9001, ISO 14001, OHSAS 18001. Achieving and maintaining a high level of quality across all aspects of our businesses, our Safety, Health and Environment (SHE) related activities and Social Responsibility, is our understanding of Corporate Sustainability.

## Compliance

Compliance with laws, international standards, internal regulations, and Archroma Code of Conduct is a basic requirement for all our activities. Archroma appreciates voluntary initiatives and provides adequate support to develop effective and efficient safety, health and environmental regulations.

# DIRECTORS REPORT

## Safety Health and Environment (SHE)

One of Archroma most important objectives is the safety of its worldwide activities and the protection of people and environment. We set protection goals which are valid throughout the entire group and monitor and evaluate all aspects of our activities.

## Risk and Emergency Management

Comprehensive assessment of risks related to our operations and products are prerequisite to our business processes. Local and global emergency organization is in place to ensure comprehensive emergency management and response.

## Innovation and Product Stewardship

We are convinced that innovation and product stewardship are essential to understand our customers' needs. Innovation and customer focus is the key to our business. We permanently develop better and new products and services to add value to our customers and to our environment. Concurrently we aim that our products can be used over their entire life cycle in a manner as safe as possible for employees, customers, the public and the environment.

## Sustainable Operations and Processes

We take initiatives to reduce environmental, safety and health risks in production, storage, distribution and usage of our products and the disposal of waste. This includes the efficient use of energy and resources and the continuous improvement of our processes to minimize the impact of our activities on the environment.

## Third Party Management

Our aim is to establish mutually beneficial relationships with our third party suppliers and contractors in order to support our services on the basis of our internal Safety Health Environmental and Quality (SHEQ) standards, which include Corporate Social Responsibility. We encourage our suppliers and service providers to adopt standards comparable to Archroma policies.

## Communication

Archroma fosters a culture of proactive and transparent communication as key to trusting and reliable relationships. All stakeholders are regularly informed about our activities, our targets and our Safety Health Environmental and Quality (SHEQ) performance. We identify the concerns and expectations of our stakeholders systematically.

## Monitoring and Review

We monitor and review all business aspects and processes at regular intervals. Observing our quality and performance is an integral component of our business processes, our top priorities and our strategic planning.

## Social Contribution

Your Company continued to demonstrate its unwavering commitments to Safety, Health, and Environment (SHE) achieving a total reportable rate of injuries for employees and supervised contractors of zero. This is a clear manifestation of our resolve to place Safety, Health, and Environment (SHE) as a core priority. Archroma, being a Swiss company, assumes the responsibility by adhering to ecological friendly practices from production and distribution to the disposal of waste and for undertaking the technologically innovative project “Sustainable Effluent Treatment Plant” (SET) at Jamshoro site which is the first manufacturing facility of the textile chemicals within Archroma based on the idea of “Zero Liquid Discharge”.

The SET facility sets new standards not only in quantity but also quality of the recovered water: It allows the recycling of 80 percent of waste water which in turn leads to massive reduction of water intake from the environment. The project took investment outlay of Rs. 375 million in 2012.

## Efficient Use Of All Available Resources

Archroma keep continuing its commitment to the efficient use of all available resources, accordingly implemented possible measures for energy conservation. Electric bulbs and tubes were replaced with energy savers and LEDs. Company remains committed to its efforts to design and implement health & safety policies which place emphasis on prevention rather than treatment.

## Directors Training Program

Our director was provided training during current year. In addition one director meets the criteria of exemption under clause (xi) of code of corporate governance (CCG) and is accordingly exempted from directors’ training program.

## Training Program

The Company inducts apprentices through the program where students from Engineering universities, Textile and Business institutes are regularly inducted under internship programs.

To date, Archroma has trained 153 batches comprising of more than 4,638 students from multifarious Universities. During the year under review, Company has incurred Rs. 2.5 mio for the complementary training of the students and technicians.

## Human Resource

Offering learning and development opportunities to our pool of human resource and encouraging talent movement across. Developing the talent pipeline for the Company remained a key focus area.

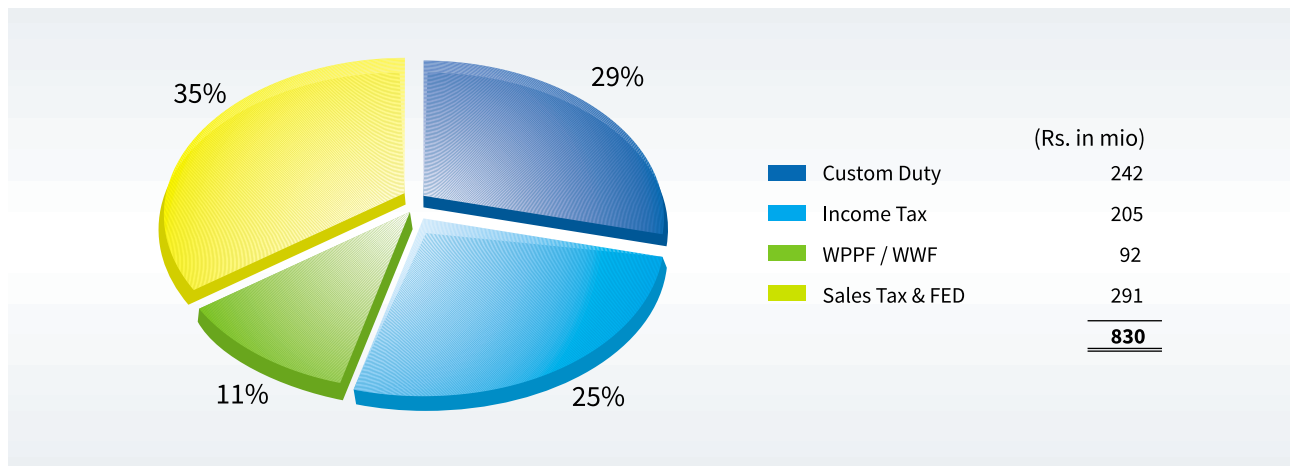
## Donations

Our Company also donated amount worth Rs. 1.1 million to different social, medical and educational centers.

## Medical Facilities

To provide adequate medical facilities to the work force of 500 employees an in-house dispensary with round-the-clock ability of doctor and ambulance service is also available.

## Contribution to National Exchequer



## 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, as applicable in Pakistan, have been followed in preparation of the Company's financial statements.
- The system of internal control of the Company is sound in design and has been effectively implemented and monitored.
- Archroma globally acquired BASF textile chemical business as well as the legal entity BASF Pakistan (Pvt) Ltd.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

# DIRECTORS REPORT

## 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.

## Board & Sub Committee Meetings

Meetings of the Board of Directors, Audit Committee and Human Resource & Remuneration Committee are held according to schedule. Casual vacancies occurred on the Board during the period under review were immediately filled up. Audit committee comprises of three members, all of them are non-executive Directors including the Chairman. Meetings held and attendance by each Director in the meetings of the Board and its sub committee is as follows:

Name of Directors	Board Meeting	Audit Committee	HR & R
	Attended	Attended	Attended
Mr. Mujtaba Rahim	4	-	1
Dr. S. Mubarik Ali	4	4	1
Khawaja Mustafa Zulqarnain Majid	1	1	-
M. Veqar Arif	4	-	1
Roland Waibel	1	-	-
Thomas Winkler	-	-	-
Hans Lourens (Alternate: Zafir Hussain)	4	4	-
Rahat Kunain*	-	-	-

\*Appointed On 30.10.14

Leave of absence was granted to Directors who could not attend the board meetings and Director was also represented by his respective alternate.



## Gratuity and Provident Funds

The value of investments of Gratuity and Provident Funds based on the latest un-audited accounts at 30 June 2014 are as follows.

	<b>2014</b>	<b>2013</b>
	(Rupees in mio)	
Gratuity Fund	623	684
Employees Provident Fund	390	468

The value of investment includes accrued interest.

## Holding Company

Archroma Textiles S.a.r.l (Archroma) is a global leader providing colors and specialty chemicals. A Company comprises of 3000 employees, 25 production sites and having a presence in 35 countries come together in a new Company to better meet customer needs in the local & global markets. The complete Textiles, Emulsions & Paper businesses of Clariant is now run under umbrella of Archroma, a company formed in March 2013 and having registered office located in Luxemburg.

## Auditors

The present auditors M/s KPMG Taseer Hadi & Co, Chartered Accountants retire and being eligible have offered themselves for reappointment for the new financial year.

As recommended by the audit Committee, the Board has approved the proposal to appoint M/s KPMG Taseer Hadi & Co, Chartered Accountants as the statutory auditors of the Company, subjected to approval of the shareholders at the forthcoming Annual General meeting of the Company.

## Key Operating & Financial Data

Key Operating and Financial data for last six years shown on page 29.

## Pattern of Shareholding

A Statement of the pattern of shareholding is shown on page 73.

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.

# DIRECTORS REPORT

## Acknowledgement

The year 2014 again surpassed all previous performance records due to dedicated efforts of the entire team. The Board thanks all staff members and workers for excellent performance during very difficult times and look forward to achieve further goals in future.

On behalf of the Board



Mujtaba Rahim  
Chairman and Chief Executive Officer

Karachi: 30 October 2014

# AWARDS AND ACHIEVEMENTS

Our Company continued to garner accolades over the decade. The accomplishments are as follows:

## Top 25 Companies Award.

The Karachi Stock Exchange every year distribute Top 25 Companies Awards for excellence to recognize listed companies performance in relation to profitability, distribution, sustained commitment to investor value enhancement in compliance with listing regulations and good corporate governance.

Based on the Company's performance Archroma Pakistan has been honored with prestigious Top 25 Companies Award by the Karachi Stock Exchange (KSE) for the 12th consecutive year from 2001 till 2012. Result for the year 2013 is still awaited.

The award is validating the well planned corporate business strategy of the management of Archroma Pakistan Limited based on prudence and cautiousness and which is proactively aligned to meet challenges even in the difficult operating environment.

## MAP Corporate Excellence Awards.

It is very heartening to announce that Archroma Pakistan Limited has been bestowed with certificate in the category of 'Chemicals' by Management Association of Pakistan (MAP).

Our Company is awarded 3rd time consecutively in a row with the Corporate Excellence certificate in chemical sector by Management Association of Pakistan. For current MAPs 30th Corporate Excellence Award we are being shortlisted and evaluation process is under process. The award reveals Company's commitment to quality, maintenance of highest professional standards and constant strive to achieve excellence in all spheres of its activity. This award is considered the most significant achievement in the corporate sector.

In Chemical sector there are many companies in contest based on the most successful track records and demonstrating outstanding performance, Archroma Pakistan Limited is the winner of the Corporate Excellence Certificate in the Chemical sector. Evaluation process is so exacting and rigorous that only the best run companies can get through the same. Companies are evaluated for their financial strength.

# / AWARDS AND ACHIEVEMENTS

## Corporate Water Stewardship Award.



In a textile industry, currently under close scrutiny for its heavy water use, Archroma opened its first sustainable effluent treatment (SET) facility for a textile Operational site in Jamshoro, Pakistan. The Facility allowing effluent treatment with zero liquid discharge which is probably the only one of it's kind to date among textile dyes & chemical manufacturers worldwide. The facility also allows effluent treatment based on zero liquid discharge, fulfilling Pakistan's very stringent National Environmental Quality Standards (NEQS) requirements.

