



3RD QUARTER REPORT 2020 **(Ended June 2020)**



CONTENTS

Company Information

Directors' Report

Condensed Interim Statement of Financial Position

Condensed Interim Statement of Profit or Loss and Other Comprehensive Income

Condensed Interim Statement of Cash Flows

Condensed Interim Statement of Changes in Equity

Condensed Interim Notes to the Financial Statements

COMPANY INFORMATION

Chairman	• Dr S Mubarik Ali	
Board of Directors	• Marcos Furrer • Michel Zumstein • Mujtaba Rahim • M Z Moin Mohajir • Roland Waibel • Shahid Ghaffar • Yasmin Peermohammad	(Alternate: Irfan Chawala) (Alternate: Naveed Kamil) - Chief Executive Officer (Alternate: M Veqar Arif)
Chief Financial Officer	• M Veqar Arif	
Company Secretary	• M Irfan Lakhani	
Management Committee	• Mujtaba Rahim • Qazi Naeemuddin • Irfan Chawala • Muhammad Altaf	• M Veqar Arif • Naveed Kamil • Muhammad Haroon
Audit Committee	• M Z Moin Mohajir • Michel Zumstein • Shahid Ghaffar • M Irfan Lakhani	- Chairman (Alternate: Naveed Kamil) - Secretary
Human Resources and Remuneration Committee	• Yasmin Peermohammad • Mujtaba Rahim • Michel Zumstein	- Chairman (Alternate: Naveed Kamil)
Bankers	• Bank Al Habib Limited • Habib Bank Limited • Meezan Bank Limited • National Bank of Pakistan • Standard Chartered Bank (Pakistan) Limited	
Auditors	• KPMG Taseer Hadi & Co. Chartered Accountants	
Legal Advisors	• Fazleghani Advocates	
Share Registrars	• FAMCO Associates (Pvt) Limited 8-F, Next to Hotel Faran, Nursery Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi	
Registered Office	• 1-A/1, Sector 20, Korangi Industrial Area, Korangi, Karachi	
Factories	• Petaro Road, Jamshoro, Sindh • LX-10, LX-11 Landhi Industrial Area Karachi	
Sales & Marketing Offices	• Katar Bund Road, Off. Multan Road, Thokar Niaz Baig, Lahore • Canal Road, Abdullah Pur, Faisalabad	
Website	• www.archroma.com.pk	
E-mail	• archroma.pakistan@archroma.com	

REPORT OF BOARD OF DIRECTOR'S

The Directors' of the Company are pleased to present their Report for the third quarter ended 30 June 2020, together with the condensed interim financial information of the Company for the period ended 30 June 2020.

Business Overview

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

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

During the quarter under review, the company's customers in both the local & export markets operated at less than 30% capacity utilization, with severe liquidity and 'conversion to cash challenges'. With the given challenging market scenario, the entire Archroma team joined hands to prioritize "Cash collections over Sales". This strategy of the Company was also fully supported by its Business partners, Customers and all Stakeholders.

The strong first half year's sales performance partially offset the below third quarter sales and your Company was able to achieve an overall sales performance of PKR 11,585

million for the cumulative nine months of the financial year 2020 versus PKR 12,964 million, during the same period last year, which represents a decline 10.6% versus same period last year.

Due to the challenging business environment, including lower sales volumes in the third quarter, and PKR devaluation impact profitability also declined to PKR 783 million for the cumulative nine months of the financial year 2020 versus PKR 1,109 million, in the same period last year.

Future Outlook

Although the remaining part of the on-going calendar year is expected to remain challenging both for Global & local economies, but with the day-to-day improvement in demand from its customers, better accessibility to necessary raw materials and Government support measures with respect to facilitating cash availability for the Industry and its consumption markets, the Company's sales volumes are expected to improve in third quarter of the calendar year 2020.

Moreover, the fast and emerging changes in consumption lifestyles has also provided the Company with an opportunity to narrow the gap for offsetting the decline in Fashion & Clothing with more sustainable growth in Safety & protective gear, Medical textiles, Home Care & hygiene segments of the Specialty Chemicals Industry.

