ARCHROMA
LIFE ENHANCED

EXTRAORDINARY GENERAL MEETING 2023

Amalgamation of
Huntsman Textile Effects Pakistan (Private) Limited
with and into Archroma Pakistan Limited through
Scheme of Arrangement.

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NOTICE OF MEETING

NOTICE OF EXTRAORDINARY GENERAL MEETING

This is to inform you that pursuant to the Order of the High Court of Sindh at Karachi dated May 16, 2023, passed in Civil Miscellaneous Application No. 1113 of 2023, in Petition bearing J. C. M. No. 11 of 2023, an Extraordinary General Meeting of Archroma Pakistan Limited (the **"Company"**) shall be held at, and conducted from, the Company's Registered Office situated at 1-A/1, Sector 20, Korangi Industrial Area, Korangi, Karachi, including through video link facility, on June 23, 2023 at 10.00 a.m. to transact the following business:

A. Special Business

Pursuant to the Order of the High Court of Sindh at Karachi dated May 16, 2023, passed in Civil Miscellaneous Application No. 1113 of 2023, in Petition bearing J. C. M. No. 11 of 2023, to consider and, if thought fit, to pass, with or without modification, the following resolution for, inter alia, the merger, by way of amalgamation, of the entire undertaking of Huntsman Textile Effects Pakistan (Private) Limited with and into the Company, along with all ancillary matters thereto, in accordance with the Scheme of Arrangement dated April 27, 2023, as approved by the Board of Directors of the Company on April 27, 2023.

The resolution to be passed by the requisite majority under Sections 279 and 282 of the Companies Act, 2017 is as under:

> "***RESOLVED THAT*** the Scheme of Arrangement dated April 27, 2023, for, inter alia, the merger, by way of amalgamation, of the entire undertaking of Huntsman Textile Effects Pakistan (Private) Limited with and into Archroma Pakistan Limited, along with all ancillary matters thereto, placed before the meeting for consideration and approval, be and is hereby approved and adopted, along with any modifications / amendments required, or conditions imposed by the High Court of Sindh at Karachi, subject to sanction by the High Court of Sindh at Karachi, in terms of the provisions of the Companies Act, 2017."

B. Other Business

To transact any other business that may be placed before the meeting with the permission of the Chair.

Copies of the (a) Statement of Material Facts under Section 134(3) of the Companies Act, 2017 concerning the Special Business; (b) Statement under Section 281 of the Companies Act, 2017; (c) Scheme of Arrangement; (d) Swap Letter dated April 27, 2023 issued by EY Ford Rhodes; and (e) special purpose financial statements of the Company specially audited for the three month period ended December 31, 2022, are being circulated to the members along with this notice of the Extraordinary General Meeting.

By order of the Board

M Irfan Lakhani
Company Secretary

Karachi: 30 May 2023

NOTICE OF MEETING

Notes:

1. The share transfer books of the Company shall remain closed from June 15, 2023 to June 23, 2023 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar i.e. FAMCO Associates (Private) Limited, situated at 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi, before the close of business on June 14, 2023 will be treated in time for the purpose of entitlement of attending and voting at the Extraordinary General Meeting.

2. All members, whose names appear in the register of members of the Company as on June 14 2023, are entitled to attend (in person or by Teams link facility), participate in and vote at the meeting.

3. A member of the Company entitled to attend and vote at the Extraordinary General 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 effective must be received at the registered office of the Company not later than 48 hours before the time for holding the Extraordinary General Meeting. The proxy form is being sent to members along with notice of Extraordinary General Meeting.

4. Members 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.

5. In the light of relevant guidelines issued by the Securities and Exchange Commission of Pakistan (SECP) from time to time, including vide letter No. SMD/SE/2/(20)/2021/117 date December 15, 2021, the members are encouraged to participate in the Extraordinary General Meeting through electronic facility organized by the Company.

   In order to attend the Extraordinary General Meeting through electronic means the members are hereby requested to get themselves registered by sending their particulars at the designated email address mohsin.ali@archroma.com, giving particulars as per below table not later than 48 hours by providing the following details:

Name of Shareholder / Proxy Holder.	CNIC No. / NTN No.	Folio No. / CDC Account No.	*Mobile No.	*Email Address.

   *Shareholders are requested to provide their active mobile numbers and email address to ensure timely communication.

   The login facility will be opened thirty minutes before the meeting time to enable the participants to join the meeting after identification process. Registered members / Proxies will be able to login and participate in the Extraordinary General Meeting proceedings through their devices after completing all the formalities required for the identification and verification of the shareholders.

6. Persons are also required to attach a copy of their CNIC and where applicable, a copy(ies) of the CNIC of the member(s) of whom he / she / they hold proxy(ies) while sending the information with reference to Note 5 hereof. Without the copy of the CNIC, such person(s) shall not be registered for the Teams-link facility.

NOTICE OF MEETING

7. If a member appoints more than one proxy and more than one instrument of proxy is deposited by a member, all such instruments of proxy shall be rendered invalid.

9. In case of a corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting. If proxies are granted by such corporate shareholders', the same must be accompanied with the Board of Directors' resolution / power of attorney with specimen signatures.

10. As per Section 72 of the Companies Act, 2017 (Act), every existing listed company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Securities and Exchange Commission of Pakistan (SECP), within a period not exceeding four years from the commencement of the Act i.e. May 30, 2017. Further, SECP vide its letter dated March 26, 2021 has advised companies to comply with Section 72 of the Act and encourage shareholders to convert their shares in book entry form.

    In light of above, members having physical shareholding are requested to open a CDC sub-account with any of the brokers or an Investor Account directly with the CDC to place their physical shares into scrip less form.

11. Members holding shares in physical form are requested to notify any change in their addresses immediately to the Share Registrar of the Company. Members having shares in their CDC accounts are required to have their addresses updated with their respective participants.

    Members desirous of voting electronically (e-voting) are requested to have their updated and active email and cell number incorporated in their physical folio with the Share Registrar of the Company and with their Participant or Broker / CDC Investor Account Services where their shares are digitally held.

12. The Company shall provide video conference facility to its members for attending the Extraordinary General Meeting at places other than the town in which the Extraordinary General Meeting is taking place, provided that if members, collectively holding 10% (ten percent) or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video conference at least 7 days prior to date of the Extraordinary General Meeting, the Company shall arrange video conference facility in that city, subject to availability of such facility in that city.

    In this regard, please fill the following form and submit the same to the registered address of the Company 7 days before holding of the Extraordinary General Meeting. The Company will, if such facility is available, intimate members regarding venue of video conference facility at least 5 days before the date of Extraordinary General Meeting along with complete information necessary to enable them to access such facility.

    "I/We, ___________ of ____________ being a member of Archroma Pakistan Limited, holder of ________ ordinary shares as per registered folio # __________ hereby opt for video conference facility at _____________.

    Signature of Member"

13. Copies of the Memorandum and Articles of Association of the Company, Statement under Section 134(3) of the Act in respect of the material facts of the special business, Statement under Section 281 of the Act, Scheme of Arrangement dated April 27, 2023, Swap Letter dated April 27, 2023 issued by EY Ford Rhodes, the special purpose financial statements of the Company specially audited for the three month period ended December 31, 2022, and any other information relevant to the special business in respect of the Company shall be available upon request, and for inspection, by any person entitled to attend the Extraordinary General Meeting from the registered office of the Company, located at 1-A/1, Sector-20, Korangi Industrial Area, Korangi, Karachi, free of cost during normal office hours, from the date of this notice till the conclusion of the Extraordinary General Meeting. The said information shall also be placed for inspection of members of the Company during the Extraordinary General Meeting.

NOTICE OF MEETING

14. **For Voting for Special Agenda Items**

It is hereby notified that pursuant to the Companies (Postal Ballot) Regulations, 2018 and its amendments notified vide SRO 2192(1)/2022 dated December 5, 2022, members will be allowed to exercise their right to vote for the special business in the Extraordinary General Meeting, in accordance with the condition mentioned in the aforesaid regulations. The Company shall provide its members with the following options for voting:

i) E-Voting Procedure

(a) Details of the e-voting facility will be shared through an e-mail with those members of the Company who have their valid CNIC numbers, cell numbers, and e-mail addresses available in the register of members of the Company within due course.

(b) The web address, login details, will be communicated to members via email. The security codes will be communicated to members through SMS from web portal of FAMCO Associates Private Limited, Share Registrar (being the e-voting service provider).

(c) Identity of the members intending to cast vote through e-Voting shall be authenticated through electronic signature or authentication for login.

(d) E-Voting lines will start from June 19, 2023, 09:00 a.m. and shall close on June 22, 2023 at 5:00 p.m. Members can cast their votes any time in this period. Once the vote on a resolution is cast by a member, he/she shall not be allowed to change it subsequently.

ii) Postal Ballot

The members shall ensure that duly filled and signed ballot paper along with copy of Computerized National Identity Card (CNIC) should reach the Chairman of the meeting through post on the Company's Registered Office at 1-A/1, Sector 20, Korangi Industrial Area, Korangi, Karachi, or email at mohsin.ali@archrome.com one day before the Extraordinary General Meeting i.e. on June 22, 2023, during working hours. The signature on the ballot paper shall match with the signature on CNIC.

15. The notice of the Extraordinary General Meeting along with the statements, the Scheme of Arrangement and the latest annual and special purpose Audited Financial Statements have also been placed on the website of the Company.

NOTICE OF MEETING

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017 CONCERNING THE SPECIAL BUSINESS TO BE TRANSACTED AT THE EXTRAORDINARY GENERAL MEETING OF ARCHROMA PAKISTAN LIMITED

Subject to the sanction of the High Court of Sindh at Karachi, under the Scheme of Arrangement dated April 27, 2023 (the "Scheme of Arrangement"), the entire undertaking of Huntsman Textile Effects Pakistan (Private) Limited ("Huntsman") shall be merged, by way of amalgamation, with and into Archroma Pakistan Limited (the "Company") (the "Amalgamation") by transfer to and vesting in the Company all the assets, properties, rights, liabilities, quotas, benefits, powers, contracts, authorizations, obligations etc. comprised in Huntsman, with effect from the start of business on October 1, 2023 or at such other date stated by the Court (the "Effective Date"), against the issuance of shares by the Company to the shareholders of Huntsman.