# / AWARDS AND ACHIEVEMENTS



Thus, Archroma every day by saving approx. 0.3 million gallons of fresh water used to take from Indus River is now leading the textile chemical industry in preventing water scarcity and simultaneously, this environmentally compatible solution is contributing in saving the natural resources of fresh water by deterring the wastewater stream of 1425 m<sup>3</sup> per day.

On the basis of our utmost contribution towards safeguarding of natural resources, we are being rewarded “Corporate Water Stewardship Award Archroma” by Global water Intelligence in Paris.

# / AWARDS AND ACHIEVEMENTS

## Environmental Excellence Award



Through our contribution in the field of environment friendly policies, the Company has distinction of getting Environment Excellence Award 2014 organized by National Forum for Environment & Health (NFEH) for the 7th time which shows our outstanding contribution to sustainable development.

## Multinationals HR Excellence Award

On account of tremendous contribution by our Human Resource department, Archroma Pakistan Limited is also rewarded with Multinationals HR Excellence Award – 2014.

# / AWARDS AND ACHIEVEMENTS

## Key Project Award (2014 - Team Pakistan – Flying Horses)



It's a prideful achievement for our Company by winning the 1st position for ever best performance in the whole Archroma world. Our Company is not only have honor of completing the annual sales target in 9 months but surpassed our target significantly. Our Head CC Dyes and Chemicals named Hadi Raza Lakhani had the honor to receive award from Mr. Alexander Wessels (group CEO) on the behalf of our Flying horse team.

# ONE WAY PROJECT

## One Way --Towards sustainable textiles



### Environmental Focus:



With an estimated six million tons of textile chemicals used each year, the environmental impact of textile processing has become an issue of global concern. It is estimated that textile manufacturing processes contribute close to 10 percent of the world's carbon impact. As a result, a new breed of environmentally conscious consumers is placing more scrutiny on how their favorite outfit has been produced and what kind of impact they have on the planet. Major apparel brand owners and retailers are therefore increasingly pressured to ensure that their products' environmental performance is consistent with their branding

Climate protection, resource savings and waste water reduction are the key objectives driving sustainability across the textile value chain. Yet for key brands and retailers, the creation of sustainable value can only be feasible if both ecological and economic priorities are also being met.

Archroma has always been at the fore-front in the field of sustainability by offering innovative solutions to the industry. The ecological challenges facing the textile industry was realized much ahead of time that led to the development of ECO-Swot concept in mid nineties. The concept addressed the importance of time and water in processing textile goods.

Ecology, Economy, Efficiency, popularly referred as 3E was launched in late 90's which gave a new dimension to the way we used to process the goods. The target was to raise awareness about the presence of restricted substances in textile articles and subsequent consequences to the business. Towards the mid of first decade of current century, an extended 4E concept was launched that added environment to the 3E concept to raise awareness about upcoming waster water issues.

Following its legacy of being the 1st to raise awareness and provide solutions to textile community, Archroma now offers unique sustainability service ONE WAY. It is designed to provide a fast and reliable method to textile brands, retailers and manufacturers for selecting the most sustainable process routes. The close consideration of key parameters, including raw materials, water and energy consumption, aims at giving numerical value to sustainability. ONE WAY Calculator, a sophisticated software enables the user to evaluate the performance and environmental profile of products and processes almost instantly.



# ONE WAY PROJECT



The database of Archroma's ONE WAY system contains dyes and chemicals that have been carefully screened and pre-tested by the company's product stewardship specialists against the known eco-standards including Bluesign®, Oeko-Tex®, GOTS and the 11 restricted substance groups classified under the Joint Roadmap Towards Zero Discharge initiative. The ecological needs continue to increase in the back drop of REACH and Dirty Laundry and Toxic Threads Reports from Green-Peace.

For retailers and brand owners, One Way system offer following key benefits:

- Comprehensive product portfolio that helps address both consumer product safety and regulatory requirements, as well as key ecological concerns;
- Innovative and sustainable solutions that help lessen the environmental impact of textile production whilst supporting product designers' need for technology that enables design freedom;
- Reliable tools to measure products and processes against the industry's most stringent environmental standards.

For textile mills, key benefits include:

- Fact-based approach of improving environmental performance while increasing production efficiency and business profitability;
- More efficient product lifecycle management and faster speed-to-market, through instant and worldwide availability of the ONE WAY methodology and toolbox;
- Access to industry leading, environmentally advanced technologies, to better address high-end needs of the textile value chain.

ONE WAY focus at Archroma is playing a pivotal role in the development of innovative products that improve processes by saving resources, employing more renewable raw materials, maximizing safety and reducing emissions and waste.

# COMPLIANCE STATEMENT

## Statement of Compliance with the Code of Corporate Governance.

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No 35 of listing regulations of The Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of directors. At present the Board includes:

<b>Category</b>	<b>Names</b>
Independent Director	: Rahat Kaunain Hassan*
Executive Directors	: Mujtaba Rahim, M Veqar Arif
Non-Executive Directors	: Dr. S. Mubarik Ali, Hans Lourens, Roland Waibel, Thomas Winkler.

\* Ms. Rahat Kaunain Hassan has been appointed as an independent, Non-Executive Director of the Company with effect from 01 November 2014 to fill in the casual vacancy for the remainder of the term. There has been no other change in the Board during the year.

The condition of clause 1(b) of the CCG in relation to independent director will be applicable after election of next Board of Directors of the Company in March 2015.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancy occurred on the Board subsequent to period end and have been filled immediately.
5. 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.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the chairman. The Board met once in every quarter during the year ended 30 September 2014. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

# COMPLIANCE STATEMENT

9. The board arranged training program for its directors during the year under review and one of our Director has completed Directors training program during current year. In addition one of our Directors meets the criteria of exemption under clause (xi) of CCG and is accordingly exempted from Directors' training program.
10. The Board had approved appointments of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration committee (HR & R committee). It comprises three members, of whom two are executive directors and the chairman of the committee is a non-executive Director. The Board is in process of re-evaluating the composition of the HR & R committee as per the requirements of the Code.
18. The Board has set up an effective internal audit function. The staff is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
19. 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, that they or any of the partners of the firm their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim /final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and the stock exchange.

# COMPLIANCE STATEMENT

22. Material/price sensitive information has been disseminated among all market participants at once through the stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board of Directors



Mujtaba Rahim  
Chairman & Chief Executive Officer

Karachi  
Dated: 30 October, 2014

# SIX YEARS AT A GLANCE

	2014	2013	2012	2011	2010	2009
	----- (Rupees '000) -----					
Property, plant and equipment	1,021,329	907,724	1,421,156	1,163,160	1,001,342	966,188
Net current assets excluding bank borrowings	4,049,494	3,942,669	3,814,501	2,754,342	2,813,836	2,680,822
<b>Total assets employed</b>	<b>5,070,823</b>	<b>4,850,393</b>	<b>5,235,657</b>	<b>3,917,502</b>	<b>3,815,178</b>	<b>3,647,010</b>
Share capital	341,179	341,179	341,179	341,179	272,943	272,943
Revenue reserves and unappropriated profit	3,837,067	4,509,214	3,289,163	2,727,008	2,385,464	1,963,943
Bank borrowings	892,577	-	1,605,315	849,315	1,156,771	1,410,124
<b>Total funds employed</b>	<b>5,070,823</b>	<b>4,850,393</b>	<b>5,235,657</b>	<b>3,917,502</b>	<b>3,815,178</b>	<b>3,647,010</b>
Net sales	6,872,277	9,620,351	9,859,790	8,371,140	8,383,872	7,697,030
Profit before taxation	1,258,668	2,414,320	1,482,303	1,040,888	983,529	831,031
Profit after taxation	1,053,408	1,904,814	1,190,226	778,253	762,700	585,837
Cash dividend - %	250	500	200	180	135	125
Bonus issue - %	-	-	-	-	25	-
Earnings per share - Rupees	30.88	55.83	34.89	22.81	22.35	17.17
Break-up value per share - Rupees	122.46	142.2	106.4	89.93	77.92	65.56
Current Ratio	2.27	3.57	1.70	2.12	1.89	1.66
Assets Turnover	1.02	1.48	1.40	1.54	1.56	1.55
Return on Assets %	18.71	37.21	21.05	19.23	18.34	16.71
Return on Equity %	30.12	49.78	40.83	33.92	37.00	37.15
Pay-out Ratio after tax	80.96	89.56	57.32	78.91	57.26	58.25



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### Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **Archroma Pakistan Limited (formerly Clariant Pakistan Limited)** ("the Company") for the period ended 30 September 2014 to comply with the requirements of Listing Regulations of Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

As 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.

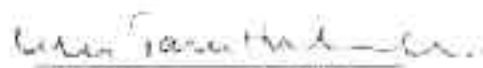
The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 best practices contained in the Code as applicable to the Company for the period ended 30 September 2014.

Further, we highlight instance of non-compliance with the requirements of the Code as reflected in the paragraph 17 in the Statement of Compliance pertaining to Human Resources and Remuneration Committee.

Dated 30 October 2014

Karachi

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

KPMG Taseer Hadi & Co., a Pakistan Limited, is a member firm of the KPMG network of independent member firms affiliated with KPMG, a Swiss entity.



required by the Companies Ordinance, 1984, 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 2014 and respectively of the profit, its cash flows and changes in equity for the period then ended, and

- (c) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the Company for the year ended 31 December 2013 were audited by another firm of Chartered Accountants who have expressed an unmodified opinion on those financial statements vide their audit report dated 21 February 2014.

Date: 30 October 2014

Karachi



**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Moneeza Usman Butt**



# / FINANCIAL STATEMENTS

# BALANCE SHEET

As at 30 September 2014

	Note	30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	1,021,329	907,724
Long term loans and advances	4	23,045	31,140
Long term deposits		2,639	2,744
Long term prepayments		2,472	-
		<u>1,049,485</u>	<u>941,608</u>
<b>Current assets</b>			
Stores and spares	5	24,923	24,424
Stock-in-trade	6	1,566,757	1,442,649
Trade debts	7	2,030,655	1,859,659
Loans and advances	8	22,872	17,501
Trade deposits and short-term prepayments	9	19,494	24,944
Other receivables	10	1,607,689	1,438,801
Investments	11	-	200,000
Taxation - net		-	9,230
Cash and bank balances	12	406,769	528,322
		<u>5,679,159</u>	<u>5,545,530</u>
<b>TOTAL ASSETS</b>		<u><u>6,728,644</u></u>	<u><u>6,487,138</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Share capital	13	341,179	341,179
Revenue reserves		2,803,000	2,605,000
Unappropriated profit		1,034,067	1,904,214
<b>Shareholders' equity</b>		<u>4,178,246</u>	<u>4,850,393</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred taxation - net	14	44,953	87,527
<b>Current liabilities</b>			
Trade and other payables	15	1,540,725	1,549,218
Mark-up accrued	16	24,991	-
Short-term borrowings	17	892,577	-
Taxation - net		47,152	-
		<u>2,505,445</u>	<u>1,549,218</u>
		<u>2,550,398</u>	<u>1,636,745</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>6,728,644</u></u>	<u><u>6,487,138</u></u>
<b>Contingencies and commitments</b>	18		

The annexed notes 1 to 41 form an integral part of these financial statements.