Composition of Board

The composition of the Board is as follows:

- | | |
|------------------|---|
| a) Male members: | 7 |
| b) Lady member: | 1 |

Out of the above:

- | | |
|-----------------------------|---|
| a) Executive Director: | 1 |
| b) Non-Executive Directors: | 4 |

On behalf of the Board



Mujtaba Rahim
Chief Executive Officer



M Veqar Arif
Director

ڈائریکٹرز آف کمپنی ۳۰ جون ۲۰۲۰ کو ختم ہونے والی تیسری سہ ماہی کی رپورٹ بمعہ کمپنی کی آڈٹ شدہ عبوری مالی تفصیلات جس کا اختتام ۳۰ جون ۲۰۲۰ کو ہوا پیش کرتے ہوئے انتہائی مسرت محسوس کرتے ہیں۔

عمومی جائزہ کاروبار:

دنیا بھر میں COVID-19 وباء کے باعث اور اس سے احتیاطی تدابیر کا نفاذ جس کے سبب سفری پابندیاں، لاک ڈاؤن، غیر ضروری خدمات پر پابندی اور فیکٹریوں کی بندش نے دنیا بھر کے کاروبار پر انتہائی منفی اثر ڈالا ہے۔ مجموعی معاشی بندش کی وجہ سے تیسری سہ ماہی میں آپ کی کمپنی کی کاروباری کارکردگی بھی بری طرح متاثر ہوئی ہے۔

ملک میں COVID-19 وباء کے باعث آپ کی کمپنی نے انتہائی سخت احتیاطی تدابیر اور فوری ایس او بیس (SOPs) اختیار کرتے ہوئے کام کرنے کی جگہوں پر ورکرز کی حفاظت کو یقینی بنایا جس کی بدولت لاک ڈاؤن کے دوران کمپنی خصوصی اجازت نامہ حاصل کرنے اور اپنی پروڈکشن آپریشن کو بحال کرنے میں کامیاب ہوئی اور ایکسپورٹ کے انتواء آرڈرز کو ترجیح دی۔

زیر نظر سہ ماہی کے دوران کمپنی کے صارفین یعنی مقامی اور برآمدی دونوں مارکیٹوں میں ۳۰ فیصد سے بھی کم استعداد پر رہے جس میں شدید لیکویڈیٹی کی کمی اور کمپنی کے مسائل کو مد نظر رکھتے ہوئے آر کروما کی تمام ٹیم نے سباز سے زیادہ پیش اٹھنا کر نا کو ترجیح دینے کی پالیسی اپنائی۔ اس حکمت عملی کو ہمارے کاروباری شراکت داروں، صارفین اور تمام اسٹیک ہولڈرز کی پزیرائی بھی حاصل رہی۔

پہلی ششماہی کی مضبوط کارکردگی نے تیسری سہ ماہی کی فروخت کو جزوی طور پر پورا کیا اور آپ کی کمپنی گزشتہ سال اس مدت کے دوران 12,964 ملین روپے کے مقابلے میں مالی سال ۲۰۲۰ کے مجموعی طور پر نو ماہ کے دوران 11,585 ملین روپے کی مجموعی سباز حاصل کرنے میں کامیاب رہی جو کہ پچھلے سال کی اس مدت کے مقابلے 10.6 فیصد کی ظاہر کرتی ہے۔

بورڈ کی جانب سے:

محمد تقی رحیم
چیف ایگزیکٹو آفیسر

کراچی: ۲۸ جولائی ۲۰۲۰

سخت کاروباری حالات کی وجہ کم سباز، پاکستانی روپے کی قدر میں کمی کی وجہ سے تیسری سہ ماہی میں کمپنی کے منافع میں فرق پڑا گزشتہ سال اس ہی مدت کے دوران مالی سال ۲۰۲۰ کے مقابلے میں 1,199 ملین روپے کے نو ماہ میں 783 ملین روپے رہا۔

مستقبل کا منظر نامہ:

اگرچہ توقع کی جارہی ہے کہ موجودہ کاروباری صورتحال مقامی طور پر اور پوری دنیا میں فی الحال اس ہی طرح جاری رہے گی۔ امکان ہے کہ صارفین کی جانب سے روز بروز طلب میں اضافہ، خام مال کی بہتر رسائی حکومت کی جانب بہتر اقدامات، صنعت میں اس کی کھپت، مارکیٹوں کے لئے کمپنی کی دستیابی یہ وہ عناصر ہیں جن کے سبب کمپنی کی سباز کیلینڈر سال ۲۰۲۰ کی تیسری سہ ماہی میں بہتر ہونے کی توقع کی جارہی ہے۔