The proposed Amalgamation detailed above, along with all ancillary and related matters thereto, shall be effective by way of the Scheme of Arrangement, in accordance with the provisions of Sections 279 to 283 and 285(8) of the Companies Act, 2017. The Scheme of Arrangement has been filed with the High Court of Sindh at Karachi vide Petition bearing J. C. M. No. 11 of 2023. Furthermore, in accordance with the directions of the High Court of Sindh, notice of the said petition has been provided to the registrar, Securities and Exchange Commission of Pakistan.

A copy of the Scheme of Arrangement is available for inspection to any person entitled to attend the Extraordinary General Meeting, at the registered office of the Company, situated at 1-A/1, Sector-20, Korangi Industrial Area, Korangi, Karachi, free of cost during normal office hours. Copies of the same may also be obtained upon request by such persons from the registered office of the Company free of cost during normal office hours. Furthermore, in accordance with the provisions of Section 282(2) of the Companies Act, 2017, a copy of the Scheme of Arrangement has been enclosed with the notice of the meeting circulated to the members of the Company.

The objects and benefits of the arrangements are also provided in detail in the Scheme of Arrangement. The Company and Huntsman are group companies, both being subsidiaries of Archroma Textiles GmbH.

The details pertaining to the consideration for the Amalgamation, including the ordinary shares to be issued by the Company along with the swap ratio are stipulated in the Scheme of Arrangement. In accordance with the same, the Company shall allot and issue an aggregate of 445,460 (Four Hundred Forty Five Thousand Four Hundred Sixty) ordinary shares to the shareholders of Huntsman, on the basis of a swap ratio of approximately 0.0455 shares of the Company for every 1 (one) share of Huntsman held by each shareholder of Huntsman. The aforementioned consideration, including the swap ratio, has been determined and approved by the Board of Directors of the respective companies from the range of values and calculations as stated in the Swap Letter dated April 27, 2023 issued by EY Ford Rhodes (attached as Annexure C to the Scheme of Arrangement), which has in-turn taken into account the fair valuations of Archroma and Huntsman carried out by EY Ford Rhodes based, inter alia, on the financial statements of the respective companies audited / specially audited for the period ended December 31, 2022, the financial projections of the companies, and publicly available data of comparable third parties. The said Swap Letter has also been approved by the Board of Directors of each company.

Furthermore, pursuant to the sanction of the Scheme of Arrangement, the authorized share capital of the Company shall stand automatically increased from PKR 500,000,000/- (Pak Rupees Five Hundred Million) divided into 50,000,000 (Fifty Million) ordinary shares of PKR 10/- (Pak Rupees Ten) to PKR 630,000,000/- (Pak Rupees Six Hundred Thirty Million), divided into 63,000,000 (Sixty Three Million) ordinary shares of PKR 10/- (Pak Rupees Ten) each, by merger of the existing authorized share capital of the Company and Huntsman. The Memorandum and Articles of Association of the Company shall stand amended in terms of the Scheme. The approval of the members of the Company to the Scheme of Arrangement shall include and constitute approval for all matters thereunder.

The directors of the Company are interested in the Scheme of Arrangement to the extent of their directorships and shareholdings in the Company. The effect of the Scheme of Arrangement on the interests of these directors does not differ from its effect on the like interests of other members, except as stated herein or under the Scheme of Arrangement.

The directors of the Company shall continue as the directors after the arrangement (subject to their ceasing to be directors prior to the completion of the Amalgamation).

In view of the above, the Board of Directors of the Company have approved and recommended the Scheme of Arrangement, along with the arrangements stipulated thereunder which have been described above.

Statement under Section 281 of the Companies Act, 2017 concerning the Special Business

The statement setting forth the terms of the Scheme of Arrangement and explanation of its effects, including the interests of the directors of the Company and the effect of those interests and other ancillary information may be obtained upon request by any person entitled to attend the Extraordinary General Meeting from the registered office of the Company situated at 1-A/1, Sector-20, Korangi Industrial Area, Korangi, Karachi, free of cost during normal office hours.

The aforesaid statement is also enclosed along with this notice of the Extraordinary General Meeting.

NOTICE OF MEETING

STATEMENT UNDER SECTION 281(1)(A) OF THE COMPANIES ACT, 2017, ACCOMPANYING THE NOTICES TO THE MEMBERS AND SECURED CREDITORS OF ARCHROMA PAKISTAN LIMITED

Pursuant to the Order dated May 16, 2023, passed by the High Court of Sindh at Karachi in Civil Miscellaneous Application No. 1113 of 2023, in Petition bearing J. C. M. No. 11 of 2023, under Sections 279 to 283 and 285(8) of the Companies Act, 2017, the Court has directed, inter alia, that separate meetings of the members and secured creditors of Archroma Pakistan Limited (the **"Company"**) be convened for seeking approval with respect to the Scheme of Arrangement dated April 27, 2023, pertaining, inter alia, to the merger, by way of amalgamation, of the entire undertaking of Huntsman Textile Effects Pakistan (Private) Limited (**"Huntsman"**) with and into the Company, by transfer to and vesting in the Company all the assets, properties, rights, liabilities, quotas, benefits, powers, contracts, authorizations, obligations etc. comprised in Huntsman (the **"Amalgamation"**), along with all ancillary matters thereto, as approved by the Board of Directors of the Company on April 27, 2023 (the **"Scheme of Arrangement"**).

A copy of the Scheme of Arrangement (along with its annexures) may be obtained from the registered office of the Company, situated at 1-A/1, Sector-20, Korangi Industrial Area, Korangi, Karachi, free of cost during normal business hours. Furthermore, a copy of the Scheme of Arrangement has been / shall be enclosed with the notices of the respective meetings circulated / to be circulated to the members and secured creditors of the Company.

The notices issued and published to the members of the Company are for the purpose of convening a meeting of the members of the Company, as directed by the Court, for the purpose of passing, inter alia, the following resolution for obtaining approval in respect of the Scheme of Arrangement and the Amalgamation contemplated thereunder, along with ancillary matters:

> "***RESOLVED THAT*** the Scheme of Arrangement dated April 27, 2023, for, inter alia, the merger, by way of amalgamation, of the entire undertaking of Huntsman Textile Effects Pakistan (Private) Limited with and into Archroma Pakistan Limited, along with all ancillary matters thereto, placed before the meeting for consideration and approval, be and is hereby approved and adopted, along with any modifications / amendments required, or conditions imposed by the High Court of Sindh at Karachi, subject to sanction by the High Court of Sindh at Karachi, in terms of the provisions of the Companies Act, 2017."

As required under section 279(2) of the Companies Act, 2017, the above resolution is required to be passed at the meeting of the members convened pursuant to the Order of the Court, by a majority representing three-fourths in value of the issued shares held by the members of the Company, present in person or by proxy, and voting at the Extraordinary General Meeting. The sanctioning of the Scheme of Arrangement and the making of other appropriate orders in connection therewith will be considered by the Court after the Scheme of Arrangement is approved as aforesaid.

The Court has appointed Mr. Mujtaba Rahim, or in his absence, any other director of the Company, to act as Chairman of the meeting of the members, and has directed the Chairman to report the results thereof to the Court.

The notices issued / to be issued to the secured creditors of the Company is for the purpose of convening a meeting of the secured creditors of the Company, as directed by the Court, for the purpose of obtaining their approval in respect of the Scheme of Arrangement and the Amalgamation contemplated thereunder. With respect to the secured creditors of the Company, under section 279(2) of the Companies Act, 2017, the Scheme of Arrangement is required to be approved by three-fourths of the creditors (in value) present and voting at the meeting of the secured creditors (through their authorized representatives).

NOTICE OF MEETING

The Court has appointed Mr. Muhammad Altaf, or in his absence, Mr. Qazi Naeemuddin, to act as Chairman of the meeting of the secured creditors, and has directed the Chairman to report the results thereof to the Court.

The Scheme of Arrangement is subject to the sanction of the Court and may be sanctioned in its present form or with any modification thereof or addition thereto as the Court may approve and the Scheme, with such modification or addition if any, is also subject to any conditions which the Court may impose. The respective Boards of Directors of the Company and Huntsman have the power (in the manner specified under the Scheme of Arrangement) to consent on behalf of all concerned to any modifications of, or additions to, the Scheme of Arrangement, or to any conditions which the Court may think fit to impose.

The principal object of the Scheme of Arrangement is, inter alia, to effect the Amalgamation, as further detailed in the Scheme of Arrangement, with effect from the start of business on October 1, 2023 or at such other date stated by the Court (the **"Effective Date"**), by transfer to and vesting in the Company the entire business and undertaking of Huntsman, including all the assets, properties, rights, liabilities, benefits, powers, quotas, contracts, authorizations, obligations etc. of every description of Huntsman, subsisting immediately preceding the Effective Date, without any further act or deed or documents being required to be carried out, executed, registered or filed in respect of such transfer, vesting, and / or assumption, in the manner stipulated under the Scheme of Arrangement. Thereafter, Huntsman shall be dissolved without winding up in the manner prescribed under the Scheme of Arrangement. It may be noted that the Company and Huntsman are group companies, both being subsidiaries of Archroma Textiles GmbH.

The details pertaining to the consideration for the Amalgamation / arrangement detailed above, along with the swap ratio, are stipulated in the Scheme of Arrangement. In consideration for the Amalgamation, and as further detailed in the Scheme of Arrangement, the Company shall allot and issue an issue an aggregate of 445,460 (Four Hundred Forty Five Thousand Four Hundred Sixty) ordinary shares to the shareholders of Huntsman, on the basis of a swap ratio of approximately 0.0455 shares of the Company for every 1 (one) share of Huntsman held by each shareholder of Huntsman. The aforementioned consideration pertaining to the Amalgamation, including the swap ratio, has been determined and approved by the Board of Directors of the respective companies from the range of values and calculations as stated in the Swap Letter dated April 27, 2023 issued by EY Ford Rhodes (attached as Annexure C to the Scheme of Arrangement), which has in-turn taken into account the fair valuations of Archroma and Huntsman carried out by EY Ford Rhodes based, inter alia, on the financial statements of the respective companies audited / specially audited for the period ended December 31, 2022, the financial projections of the companies, and publicly available data of comparable third parties. The said Swap Letter has also been approved by the Board of Directors of each company.