Mujtaba Rahim  
Chairman and Chief Executive Officer



M Veqar Arif  
Director and Chief Financial Officer

# PROFIT AND LOSS ACCOUNT

For the period from 1 January 2014  
to 30 September 2014

	Note	Nine months period ended 30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
Sales		7,622,868	8,228,702
Discounts and commission		459,343	511,792
Sales tax		291,248	236,791
		750,591	748,583
<b>Net sales</b>	19	6,872,277	7,480,119
Cost of goods sold	20	4,945,833	5,235,862
<b>Gross profit</b>		1,926,444	2,244,257
Distribution and marketing expenses	21	443,448	610,628
Administrative expenses	22	123,907	182,477
Other expenses	25	111,065	152,086
		678,420	945,191
Other income	26	18,022	21,218
		1,266,046	1,320,284
Finance costs	27	7,378	181,858
<b>Profit before taxation</b>		1,258,668	1,138,426
Taxation - net	28	205,260	224,627
<b>Profit after taxation from Continuing Operations</b>		1,053,408	913,799
<b>Profit after taxation from Discontinued Operations</b>		-	991,015
Profit for the period / year		1,053,408	1,904,814
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit and loss account:</i>			
Remeasurement of post-employment obligations		(30,258)	(2,405)
Related tax thereon		10,590	-
		(19,668)	(2,405)
<b>Total comprehensive income for the period / year</b>		1,033,740	1,902,409
		(Rupees)	(Rupees)
<b>Earnings per share</b>	29.1	30.88	55.83

The annexed notes 1 to 41 form an integral part of these financial statements.



Mujtaba Rahim  
Chairman and Chief Executive Officer



M Veqar Arif  
Director and Chief Financial Officer

# / CASH FLOW STATEMENT

For the period from 1 January 2014  
to 30 September 2014

	Note	Nine months period ended 30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	35	942,819	734,012
Staff gratuity - paid		(53,562)	(55,905)
Mark-up paid		(15,764)	(146,917)
Income taxes paid		(180,862)	(581,073)
Movement in long-term loans and advances		8,095	4,059
Movement in long-term deposits and prepayments		(2,367)	220
<b>Net cash generated from / (used in) operating activities</b>		<b>698,359</b>	<b>(45,604)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(215,957)	(109,134)
Proceeds from disposal of operating fixed assets		56	30
Proceeds from disposal of assets 'held for sale' and discontinued operations		-	2,659,462
<b>Net cash (used in) / generated from investing activities</b>		<b>(215,901)</b>	<b>2,550,358</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term financing - repayments		-	(266,666)
Short-term borrowings - proceeds		1,031,000	2,960,000
- repayments		(506,000)	(3,847,765)
Dividend paid		(1,696,588)	(678,129)
<b>Net cash used in financing activities</b>		<b>(1,171,588)</b>	<b>(1,832,560)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(689,130)</b>	<b>672,194</b>
Cash and cash equivalents at the beginning of the period / year		728,322	56,128
Cash and cash equivalents at the end of the period / year	36	<b>39,192</b>	<b>728,322</b>

The annexed notes 1 to 41 form an integral part of these financial statements.



Mujtaba Rahim  
Chairman and Chief Executive Officer



M Veqar Arif  
Director and Chief Financial Officer

# STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2014  
to 30 September 2014

	Issued, subscribed and paid-up capital	Revenue reserves	Unappro- priated profit	Total
------(Rupees in '000)-----				
Balance as at 31 December 2012	341,179	2,110,000	1,179,163	3,630,342
Transactions with owners of the Company - Distribution				
- Final dividend at 200% (i.e. Rs.20 per share) for the year ended 31 December 2012	-	-	(682,358)	(682,358)
Transfer to revenue reserves appropriated subsequent to year end	-	495,000	(495,000)	-
Total comprehensive income for the year ended 31 December 2013				
- Profit for the year	-	-	1,904,814	1,904,814
- Other comprehensive income - remeasurement of post employment obligation - net of tax	-	-	(2,405)	(2,405)
	-	-	1,902,409	1,902,409
<b>Balance as at 31 December 2013</b>	<b>341,179</b>	<b>2,605,000</b>	<b>1,904,214</b>	<b>4,850,393</b>
Transactions with owners of the Company - Distribution				
- Final dividend at 500% (i.e. Rs.50 per share) for the year ended 31 December 2013	-	-	(1,705,887)	(1,705,887)
Transfer to revenue reserves appropriated subsequent to year end	-	198,000	(198,000)	-
Total comprehensive income for the period from 1 January 2014 to 30 September 2014				
- Profit for the period	-	-	1,053,408	1,053,408
- Other comprehensive income - remeasurement of post employment obligation - net of tax	-	-	(19,668)	(19,668)
	-	-	1,033,740	1,033,740
<b>Balance as at 30 September 2014</b>	<b>341,179</b>	<b>2,803,000</b>	<b>1,034,067</b>	<b>4,178,246</b>

The annexed notes 1 to 41 form an integral part of these financial statements.



Mujtaba Rahim  
Chairman and Chief Executive Officer



M Veqar Arif  
Director and Chief Financial Officer

# NOTES TO THE FINANCIAL STATEMENTS

## For the period from 1 January 2014 to 30 September 2014

### 1 THE COMPANY AND ITS OPERATIONS

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

The Company is engaged in the manufacture and sale of chemicals, dyestuffs and emulsions. It also acts as an indenting agent.

#### 1.1 Basis of preparation

On 31 October 2013, Archroma Textile S.a.r.l, a group Company of SK Capital acquired entire shareholding of Clariant International Limited. During the period ended 30 September 2014, the Company has changed its financial year end from 31 December to 30 September to bring it in line with financial year followed by the new holding Company. All legal formalities in respect of this change have been complied with. Accordingly these financial statements have been prepared for the nine months period ended 30 September 2014, whereas corresponding figures are for the year ended 31 December 2013.

##### 1.1.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

##### 1.1.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain staff retirement benefits which are carried at present value.

##### 1.1.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the Company's functional and presentation currency. All amounts have been rounded to the nearest thousand Rupee.

##### 1.1.4 Critical accounting estimates and judgments

The preparation of these financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of 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 recognised 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.

# NOTES TO THE FINANCIAL STATEMENTS

## For the period from 1 January 2014 to 30 September 2014

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have a significant effect on the financial statements and estimates with significant risk of material judgment in the next financial year are set forth below:

- i) estimation of useful lives and residual values of operating fixed assets (notes 2.1 and 3.1);
- ii) estimation in writing down items of stores and spares to their net realisable value (notes 2.3 and note 5);
- iii) estimation in writing down items of stock-in-trade to their net realisable value (notes 2.4, and 6);
- iv) estimation of provision for impairment of trade debts (notes 2.5 and 7);
- v) provision for taxation (notes 2.6 and 28); and
- vi) calculation of provision for staff retirement gratuity (notes 2.10.1b and 23).

### 1.1.5 Standards, amendments or interpretations which became effective during the period

During the period, certain amendments to standards became effective. However, they did not have material effect on these financial statements.

New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 October 2014. The Company either does not expect to have any effect or any material / significant effect on its accounting policy due to their application when become effective other than increase in disclosures, if any.

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014).
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014).
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014).
- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014).
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016).
- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:
  - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of vesting condition' by separately defining 'performance condition' and 'service condition'.
  - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria.
  - Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'.
  - IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

# **NOTES TO THE FINANCIAL STATEMENTS**

## For the period from 1 January 2014 to 30 September 2014

### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

#### **2.1 Property, plant and equipment**

##### **2.1.1 Operating fixed 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.

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 balance sheet 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 3.1 to 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 profit and loss account as and when incurred.

Gains / losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit and loss account in the year in which they arise.

##### **2.1.2 Capital work-in-progress**

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

##### **2.1.3 Impairment**

The Company assesses at each balance sheet date whether there is objective evidence that property, plant and equipment may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount and the differences are recognised in the profit and loss account.

##### **2.1.4 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 costs such costs are capitalised as part of the cost of that asset. Currently, the company does not have any borrowing costs directly attributable to the acquisition of or construction of qualifying assets.

#### **2.2 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 balance sheet date. Balances considered bad and irrecoverable are written off when identified.



# **NOTES TO THE FINANCIAL STATEMENTS**

## For the period from 1 January 2014 to 30 September 2014

### **2.3 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.

### **2.4 Stock-in-trade**

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

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

Provision for obsolete and slow moving inventories is determined based on 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.

### **2.5 Trade and other receivables**

Trade and other receivables are carried at original invoice amount less an estimate for doubtful balances which is determined based on review of outstanding amounts and previous repayment pattern. Balances considered bad and irrecoverable are written off when identified.

### **2.6 Taxation**

#### **Current**

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

#### **Deferred**

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

# NOTES TO THE FINANCIAL STATEMENTS

## For the period from 1 January 2014 to 30 September 2014

### 2.7 Financial instruments

#### 2.7.1 Financial assets

##### 2.7.1.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets. The financial assets of the Company are categorized as follows:

##### a) Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as 'financial assets at fair value through profit or loss' category.

##### b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise of trade debts, loans and advances, deposits, cash and bank balances, investments and other receivables in the balance sheet.

##### c) Held-to-maturity

These are financial assets with fixed or determinable payments and fixed maturity which the Company has the positive intent and ability to hold to maturity.

##### d) Available-for-sale financial assets

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified either as (a) loans and receivables (b) held to maturity (c) financial assets at fair value through profit or loss.

##### 2.7.1.2 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 profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are taken directly to the profit and loss account. Financial assets carried at fair value through profit or loss.

##### 2.7.1.3 Subsequent measurement

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

##### a) 'Financial asset at fair value through profit or loss' and 'available-for-sale'

'Financial assets at fair value through profit or loss' are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the profit and loss account in the period in which these arise.

# **NOTES TO THE FINANCIAL STATEMENTS**

## For the period from 1 January 2014 to 30 September 2014

'Available-for-sale' financial assets are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are recognised in other comprehensive income.

### **b) 'Loans and receivables' and 'held-to-maturity'**

Loans and receivables and held-to-maturity financial assets are carried at amortised cost.

#### **2.7.1.4 Impairment**

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A significant or prolonged decline in the fair value of a financial asset below its cost / amortised cost is also an objective evidence of impairment. Provision for impairment in the value of financial assets, if any, is taken to the profit and loss account.

#### **2.7.1.5 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.

#### **2.7.2 Financial liabilities**

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

#### **2.7.3 Derecognition**

Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. 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 profit and loss account.

#### **2.8 Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents include cash in hand, cash in transit, cheques and drafts in hand and in transit, balances held with banks in current accounts, short term highly liquid investments having maturity of three months and short-term running finances. Short-term running finances are shown within short-term borrowing in current liabilities on the balance sheet.

#### **2.9 Trade and other payables**

Liability for trade and other amounts payable are carried at cost, which is the fair value of consideration to be paid in the future for goods and services whether or not billed to the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## For the period from 1 January 2014 to 30 September 2014

### 2.10 Staff benefits

#### 2.10.1 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 profit and loss account. The latest actuarial valuation was conducted at the balance sheet date by a qualified professional firm of actuaries.

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

#### 2.10.2 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.

### 2.11 Foreign currency transactions

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

### 2.12 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 balance sheet date and adjusted to reflect the current best estimate.

### 2.13 Proposed dividend and transfer between reserves

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

### 2.14 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- Sales are recognised as revenue when goods are delivered and invoiced.

# NOTES TO THE FINANCIAL STATEMENTS

## For the period from 1 January 2014 to 30 September 2014

-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.