تیزی سے بدلتی ہوئی صورتحال جیسے کہ لائف اسٹائل میں تبدیلی فیشن اور لباس میں کم ہوتے جتن نے کمپنی کو موقع فراہم کیا ہے کہ وہ اپنی کیمیکلز انڈسٹری کے طہنات سفٹی اور حفاظتی لباس، میڈیکل ٹیکسٹائل، ہوم کیمیر اور حفظانِ صحت کے طہنات میں گروتھ بڑھا کے مزید مواقع پیدا کر سکے۔

بورڈ کی ترتیب:

ڈائریکٹرز کی کل تعداد:

07	(الف) حضرات
01	(ب) خواتین

ترتیب

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

محمد وقار عارف
ڈائریکٹر

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2020

	Note	Unaudited 30 June 2020	Audited 30 September 2019
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,006,530	1,914,464
Long-term loans		-	107
Long-term deposits		6,099	6,095
Long-term prepayments		-	1,073
		2,012,629	1,921,739
Current assets			
Stores and spares		54,150	49,357
Stock-in-trade		4,294,325	3,056,054
Trade debts		2,520,630	3,916,346
Loans and advances		444	448
Trade deposits and short-term prepayments		48,388	57,692
Other receivables		1,651,406	1,714,250
Taxation - net		310,936	147,948
Cash and bank balances		295,729	598,957
		9,176,008	9,541,052
TOTAL ASSETS		11,188,637	11,462,791
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
50,000,000 ordinary shares of Rs. 10 each		500,000	500,000
Share capital			
Issued, subscribed and paid-up capital		341,179	341,179
General Reserves			
Revenue reserve		3,238,000	3,096,000
Unappropriated profit		786,415	1,680,258
		4,024,415	4,776,258
		4,365,594	5,117,437
LIABILITIES			
Non-current liabilities			
Deferred taxation - net		63,315	59,581
Deferred liabilities		8,507	63,189
Long term loan - secured	7	130,185	-
Lease liabilities		103,970	9,412
Liabilities against diminishing musharaka finance		105,268	81,160
		411,245	213,342
Current liabilities			
Trade and other payables		3,457,334	3,027,570
Unclaimed dividend		72,841	65,986
Mark-up accrued		35,479	81,986
Current portion of Long term loan - secured	7	43,395	-
Short-term borrowings	8	2,741,365	2,920,070
Current portion of lease liabilities		19,159	12,243
Current portion of liabilities against diminishing musharaka finance		42,225	24,157
		6,411,798	6,132,012
		6,823,043	6,345,354
TOTAL EQUITY AND LIABILITIES		11,188,637	11,462,791
Contingencies and commitments			
	9		

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Mujtaba Rahim
Chief Executive Officer



M Veqar Arif
Director & Chief Financial Officer

Karachi: 28 July 2020

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the nine months period ended 30 June 2020

	Note	Quarter ended		Nine months period ended	
		30 June 2020 (Rupees in '000)	30 June 2019	30 June 2020 (Rupees in '000)	30 June 2019
Sales	11	2,168,275	5,115,044	13,752,938	13,770,095
Discount and commission	11	80,920	235,143	583,100	582,769
Sales tax	11	249,021	79,015	1,584,882	223,113
		329,941	314,158	2,167,982	805,882
Net sales	11	1,838,334	4,800,886	11,584,956	12,964,213
Cost of goods sold		1,353,233	3,330,698	8,383,027	8,945,435
Gross profit		485,101	1,470,188	3,201,929	4,018,778
Distribution and marketing expenses		250,682	484,307	1,242,651	1,326,404
Administrative expenses		145,501	112,526	425,923	367,027
Impairment loss on trade debts		9,007	5,567	13,193	143,752
Other expenses		228	35,314	83,057	107,780
		405,418	637,714	1,764,824	1,944,963
		79,683	832,474	1,437,105	2,073,815
Other income		2,399	3,102	15,577	11,009
		82,082	835,576	1,452,682	2,084,824
Finance costs		93,097	384,588	407,196	708,489
Profit before taxation		(11,015)	450,988	1,045,486	1,376,335
Taxation - net		(11,990)	144,265	262,024	267,372
Profit after taxation		975	306,723	783,462	1,108,963
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		975	306,723	783,462	1,108,963
----- (Rupees) -----					
Earnings per share	12	0.03	8.99	22.96	32.50