All information / particulars with respect to the Amalgamation and the arrangement in respect thereof, including all ancillary matters thereto, are provided in detail in the Scheme of Arrangement, including, details of the companies, and the objects and benefits of the entire arrangement. Approval of the Scheme of Arrangement by the members of the Company shall also constitute an approval by way of special resolution from the members of the Company with respect to all matters prescribed under the Scheme of Arrangement, including the increase in the authorized share capital of the Company (and the consequential amendments to the Memorandum and Articles of Association of the Company).

The Scheme of Arrangement has been filed with the High Court of Sindh at Karachi vide Petition bearing J. C. M. No. 11 of 2023. Furthermore, in accordance with the directions of the High Court, notice of the said petition has been provided to the registrar, Securities and Exchange Commission of Pakistan.

NOTICE OF MEETING

In compliance with the provisions of Section 282(2)(e) of the Companies Act, 2017, the special purpose financial statements of the Company specially audited for the three month period ended December 31, 2022 have also been / are also being enclosed with the notices of the respective meetings circulated / to be circulated to the members / secured creditors of the Company. The same are available for inspection to any person entitled to attend the respective meetings, at the registered office of the Company, free of cost during normal office hours. Copies of the same may also be obtained upon request by such persons from the registered office of the Company, free of cost during normal office hours.

The respective directors of the Company and Huntsman are interested in the Scheme of Arrangement to the extent of their directorships and shareholdings in the respective companies (to the extent applicable). The effect of the Scheme of Arrangement on the interests of these directors does not differ from its effect on the like interests of other members, except as stated herein or under the Scheme of Arrangement.

M Irfan Lakhani
Company Secretary
ARCHROMA PAKISTAN LIMITED

Karachi: 30 May 2023

SCHEME OF ARRANGEMENT

UNDER SECTIONS 279 TO 283 AND 285 OF
THE COMPANIES ACT, 2017

INVOLVING

**ARCHROMA PAKISTAN LIMITED
AND ITS MEMBERS**

AND

**HUNTSMAN TEXTILE EFFECTS PAKISTAN (PRIVATE) LIMITED
AND ITS MEMBERS**

FOR

The merger / amalgamation of the entire undertaking of Huntsman Textile Effects Pakistan (Private) Limited with and into Archroma Pakistan Limited, along with all ancillary matters.

SCHEME OF ARRANGEMENT

UNDER SECTIONS 279 TO 283 AND 285 OF THE COMPANIES ACT, 2017

BETWEEN

ARCHROMA PAKISTAN LIMITED, a public company limited by shares and listed on the Pakistan Stock Exchange Limited, incorporated and existing under the laws of Pakistan and having its registered office at 1-A/1, Sector-20, Korangi Industrial Area, Korangi, Karachi (hereinafter referred to as **"Archroma"**, which expression shall mean and include, where the context so requires or admits, its successors-in-interest and permitted assigns);

AND

HUNTSMAN TEXTILE EFFECTS PAKISTAN (PRIVATE) LIMITED, a private company limited by shares, incorporated and existing under the laws of Pakistan and having its registered office at Plot # 1-A/1, Sector 20, Korangi Industrial Area, Karachi (hereinafter referred to as **"Huntsman"**, which expression shall mean and include, where the context so requires or admits, its successors-in-interest and permitted assigns);

AND

THEIR RESPECTIVE MEMBERS.

RECITALS

WHEREAS by this Scheme of Arrangement (**"Scheme"**), it is, inter alia, proposed that:

1. The entire undertaking, comprising all the Assets, Liabilities and Obligations of Huntsman shall, as at the Effective Date, stand merged with, transferred to, vested in, and be assumed by Archroma.

2. As consideration for the above, it is proposed that Archroma Shares shall be issued to the Huntsman Shareholders in accordance with this Scheme.

3. Upon the merger and transfer of Huntsman in the manner prescribed under this Scheme, Huntsman shall be dissolved without winding up.

4. This Scheme, if approved through a resolution by the requisite majority of the respective members of Archroma and Huntsman, along with the requisite majority of creditors (as may be applicable), and sanctioned by the Court by an order passed in this respect, is to be binding on Archroma and Huntsman, along with all the members, creditors, employees, Customers, contracting parties, government, tax and regulatory / statutory authorities, bodies and departments of or with respect to Archroma and Huntsman (as applicable) respectively.

SCHEME OF ARRANGEMENT

BENEFITS OF THIS SCHEME

A. Arrangement Between Archroma, Huntsman and their Respective Members

The Amalgamation shall allow Archroma and Huntsman to effectuate the arrangement envisaged by the parties, including the companies and their respective members, through the provisions of sections 279 to 283 and 285 of the Act, in a seamless and tax efficient manner, taking into account the benefits under Section 97A of the Income Tax Ordinance, 2001.

B. Larger Asset Base

The Amalgamation would lead to an increase in the asset base and the size of the surviving entity i.e. Archroma. This would in turn assist the management to have access to more external funds at competitive rates. The larger size of the equity and asset base would provide greater comfort to existing and potential creditors of the surviving / merged entity. Moreover, access to larger resources would in turn improve growth prospects and the ability to undertake large assignments.

C. Synergies

The Amalgamation would provide an opportunity to operate the business / operations of Archroma and Huntsman through a consolidated operations department and a single accounts department, thus resulting in economies of scales. Subsequent to the Amalgamation, Archroma will also be in a position to effectively and efficiently manage raw materials and working capital requirements with respect to the combined business of Archroma and Huntsman (being in the same line of business) which will further result in economies of scale. The same would also be beneficial from a marketing and distribution perspective. The same is more so since both Archroma and Huntsman are subsidiaries of Archroma Textiles GmbH.

D. Increase in Risk Absorption Capacity

The larger size of Archroma (as the merged / amalgamated entity) would increase its risk absorption capacity thus enhancing the capacity to manage the potential risks arising out of the adverse and uncertain operating environment. In the long run, this factor would provide greater stability as well as sustainability in operations for Archroma.

E. Reduction in Administrative Costs

The Amalgamation would enable the merged entity i.e. Archroma to carry out its business through single operations, accounts, treasury and management information system department with one set of management and staff, thus resulting in cost savings and economies of scales, leading to enhanced efficiency and profitability.

F. Single Corporate and Tax Reporting

The Amalgamation will make single corporate and tax reporting possible for the merged entity. The same will entail elimination of maintenance of separate records for business operations, selling, purchasing, marketing, legal, administrative, and secretarial and other records under the various laws resulting in duplication of work and higher costs.

G. Leveraging Against the Assets of Huntsman

The Amalgamation will allow Archroma to acquire the benefit of the Assets of Huntsman without having to pay cash consideration in respect of such Assets, and leverage the same for Archroma's business purposes, which shall make the operations of Archroma (subsequent to the Amalgamation) more efficient financially for the company.

SCHEME OF ARRANGEMENT

NOW THEREFORE, this Scheme is presented as follows:

ARTICLE 1

DEFINITIONS AND INTERPRETATION

1.1. In this Scheme, including in the recitals and benefits above, unless the subject or context otherwise requires, the following expressions shall bear the meanings specified against them below:

"Act" means the Companies Act, 2017;

"Amalgamation" shall have the same meaning as prescribed thereto in Article 2.1 of this Scheme;

"Annexure A" is the annexure attached hereto which lists the members of the Board of Directors of Archroma;

"Annexure B" is the annexure attached hereto which lists the members of the Board of Directors of Huntsman;

"Annexure C" is the annexure attached hereto containing the Swap Letter;

"Archroma" shall have the meaning as prescribed in the Preamble above;

"Archroma Shares" means the ordinary shares of PKR 10/- (Pak Rupees Ten) each in the share capital of Archroma;

"Assets" mean assets, properties and rights of every description and kind (whether present or future, actual or contingent, tangible or intangible) and includes properties held on trust and benefit of securities obtained from Customers, benefits, powers, rights, authorities, privileges, contracts, Government consents, tax refunds / credits, tax protections, remissions and exemptions (including holding period of such assets and liabilities along with all the rights attached and accrued thereto including, but not limited to, equity-based tax credits for any unexpired period), sanctions and authorizations, including all registrations, licences, Claims, no objection certificates / letters, permits, categories, entitlements, sanctions, permissions and benefits relating to the business / company, all trademarks, patents, copyrights, intellectual property rights, licences, liberties, secret processes, know-how, good-will, data and confidential information belonging / pertaining to a company. Without in any way limiting or prejudicing the generality of the foregoing, it is hereby clarified that the term 'Assets' shall include: (i) all properties, immovable and movable, real, corporeal or incorporeal, in possession or reversion, present or contingent of whatsoever nature and wheresoever situated belonging to a company, as well as equity, stocks, debentures, bonds, rights under futures, options, derivative contracts, commodities etc. (and all rights associated therewith); (ii) all inventory, stock-in trade, raw materials, ingredients, consignments from shipments, plant, machinery, equipment, furniture and fixtures, computer hardware and software, software applications and licences, motor vehicles, office equipment, appliances and accessories, spare parts and tools; (iii) all choses-in-action, instruments, decretal amounts, bank and other accounts, cash balances, goodwill, revaluation surplus, reserve funds, revenue balances, investments, loans, advances, guarantees, deposits, prepayments, receivables, book debts, trade debts and all other rights and interest in and arising out of such property in the ownership, possession, power or control of a company, whether legal or beneficial, whether within or out of Pakistan, and all books of accounts, registers, records, information, reports, policies, research and all other documents of whatever nature relating thereto; (iv) all the connections and facilities for telecommunications, electricity, gas, water and other installations, owned by, leased or licensed to a company (including related deposits); (v) the Contingent Claims, tax credits / carry forward losses and proceeds realized from the Liquidation of the Contingent Claims; and (vi) unadjusted tax receivables / losses;

“CDC” means the Central Depository Company of Pakistan Limited;

“CDS” means the Central Depository System (an electronic book entry system for the recording and transfer of securities, established under the Central Depositories Act, 1997 and maintained by the CDC;

“Claim” means claim, counter-claim, demand or cause of action and includes a Contingent Claim;

“Contingent Claims” means any potential Claim that a company may have against any person prior to the Effective Date which may not be disclosed or reflected as part of its Assets on its books or records;

“Contracts” means any contracts, agreements, deeds, instruments, insurance policies, letters or undertakings of every description, creating any obligations enforceable against the parties, including any finance agreements;