### 2.15 Expenses

All expenses are recognized in the profit and loss account on an accrual basis.

### 2.16 Operating leases / assets acquired under Ijarah financing

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases and ijarah financing (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease / ijarah term.

### 2.17 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. The segment information has been disclosed in note 30 to these financial statements.

## 3 PROPERTY, PLANT AND EQUIPMENT

	Note	30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
Operating fixed assets	3.1	832,190	839,204
Capital work-in-progress	3.5	189,139	68,520
		<u>1,021,329</u>	<u>907,724</u>

# NOTES TO THE FINANCIAL STATEMENTS

## For the period from 1 January 2014 to 30 September 2014

### 3.1 Operating fixed assets:

	30 September 2014					Total
	Freehold land	Buildings on freehold land	Plant and machinery	Furniture, fixtures and equipment	Vehicles	
(Rupees in '000)						
<b>At 1 January 2014</b>						
Cost	47	447,522	1,190,400	407,729	666	2,046,364
Accumulated depreciation	-	(207,753)	(672,921)	(325,820)	(666)	(1,207,160)
Net book value	47	239,769	517,479	81,909	-	839,204
<b>Period ended 30 September 2014</b>						
Opening net book value	47	239,769	517,479	81,909	-	839,204
Additions	-	-	62,650	32,687	-	95,337
Disposals / writeoffs						
Cost	-	-	-	7,592	570	8,162
Accumulated depreciation	-	-	-	(7,592)	(570)	(8,162)
Depreciation charge for the period	-	(14,373)	(64,766)	(23,212)	-	(102,351)
Closing net book value	47	225,396	515,363	91,384	-	832,190
<b>At 30 September 2014</b>						
Cost	47	447,522	1,253,050	432,824	96	2,133,539
Accumulated depreciation	-	(222,126)	(737,687)	(341,440)	(96)	(1,301,349)
Net book value	47	225,396	515,363	91,384	-	832,190
Depreciation rate: % per annum	-	2.5 & 5	10 & 20	10 to 33.33	20	

	31 December 2013							Total
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Furniture, fixtures and equipment	Vehicles	
(Rupees in '000)								
<b>At 1 January 2013</b>								
Cost	36,314	18,797	467,055	161,237	1,199,230	395,655	721	2,279,009
Accumulated depreciation	-	(6,079)	(205,084)	(94,371)	(616,233)	(303,701)	(666)	(1,226,134)
Net book value	36,314	12,718	261,971	66,866	582,997	91,954	55	1,052,875
<b>Year ended 31 December 2013</b>								
Opening net book value	36,314	12,718	261,971	66,866	582,997	91,954	55	1,052,875
Additions	-	-	-	62,566	136,720	44,064	-	243,350
Disposals / write offs:								
Cost	-	-	900	-	2,673	873	-	4,446
Accumulated depreciation	-	-	(900)	-	(2,673)	(873)	-	(4,446)
Transferred from continuing operations to discontinued operations during the year:								
Cost	36,267	18,797	18,633	223,803	142,877	31,117	55	471,549
Accumulated depreciation	-	(6,154)	(15,495)	(96,372)	(23,962)	(10,611)	(13)	(152,607)
Depreciation charge for the year	-	(75)	(19,064)	(2,001)	(83,323)	(33,603)	(13)	(138,079)
Closing net book value	47	-	239,769	-	517,479	81,909	-	839,204
<b>At 31 December 2013</b>								
Cost	47	-	447,522	-	1,190,400	407,729	666	2,046,364
Accumulated depreciation / amortisation	-	-	(207,753)	-	(672,921)	(325,820)	(666)	(1,207,160)
Net book value	47	-	239,769	-	517,479	81,909	-	839,204
Depreciation rate: % per annum	-	1.32 & 5	2.5 & 5	5	10 & 20	10 to 33.33	20	

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 January 2014 to 30 September 2014

### 3.2 The depreciation charge for the period has been allocated as follows:

	Note	30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
Cost of goods sold	20	90,716	117,985
Distribution and marketing expenses	21	9,787	16,611
Administrative expenses	22	1,848	2,117
		<u>102,351</u>	<u>136,713</u>

### 3.3 Details of property, plant and equipment disposed of during the period:

Description	Mode of disposal	Cost	Accumulated depreciation	Book value	Sale proceeds	Particulars of buyers
----- (Rupees in '000) -----						
Furniture, fixtures and vehicles having book value below Rs. 50,000	Negotiation/ Company policy	8,162	8,162	-	56	Various / scrapped

3.4 The above disposal include equipment having Rs. Nil book value disposed of to key management personnel for Rs. 0.034 million as per company's policy.

### 3.5 Capital work-in-progress

	30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
Civil works	75,117	-
Plant and machinery	100,671	43,925
Equipment	13,351	24,595
	<u>189,139</u>	<u>68,520</u>

### 4 LONG-TERM LOANS AND ADVANCES - Considered good

Due from:		
Executives	33,347	40,534
Employees	6,405	7,991
	<u>39,752</u>	<u>48,525</u>
Less: Receivable within one year	16,707	17,385
	<u>23,045</u>	<u>31,140</u>

4.1 Loans to executives and employees are provided for the purchase of motor vehicles, furniture and for house building assistance in accordance with the terms of their employment. These loans are secured against provident fund, interest free and are repayable over varying periods ranging between two to six years.

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

	30 September 2014 (Rs '000) Executives	31 December 2013 (Rs '000) Executives
Opening balance	40,534	44,077
Disbursements / transfers during the period / year	4,240	17,107
Repayments during the year	(11,427)	(20,650)
Closing balance	<u>33,347</u>	<u>40,534</u>

4.3 The maximum aggregate amount due from the Executives at the end of any month during the period were Rs. 44.230 million (31 December 2013: Rs 54.657 million) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 January 2014  
to 30 September 2014

5	<b>STORES AND SPARES</b>	Note	30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
	Stores		4,784	4,024
	Spares		18,200	16,243
	In transit		1,939	4,157
			<u>24,923</u>	<u>24,424</u>
6	<b>STOCK-IN-TRADE</b>			
	Raw and packing materials including goods in transit of Rs 276.407 million (31 December 2013: Rs 252.986 million)		828,234	726,263
	Work-in-process	20	80,729	97,541
	Finished goods including goods in transit of Rs 44.935 million (31 December 2013: Rs 29.734 million)	6.1 & 20	657,794	618,845
		6.2	<u>1,566,757</u>	<u>1,442,649</u>
6.1	The above balance includes items costing Rs 0.711 million (31 December 2013: Rs 0.711 million) which have been valued at their net realisable value amounting to Rs 0.565 million (31 December 2013: Rs 0.565 million).			
6.2	This includes imported finished goods amounting to Rs 184.585 million (31 December 2013: Rs 112.681 million).			
7	<b>TRADE DEBTS</b>	Note	30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
	Related parties - considered good			
	- Archroma Turkey		-	3,518
	- PT Archroma Indonesia		4,718	3,266
	- Archroma (Thailand) Ltd.		7,279	8,425
	- Archroma Germany GmbH		7,467	3,327
	- Archroma Textile Mexico		-	1,895
	- Archroma Japan K.K.		1,274	600
	- Archroma France SAS		1,857	3,485
	- Archroma Hong Kong (Pvt) Ltd.		3,888	1,828
	- Archroma Peru S.A.		-	1,179
	- Archroma Singapore Pte Ltd		40,679	23,437
	- Archroma China Ltd.		-	2,349
	- Archroma Iberica S.L.		-	8,583
	- Archroma India Private Ltd		10,661	-
			<u>77,823</u>	<u>61,892</u>
	Others - considered good:			
	- Secured		65,915	88,226
	- Unsecured		1,886,917	1,709,541
			<u>2,030,655</u>	<u>1,859,659</u>
	Others - considered doubtful		120,715	108,253
			<u>2,151,370</u>	<u>1,967,912</u>
	Less: Provision for impairment against trade debts	7.1	<u>(120,715)</u>	<u>(108,253)</u>
			<u>2,030,655</u>	<u>1,859,659</u>
7.1	<b>Reconciliation of provision for impairment against trade debts</b>			
	Opening provision		108,253	176,220
	Charge for the period - net of reversal		12,462	-
	Transferred from continuing to discontinued operations during the year		-	(67,967)
	Closing provision		<u>120,715</u>	<u>108,253</u>



# NOTES TO THE FINANCIAL STATEMENTS

## For the period from 1 January 2014 to 30 September 2014

7.2 The aging of the trade debts receivable from related parties as at the balance sheet date is as under:

	Note	30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
Not past due		77,823	51,702
Past due 1-60 days		-	10,190
Total		<u>77,823</u>	<u>61,892</u>
<b>8 LOANS AND ADVANCES</b>			
<b>Considered good - secured</b>			
Current portion of loans and advances Amounts due from:			
- Executives		14,205	14,777
- Employees		<u>2,502</u>	<u>2,608</u>
	4	16,707	17,385
<b>Considered good - unsecured</b>			
Advances for supplies and services		<u>6,165</u>	<u>116</u>
		<u>22,872</u>	<u>17,501</u>
<b>9 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
Deposits		12,229	9,183
Short-term prepayments		<u>7,265</u>	<u>15,761</u>
		<u>19,494</u>	<u>24,944</u>
<b>10 OTHER RECEIVABLES</b>			
Due from the Government:			
- Sales tax		1,565,113	1,421,108
- Others		<u>3,797</u>	<u>2,250</u>
		1,568,910	1,423,358
Indent commission due from:			
- Related parties - group companies	10.1	4,244	86
- Others		<u>1,244</u>	<u>2,674</u>
Receivable from provident fund (related party)		29,520	10,453
Others		<u>3,771</u>	<u>2,230</u>
		<u>1,607,689</u>	<u>1,438,801</u>

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

	30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
Archroma Management GmbH	1,493	-
P.T. Archroma Indonesia	122	86
Archroma India Pvt Ltd.	65	-
Archroma Thailand	78	-
Archroma Hong Kong	155	-
Archroma Singapore Pte Ltd.	<u>2,331</u>	<u>-</u>
	<u>4,244</u>	<u>86</u>

10.1.1 The above balances are current and not past due.

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 January 2014  
to 30 September 2014

11 INVESTMENTS		30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
<b>Loans and receivables</b>			
Investments in:			
- Term deposit receipts		-	100,000
- Musharaka certificates		-	100,000
		<u>-</u>	<u>200,000</u>
<b>12 CASH AND BANK BALANCES</b>			
With banks in current accounts		19,962	265,014
Cash in hand		3,094	3,308
Cheques in hand		383,713	260,000
		<u>406,769</u>	<u>528,322</u>
<b>13 SHARE CAPITAL</b>			
<b>13.1 Authorised capital</b>			
	<b>30 September 2014</b>	<b>31 December 2013</b>	
	(Number of shares)		
	<u>50,000,000</u>	<u>50,000,000</u>	Ordinary shares of Rs 10 each
		<u>500,000</u>	<u>500,000</u>
<b>13.2 Issued, subscribed and paid-up capital</b>			
	7,441,639	7,441,639	Ordinary shares of Rs. 10 each issued for consideration other than cash
			74,416
	26,676,242	26,676,242	Ordinary shares of Rs. 10 each issued as fully paid bonus shares
			266,763
	<u>34,117,881</u>	<u>34,117,881</u>	<u>341,179</u>
			<u>341,179</u>
<b>13.3</b> Archroma Textiles S.a.r.l., Luxembourg held 25,588,533 (31 December 2013: 25,588,533) ordinary shares of Rs 10 each at 30 September 2014.			
<b>14 DEFERRED TAXATION - net</b>			
<i>Deferred tax liabilities arising on taxable temporary differences:</i>			
Accelerated tax depreciation allowance		86,808	92,831
<i>Deferred tax assets arising on deductible temporary differences:</i>			
Provision for impairment against trade debts		31,265	5,304
Employees retirement benefits		10,590	-
		<u>41,855</u>	<u>5,304</u>
		<u>44,953</u>	<u>87,527</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 January 2014  
to 30 September 2014