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Mujtaba Rahim
Chief Executive Officer



M Veqar Arif
Director & Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine months period ended 30 June 2020

	Note	30 June	
		2020	2019
----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	13	2,090,678	1,205,158
Staff gratuity and long-term service awards paid		(69,503)	(29,353)
Mark-up paid		(212,260)	(148,834)
Income taxes paid		(421,278)	(261,602)
Movement in long-term loans		107	573
Movement in long-term deposits and prepayments		1,069	341
Net cash generated from operating activities		1,388,813	766,283
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(183,796)	(183,146)
Proceeds from disposal of property, plant and equipment		3,618	5,749
Net cash used in investing activities		(180,178)	(177,397)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment against lease liabilities		(14,541)	(15,790)
Payment against diminishing musharika finance		(20,496)	18,912
Financing against diminishing musharika finance		56,749	-
Long term borrowings - proceeds		173,580	-
Short-term borrowings - proceeds		2,022,273	2,487,750
Short-term borrowings - repayments		(1,806,000)	(1,470,000)
Dividend paid		(1,528,450)	(1,363,635)
Net cash used in financing activities		(1,116,885)	(342,763)
Net increase in cash and cash equivalents		91,750	246,123
Cash and cash equivalents at beginning of the period		(278,390)	(1,057,596)
Cash and cash equivalents at end of the period	14	(186,640)	(811,473)

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Mujtaba Rahim
Chief Executive Officer



M Veqar Arif
Director & Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months period ended 30 June 2020

	Issued, subscribed and paid-up capital	General Reserves		
		Revenue reserve	Unappropriated profit	Total
	----- (Rupees in '000) -----			
Balance as at 30 September 2018 (audited)	341,179	2,968,000	1,496,033	4,805,212
Transfer to revenue reserve appropriated subsequent to year end	-	128,000	(128,000)	-
Transactions with owners of the Company - Distribution				
Final cash dividend at 400% (i.e. Rs. 40 per share) for the year ended 30 September 2018	-	-	(1,364,715)	(1,364,715)
Total comprehensive income for the period ended 30 June 2019				
Profit for the period	-	-	1,108,963	1,108,963
Other comprehensive income	-	-	-	-
	-	-	1,108,963	1,108,963
Balance as at 30 June 2019 (unaudited)	<u>341,179</u>	<u>3,096,000</u>	<u>1,112,281</u>	<u>4,549,460</u>
Balance as at 30 September 2019 (audited)	341,179	3,096,000	1,680,258	5,117,437
Transfer to revenue reserve appropriated subsequent to year end	-	142,000	(142,000)	-
Transactions with owners of the Company - Distribution				
Final cash dividend at 450% (i.e. Rs. 45 per share) for the year ended 30 September 2019	-	-	(1,535,305)	(1,535,305)
Total comprehensive income for the period ended 30 June 2020				
Profit for the period	-	-	783,462	783,462
Other comprehensive income	-	-	-	-
	-	-	783,462	783,462
Balance as at 30 June 2020 (unaudited)	<u>341,179</u>	<u>3,238,000</u>	<u>786,415</u>	<u>4,365,594</u>

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Mujtaba Rahim
Chief Executive Officer



M Veqar Arif
Director & Chief Financial Officer

Karachi: 28 July 2020

CONDENSED INTERIM NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 30 June 2020

1. THE COMPANY AND ITS OPERATIONS

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

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

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

Factories

- Petro Road, Jamshoro, Sindh
- LX-10 & LX-11 Landhi Industrial Area Karachi, Sindh

Sales offices

- Katar Bund Road, Off. Multan Road, Thokar Niaz Baig, Lahore
- Canal Road, Abdullah Pur, Faisalabad

2. SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT REPORTING PERIOD

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally. Measures taken to contain the spread of the virus, including lock-downs, travel bans, quarantines, social distancing, and closures of non-essential services and factories triggered significant disruptions to businesses worldwide and in Pakistan, resulting in an economic slowdown.