“Court” means the High Court of Sindh at Karachi, or any other Court / authority for the time being having jurisdiction under the Act in connection with the Amalgamation;

“Customer” means any person having entered into a transaction, arrangement or other dealing with a company;

“Effective Date” shall have the same meaning as prescribed thereto in Article 3.1 of this Scheme;

“existing” means existing, outstanding or in force immediately prior to the Effective Date (unless stated otherwise);

“Huntsman” shall have the meaning as prescribed in the Preamble above;

“Huntsman Shareholders” means the members of Huntsman, as determined on the Record Date, to whom Archroma Shares shall be issued in accordance with the provisions of this Scheme;

“Liabilities and Obligations” includes all borrowings, liabilities, duties, commitments and obligations of every description (whether present or future, actual or contingent) arising out of any Contract, law or otherwise whatsoever, and all Securities, and the term “**Liabilities**” and “**Obligations**” are used interchangeably and / or in conjunction with each other;

“Liquidation” means the release, compromise, satisfaction, settlement or reduction to judgment of any Claim by a competent court of law;

“Record Date” the date to be fixed by the directors of Huntsman, after the sanction of this Scheme, to determine the identities and entitlements of the Huntsman Shareholders;

“Scheme” means this Scheme of Arrangement, in its present form with any modifications thereof or additions thereto, approved or with any conditions imposed by the Court;

“Security” or **“Securities”** means interest, right or title in and to any and all mortgages, encumbrances or charges (whether legal or equitable), debenture, bill of exchange, promissory note, guarantee, lien, pledge (whether actual or constructive), hypothecation, assignment by way of security, right of set-off, undertaking or other means of securing payment or discharge of any Liabilities and Obligations;

“Swap Letter” means the letter dated April 27, 2023, issued by EY Ford Rhodes to the respective Board of Directors of Archroma and Huntsman, attached hereto as Annexure C, pertaining to the Amalgamation, and stipulating, inter alia, the basis and calculations of the ranges of the Swap Ratio and Archroma Shares to be allotted and issued to the Huntsman Shareholders; and

“Swap Ratio” shall have the same meaning as prescribed thereto in Article 9.1 of this Scheme.

1.2. In this Scheme, unless specified otherwise:

(i) the headings in this Scheme are for convenience only and shall not affect the construction or interpretation thereof;

(ii) a reference to any legislation or legislative provision includes any statutory modification of, or re-enactment of, or legislative provision substituted for, and any subordinate legislation under that legislation or legislative provision;

(iii) words denoting the singular shall include the plural and vice versa;

(iv) a reference to a person includes a company, firm, trust, authority or government and vice versa;

(v) a reference to any person includes that person's executors, administrators, successors, legal heirs, and permitted assigns;

(vi) "including" and "include" shall be deemed to mean "including, without limitation" and "include, without limitation"; and

(vii) the word "hereof", "herein", "hereto" and "hereunder" and words of similar import when used, with the required linguistic and / or grammatical derivation, in this Scheme refer to this Scheme as a whole and not to any particular provision thereof.

ARTICLE 2

OBJECTS OF THE SCHEME

2.1. The principal object of this Scheme is to amalgamate the entire undertaking of Huntsman with and into Archroma, by transferring to, merging with and vesting in Archroma the whole of Huntsman, as a going concern, including all the Assets, Liabilities and Obligations of Huntsman, as of the Effective Date, against the allotment and issue of Archroma Shares to the Huntsman Shareholders based on the Swap Ratio, and dissolving Huntsman without winding up in accordance with the provisions of this Scheme (the "Amalgamation").

2.2. It is hereby clarified that although all of the above steps will take place on the same date, the same shall be deemed to be effective as of the Effective Date.

ARTICLE 3

EFFECTIVE DATE

3.1. This Scheme shall become operative and bind Archroma and Huntsman as soon as an order is passed by the Court under Sections 279 / 282 of the Act, sanctioning this Scheme and making the necessary provisions under Section 282 of the Act. When this Scheme becomes operative upon its sanction, the Amalgamation, in accordance with this Scheme, will be treated as having effect from the start of business on October 1, 2023, or such other date as may be stated by the Court (hereinafter referred to as the "**Effective Date**"). Each company shall file a certified copy of the order passed by the Court with the Registrar of Companies, Karachi in accordance with Section 279 of the Act.

3.2. Accordingly, as of the Effective Date and thereafter, until the undertaking of Huntsman (including the Assets, Liabilities and Obligations thereof) is actually transferred to and vested in Archroma in terms of this Scheme, the business of Huntsman will be deemed to have been carried for and on account and for the benefit of Archroma, and all income, profits, gains and losses accruing or arising to, or incurred by, Huntsman (including any taxes paid or deducted or withheld) from the Effective Date shall be treated as the income, profits, gains or losses (including any taxes paid or deducted or withheld), as the case may be, of Archroma. The reserves including unappropriated profits / losses of Huntsman, up to and immediately preceding the Effective Date, if any, shall constitute and be treated as reserves / losses of a corresponding nature in Archroma and shall be accounted for on that basis in the books of account of Archroma.

ARTICLE 4

CAPITAL

4.1. The authorized share capital of Archroma is PKR 500,000,000/- (Pak Rupees Five Hundred Million), divided into 50,000,000 (Fifty Million) ordinary shares of PKR 10/- (Pak Rupees Ten) each, out of which 34,117,881 (Thirty Four Million One Hundred Seventeen Thousand Eight Hundred Eighty One) ordinary shares have been issued, fully subscribed to and paid up.

4.2. The authorized share capital of Huntsman is PKR 130,000,000/- (Pak Rupees One Hundred Thirty Million), divided into 13,000,000 (Thirteen Million) ordinary shares of PKR 10/- (Pak Rupees Ten) each, out of which 9,800,000 (Nine Million Eight Hundred Thousand) ordinary shares have been issued, fully subscribed to and paid up.

4.3. Upon the sanction of this Scheme, the authorized share capital of Archroma shall be merged and combined with the authorized share capital of Huntsman. Resultantly, as a consequence of the above, the authorized share capital of Archroma shall thus stand enhanced to PKR 630,000,000/- (Pak Rupees Six Hundred Thirty Million), divided into 63,000,000 (Sixty Three Million) ordinary shares of PKR 10/- (Pak Rupees Ten) each, and accordingly the Memorandum and Articles of Association of Archroma shall stand amended (to the extent required). Approval of the shareholders of Archroma to this Scheme shall also include and constitute an approval, by way of special resolution, from the shareholders of Archroma to the alteration of the Memorandum and Articles of Association of Archroma for the increase of the authorized share capital of Archroma to PKR 630,000,000/- (Pak Rupees Six Hundred Thirty Million), as required in terms of the Act.

ARTICLE 5

BOARD OF DIRECTORS

5.1. The present directors of Archroma are listed in Annexure A attached hereto.

5.2. The present directors of Huntsman are listed in Annexure B attached hereto.

5.3. The directors of Archroma are expected to continue as the directors after the Amalgamation / sanction of this Scheme, subject to compliance with the applicable laws and / or their ceasing to be directors in the meantime due to any reason(s) and appointments being made to the vacancies thus created.

5.4. The directors of Huntsman shall cease to hold office as directors without any rights to any compensation for loss of office upon the dissolution of Huntsman in accordance with the provisions of this Scheme.

5.5. All the directors of Archroma and Huntsman have interest in the Amalgamation to the extent of their respective directorships and shareholdings in the said companies (to the extent applicable). The effect of this Scheme on the interest of these directors does not differ from the respective interests of the shareholders of each of Archroma and Huntsman (both of which are subsidiaries of Archroma Textiles GmbH).

ARTICLE 6

AMALGAMATION

6.1. General Description

(i) As of the Effective Date, Huntsman, as a going concern (without discontinuation) for the purpose of all laws including, but not limited to, applicable direct and indirect tax laws, shall be amalgamated with and vest in Archroma upon the terms and conditions set forth in this Scheme without any further act, deed, matter or thing, process or procedure.

(ii) Archroma shall be able to carry out all the business of Huntsman and shall be entitled to all the rights and the benefits thereof.

(iii) As consideration of the Amalgamation, Archroma shall allot and issue Archroma Shares to the Huntsman Shareholders in accordance with Article 9 below.

(iv) Huntsman shall be dissolved, without winding up, from the date on which all the Archroma Shares to be allotted by Archroma to the Huntsman Shareholders, as prescribed in Article 9, have been so allotted, or on such later date as the Court may prescribe.

6.2. Transfer of the Assets

As of the Effective Date, all the Assets of Huntsman shall immediately, without any conveyance or transfer, and without any further act or deed, be vested in and become the undertaking and Assets of Archroma, which shall have, hold and enjoy the same in its own right as fully as the same were possessed, held and enjoyed by Huntsman prior to the Amalgamation. The vesting / transfer of the Assets shall be subject to all Securities subsisting thereon (if any).

6.3. Transfer of Liabilities and Obligations

As of the Effective Date, all the Liabilities and Obligations of Huntsman, including towards the creditors of Huntsman (if any), shall immediately, and without any further act or deed, be assumed by and become the Liabilities and Obligations of Archroma, which shall pay, undertake, satisfy, discharge and perform, when due, all such Liabilities and Obligations.

6.4. Archroma's Right to Execute Deeds

Deeds, assignments or similar instruments to evidence the aforesaid transfer of Assets and / or assumption of Liabilities and Obligations of Huntsman may, if required at any time, be executed by officers of Archroma authorized in this regard.

6.5. References to Assets and Liabilities and Obligations

Any reference in this Scheme to Assets or Liabilities and Obligations of Huntsman is a reference to Assets or Liabilities and Obligations to which Huntsman is for the time being entitled or subject to (whether beneficially or in any fiduciary capacity) immediately preceding the Effective Date, wherever such Assets or Obligations and Liabilities are situated or arise and whether or not the same are capable of being transferred or assigned to or by Huntsman under any applicable law or instrument.

6.6. Assets held in Trust, etc.

Any Asset comprised or vested in Huntsman, which immediately before the Effective Date was held by Huntsman as trustee or custodian in the form of any trust deed, settlement, covenant, agreement or will or as executor of the will, or administrator of the estate of a deceased person or as judicial trustee appointed by order of any court, or in any other fiduciary capacity, shall, as of the Effective Date, be held by Archroma in the same capacity upon the trusts, subject to the powers, provisions and Liabilities applicable thereto.