15 TRADE AND OTHER PAYABLES	Note	30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
Creditors		300,158	394,577
Accrued liabilities	15.1	304,321	299,230
Bills payable:			
- Related party - Parent Company:			
- Archroma Textiles S.a.r.l., Luxembourg,		57,447	16,077
- Related parties - other group companies		65,901	13,958
- Others		688,585	659,666
Unclaimed dividend		27,188	17,889
Workers' Profit Participation Fund	15.2	12,608	14,187
Workers' Welfare Fund		43,802	66,790
Royalty payable - Parent Company			
- Archroma Textiles S.a.r.l., Luxembourg,		20,770	3,632
Management fee payable to Archroma Textiles S.a.r.l., Luxembourg, (Parent Company)		-	46,973
Payable to employees cooperative society (related party)	15.3	13,332	13,381
Others		6,613	2,858
		<u>1,540,725</u>	<u>1,549,218</u>

**15.1** Included in accrued liabilities is an amount of Rs 69.044 million (31 December 2013: Rs 51.969 million) in respect of employees compensated absences.

15.2 Workers' Profit Participation Fund	Note	30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
Balance at 1 January		14,187	81,191
Allocation for the period / year	25	<u>66,111</u>	<u>129,847</u>
		80,298	211,038
Interest on funds utilised in the Company's business	27	<u>1,497</u>	<u>4,340</u>
		81,795	215,378
Less: Amounts paid to and on behalf of the fund		<u>69,187</u>	<u>201,191</u>
Balance at 30 September / 31 December		<u>12,608</u>	<u>14,187</u>

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

16 MARK-UP ACCRUED	Note	30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
Mark-up accrued on:			
Short-term running finances utilised under mark-up arrangements		9,911	-
Secured short-term loans		15,080	-
		<u>24,991</u>	<u>-</u>
		<u>24,991</u>	<u>-</u>
<b>17 SHORT-TERM BORROWINGS - SECURED</b>			
<b>From banking companies</b>			
Short-term loans	17.1	525,000	-
Short-term running finances utilised under mark-up arrangements	17.2	<u>367,577</u>	-
		<u>892,577</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

## For the period from 1 January 2014 to 30 September 2014

**17.1** These local currency loans are repayable on various dates between October 2014 to December 2014. These loans were secured by hypothecation of the Company's stock-in-trade and trade debts.

**17.2** Short term running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs. 1,800 million (31 December 2013: Rs. 2,453 million), These facilities have various maturity dates upto 31 May 2015. These arrangements are secured against a pari passu charge of hypothecation of the Company's stock-in-trade and trade debts with minimum 16.5% margin. These running finance facilities carry mark-up ranging from 1 month KIBOR + 0.25% to 1 month KIBOR + 1.25% per annum calculated on a daily product basis, that is payable monthly / quarterly. The aggregate amount of these facilities which have not been availed as at the balance sheet date amounts to Rs. 1,275 million.

**17.3** The facilities for opening letters of credit as at 30 September 2014 amounted to Rs 1,400 million (31 December 2013: Rs 1,400 million) of which the amount utilised at the period end was Rs 319.058 million (31 December 2013: Rs 319.058 million). Whereas bank guarantees amounted to Rs 300 million (31 December 2013: Rs 300 million).

### **18 CONTINGENCIES AND COMMITMENTS**

#### **18.1 Contingencies**

**18.1.1** Octroi levies amounting to approximately Rs 31.319 million are in dispute with a contractor. A petition has been filed by the Company in the Court of law challenging the above levies which was decided in favor of the Company during the year ended 31 December 2012. However, an appeal has been filed by the counter party, which is pending for hearing. As management is confident that the decision will be in favour of the Company, no provision has been made in these financial statements in respect of the aforesaid amount.

**18.1.2** During the year ended 31 December 2007, a damages and compensation case was filed in the Civil Court, Lahore against the Company and one of its affiliates for claim of approximately Rs 50 million 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 the Company 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.

**18.1.3** During the year ended 31 December 2009, the Company received notices from the sales tax authorities to show cause as to why certain products of the company should not be eligible for zero-rating. An adverse action under such show cause may result in a demand of Rs 233.424 million along with the default surcharges on supply of the products to its customers from June 2007 to June 2009. The Company has, however, restrained the tax authorities from proceeding with the matter till the decision of the suit. Management is confident, based on the legal advice, that the matter will be decided in favour of the Company as the zero rating status of the supplies is available in view of SRO 163(1)/2011 dated 2 March 2011. Accordingly, the management is of the opinion that the Company will not be exposed to any loss on account of this action. Therefore, no provision has been made in these financial statements in this respect.

**18.1.4** During the year ended 31 December 2013, a group of shareholders of the Company filed a suit for recovery of Rs. 522 million by claiming that Clariant Pakistan Limited (now Archroma Pakistan Limited) sold assets to Clariant Chemical Pakistan (Private) Limited on non-arms length basis and that the assets were under priced. The petition is under review of the Honourable High Court of Sindh. Management is confident that the case will be decided in favour of the Company. Accordingly, no provision has been made in these financial statements in respect of this case.

#### **18.2 Commitments**

**18.2.1** Commitments for capital expenditure as at 30 September 2014 aggregated Rs 12.993 million (31 December 2013: Rs 135.302 million).

# NOTES TO THE FINANCIAL STATEMENTS

## For the period from 1 January 2014 to 30 September 2014

**18.2.2** Commitments for rentals under operating lease agreements in respect of vehicles and equipment amounted to Rs 20.985 million (31 December 2013: Rs 13.137 million). The amounts payable over the next five years and onwards are as follows:

Year	30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
2014	-	3,355
2015	7,539	3,106
2016	5,307	3,046
2017	4,287	3,630
2018 and onwards	3,852	-
	<u>20,985</u>	<u>13,137</u>

**18.2.3** Commitments for rentals under operating lease agreements in respect of rented property amounted to Rs 17.161 million (31 December 2013: Rs 3.271 million). The amounts payable over the next five years and onwards are as follows:

Year	30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
2014	660	3,271
2015	3,976	-
2016	4,261	-
2017	4,154	-
2018 and onwards	4,110	-
	<u>17,161</u>	<u>3,271</u>

**18.2.4** Commitments for Ijarah rentals in respect of Ijarah transactions amounted to Rs 74.439 million (31 December 2013: Rs 87.037 million) payable upto 2018 are as follows:

	30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
Not later than one year	28,723	31,312
Later than one year but not later than five years	45,716	55,725
	<u>74,439</u>	<u>87,037</u>

**18.2.5** The Company has provided bank guarantees of Rs 56.766 million (31 December 2013: Rs 25.725 million) in favour of various parties.

**18.2.6** The Company has provided post dated cheques amounting to Rs. 201.938 million in favour of the Collector of Customs and which are, in the normal course of business, to be returned to the Company after fulfillment of certain conditions.

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 January 2014  
to 30 September 2014

## 19 NET SALES

	Textile		Emulsion		Paper		Others		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
(Rupees in '000)										
<b>Sales</b>										
Local	5,190,877	5,693,149	950,598	1,126,771	181,072	186,351	412,462	186,430	6,735,009	7,192,701
Export	885,458	1,036,001	1,633	-	768	-	-	-	887,859	1,036,001
Total sales	6,076,335	6,729,150	952,231	1,126,771	181,840	186,351	412,462	186,430	7,622,868	8,228,702
Discounts and commission	442,814	484,999	16,331	24,818	198	1,975	-	-	459,343	511,792
Sales tax	114,790	108,030	140,860	108,314	26,351	20,447	9,247	-	291,248	236,791
	557,604	593,029	157,191	133,132	26,549	22,422	9,247	-	750,591	748,583
<b>Net sales (from external customers)</b>	<b>5,518,731</b>	<b>6,136,121</b>	<b>795,040</b>	<b>993,639</b>	<b>155,291</b>	<b>163,929</b>	<b>403,215</b>	<b>186,430</b>	<b>6,872,277</b>	<b>7,480,119</b>

## 20 COST OF GOODS SOLD

	Note	Nine months period ended 30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
Raw and packing materials consumed		3,590,900	3,915,343
Stores, spares and supplies consumed		57,977	60,423
Salaries, wages and benefits	20.1	254,673	309,726
Fuel and power		99,371	112,036
Group management charges - Archroma Management GmbH		-	18,789
Legal and professional charges		496	501
Royalty		12,052	16,651
Traveling and entertainment		8,489	11,242
Communication		20,999	25,460
Rent, rates and taxes		8,938	9,739
Insurance		17,163	9,867
Repairs and maintenance		36,121	68,660
Depreciation / amortisation	3.2	90,716	117,985
Printing and stationery		3,815	2,384
Opening stock of work-in-process		97,541	25,134
Closing stock of work-in-process	6	(80,729)	(97,541)
Cost of goods manufactured		4,218,522	4,606,399
Opening stock of finished goods		618,845	535,696
Finished goods purchased		772,474	720,221
Included under distribution and marketing expenses:			
Cost of samples issued	21	(4,163)	(3,953)
Cost of shortages and breakages	21	(137)	(1,413)
Rebate on exports		(1,914)	(2,243)
Closing stock of finished goods	6	(657,794)	(618,845)
		<u>4,945,833</u>	<u>5,235,862</u>

# NOTES TO THE FINANCIAL STATEMENTS

## For the period from 1 January 2014 to 30 September 2014

### 20.1 Staff retirement benefits

Salaries, wages and benefits include Rs 34.466 million and Rs 5.344 million (31 December 2013: Rs 16.125 million and Rs 5.920 million) in respect of defined benefit scheme and defined contribution plan respectively.

21 DISTRIBUTION AND MARKETING EXPENSES	Note	Nine months period ended 30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
Salaries and benefits	21.1	154,207	217,346
Traveling and entertainment		53,202	61,332
Repairs and maintenance		10,980	7,595
Business event participation		17,861	6,295
Rent, rates and taxes		18,850	26,631
Communication		8,268	23,358
Printing and stationery		14,635	23,436
Insurance		4,096	6,136
Group management charges - Archroma Management GmbH		-	18,789
Legal and professional charges		8,775	3,254
Fuel and power		11,782	13,416
Depreciation	3.2	9,787	16,611
Outward freight and handling		125,266	180,245
Shortages and breakages	20	137	1,413
Samples issued	20	4,163	3,953
Fees and subscription		1,370	683
Books and periodicals		69	135
		443,448	610,628

### 21.1 Staff retirement benefits

Salaries and benefits include Rs 14.513 million and Rs 5.789 million (31 December 2013: Rs 9.129 million and Rs 4.483 million) in respect of defined benefit scheme and defined contribution plan respectively.