General economic activities in Pakistan also slowed down during the quarter under review for the same reasons. However, with the gradual opening up of the local & export Industry, economic activity in the Country is on the uptick, especially from the month of June, 2020. The Management is of the view that with the day-to-day improvement in demand from its Customers, better accessibility to necessary Raw Materials and Government support measures with respect to facilitating Cash availability for the Industry and its consumption markets, the Company's sales volumes are anticipated to ramp up from third quarter of the calendar year 2020.

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

- International Accounting Standard (IAS) 34 - "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB), as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34 or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

CONDENSED INTERIM NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 30 June 2020

3.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention except as stated otherwise and should be read in conjunction with the annual audited financial statements of the Company for year ended 30 September 2019.

3.3 Functional and presentation currency

These condensed interim financial statements are presented in Pakistani Rupees which is also the Company's functional currency.

4. SIGNIFICANT ACCOUNTING POLICIES

- 4.1** The accounting policies and method of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in preparation of the published annual audited financial statements of the Company for the year ended 30 September 2019 except for the changes in accounting policies on adoption of IFRS 16 'Leases' as of 1 October 2019 as explained in note 4.3.1 to these condensed interim financial statements.

Further, pursuant to SECP press release dated February 15, 2019, adoption of IFRS 9 was deferred till the financial year ended 30 June 2019. Accordingly, The condensed interim financial statements for the period ended 31 March 2019 were not prepared on the basis of IFRS 9 and therefore the comparative figures for the period ended 30 June 2020 have been rearranged. Summary of change is presented in note 16 to these condensed interim financial statements.

4.2 New standards, interpretations and amendments adopted by the Company

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

The Company has adopted IFRS 16 'Leases' from 1 October 2019. The impact of adoption of IFRS 16 and related accounting policies are disclosed in note 4.3.1 below. A number of other new standards are effective from 1 October 2019 but they do not have a significant effect on the Company and are therefore not stated in these condensed interim financial statements.

4.3 Change in accounting policy

- 4.3.1** IFRS 16 introduces a single, on-balance sheet accounting model for lessees. As a result, the Company as a lessee has recognised right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligations to make lease payments. The accounting policies relating to Company's right-of-use assets and lease liabilities are as follows:

Lease liabilities and right-of-use assets

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

CONDENSED INTERIM NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 30 June 2020

From 1 October 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Company.

The lease liabilities are initially measured at the present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liabilities are subsequently measured at amortised cost using the effective interest rate method. They are remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the respective right-of-use asset, or is recorded in profit or loss if the carrying amount of that right-of-use asset has been reduced to zero.

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the corresponding lease liability.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 October 2019. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. On adoption of IFRS 16, the Company recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 October 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 October 2019 was 14.16%.

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the condensed interim statement of financial position immediately before the date of initial application, accordingly, there is no impact on the opening balances of unappropriated profit as on 1 October 2019. The recognised right-of-use assets relates to the office space acquired on rental basis.

The Company has applied judgement to determine the lease term for office space acquired on rental basis in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

CONDENSED INTERIM NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 30 June 2020

The impact of adoption of IFRS 16 on the condensed interim statement of financial position as at 30 June 2020 and condensed interim statement of profit or loss and other comprehensive income for the nine months period ended 30 June 2020 is as follows:

	Carrying Amount	
	30 June 2020	1 October 2019
	(Rupees in '000)	
Right-of-use asset - Building presented in operating fixed assets*	110,209	119,765
Lease liability	110,932	110,772
		Nine months period ended 30 June 2020 (Rupees in '000)
Depreciation expense		8,833
Interest expense presented in finance costs		11,166

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

4.4 Standards, Interpretations and Amendments to Published Approved Accounting and Reporting Standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 October 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020 unless the new guidance contains specific scope outs.

CONDENSED INTERIM NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 30 June 2020

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited financial statements of the Company for the year ended 30 September, 2019 except for the changes as stated in note 4.3.1 above.