6.7. Contracts

Every Contract to which Huntsman is a party shall have effect as of the Effective Date as if:

(i) Archroma had been a party thereto instead of Huntsman; and

(ii) Any reference (however worded and whether express or implied) to Huntsman therein shall stand substituted, as respects anything to be done as of the Effective Date, to a reference to Archroma.

6.8. Bank Accounts

Any account(s) maintained by Huntsman with any bank or financial institution shall, as of the Effective Date, become account(s) between Archroma and such bank or financial institution, subject to the same conditions and incidents as thereof; provided that nothing herein shall affect any right of Archroma to vary the conditions or incidents subject to which any account is kept.

6.9. Instructions

Any existing instruction, order, direction, mandate, power of attorney, authority, undertaking or consent given to Huntsman in writing shall have effect, as of the Effective Date, as if given to Archroma.

6.10. Negotiable Instruments

Any negotiable instrument or order for payment of money drawn on or given to, or accepted or endorsed by Huntsman, or payable at any place of business of Huntsman, whether so drawn, given, accepted or endorsed before, as of the Effective Date, shall have the same effect as of the Effective Date, as if it had been drawn on, or given to, or accepted or endorsed by Archroma, or were payable at the same place of business of Archroma.

6.11. Custody of Documents

The custody of any document, record or goods held by Huntsman as bailee and duly recorded in their books that pass to Huntsman under any Contract of bailment relating to any such document, record or goods shall on that day become rights and obligations of Archroma.

6.12. Securities:

(i) Any Security held immediately before the Effective Date by Huntsman or by a nominee or agent of or trustee for Huntsman, as security for the payment or discharge of any liability and obligation of a Customer shall, as of the Effective Date, be held by, or, as the case may require, by that nominee, agent or trustee for Archroma and be available to Archroma (whether for its own benefit or, as the case may be, for the benefit of any other person) as security for the payment or discharge of that liability and obligation.

(ii) In relation to any Security vested in Archroma, pursuant to and / or in accordance with the provisions of this Scheme, and any liabilities and obligations thereby secured, Archroma shall be entitled to the rights and priorities to which Huntsman would have been entitled if they had continued to hold the Security.

(iii) Any Security referred to in the foregoing provisions of this paragraph which extends to future advances or liabilities shall, as of the Effective Date, be available to Archroma (whether for its own benefit or as the case may be, for the benefit of any other person) as security for the payment or discharge of future advances and future liabilities to the same extent and in the same manner in all respects as future advances or liabilities to Huntsman or, as the case may be, Archroma, were secured thereby immediately before that time.

(iv) All Securities granted / created by Huntsman in favour of the creditors of Huntsman, if any, will continue to remain operative and effective as Securities granted and created by Archroma in favour of its own creditors. To the extent that Huntsman has granted any pari passu charge over the Assets or any class of Assets of Huntsman in favour of the creditors of Huntsman, if any, upon the Amalgamation, the same shall be treated as a pari passu charge over the Assets (or relevant class of Assets) of Archroma, ranking pari passu with the charge(s) created / existing in favour of the creditors of Archroma holding charges over similar Assets or class of Assets as the case may be. It is clarified (by way of example) that pari passu charge holders of the fixed assets of Huntsman will have charges over the fixed assets of Archroma ranking pari passu with the secured creditors of Archroma having pari passu charges over the fixed assets of Archroma. Similarly, the pari passu charge holders having charges over the current assets of Huntsman will have charges over the current assets of Archroma ranking pari passu with the creditors of Archroma having pari passu charges over the current assets of Archroma. Furthermore, any charge or Security interest granted to a creditor of Huntsman (if any), by Huntsman, over specific Assets of Huntsman will continue to remain restricted to such specific Assets (which shall stand vested in Archroma) upon the Amalgamation.

6.13. Legal Proceedings

Where by virtue of this Scheme any right, Claim or Liability of Huntsman becomes a right, Claim or Liability of Archroma as of the Effective Date, Archroma shall have the same rights, claims, powers and remedies (and in particular the same rights, Claims and powers as to taking or resisting legal proceedings or making or resisting applications to any authority) for ascertaining, perfecting or enforcing that right, Claim or Liability as if it had at all times been a right, Claim or Liability of Archroma, and any legal proceedings or application to any authority existing or pending immediately before the Effective Date by or against Huntsman may be continued by or against Archroma.

6.14. Judgments

Any judgment or award obtained by or against Huntsman, and not fully satisfied before the Effective Date shall at that time, to the extent to which it is enforceable by or against Huntsman, become enforceable by or against Archroma.

6.15. Evidence

All books and other documents which would, before the Effective Date, have been evidenced in respect of any matter, for or against Huntsman, shall be admissible in evidence in respect of the same matter for or against Archroma.

6.16. Authorizations

Any authorizations / powers of attorney granted by Huntsman to any persons with respect to the undertaking / business / operations etc. of Huntsman shall continue to subsist subsequent to the Amalgamation and shall be deemed to be authorizations / powers of attorney granted by Archroma to such persons, until or unless otherwise revoked or modified by Archroma.

6.17. Clarification

The provisions contained in Articles 6.2 to 6.16 above are without prejudice to the generality of any other provisions in this Scheme, but subject to any provisions in this Scheme to the contrary effect.

ARTICLE 7

CERTAIN OBLIGATIONS AND REPRESENTATIONS

7.1. Upon the Amalgamation, Archroma shall take all necessary and expedient steps to properly and efficiently manage its entire business and affairs and shall operate and promote its entire business and affairs in the normal course (to the extent applicable).

7.2. Upon the sanction of this Scheme, but with effect from the Effective Date, Archroma shall undertake, pay, satisfy, discharge, perform and fulfil the Liabilities and Obligations, Contracts, engagements and commitments whatsoever of Huntsman.

ARTICLE 8

THE SCHEME'S EFFECT

8.1. The provisions of this Scheme shall be effective and binding by operation of law and shall become effective in terms of Article 3 above.

8.2. The execution and / or sanction of this Scheme shall not: (i) constitute any assignment, transfer, devolution, conveyance, alienation, parting with possession, or other disposition under any law for the time being in force; (ii) give rise to any forfeiture; (iii) invalidate or discharge any Contract or Security; and (iv) give rise to any right of first refusal or pre-emptive right that any person may have in respect of any investment made by such person in Archroma and / or Huntsman.

8.3. Upon the sanction of this Scheme, and with effect from the Effective Date, the terms of this Scheme shall be binding on Archroma and Huntsman, and also on all the respective shareholders / members of Archroma and Huntsman, the Customers of each of Archroma and Huntsman, the creditors of the companies and on any other person having any right or liability in relation to either of them.

ARTICLE 9

CONSIDERATION FOR THE AMALGAMATION

9.1. As consideration for the Amalgamation, Archroma shall allot and issue an aggregate of 445,460 (Four Hundred Forty Five Thousand Four Hundred Sixty) Archroma Shares to the Huntsman Shareholders, credited as fully paid up at par, on the basis of a swap ratio of approximately 0.0455 Archroma Shares for every 1 (one) share of Huntsman, of the face value of PKR 10/- (Pak Rupees Ten) each, held by each Huntsman Shareholder (the "**Swap Ratio**"). All fractions less than an Archroma Share shall be consolidated into whole Archroma Shares which shall be disposed of by Archroma in a manner determined by the Board of Directors of Archroma. All entitlements of the Huntsman Shareholders shall be determined in the proportion aforesaid.

9.2. The Swap Ratio has been determined and approved by the Board of Directors of Archroma and Huntsman from the range of values and calculations as stated in the Swap Letter, which has in-turn taken into account the fair valuations of Archroma and Huntsman carried out by EY Ford Rhodes based, inter alia, on the financial statements of the respective companies specially audited for the period ended December 31, 2022, the financial projections of the companies, and publicly available data of comparable third parties. The Swap Letter has been approved by the respective Board of Directors of each of Archroma and Huntsman.

9.3. The Archroma Shares, issued by Archroma in accordance with this Article 9, shall initially be recorded in the books of account of Archroma at cost / par value. Any amount in excess of the par value of the share capital being issued by Archroma shall be credited / recorded as reserves, including as a "Capital Reserve" or "Merger Reserve", taking into account the carrying values of the net assets comprising the undertaking of Huntsman which shall stand vested in Archroma pursuant to this Scheme.

9.4. Subsequent to the date of sanction of this Scheme, at least 7 (seven) days' notice shall be given to the members of Huntsman, by Huntsman, specifying the Record Date in order to determine the identities of the Huntsman Shareholders and their entitlements. Such notice shall also specify the date by which the Huntsman Shareholders shall deliver to Huntsman, for cancellation, all the share certificates representing the ordinary shares in Huntsman held by them and such share certificates shall be delivered to Huntsman on or before that date. Huntsman shall, within 7 (seven) days of the Record Date, provide Archroma with the list of the Huntsman Shareholders along with details of their respective entitlements.

9.5. The share certificates delivered / to be delivered by the Huntsman Shareholders in accordance with Article 9.4 above shall stand cancelled (whether or not the same have been surrendered to Huntsman by the prescribed date) and the Huntsman Shareholders shall be entitled to share certificates / CDC book-entries representing the number of fully paid up Archroma Shares to which the respective Archroma Shareholder is entitled to in accordance with the provisions of this Scheme.

9.6. The allotment of the Archroma Shares (in accordance with the provisions of this Article 9) shall be made by Archroma within 30 (thirty) days from the date notified above. The share certificates for such Archroma Shares shall be made ready for delivery as soon as practicable thereafter and notices of their readiness for their delivery shall be given to the Huntsman Shareholders in the manner provided in the Articles of Association of Archroma. Share certificates not collected within the time specified in any such notice shall be sent by post in prepaid envelopes addressed to the persons entitled thereto at their respective registered addresses. In the case of joint shareholders, share certificates may be delivered to or may be sent to the address of that one of the joint holders whose name appears first in respect of such joint holding. Archroma shall not be responsible for loss of the share certificates in such transmission. The Huntsman Shareholders shall have the option of receiving the Archroma Shares in book entry form through the CDS, which they shall intimate to Huntsman in advance (which in turn will intimate Archroma of the same at the time of sharing details pertaining to the Huntsman Shareholders in accordance with Article 9.4). In such case, Archroma shall credit the respective CDC accounts / sub-accounts of the relevant Huntsman Shareholders with book entries relating to the corresponding number of Archroma Shares which the relevant Huntsman Shareholder is entitled to in accordance with this Article 9. Such allotment shall be carried out in accordance with the rules and regulations of the CDC.