22 ADMINISTRATIVE EXPENSES	Note	Nine months period ended 30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
Salaries and benefits	22.1	93,645	119,970
Traveling and entertainment		796	1,577
Repairs and maintenance		4,054	5,664
Rent, rates and taxes		11,803	13,452
Communication		4,954	8,013
Printing and stationery		1,883	724
Insurance		421	575
Group management charges - Archroma Management GmbH		-	9,394
Legal and professional charges		2,086	18,459
Fuel and power		456	550
Depreciation	3.2	1,848	2,117
Fees and subscription		1,830	1,854
Books and periodicals		131	128
		123,907	182,477

### 22.1 Staff retirement benefits

Salaries and benefits include Rs 4.582 million and Rs 3.291 million (31 December 2013: Rs 17.110 million and Rs 7.461 million) in respect of defined benefit scheme and defined contribution plan respectively.

# NOTES TO THE FINANCIAL STATEMENTS

## For the period from 1 January 2014 to 30 September 2014

### 23 STAFF RETIREMENT BENEFIT

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

##### 23.1.1 Salient features

The Company offers an approved gratuity fund for all employees. Annual contributions are made to the fund on the basis of actuarial recommendations. The gratuity is governed under the Trusts Act, 1882, Trust Deed and Rules of Fund, Companies Ordinance, 1984, 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, 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.

##### 23.1.2 Valuation results

The Company operates an approved funded gratuity scheme for all eligible employees. Actuarial valuation is carried out every year and the latest valuation was carried out as at 30 September 2014. The information provided in notes 23.1.3 to 23.1.15 has been obtained from the actuarial valuation carried out as at 30 September 2014. The following significant assumptions have been used for valuation of this scheme:

	Nine months period ended 30 September 2014	31 December 2013
<i>Financial assumptions</i>		
a) Expected rate of increase in salary level	13.5%	13.0%
b) Discount rate	13.0%	13.0%
c) Expected return on plan assets	13.0%	13.0%
<i>Demographic assumptions</i>		
Mortality rate	SLIC (2001-05)	SLIC (2001-05)
Rates of employee turnover	Low	Low



# NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 January 2014  
to 30 September 2014

23.1.3 Amounts recognised in the balance sheet:	Note	30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
Present value of defined benefit obligation	23.1.4	664,254	554,973
Less: Fair value of plan assets	23.1.5	(664,254)	(554,973)
Deficit / (surplus)		<u>-</u>	<u>-</u>
<b>23.1.4 Movement in present value of defined benefit obligation:</b>			
Obligation at the beginning of the period / year		554,973	617,819
Current service cost		25,088	33,529
Interest cost		53,705	59,914
Curtailement loss		-	21,947
Benefits paid		(8,309)	(193,648)
Actuarial losses		38,797	15,412
Obligation at the end of the period / year		<u>664,254</u>	<u>554,973</u>
<b>23.1.5 Movement in fair value of plan assets:</b>			
Fair value at the beginning of the period / year		554,973	617,819
Return on plan assets		55,489	63,129
Company contributions		53,562	55,905
Benefits paid		(8,309)	(193,648)
Actuarial gains		8,539	11,768
Fair value at the end of the period / year		<u>664,254</u>	<u>554,973</u>
<b>23.1.6 Movement in the net defined benefit liability/(asset)</b>			
Opening balance		-	-
Net periodic benefit cost / (income) for the period / year		23,304	30,314
Contribution paid during the period / year		(53,562)	(55,905)
Benefits paid during the year		-	-
Re-measurements recognized in other comprehensive income during the period / year		30,258	3,644
Curtailement loss		-	21,947
Closing balance		<u>-</u>	<u>-</u>
<b>23.1.7 Amounts recognised in the profit and loss account:</b>			
Current service cost		25,088	33,529
Net interest		(1,784)	(3,215)
Curtailement loss		-	21,947
		<u>23,304</u>	<u>52,261</u>
<b>23.1.7 Remeasurement gains / losses recognised in other comprehensive income:</b>			
Unrecognised actuarial gain / (loss) at beginning of the period / year		-	-
Actuarial gain / (loss) on defined benefit obligation for the period / year		38,797	(15,412)
Actuarial gain / (loss) on fair value of plan assets during the period / year		(8,539)	11,768
Amount recognised in other comprehensive income		<u>(30,258)</u>	<u>3,644</u>
Unrecognised actuarial gain / (loss) at end of the period / year		<u>-</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 January 2014 to 30 September 2014

## 23.1.8 Component of defined benefit costs (re-measurement) recognized in other comprehensive income:

	Nine months period ended 30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
Re-measurements: Actuarial loss / (gain) on obligation		
Experience adjustment	38,797	(15,412)
Re-measurements: Actuarial (gain)/loss on plan assets		
Experience adjustment	(7,806)	11,768
Financial assumption	(733)	-
	(8,539)	11,768
	<u>30,258</u>	<u>(3,644)</u>

23.1.8 Actual return on plan assets during the year was Rs. 64.028 million (31 December 2013: Rs. 74.897 million).

## 23.1.9 Sensitivity analysis

a) The impact of 1% change in following variables on defined benefit obligation is as follows:

	Change in assumption	Increase in assumption	Decrease in assumption
		(Rupees in '000)	
Discount rate	1%	619,286	714,905
Expected rate of increase in salaries	1%	709,986	622,791

The impact on defined benefit obligation due to increase in life expectancy by 1 year would be Rs. 664.300 million (31 December 2013: Rs 555.608 million).

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.

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

## 23.1.11 Plan assets comprise of the following:

	30 September 2014 (Rs '000)	Percentage composition	31 December 2013 (Rs '000)	Percentage composition
Debt securities	97,736	14.71%	94,561	17.04%
Investments in units of mutual funds	543,422	81.81%	455,853	82.14%
Balances with banks	23,096	3.48%	4,559	0.82%
	<u>664,254</u>	<u>100%</u>	<u>554,973</u>	<u>100%</u>

23.1.12 As per the actuarial recommendations, the expected return on plan assets was taken as 13.5% (31 December 2013:13%), 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.

23.1.13 Based on actuarial advice, the Company intends to charge an amount of Rs 32.051 million in the financial statements for the year ending 30 September 2015.

# NOTES TO THE FINANCIAL STATEMENTS

## For the period from 1 January 2014 to 30 September 2014

### 24 Defined contribution plan - provident fund

24.1 During the period an amount of Rs 14.423 million (31 December 2013: Rs 21.050 million) has been charged to the profit and loss account in respect of the Company's contributions to the employees provident fund.

### 24.2 Employees Provident Fund

The Board of Trustees of the Provident Funds have decided to merged the "Senior Provident Fund" and Junior Provident Fund" under a consolidated Provident Fund namely "Employees Provident Fund".

The following information is based upon the latest unaudited financial statements of the provident fund as at 30 June 2014 and the audited financial statements as at 30 June 2013:

	30 June 2014 (un-audited) (Rs '000)	30 June 2013 (audited) (Rs '000)
Size of the Fund	421,388	480,566
Cost of investments made	324,104	421,534
Fair value of investments	390,063	467,842
Percentage of investment made	92.57%	97.35%

### 24.3 The break-up of investments is as follows:

	30 June 2014 (un-audited) Rupees in '000	30 June 2014 (un-audited) Percentage	30 June 2013 (audited) Rupees in '000	30 June 2013 (audited) Percentage
Certificate of Investments	55,522	14.20%	52,046	11.00%
Debts Securities	22,727	5.80%	42,345	9.10%
Investment in Units of mutual funds	294,804	75.60%	322,163	68.90%
Certificate of Deposits	17,010	4.40%	51,288	11.00%
Government Securities	-	0.00%	-	0.00%
	<u>390,063</u>	<u>100%</u>	<u>467,842</u>	<u>100%</u>

### 25 OTHER EXPENSES

	Note	Nine months period ended 30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
Auditors' remuneration	25.1	1,703	2,313
Workers' Profit Participation Fund	15.2	66,111	106,102
Provision for impairment of trade debts		12,462	-
Workers' Welfare Fund		26,208	42,571
Donations	25.2	1,100	1,100
Others		3,481	-
		<u>111,065</u>	<u>152,086</u>

#### 25.1 Auditors' remuneration

Audit fee		1,000	864
Fee for half yearly review		585	585
Special certifications and sundry services		100	464
Out of pocket expenses		18	400
		<u>1,703</u>	<u>2,313</u>

25.2 None of the directors or his spouse have any interest in any of the donees.

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 January 2014  
to 30 September 2014

26 OTHER INCOME	Note	Nine months period ended 30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
<i>Income from non-financial assets</i>			
Indenting commission - net of payment of Rs 4.105 million (31 December 2013: Rs 4.007 million)		5,339	7,458
Sale of scrap		8,494	7,309
Gain on disposal of operating fixed assets		56	30
		<u>13,889</u>	<u>14,797</u>
<i>Income from financial assets</i>			
Income from investment		4,133	6,421
		<u>18,022</u>	<u>21,218</u>
<b>27 FINANCE COSTS</b>			
Interest on:			
Workers' Profit Participation Fund	15.2	1,497	3,385
Mark-up on :			
- Long-term financing		-	12,546
- Short-term running finances		22,543	29,837
- Short-term loans		18,212	49,433
- Deposits by employees society - related party		1,432	1,005
Exchange loss - net		(50,142)	73,222
Bank charges and other costs		13,836	12,430
		<u>7,378</u>	<u>181,858</u>
<b>28 TAXATION - NET</b>			
Current - for the period		297,244	295,708
- for prior years		(60,000)	(30,000)
Deferred		(31,984)	(41,081)
		<u>205,260</u>	<u>224,627</u>
<b>28.1 Reconciliation between tax expense and accounting profit</b>			
Accounting profit before taxation - Continuing Operations		1,258,668	1,138,426
Accounting profit before taxation - Discontinued Operations		-	1,275,894
Accounting profit before taxation - Total		<u>1,258,668</u>	<u>2,414,320</u>
Tax rate		<u>33%</u>	<u>34%</u>
Tax on accounting profit		415,360	820,869
Tax effect of prior years		(60,000)	(30,000)
Tax effect of income taxed under final tax regime		(93,554)	(149,370)
Tax effect of Items that are not deductible in determining taxable profit - permanent differences		4,112	-
Tax effect of rebates		(13,581)	(19,657)
Others including the impact of allocation ratio of NTR and FTR and tax rebates		(47,077)	(112,336)
		<u>205,260</u>	<u>509,506</u>

# NOTES TO THE FINANCIAL STATEMENTS

## For the period from 1 January 2014 to 30 September 2014

**28.2** Income tax assessments of the Company have been finalized upto and including tax year 2013 on the basis of the tax return filed under section 120 of the Income Tax Ordinance 2001. However, the return may be selected for detailed audit within five years from the date of filing of return and the Income Tax Commissioner may amend the assessment if any objection is raised in the audit.

The Company has filed the appeal before the learned Appellate tribunal Inland Revenue (ATIR) 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 of certain disallowed expenses.

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 the appeal against the amended assessment before the learned Commissioner Inland Revenue (Appeals) [CIR(A)], Karachi which is pending for adjudication.

Both the appeals have been heard by the learned ATIR, however, the decision is yet to be received.