6. PROPERTY, PLANT AND EQUIPMENT

Note 30 June 2020 30 Sept. 2019
(Rupees in '000)

Operating fixed assets	6.1	1,871,442	1,869,849
Capital work-in-progress	6.2	135,088	44,615
		<u>2,006,530</u>	<u>1,914,464</u>

6.1 Operating fixed assets

6.1.1 The following operating assets have been added during the nine months period ended 30 June:

	Plant and machinery	Furniture, fixtures and equipment		Vehicles		Total June 2020	Total June 2019
	Owned	Owned	ROUA	Owned	ROUA		
(Rupees in '000)							
Additions for the quarter 31 March 2020	6,435	19,840	1,865	-	38,540	66,680	72,367
Additions for the quarter 30 June 2020	-	8,434	-	-	18,209	26,643	15,782
Total	<u>6,435</u>	<u>28,274</u>	<u>1,865</u>	<u>-</u>	<u>56,749</u>	<u>93,323</u>	<u>88,149</u>

6.1.2 Operating fixed assets include right-of-use asset on buildings of Rs 119.77 million recognised during the period on adoption of IFRS 16 'Leases'.

6.1.3 Additions to owned furniture, fixtures and equipments includes direct additions of Rs. 16.74 million and transfers from capital work in progress of Rs 11.54 million, respectively.

6.1.4 Property, plant and equipment disposed off during the nine months period ended 30 June are as follows:

	Furniture, fixtures	Vehicles		Total June 2020	Total June 2019
	Owned	Owned	ROUA		
(Rupees in '000)					
Cost	909	1,039	13,770	15,718	21,345
Accumulated depreciation	(771)	(1,039)	(10,524)	(12,334)	(16,227)
Net book value	<u>138</u>	<u>-</u>	<u>3,246</u>	<u>3,384</u>	<u>5,118</u>

CONDENSED INTERIM NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 30 June 2020

- 6.2** Additions to capital work in progress during the nine months period ended 30 June 2020 amounts to Rs. 135.08 million and transfers to operating fixed assets amounts to Rs. 58.40 million.

7. LONG-TERM BORROWINGS - secured

- 7.1** To combat the impact of COVID-19 and to provide cash-flow support to the businesses, State Bank of Pakistan introduced a temporary re-finance scheme for the payment of wages & salaries to the employees & workers. The Company has availed such Re-finance scheme for the payment of Salaries & Wages to its employees & workers for the period April – June 2020 amounting to PKR 173.58 million at mark-up of 3% per annum. The facility is secured by 33% margin with charge over Plant & Machinery for a period of 2 years and 6 months and repayable in 8 quarterly principal installments, starting from January 2021.

8. SHORT-TERM BORROWINGS - secured

- 8.1** Short term Islamic finance facilities are available under Islamic financing from various banks under profit arrangements, amounting to Rs.4,500 million (30 September 2019: Rs.4,200 million). These facilities have various maturity dates up to 30 September 2020. These arrangements are secured against pari passu charge of hypothecation on stock-in-trade and trade debts with minimum 16.67% margin. These facilities carry profit ranging from 1 month KIBOR+0.25% to 3 month KIBOR+ 0.40% per annum calculated on daily products basis and payable quarterly. The aggregate amount of these facilities which have not been availed as at the reporting date to Rs. 1,758.63 million (30 September 2019: Rs 1,279.93 million).

- 8.2** The Company has availed Islamic Export Refinance facility-part I amounting to Rs. 607.99 million (30 September 2019 : Nil) and Islamic Export Refinance facility-Part II amounting to Rs. 1,651 million (30 September 2019: Rs 1,135 million) under the Islamic Export financing Scheme of the State Bank of Pakistan (SBP). The profit rates on these facilities is 3.00% per annum (30 September 2019: 2.5% to 2.75% per annum).

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

- 9.1.1** There is no significant change to the status of litigations as disclosed in the annual audited financial statements for the year ended 30 September 2019 except as disclosed in note 9.1.2 below.

- 9.1.2** In February 2020, the Company has filed a suit in the High Court of Sindh (SHC) challenging the imposition of Gas Infrastructure Development Cess (GIDC) mainly on the ground that the same is illegal and ultra vires to the Constitution. The SHC has granted stay order till the next date of hearing and directed the concerned authorities not to charge GIDC from the Company. Accordingly, from February 2020 onwards no GIDC is being charged to the Company.