9.7. The Archroma Shares, issued and allotted to the Huntsman Shareholders in accordance with the provisions of this Scheme shall, in all respects, rank pari passu with the ordinary shares of Archroma and shall be entitled to all dividends declared by Archroma after the date of sanction of this Scheme.

9.8. It is clarified that any Archroma Shares to be allotted and issued, in accordance with the provisions of this Article 9, in favour of foreign / non-resident Huntsman Shareholders, in lieu of the ordinary shares of Huntsman held by each of them (that have been registered and / or are in the process of being registered with the State Bank of Pakistan on repatriable basis) which shall stand cancelled as a consequence of the Amalgamation, shall be deemed to be held on repatriable basis, and shall be registered by Archroma with the State Bank of Pakistan upon issuance thereof.

9.9. Subject to the sanction of this Scheme by the Court, Huntsman shall, without winding up, stand dissolved from the date on which all the Archroma Shares, to be allotted by Archroma to the Huntsman Shareholders as prescribed above, have been so allotted.

ARTICLE 10

EMPLOYEES

10.1. On and from the sanction of this Scheme (but with effect from the Effective Date), all full time officers and employees (including workmen) of Huntsman shall become the employees of Archroma at the same level of remuneration and under the same terms and conditions of service which they were receiving or, as the case may be, by which they were governed immediately before the Effective Date, including those relating to entitlements and benefits arising upon termination of services, on the basis of continuation of service (which shall be taken into account for the purposes of all benefits to which such employees may be eligible, including for the purpose of payment of any retrenchment compensation, gratuity and other terminal benefits).

10.2. Article 10.1 shall not be applicable where the employment of any such person(s) is terminated (including pursuant to resignation or otherwise) between the Effective Date and date of sanction of this Scheme.

ARTICLE 11

GENERAL

11.1. Modifications by the Court

This Scheme shall be subject to such modification of conditions, as the Court may deem expedient to impose. The Board of Directors of Archroma and Huntsman respectively may consent to any modifications or additions to this Scheme or to any conditions which the Court may think fit. In case of any difficulty in implementation of any aspect of this Scheme, clarifications, directions and / or approvals may be obtained from the Court. Notwithstanding the above, in the event that the terms of this Scheme are not approved by the members and / or creditors of Archroma and / or Huntsman (as the case may be) in its entirety and / or the Scheme, as approved by the respective companies, is modified by the Court, the Board of Directors of Archroma and / or Huntsman shall be entitled to withdraw this Scheme (whether or not approval from the members and creditors of the respective companies has been obtained).

11.2. Severability

If any provision of this Scheme is found to be unlawful and unenforceable by a competent court of law, then to the fullest extent possible, all of the remaining provisions of the Scheme shall remain in full force and effect.

11.3. Costs and expenses

All costs, charges and expenses in respect of the preparation of this Scheme and carrying the same into effect shall be borne by Archroma.

Karachi.

Dated: 27th April, 2023.

For and on behalf of
ARCHROMA PAKISTAN LIMITED

Name: ________________________
NAVEED KAMIL

Name: ________________________
IRFAN LAKHANI

For and on behalf of
HUNTSMAN TEXTILE EFFECTS PAKISTAN (PRIVATE) LIMITED

Name: ________________________
MUJTABA RAHIM

Name: ________________________
IRFAN CHAWALA

LIST OF ANNEXURES

"Annexure A"	–	List of members of Board of Directors of Archroma.
"Annexure B"	–	List of members of Board of Directors of Huntsman.
"Annexure C"	–	Swap Letter dated April 27, 2023, issued by EY Ford Rhodes.

SCHEME OF ARRANGEMENT

ANNEXURE A

LIST OF MEMBERS OF THE BOARD OF DIRECTORS OF ARCHROMA PAKISTAN LIMITED

Mr. M. Veqar Arif

Mr. Mujtaba Rahim

Mr. Marcos Furrer
(including Mr. Irfan Chawala, as the alternate director)

Mr. Shahid Ghaffar

Mr. Patrick Verraes

Mr. Thomas Bucher
(including Mr. Naveed Kamil, as the alternate director)

Ms. Yasmin Peermohammad

ANNEXURE B

LIST OF MEMBERS OF THE BOARD OF DIRECTORS OF HUNTSMAN TEXTILE EFFECTS PAKISTAN (PRIVATE) LIMITED

Mr. Chan Kin Keong

Ms. Pang Ai Chee

ANNEXURE C

Building a better working world

EY Ford Rhodes
Progressive Plaza
Beaumont Road, 75530,
Karachi, Pakistan

Tel: +92 (0)21 3565 0007-11
Fax: +92 (0)21 3568 1965
www.ey.com/pk

Reliance restricted

27 April 2023

Archroma Pakistan Limited
1-A/1, Sec.20, Korangi Industrial Area
Karachi

Huntsman Textile Effects Pakistan (Private) Limited
1-A/1, Sec.20, Korangi Industrial Area
Karachi

ATTN: Mr. Irfan Chawala
Chief Financial Officer

Project Azalea: Valuation Advisory Services for Determination of Share Swap Ratio

Dear Sir,

In accordance with your instructions, we have performed the work set out in our Engagement Agreement dated 30 March 2023 (the "Engagement Agreement") to assist in the fair market valuation, for the determination of a share swap ratio for the proposed merger, in terms of a Scheme of Arrangement ("the Scheme") under Sections 279 to 282 and 285 of the Companies Act 2017 ("Act"), of the following entities (hereinafter collectively referred to as the "Companies" or "Client") as at 31 December 2022:

1. Archroma Pakistan Limited ("APL" or "Archroma"), a company limited by shares, incorporated in Pakistan as a public company and being a listed company, having its registered office at 1-A/1, Sec.20, Korangi Industrial Area, Karachi; and

2. Huntsman Textile Effects Pakistan (Private) Limited ("HTEPL" or "Huntsman"), a company limited by shares and incorporated in Pakistan as a private company, having its registered office at 1-A/1, Sec.20, Korangi Industrial Area, Karachi.

We understand that the Companies intend to enter into the Scheme involving (i) transfer to and vesting in APL of the entire undertaking of HTEPL, inclusive of all properties, assets, rights, liabilities and obligations, (ii) the issuance of shares of APL to the shareholders of HTEPL, and (iii) dissolution of HTEPL without winding up ("the Transaction").

The arrangements contemplated under the Scheme shall allow the Companies to effectuate the commercial arrangement envisaged by the respective shareholders of the Companies, through provisions of sections 279 to 282 and 285 of the Act.

For this purpose, the Client has engaged us to assist them in the determination of the share swap ratio for the Transaction based on the fair market valuation of the Companies. The share swap ratio is based on information provided to us by the Managements of the respective Companies. Capitalized terms used in the letter, unless defined herein, shall bear the meanings ascribed thereto in the Scheme.

ANNEXURE C

EY
Building a better working world

EY Ford Rhodes
Progressive Plaza
Beaumont Road, 75530,
Karachi, Pakistan

Tel: +92 (0)21 3565 0007-11
Fax: +92 (0)21 3568 1965
www.ey.com/pk

Purpose of our letter

The scope and nature of our work, including basis and limitations, are detailed in our Engagement Agreement. The scope of our work was to undertake a fair market valuation of the Companies based on internationally accepted valuation approaches. We understand that our letter shall be used solely for the purpose of assistance to you in preparing and executing the proposed Scheme relating to the Transaction.

Shareholding information of the Companies

Archroma

The authorized share capital of APL is PKR 500,000,000/- (Pak Rupees Five Hundred Million), divided into 50,000,000 (Fifty Million) ordinary shares of PKR 10/- (Pak Rupees Ten) each, out of which 34,117,881 (Thirty Four Million One Hundred Seventeen Thousand Eight Hundred Eighty One) ordinary shares have been issued, fully subscribed to and paid up.

Huntsman

The authorized share capital of HTEPL is PKR 130,000,000/- (Pak Rupees One Hundred Thirty Million), divided into 13,000,000 (Thirteen Million) ordinary shares of PKR 10/- (Pak Rupees Ten) each, out of which 9,800,000 (Nine Million Eight Hundred Thousand) ordinary shares have been issued, fully subscribed to and paid up.

Key provisions of the Scheme

The key provisions of the proposed Scheme, shared with us by the Managements, which form the basis of our computations, are mentioned below:

1. The entire undertaking, comprising all the Assets, Liabilities and Obligations of Huntsman shall, as at the Effective Date, stand merged with, transferred to, vested in, and be assumed by Archroma.

2. As consideration for the above, it is proposed that Archroma Shares shall be issued to the Huntsman Shareholders in accordance with this Scheme, and based on the swap ratio.

3. Upon the merger and transfer of Huntsman in the manner prescribed under this Scheme, Huntsman shall be dissolved without winding up.

4. This Scheme, if approved through a resolution by the requisite majority of the respective members of Archroma and Huntsman, along with the requisite majority of creditors (as may be applicable), and sanctioned by the Court by an order passed in this respect, is to be binding on Archroma and Huntsman, along with all the members, creditors, employees, Customers, contracting parties, government, tax and regulatory / statutory authorities, bodies and departments of or with respect to Archroma and Huntsman (as applicable) respectively.

[Please read these provisions in conjunction with the Scheme of Arrangement drawn for the purpose for merger of Huntsman with and into Archroma]

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Computation of share swap ratio

- The results of our valuation exercise and resultant valuation ranges using internationally acceptable valuation methodologies, along with the range of share swap ratios are presented in our workings presented in “Appendix B”. For the purposes of this letter, the share swap ratio computed using low and high ranges of the fair market values determined as part of the valuation exercise, is presented below:

Table 1: Swap ratio range

Valuation Approach*	Huntsman		Archroma		Swap Ratios		Shares to be issued	
	Low	High	Low	High	Low	High	Low	High
Income approach	311,438	324,776	24,213,821	26,087,905	0.045	0.043	438,824	424,743
Market approach	270,389	300,916	19,908,367	22,569,191	0.047	0.046	463,379	454,896

*for each share of Huntsman, Archroma will issue 0.045-0.046 shares.