### 29 EARNING PER SHARE

#### 29.1 Basic

Profit after taxation from continuing operations attributable to ordinary shareholders

Nine months period ended 30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
1,053,408	913,799
-	991,015
34,117,881	34,117,881
(Rupees)	(Rupees)
30.88	26.79
-	29.04
30.88	55.83

Profit after taxation from discontinued operations attributable to ordinary shareholders

Weighted average number of ordinary shares outstanding during the period / year

Earnings per share - continuing operations

Earnings per share - discontinued operations

Total earnings per share

#### 29.2 Diluted

There were no convertible dilutive potential ordinary shares in issue as at 30 September 2014 and 31 December 2013.

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 January 2014 to 30 September 2014

## 30 SEGMENT INFORMATION

	Textile		Emulsions		Paper		* Others		Total	
	Nine months period ended 30 Sept. 2014	Dec 2013	Nine months period ended 30 Sept. 2014	Dec 2013	Nine months period ended 30 Sept. 2014	Dec 2013	Nine months period ended 30 Sept. 2014	Dec 2013	Nine months period ended 30 Sept. 2014	Dec 2013
<b>Net sales</b>	5,518,731	6,136,121	795,040	993,639	155,291	163,929	403,215	186,430	6,872,277	7,480,119
<b>Segment results based on 'management approach'</b>	1,175,200	1,127,729	137,502	182,706	39,445	44,194	-	-	1,352,147	1,354,629
Other operating expenses - WPPF & WWF									92,319	90,276
Gain on sale of disposal group classified as 'held for sale'									-	-
Income from Investments									4,133	6,421
Assets charged to profit and loss for internal reporting purposes based on group guidelines									2,085	(992)
<b>Operating profit</b>									1,266,046	1,269,782
Finance costs									7,378	131,356
<b>Profit before taxation</b>									1,258,668	1,138,426
<b>30.1 Depreciation</b>	100,663	132,684	14	23	13	18	-	-	100,690	133,647
Unallocated									1,661	4,432
									102,351	138,079
<b>30.2 Segment assets</b>										
Unallocated	4,000,267	2,338,283	476,400	507,269	41,410	34,618			4,518,077	2,880,170
									2,210,567	3,606,968
									6,728,644	6,487,138
<b>30.3 Segment liabilities</b>										
Unallocated	1,262,718	1,091,732	268,808	58,066	8,689	4,635			1,540,215	1,154,433
									1,010,183	482,312
									2,550,398	1,636,745
<b>30.4 Fixed capital expenditures</b>										
Unallocated	209,273	75,248	-	-	-	-			209,273	109,134
									6,684	-
									215,957	109,134

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

# NOTES TO THE FINANCIAL STATEMENTS

## For the period from 1 January 2014 to 30 September 2014

### 30.5 Geographical information

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

Domestic sales  
Export sales

	Nine months period ended 30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
Domestic sales	6,735,009	7,192,701
Export sales	887,859	1,036,001
	<u>7,622,868</u>	<u>8,228,702</u>

The Company exports its products to numerous countries.

30.6 As at 30 September 2014, all non-current assets of the Company are located in Pakistan.

30.7 26.45% and 13.26% (collectively 39.71%) of the Company's gross sales for the year ended 30 September 2014 (31 December 2013: 22.55% and 17.98% [collectively 40.53%]) were made to two distributors. The segment wise sales to these two distributors is as follows:

	Textile		Emulsions		Paper		Total	
	Nine months period ended 30 Sept. 2014	31 December 2013	Nine months period ended 30 Sept. 2014	31 December 2013	Nine months period ended 30 Sept. 2014	31 December 2013	Nine months period ended 30 Sept. 2014	31 December 2013
	-----%							
Distributor 1	26.45	22.55	-	-	-	-	26.45	22.55
Distributor 2	13.26	17.98	-	-	-	-	13.26	17.98

### 31 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	Chief Executive Officer		Directors		Executives		Total	
	Nine months period ended 30 Sept. 2014	31 December 2013	Nine months period ended 30 Sept. 2014	31 December 2013	Nine months period ended 30 Sept. 2014	31 December 2013	Nine months period ended 30 Sept. 2014	31 December 2013
	----- (Rupees in '000) -----							
<b>Short-term employee benefits</b>								
Managerial remuneration (including and leave pay)	12,267	10,146	6,020	6,970	107,926	168,107	126,213	185,223
Bonus	5,505	9,453	2,617	2,807	12,563	20,581	20,685	32,841
Housing and utilities	5,916	6,163	3,311	3,833	59,360	92,459	68,587	102,455
Medical	42	90	73	211	3,540	7,956	3,655	8,257
Share based payments	-	3,548	-	-	-	-	-	3,548
<b>Post employment benefits</b>								
Retirement benefits	3,271	3,830	1,605	1,904	26,885	38,411	31,761	44,145
	<u>27,001</u>	<u>33,230</u>	<u>13,626</u>	<u>15,725</u>	<u>210,274</u>	<u>327,514</u>	<u>250,901</u>	<u>376,469</u>
Number of persons	1	1	1	1	122	156	124	158

31.1 The remuneration for Executives also includes Rs 7.658 million (31 December 2013: Rs 8.401 million) paid to 1 (31 December 2013: 1) alternate Director.

31.2 The aggregate amount charged in these financial statements for fee to non-executive directors was Rs 0.075 million (31 December 2013: Rs 0.100 million).

31.3 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.

31.4 Comparative year figures include expenses incurred till date of transfer of employees to Clariant Chemicals Pakistan (Private) Limited pursuant to sale of non core business of the Company during last year.

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 January 2014  
to 30 September 2014

## 32 TRANSACTIONS WITH RELATED PARTIES

	Parent Company		Other Related Parties		Key Management Personnel	
	Nine months period ended 30 Sept. 2014	31 December 2013	Nine months period ended 30 Sept. 2014	31 December 2013	Nine months period ended 30 Sept. 2014	31 December 2013
	----- (Rupees in '000) -----					
Sales	-	-	588,944	705,437	-	-
Disposal of certain business units	-	-	-	2,659,462	-	-
Purchases of goods and machinery	146,382	583,885	148,980	337,523	-	-
Indenting commission earned	-	20,589	8,916	15,912	-	-
Export commission paid	12,176	12,279	-	6,070	-	-
Royalty expense	12,052	42,044	-	-	-	-
Other charges	-	67,359	-	-	-	-
Dividend paid	1,279,420	511,768	-	-	-	-
Transaction with key management personnel:						
- Salaries, benefits and compensation	-	-	-	-	57,659	72,977
- Post employment benefits	-	-	-	-	8,180	10,820
- Share based payments	-	-	-	-	-	3,548

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 Textiles S.a.r.l., Luxembourg, 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 balance sheet notes. All balances are interest free, unsecured and repayable on demand.

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 3.4 and 4 to the financial statements. Particulars of transactions with Workers' Profit Participation Fund and staff retirement benefit funds are disclosed in notes 15.1, 15.3, 23, 25 and 27 to the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

## For the period from 1 January 2014 to 30 September 2014

### 33 CAPACITY AND PRODUCTION

Production during the year was 25,624 tonnes (31 December 2013: 37,976 tonnes). The capacity is indeterminable because of multi-product plants involving varying processes of manufacture.

The Company's production was according to market demand.

### 34 STAFF STRENGTH

	30 September 2014	31 December 2013
	No. of employees	No. of employees
Number of employees as at 30 September / 31 December	216	223
Average number of employees during the period / year	216	269

Note

### 35 CASH GENERATED FROM OPERATIONS

	Nine months period ended 30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
Profit before taxation	1,258,668	2,414,320
Adjustment for non-cash charges and other items:		
Depreciation / amortisation	102,351	138,079
Provision for impairment of trade debts	-	-
Gain on disposal of operating fixed assets	(56)	(30)
Gain on disposal of assets 'held for sale' and discontinued operations	-	(1,072,423)
Provision for staff gratuity	23,304	52,261
Interest / mark-up expense	40,755	121,332
Working capital changes	(482,203)	(919,527)
	942,819	734,012

#### 35.1 Working capital changes

##### (Increase) / decrease in current assets

Stores and spares	(499)	3,338
Stock-in-trade	(124,108)	(425,853)
Trade debts	(170,996)	(488,540)
Loans and advances	(5,371)	4,592
Trade deposits and short term prepayments	5,450	851
Other receivables	(168,887)	(226,423)
	(464,411)	(1,132,035)

##### (Decrease) / increase in current liabilities

Trade and other payables - net	(17,792)	212,508
	(482,203)	(919,527)

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 January 2014  
to 30 September 2014

## 36 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:

	Note	30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
Investments	11	-	200,000
Cash and bank balances	12	406,769	528,322
Short-term running finances utilised under mark-up arrangements	17	(367,577)	-
		<u>39,192</u>	<u>728,322</u>

## 37 FINANCIAL INSTRUMENTS BY CATEGORY

### 37.1 Financial assets and financial liabilities

#### Financial assets

##### Loans and receivables

Loans	39,752	48,525
Deposits	14,868	11,927
Trade debts	2,030,655	1,859,659
Investments	-	200,000
Other receivables	38,779	15,443
Cash and bank balances	406,769	528,322
	<u>2,530,823</u>	<u>2,663,876</u>

#### Financial liabilities

##### Financial liabilities at amortised cost

Short-term loans	525,000	-
Short-term running finances utilised under mark-up arrangements	367,577	-
Mark-up accrued	24,991	-
Trade and other payables	1,484,315	1,468,241
	<u>2,401,883</u>	<u>1,468,241</u>

# NOTES TO THE FINANCIAL STATEMENTS

## For the period from 1 January 2014 to 30 September 2014

### 38 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:

#### 38.1 Credit risk and concentration of credit risk

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

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

Credit risk arises from bank balances, cheques in hand, deposits and credit exposures to customers, including trade debts and other receivables. Out of the total financial assets of Rs 2,530.823 million (2013: Rs 2,663.876 million), the financial assets that are subject to credit risk amounted to Rs 2,527.729 million (31 December 2013: Rs 2,656.648 million).

The total bank balance of Rs 118.362 million (31 December 2013: Rs 265.014 million) have been placed with banks having short-term credit rating ranging from A1+ to A-1+. 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.

The most significant financial asset exposed to credit risk is the trade debts of the Company. For trade debts, individual credit limits are assigned to customers based on the recommendations from respective business unit heads keeping in view their payment history, financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. The concentration of credit risk lies in the top 5 (31 December 2013: 12) customers which constitute 55.57% (31 December 2013: 47.07%) of the company's trade debts.