9.2 Commitments

- 9.2.1** The Company has provided bank guarantees amounting to Rs. 109.42 million (30 September 2019: Rs. 101.22 million) in favour of third parties.

- 9.2.2** The Company has provided post dated cheques amounting to Rs. 2,561.35 million (30 September 2019: Rs. 2,506.16 million) in favour of the collector of customs and which are, in the normal course of business, to be returned to the Company after fulfillment of certain conditions.

- 9.2.3** Commitments for capital expenditure as at 30 June 2020 aggregated to Rs. 59.52 million (30 September 2019: Rs. 31.35 million).

- 9.2.4** Commitments under letters of credit for raw material and stores and spares as at 30 June 2020 amounted to Rs. 420.15 million (30 September 2019: Rs. 495.84 million).

CONDENSED INTERIM NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 30 June 2020

10. FINANCIAL RISK MANAGEMENT

The Company's activities are exposed to a variety of financial risk 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 investment exposed to price risk. The Company has established adequate procedures to manage these risks.

These condensed interim financial statements does not include the financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with Company's annual financial statements as at 30 September 2019. There have been no changes in the risk management policies since the year end.

Fair Value Hierarchy

The table below shows analysis of financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

- Level 1: Fair value measurements using quoted (unadjusted) in active markets for identical asset or liability.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

	Carrying amount		Carrying amount	
	Amortised Cost	Financial Liabilities	Amortised Cost	Financial Liabilities
	Unaudited 30 June 2020		Audited 30 September 2019	
	Rupees in '000			

Financial assets not measured at fair value

Loans	444	-	555	-
Deposits	22,598	-	22,365	-
Trade debts	2,520,630	-	3,916,346	-
Other receivables	35,844	-	34,143	-
Cash and bank balances	295,729	-	598,957	-

Financial liabilities not measured at fair value

Lease liabilities	-	123,129	-	21,655
Liabilities against diminishing musharaka finance	-	147,493	-	105,317
Trade and other payable	-	3,294,927	-	2,870,590
Short-term borrowings - secured	-	2,741,365	-	2,920,070
Mark-up accrued	-	35,479	-	81,986

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

For the nine months period ended 30 June 2020

11.1 Segment information for the nine months period ended 30 June 2020:

	Brand & Performance Textile Specialties		Others *		Total	
	Unaudited 30 June 2020	Audited 30 September 2019	Unaudited 30 June 2020	Audited 30 September 2019	Unaudited 30 June 2020	Audited 30 September 2019
	----- (Rupees in '000) -----					
Segment Assets	8,836,948	7,869,816	392,700	496,642	9,229,648	8,366,458
Unallocated					<u>1,958,989</u>	<u>3,096,333</u>
Total Assets					<u>11,188,637</u>	<u>11,462,791</u>
Segment Liabilities	2,688,579	2,356,142	212,873	244,885	2,901,452	2,601,027
Unallocated					<u>3,921,591</u>	<u>3,744,327</u>
Total Liabilities					<u>6,823,043</u>	<u>6,345,354</u>

* Others mainly include paper chemicals and dyes, pigments, additives and industrial & consumer specialties. These do not constitute a separately reportable segment.

CONDENSED INTERIM NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 30 June 2020

11.2 Segments information for the quarter ended 30 June 2020:

	Brand & Performance Textile Specialties		Others *		Total	
	2020	2019	2020	2019	2020	2019
Sales	----- (Rupees in '000) -----					
Domestic	1,459,962	3,347,448	307,968	510,715	1,767,930	3,858,163
Export	400,345	1,256,881	-	-	400,345	1,256,881
Total sales	1,860,307	4,604,329	307,968	510,715	2,168,275	5,115,044
Discount & commission	79,057	231,698	1,863	3,445	80,920	235,143
Sales tax	207,333	11,882	41,688	67,133	249,021	79,015
	286,390	243,580	43,551	70,578	329,941	314,158
Net sales (from external customers)	1,573,917	4,360,749	264,417	440,137	1,838,334	4,800,886
Segment results based on 'management approach'	61,801	772,376	20,478	96,414	82,279	868,790
Other expenses - WPPF / WWF					800	(34,000)
Assets charged to profit and loss for internal reporting purposes based on group guidelines					(997)	786
					82,082	835,576
Finance costs					93,097	384,588
Profit before taxation					(11,015)	450,988
Fixed Capital Expenditure	56,343	60,886	1,299	2,878	57,642	63,764
Unallocated					42,963	5,911
					100,605	69,675
Depreciation	64,793	55,717	585	1,690	65,378	57,407
Unallocated					7,127	5,735
					72,505	63,142

* Others mainly include paper chemicals and dyes, pigments, additives and industrial & consumer specialties. These do not constitute a separately reportable segment.