Based on the above valuations, the average range of the share swap ratios and consequential no. of shares to be issued by Archroma have been determined as 0.045 to 0.046 shares of Archroma for every 1 share of Huntsman i.e. an aggregate of between 439,820 to 451,101 shares to be issued by Archroma.

As a result, the aggregate number of shares of Archroma subsequent to the Transaction will be in the range of 34,557,700 to 34,568,982.

This letter has been based on information and workings made available to us. We have no responsibilities to update our letter with respect to any circumstances, and information that becomes available, after this date. This letter is subject to the statement of limitations attached in 'Appendix A'.

Our scope of work is limited to determining the fair market valuation and resultant share swap ratio range based on internationally accepted valuation methodologies including discounted cash flows, market approach, quoted share price and net assets value. The ultimate selection of the share swap ratio entails consideration of several factors some of which we may not be aware of. The evaluation of these factors or any related advice does not form part of the scope of our work. We highlight that our letter does not constitute investment advice or a recommendation to the Companies on their future course of action.

While our letter would assist the Managements of the respective Companies in forming their views on the swap ratio, the ultimate decision with respect to appropriate share swap ratio, based on the valuation analysis presented above, would nevertheless be that of the Board of Directors and shareholders of the respective Companies. Refer to 'Appendix A' to this letter for further information.

We appreciate the opportunity to be of service and would be pleased to discuss our findings with you.

Yours faithfully,

EY Ford Rhodes

ANNEXURE C

Building a better working world

Appendix A

Statement of assumptions and limiting conditions

Our work is contingent upon the following limiting conditions:

1. The swap ratio range computed herein is based on internationally accepted valuation approaches i.e. Discounted Cash Flows, Market Approach, Quote Share Price and Net Asset Value. The ratio range has been determined on 31 December 2022 as requested by the Managements of the respective Companies.

2. This letter is intended for use only by the parties to whom it has been addressed. Mere possession of this letter does not convey the right of reliance, nor may reliance be placed by any third party for any other purpose than that for which it was prepared.

3. The swap ratio range contained in this letter is intended only for the purpose of assistance to the Board of Directors and shareholders of the respective Companies with respect to the Transaction, as stated in the opening paragraph of this letter. Subsequent changes in the provisions of the Engagement Agreement and the adjustments therein could result in a substantially different swap ratio than that estimated and presented in the letter. We are not required to revise or update this letter to reflect events or conditions, which occur subsequent to the date of this letter.

4. Audited financial statements of the respective Companies, approved by the Board of Directors of the respective Companies, which were provided by the Managements, have been used to determine the book values for cost approach (to the extent applicable) for the period ended 31 December 2022.

5. We understand that the letter would be shared with the respective Companies' shareholders, Managements, lawyers and consultants to the Transaction, relevant Regulators, and the Honourable High Court of Sindh. However, please note that the letter should only be used for the purpose stated above and any summaries of, or references to this letter that are to be presented to any third parties must be reviewed by us, and that information may not be released without our prior written approval. Our letter may not have considered issues relevant to any third party. Any use that any such third party may choose to make of our letter is entirely at their own risk and we shall have no responsibility whatsoever in relation to any such use. Accordingly, we do not owe a duty of care to any third-party reader of this letter.

6. Information provided to us by the Managements forms the basis upon which our workings were conducted. Omission of any material information provided to us would have a significant impact on our workings. Further, it is our assumption that the workings of the Companies provided to us are approved from senior officials of the Companies for this exercise.

7. We have relied on the accuracy and completeness of information obtained from the Managements of the Companies and hence did not independently verify such information unless otherwise stated.

8. This letter should not be considered as investment, tax or accounting advice and does not constitute a fairness opinion.

ANNEXURE C

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Appendix A

9. We understand that the letter would be shared with the Companies' shareholders, Management, lawyers and consultants to the Transaction, relevant Regulatory Authorities and the Honourable High Court of Sindh. In addition, the letter may also be shared with the Securities and Exchange Commission of Pakistan ("SECP"), Competition Commission of Pakistan ("CCP") and Pakistan Stock Exchange ("PSX") (collectively referred to as "Regulators") as part of regulatory filings for the proposed Scheme. We are prepared to share our letter with the Regulators to fulfil the regulatory requirement provided that:

   a. The Client and the Regulators understand and confirm that this letter has been prepared solely in relation with the Transaction and for the benefit of the Client and we owe a duty of care only to our Client with whom we have signed our Engagement Agreement.

   b. The Client and Regulators understand that the conditions stipulated in the following paragraph will be adhered to:

      i. This letter has been prepared solely for the purpose defined and the benefit of the Client. It cannot be used or relied upon for any other purpose or by any party except the Client. For the avoidance of doubt, we do not owe a duty of care to any party who has not agreed the terms of our Engagement Agreement or where we have not specifically agreed to owe a duty of care to such parties.

      ii. Accordingly, any party other than the Client should not use or place reliance on our letter nor they can claim that they have done so. We assume no responsibility whatsoever or be held liable for losses third parties may incur in respect of or arising out of or in connection with the use or reliance by third parties on the contents of this letter. If third parties choose to use or rely in any way on the contents of this letter, they do so entirely at their own risk. Further, access to our letter is limited to those parties to whom we have specifically provided our consent and any party who has not been provided with such consent should not have access to our letter and must not read any further.

Sources of information

We have considered audited historical financial statements and other documents provided by the Managements in our valuation analysis. We have used information from the following sources:

- Audited financial statements of the Companies for the period ended 31 December 2022
- Projections / workings provided by the Managements via file named 'Projection_Next Five years_v6.xlsx' and 'Projection_Next Five years_HTE_v2.xlsx' ; and
- Conversations held with authorized personnel of the Managements to obtain an understanding of the business for the purpose of the proposed Scheme.

ANNEXURE C

Building a better working world

Appendix B

Please find below the summary of values using different valuation approach / methodologies:

(PKR million)	Huntsman	Archroma
Income Approach	311.4 – 324.8	24,213.8 - 26,087.9
Indicative fair market value based on Discounted Cash Flow Method	*Using WACC: 20.5% - 20.9%* *Terminal growth rate:5.5%*	*Using WACC: 24.7% - 25.9%* *Terminal growth rate:5.5%*
Market Approach - Adjusted	270.4 – 300.9*	19,908.3 - 22,569.2
Indicative fair market value based on Guideline Public Company Method, Comparable companies EV/ EBITDA traded multiples ranged between:	*5.7x to 6.6x*	*6.6x to 7.4x.*
NAV Method	133.9	3,243.9
Indicative fair market value based on net assets calculated using the December 2022 financial statement		
Share price (as at 31 December 2022)	270.4 – 300.9*	14,875.4
Indicative fair market value based onshare price for Archroma at 31 December 2022 (PKR 436.0) and Guideline Public Company Method for Huntsmen		

* During FY22A, PKR 93.3 million was waived off by the parent company of Huntsman which was recorded as other income in the financial statements of FY22A. Since the income was a one-off income and does not represent an improved business performance, we have subtracted this income to normalize FY22A EBITDA for the purposes of our valuation. Further, the management anticipates a sustainable EBITDA margin of ~10% going forward; accordingly, for the purpose of this calculation we have arrived at EBITDA using revenues of FY22A and applying expected EBITDA margin for FY23F.

Based on the aforementioned, the range of swap ratios worked out to be as follows:

Valuation approach / method	Swap Ratio			Shares to be issued		
	Low	Mid	High	Low	Mid	High
DCF Method	0.045	0.044	0.043	438,824	431,783	424,743
Market Approach	0.047	0.047	0.046	463,379	459,137	454,896
NAV method	0.144	0.144	0.144	1,408,097	1,408,097	1,408,097
Share price	0.063	0.067	0.070	620,145	655,152	690,159
Average share swap ratios and shares to be issued	**0.075**	**0.076**	**0.076**	**732,611**	**738,542**	**744,474**
Average share swap ratios and shares to be issued based on DCF and Market approach only	0.046	0.046	0.045	451,102	445,460	439,820

It is key to note that we have also considered other commonly applied valuation techniques / approaches i.e. quoted share price method and the NAV method for the purpose of this exercise. However, after evaluation, we have not taken into account the results of these valuation approaches for the calculation of the swap ratio range as the same may not fairly represent the valuation of the Companies for the purposes of the Transaction. As part of our evaluation due consideration was given to comparability of balance sheets, volatility in capital markets etc.

FINANCIAL INFORMATION

For the Three Month Period Ended 31 December 2022

ARCHROMA PAKISTAN LIMITED

Yousuf Adil
Chartered Accountants

Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
Karachi-75350
Pakistan

Tel: +92 (0) 21 3454 6494-7
Fax: +92 (0) 21- 3454 1314
www.yousufadil.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Archroma Pakistan Limited

Opinion

We have audited the annexed special purpose financial statements of Archroma Pakistan Limited (the Company), which comprise of statement of financial position as at December 31, 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the three month period then ended and notes to the special purpose financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, special purpose financial statements of company for the three month period ended December 31, 2022, are prepared in all material respects, in accordance with note 2.1 of special purpose financial statements.

Basis for Opinion

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

Emphasis of Matter

Basis of accounting, restriction on distribution and use, and corresponding figures

We draw attention to note 2 to the special purpose financial statements, which describes purpose of preparation of these special purpose financial statements. The special purpose financial statements are prepared to assist the Company in the process of merger, related approvals including approval from members and court submissions therefore these may not be suitable for any other purpose, and accordingly our report should not be distributed to or used by parties other than parties involved in the process of merger without our prior consent. Further, the corresponding figures of statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity and related notes are unaudited and are extracted from quarterly financial statements for the quarter ended December 31, 2021.

Our opinion is not modified in respect of these matters.

Responsibilities of Management and Board of Directors for the Special Purpose Financial Statements

Management is responsible for the preparation and fair presentation of the special purpose financial statements in accordance with note 2 to special purpose financial statements and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements

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

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

- Identify and assess the risks of material misstatement of the special purpose financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's management.

- Conclude on the appropriateness of the Company's management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Arif Nazeer.