The breakup of amount due from customers other than related parties as disclosed in note 7 to these financial statements is presented below:

	30 September 2014 (Rs '000)	31 December 2013 (Rs '000)
<b>Due from customers other than related parties</b>		
Direct customers	778,027	847,984
Distributors	1,174,805	949,783
	<u>1,952,832</u>	<u>1,797,767</u>

Out of the total trade debts of Rs 2,151.37 million (31 December 2013: Rs. 1,967.912 million), the Company has made a provision for Rs 120.715 million (31 December 2013: Rs. 108.253 million) as the amounts being doubtful of recovery from customers. The aging profile of trade debts overdue but not impaired is as follows:

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 January 2014 to 30 September 2014

	30 September 2014 Gross amount	30 September 2014 Impairment	31 December 2013 Gross amount	31 December 2013 Impairment
	----- (Rupees in '000) -----			
Not yet Due	1,696,389	-	1,330,325	-
Upto 3 months	285,759	-	428,148	-
3-6 Months	48,506	-	101,186	-
6-12 Months	20,744	20,744	23,785	23,785
1-2 years	22,996	22,996	8,213	8,213
Over 2 years	76,975	76,975	76,255	76,255
	<u>2,151,370</u>	<u>120,715</u>	<u>1,967,912</u>	<u>108,253</u>

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

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

## 38.2 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 2014				
	Carrying amount	On demand	Contractual cash flows	Upto one year	More than one year
	----- (Rupees) -----				
<b>Financial liabilities</b>					
Trade and other payables	1,507,372	-	(1,507,372)	(1,507,372)	-
Short term borrowings	892,577	(892,577)	-	-	-
	<u>2,399,949</u>	<u>(892,577)</u>	<u>(1,507,372)</u>	<u>(1,507,372)</u>	<u>-</u>
	31 December 2013				
	Carrying amount	On demand	Contractual cash flows	Upto one year	More than one year
	----- (Rupees) -----				
<b>Financial liabilities</b>					
Trade and other payables	1,549,218	-	(1,549,218)	(1,549,218)	-

## 38.3 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.

# NOTES TO THE FINANCIAL STATEMENTS

## For the period from 1 January 2014 to 30 September 2014

### 38.3.1 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) and Euro. The details of balances are as follows:

	30 September 2014		
	(USD '000)	(EUR '000)	(CHF '000)
Trade debts	14	-	-
Other receivables	-	-	-
Trade payables	(66)	(5)	(2)
Other payables	-	-	-
Net foreign currency exposure	<u>(52)</u>	<u>(5)</u>	<u>(2)</u>
	31 December 2013		
	(USD '000)	(EUR '000)	(CHF '000)
Trade debts	1,453	-	-
Other receivables	23	4	-
Trade payables	(6,018)	(268)	(522)
Other payables	-	-	-
Net foreign currency exposure	<u>(4,542)</u>	<u>(264)</u>	<u>(522)</u>

At 30 September 2014, if the Pakistani Rupee had weakened / strengthened by 1% against the US Dollar, Euro and Swiss Franc with all other variables held constant, profit before taxation for the year would have been higher / lower by Rs 0.062 million (31 December 2013: Rs 8.906 million).

### 38.3.2 Interest rate risk

Interest rate risk is the risk that the fair value of 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 balance sheet date, the interest rate profile of the Company's interest-bearing financial instrument is:

	Carrying amount 30 September 2014 (Rs '000)	Carrying amount 31 December 2013 (Rs '000)
<b>Fixed rate instruments</b>		
Financial assets	<u>-</u>	<u>200,000</u>
Variable rate instruments		
Financial liabilities	<u>892,577</u>	<u>-</u>

#### 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 the Profit and Loss Account. Therefore a change in interest rates at the reporting date would not affect the Profit and Loss Account.

#### Cash flow sensitivity analysis for variable rate instruments

At 30 September 2014, if the Pakistani Rupee had weakened / strengthened by 1% against the US Dollar, Euro and Swiss Franc with all other variables held constant, profit after taxation for the year would have been higher / lower by Rs 5.980 million (31 December 2013: Rs 0.025 million).

# NOTES TO THE FINANCIAL STATEMENTS

## For the period from 1 January 2014 to 30 September 2014

Effective interest / mark-up rates for the monetary financial liabilities are as follows:

	30 September 2014 (Percentage)	31 December 2013 (Percentage)
Short-term loans	10.47 - 11.60	-
Short-term running finances utilised under mark-up arrangement	10.70 - 11.50	-
Investments	-	8.88 - 9.50

### 38.4 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates. As at 30 September 2014 the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying values.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

### 38.5 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.

### 39 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

**39.1** Subsequent to the year end, Archroma Textiles S.a.r.l, the major shareholder has entered into an agreement to acquire BASF's textile business. The transaction comprises BASF global textile chemical business, including the legal entity of BASF Pakistan (Private) Limited.

**39.2** The Board of Directors of the Company in its meeting held on 30 October 2014 has proposed a cash dividend in respect of the period ended 30 September 2014 of Rs 25 per share (31 December 2013: cash dividend of Rs 50 per share). Further, the Board has also announced appropriation of Rs 180 million (31 December 2013: Rs 198 million) from unappropriated profit to revenue reserves. These appropriations will be approved in the forthcoming Annual General Meeting. The financial statements for the period ended 30 September 2014 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending 30 September 2015.

### 40 CORRESPONDING FIGURES

Corresponding figures have been restated / rearranged and reclassified, wherever necessary, for the purpose of comparison. There have been no significant reclassifications / restatements in these financial statements.

### 41 DATE OF AUTHORISATION

These financial statements were authorised for issue on 30 October 2014 by the Board of Directors of the Company.



Mujtaba Rahim  
Chairman and Chief Executive Officer



M Veqar Arif  
Director and Chief Financial Officer

## Notice of Meeting

NOTICE is hereby given that the Nineteenth Annual General Meeting of Archroma Pakistan Limited will be held at the Company's Registered Office at 1-A/1, Sector 20, Korangi Industrial Area, Korangi, Karachi on Friday, 26 December 2014 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 Period ended 30 September 2014 along with the Directors' Report thereon.
2. To approve 250% final cash dividend (Rs: 25/- per share), as recommended by the Directors.
3. To approve appointment of external auditors for the year 2015 and to fix their remuneration. The Audit Committee has recommended the name of Messrs KPMG Taseer Hadi & Co., Chartered Accountants, the retiring auditors, who have also offered themselves for re-appointment.
4. To transact any other ordinary business with the permission of the Chair.

By order of the Board



M Veqar Arif  
Director / Company Secretary

Karachi: 4th December 2014

### NOTES:

1. The Share Transfer Books of the Company will remain closed from 19th December 2014 to 26th December 2014 (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 Shahra-e-Faisal, Karachi, by 18th December 2014 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.
4. Pursuant to the directives of the Securities and Exchange Commission of Pakistan, CNIC number is mandatorily required to be mentioned on dividend warrants, You are therefore requested to submit a copy of your valid CNIC (only Physical Shareholders), if not already provided to FAMCO ASSOCIATES (PVT) LIMITED, 8-F, Next to Hotel Faran, Nursery, Block 6, P.E.C.H.S, Shahrah-e-Faisal, Karachi (the Share Registrar). In case of non-receipt of the copy of valid CNIC, Archroma Pakistan Limited (the Company) would be unable to comply with SRO 831(1)/2012 dated 5 July 2012 of SECP.

## Notice of Meeting

5. In order to make process of payment of cash dividend more efficient, e-dividend mechanism has been envisaged when shareholders can get amount of the dividend credited into their respective bank accounts electronically without any delay. In this way, dividends may be instantly credited to respective bank accounts and there are no chances of dividend warrants getting lost in the post, undelivered or delivered to the wrong address, etc. The Securities and Exchange Commission of Pakistan (SECP) through Notice No. 8(4) SM/CDC 2008 dated April 05, 2013 has advised all listed companies to adopt e-dividend mechanism due to the benefits it entails for the shareholders. In view of the above, you are hereby encouraged to provide a dividend mandate in favour of e-dividend by providing dividend mandate form duly filled in and signed specifying: (i) title of account, (ii) account number, (iii) bank name, (iv) branch name, code and address.

6. **Deduction of Income tax from Dividend under Section 150 of the Income tax Ordinance 2001 ("Income tax Ordinance").**

(i) The Government of Pakistan through Finance Act, 2014 has made certain amendments in section 150 of the withholding tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

· For filers of income tax returns:	10%
· For non-filers of income tax returns	15%

To enable the company to make tax deduction on the amount of cash dividend @ 10% instead of 15%, all the 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 make sure that their names are entered into ATL before the date for payment of cash dividend i.e. 02 January 2015 otherwise tax on their cash dividend will be deducted @ 15% instead of 10%.

(ii) For any query/problem/information, the investors may contact the company and/or the Share Registrar at the following phone numbers, email address

**Company:**

Name: M. Veqar Arif  
Email: vaqar.arif@archroma.com  
Contact no: 021-111-275-000

**Share Registrar:**

Name: Hussain Ahmed  
Email: hussain.ahmed@famco.com.pk  
Tel: 092-021-34380101-5

(iii) 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 the company or its Share Registrar i.e FAMCO ASSOCIATES (PVT) LIMITED, 8-F, Next to Hotel Faran, Nursery, Block 6, P.E.C.H.S, Shahrah-e-Faisal Karachi. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

The Company has placed the Annual Report 2014 on its website [www.archroma.com.pk](http://www.archroma.com.pk)



# / PATTERN OF SHAREHOLDINGS

As at 30 September 2014

## Form 34

No. of Shareholders	Shareholding			Shares held
497	1	-	100	21,524
524	101	-	500	165,868
259	501	-	1,000	212,441
402	1,001	-	5,000	952,292
100	5,001	-	10,000	745,789
30	10,001	-	15,000	365,095
12	15,001	-	20,000	202,921
9	20,001	-	25,000	197,499
6	25,001	-	30,000	166,223
1	30,001	-	35,000	33,500
3	35,001	-	40,000	119,300
6	40,001	-	45,000	254,275
2	45,001	-	50,000	100,000
2	50,001	-	55,000	102,300
1	55,001	-	60,000	60,000
2	60,001	-	65,000	123,500
1	65,001	-	70,000	65,800
2	85,001	-	90,000	179,000
1	110,001	-	115,000	110,401
1	115,001	-	120,000	120,000
1	125,001	-	130,000	127,550
1	140,001	-	145,000	140,580
1	175,001	-	180,000	177,406
1	195,001	-	200,000	196,045
1	280,001	-	285,000	284,266
1	320,001	-	325,000	324,200
1	350,001	-	355,000	353,570
1	805,001	-	810,000	808,357
1	1,815,001	-	1,820,000	1,819,646
1	25,585,001	-	25,590,000	25,588,533
<u>1,871</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.	-	-	-
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.	5	482,818	1.42
Insurance Companies	8	1,474,058	4.32
Modarabas and Mutual Funds	9	2,035,816	5.97
Share holders holding 10%	1	25,588,533	75.00
General Public :			
a. Local	1,800	3,938,258	11.54
b. Foreign			
Others	47	597,698	1.75
<b>Total (excluding : share holders holding 10%)</b>	<u>1,871</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., Luxemburg	1	25,588,533	75.00

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

# PATTERN OF SHAREHOLDINGS

## Information as required under Code of Corporate Governance as at September 30, 2014

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	1,690
CDC - TRUSTEE AKD OPPORTUNITY FUND	1	50,000
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	7,000
CDC - TRUSTEE JS AGGRESSIVE ASSET ALLOCATION FUND	1	5,100
CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	1	10,200
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	1,819,646
GOLDEN ARROW SELECTED STOCKS FUND LIMITED	1	140,580
<b>Total :</b>	<b>7</b>	<b>2,034,216</b>
<b>iii. Directors</b>		
	-	-
<b>Total :</b>	<b>-</b>	<b>-</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>		
	18	1,379,425
<b>Total :</b>	<b>18</b>	<b>1,379,425</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
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	1,819,646
<b>Total :</b>	<b>2</b>	<b>27,408,179</b>

# 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 Nineteenth Annual General Meeting of the Company to be held on Friday, 26 December 2014 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.





[www.archroma.com](http://www.archroma.com)

**ARCHROMA PAKISTAN LTD.**

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