12. EARNINGS PER SHARE

	Quarter ended 30 June		Nine months period ended 30 June	
	2020	2019	2020	2019
	----- (Rupees in '000) -----			
Profit after taxation attributable to ordinary shareholders	975	306,723	783,462	1,108,963
	----- (Number of shares) -----			
Weighted average number of ordinary shares outstanding during the period	34,117,881	34,117,881	34,117,881	34,117,881
	----- (Rupees) -----			
Earning per share	0.03	8.99	22.96	32.50

12.2 Diluted

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

CONDENSED INTERIM NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 30 June 2020

13. CASH GENERATED FROM OPERATIONS	Note	Nine months period ended	
		30 June	30 June
		2020	2019
		----- (Rupees in '000) -----	
Profit before taxation		1,045,486	1,376,335
Adjustment for non-cash charges and other items:			
Depreciation		208,110	190,677
Gain on sale of property, plant and equipment		(234)	(631)
Provision for staff gratuity		14,823	23,499
Mark-up expense		165,753	179,847
Provision for impairment of trade debts		13,193	143,752
Working capital changes	13.1	643,547	(708,321)
		2,090,678	1,205,158

13.1 Working capital changes

(Increase) / decrease in current assets

Stores and spares	(4,793)	(1,839)
Stock-in-trade	(1,238,271)	(534,939)
Trade debts	1,384,695	(545,585)
Loans and advances	4	(117)
Trade deposits and short-term prepayments	9,304	(15,405)
Other receivables	62,844	(69,464)
	213,783	(1,167,349)

Increase in current liabilities

Trade and other payables	429,764	459,028
	643,547	(708,321)

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the condensed interim statement of cash flows comprise of the following condensed interim statement of financial position amounts;

Cash and bank balances	295,729	599,815
Short-term running finance	(482,369)	(1,411,288)
	(186,640)	(811,473)

15. TRANSACTIONS WITH RELATED PARTIES

The related parties comprises of group companies, directors and their close family members, key management personnel and staff retirement funds. 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 purchases and sales of goods and for services is determined with mutual agreement considering the nature and level of such goods and services.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. 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.

CONDENSED INTERIM NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 30 June 2020

Details of transactions with related parties are as follows:

	Quarter ended		Nine months period ended	
	30 June		30 June	
	2020	2019	2020	2019
----- (Rupees in '000) -----				
Parent Company				
Dividend Paid	-	-	1,151,484	1,023,541
Other Related Parties				
Sales	257,663	557,815	1,601,044	1,430,927
Purchases of goods and machinery	178,229	161,759	470,431	407,810
Indenting commission income	698	2,049	7,374	5,118
Export commission expense	6,628	29,024	30,983	49,942
Royalty expenses	88,022	211,828	544,799	528,392
Other charges	49,235	44,015	142,772	126,413
Transaction by virtue of common directorship:				
- Annual subscription	-	-	400,000	470,000
- Purchase of goods and services	34,894	41,559	124,890	114,905
Key management personnel:				
- Salaries, benefits and compensations	37,795	34,390	114,406	103,556
- Post employment benefits	4,724	4,259	14,171	8,517

16. CORRESPONDING FIGURES

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

Description	Reclassified		Rupees in '000
	From	To	
Royalty	Cost of goods sold	Distribution and marketing expenses	642,126
Impairment loss on trade debts	Other expenses	Impairment loss on trade debts	143,752

17. DATE OF AUTHORIZATION

These condensed interim financial statements were authorised for issue on 28 July 2020 by the Board of Directors of the Company.

18. GENERAL

Figures have been rounded off to the nearest thousand rupees.



Mujtaba Rahim
Chief Executive Officer



M Veqar Arif
Director & Chief Financial Officer



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