Yousuf Adil
Chartered Accountants

Place: Karachi
Dated: May 08, 2023

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
ASSETS			
Non-current assets			
Property, plant and equipment	4	**2,004,830**	1,929,532
Long term deposits		**12,655**	12,655
Employees benefits	15	**34,850**	25,004
		2,052,335	1,967,191
Current assets			
Stores and spares	5	**68,458**	60,607
Stock-in-trade	6	**3,875,083**	3,985,984
Trade receivables	7	**5,958,627**	4,826,630
Loans and advances	8	**8,467**	1,359
Trade deposits and short-term prepayments	9	**63,249**	100,961
Other receivables	10	**24,842**	28,783
Sales tax refundable	11	**1,327,959**	1,327,959
Cash and bank balances	12	**228,074**	96,031
		11,554,759	10,428,314
TOTAL ASSETS		**13,607,094**	12,395,505
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital			
Issued, subscribed and paid-up share capital	13	**341,179**	341,179
Reserves			
Revenue reserve		**2,747,000**	2,434,000
Unappropriated profit		**169,230**	996,630
		2,916,230	3,430,630
		3,257,409	3,771,809
LIABILITIES			
Non-current liabilities			
Deferred taxation - net	14	**52,612**	58,930
Employees benefits	15	**11,164**	11,164
Lease liabilities	17	**128,061**	104,710
Liabilities against diminishing musharika financing	18	**122,544**	115,263
		314,381	290,067
Current liabilities			
Trade and other payables	19	**6,319,683**	5,750,385
Unclaimed dividend		**88,316**	88,430
Unpaid dividend		**632,259**	-
Taxation - net		**233,380**	381,423
Mark-up accrued	20	**89,635**	24,171
Short-term borrowings - secured	21	**2,605,617**	1,977,491
Current portion of long term loan - secured	16	**-**	42,633
Current portion of lease liabilities	17	**19,853**	20,119
Current portion of liabilities against diminishing musharika financing	18	**46,561**	48,977
		10,035,304	8,333,629
		10,349,685	8,623,696
Contingencies and commitments	22		
TOTAL EQUITY AND LIABILITIES		**13,607,094**	12,395,505

The annexed notes 1 to 38 form an integral part of these financial statements.

Mujtaba Rahim	Naveed Kamil	Irfan Chawala
Chief Executive Officer	Director	Director and Chief Financial Officer

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Three Month Period Ended 31 December 2022

	Note	Three month period ended 31 December 2022 (Rs '000)	31 December 2021 (Rs '000) (un-audited)
Sales		**6,530,460**	7,937,668
Trade discounts and commission		**208,931**	284,869
Sales tax		**681,944**	890,844
		890,875	1,175,713
Net sales	23	**5,639,585**	6,761,955
Cost of goods sold	24	**(4,501,779)**	(4,710,432)
Gross profit		**1,137,806**	2,051,523
Distribution and marketing expenses	25	**(643,672)**	(683,228)
Administrative expenses	26	**(173,493)**	(150,861)
Impairment reversal on trade receivables	7.1	**1,054**	17,038
Other expenses	28	**(18,399)**	(80,392)
		(834,510)	(897,443)
Other income	29	**7,036**	18,176
		310,332	1,172,256
Finance costs	30	**(99,581)**	(127,296)
Profit before taxation		**210,751**	1,044,960
Taxation	31	**(55,911)**	(294,796)
Profit for the year		**154,840**	750,165
Other comprehensive income			
Re-measurement gain / (loss) on defined benefit obligations	27	**17,102**	-
Impact of deferred tax		**(3,984)**	-
		13,118	-
Total comprehensive income for the year		**167,958**	750,165
		(Rupees)	(Rupees)
Earnings per share (basic and diluted)	32	**4.54**	21.99

The annexed notes 1 to 38 form an integral part of these financial statements.

Mujtaba Rahim Chief Executive Officer	Naveed Kamil Director	Irfan Chawala Director and Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

For the Three Month Period Ended 31 December 2022

		General Reserves		
	Issued, subscribed and paid-up capital	Revenue reserves	Unappro-priated profit	Total
	---------------- (Rupees in '000) ----------------			
Balance as at 30 September 2021 (audited)	341,179	3,138,000	2,368,412	5,847,591
Transaction with owners in the capacity as owners directly recorded in equity - distribution				
- Final dividend at 900% (i.e. Rs. 90 per share) for the year ended 30 September 2021	-	-	(3,070,609)	(3,070,609)
Transfer from revenue reserves appropriated subsequent to year end	-	(704,000)	704,000	-
Total comprehensive income for the three months period ended 31 December 2021 (un-audited)				
Profit for the three months period	-	-	750,165	750,165
Other comprehensive Income	-	-	-	-
	-	-	750,165	750,165
Balance as at 31 December 2021 (un-audited)	341,179	2,434,000	751,968	3,527,147
Balance as at 30 September 2022 (audited)	341,179	2,434,000	996,630	3,771,809
Transaction with owners in the capacity as owners directly recorded in equity - distribution				
- Final dividend at 200% (i.e. Rs. 20 per share) for the year ended 30 September 2022	-	-	(682,358)	(682,358)
Transfer to revenue reserves appropriated subsequent to year end	-	313,000	(313,000)	-
Total comprehensive income for the three month period ended 31 December 2022				
Profit for the three months period	-	-	154,840	154,840
Other comprehensive income	-	-	13,118	13,118
	-	-	167,958	167,958
Balance as at 31 December 2022 (audited)	**341,179**	**2,747,000**	**169,230**	**3,257,409**

The annexed notes 1 to 38 form an integral part of these financial statements.

Mujtaba Rahim
Chief Executive Officer

Naveed Kamil
Director

Irfan Chawala
Director and Chief Financial Officer

STATEMENT OF CASH FLOWS

For the Three Month Period Ended 31 December 2022

	Note	Three month period ended 31 December 2022 (Rs '000)	31 December 2021 (Rs '000) (un-audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	35	**(27,169)**	1,031,891
Employee benefits paid		**-**	(17,548)
Mark-up paid		**(42,291)**	(3,636)
Income taxes paid		**(214,256)**	(195,249)
Movement in long term deposits and prepayments		**-**	4,229
Net cash generated from operating activities		**(283,716)**	819,687
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(102,264)**	(23,935)
Proceeds from disposal of property, plant and equipment		**5,234**	3,892
Net cash used in investing activities		**(97,030)**	(20,043)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments against lease liabilities		**(5,134)**	495
Financing against diminishing musharika financing - net		**(17,358)**	(13,852)
Long term loans - payment		**(42,633)**	(44,819)
Short-term borrowings - proceeds		**875,560**	-
Short-term borrowings - repayments		**-**	(26,471)
Dividend paid		**(50,213)**	(165,135)
Net cash used in financing activities		**760,222**	(249,782)
Net increase in cash and cash equivalents		**379,476**	549,862
Cash and cash equivalents at beginning of the period		**(205,709)**	1,621,486
Cash and cash equivalents at end of the period	36	**173,767**	2,171,348

The annexed notes 1 to 38 form an integral part of these financial statements.

Mujtaba Rahim	Naveed Kamil	Irfan Chawala
Chief Executive Officer	Director	Director and Chief Financial Officer

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Three Month Period Ended 31 December 2022

1. THE COMPANY AND ITS OPERATIONS

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

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

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

Factories

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

Sales offices

-Katar Bund Road, Off. Multan Road, Thokar Niaz Baig, Lahore
-P-277, Kashmir Road, Amin Town, Faisalabad

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017 except certain disclosures required under the Fourth Schedule to the Companies Act, 2017, (such as remuneration to chief executive officer, directors and other executives, disclosure for all shares islamic index, number of employees and certain other disclosures).

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

2.2 Subsequent to the period ended 31 December 2022, Archroma Textiles GmbH (the holding company), acquired 99.99% shares of Huntsman Textile Effects Pakistan (Private) Limited. In pursuant to circular resolution passed by the Board of Directors of the Archroma Pakistan Limited (ARPL) on March 15, 2023, ARPL is in the process to explore the feasibility of a potential merger of Huntsman Textile Effects Pakistan (Private) Limited, with and into ARPL. These financial statements have been prepared solely for the purpose to assist ARPL in the process of merger, related approvals and court submissions therefore these may not be suitable for any other purpose. In consequent to the above, the corresponding figures of statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity are unaudited and are extracted from quarterly financial statements for the quarter ended 31 December 2021.

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for retirement benefit obligations, which have been measured at fair value of plan assets less the present value of the defined benefit obligation.

2.4 Functional and presentation currency

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

2.5 Use of judgments and estimates

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

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

i) Useful lives and residual values of property, plant and equipment and RoU assets (notes 3.1, 3.2, 4.1 and 17);

ii) Estimation in writing down items of stock in trade and stores and spares to their net realisable value (notes 3.3, 3.4, 5 and 6);

iii) Allowance for impairment loss against trade receivables (notes 3.7.1 and 7);

iv) Provision for taxation and deferred tax (notes 3.5 and 31);

v) Assumption used in determination of defined benefit liability (notes 3.9 and 27);

vi) Provisions and contingencies (notes 3.12 and 22); and

vii) Determination of variable lease payments (note 3.2).

2.6 Changes in accounting standards, interpretations and pronouncements

2.6.1 Amendments to IFRS that are effective for the year ended December 31, 2022

The following amendments are effective for the year ended December 31, 2022. These amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after
- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
- Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)	January 01, 2022

2.6.2 Amendments to IFRS that are not yet effective

The following amendments are effective for accounting periods, beginning on or after the date mentioned against each of them. These amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after
- Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
- Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
- Amendments to IFRS 16 ' Leases' - clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
- Amendments to IAS 1 'Presentation of Financial Statements' - Classification liabilities as current or non-current	January 01, 2024
- Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards

- IFRS 17 – Insurance Contracts

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Company has consistently applied the following accounting policies to all periods presented in financial statements these

3.1 Property, plant and equipment

Recognition and measurement

All items of property and equipment except for freehold land are measured at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is measured at cost less impairment, if any.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure

Subsequent expenditure incurred is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the Company.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment, other than freehold land, less their estimated residual values using the straight-line method and is charged to the statement of profit or loss at the rates specified in note 4 to these financial statements. The cost of leasehold land is amortised equally over the lease period. Depreciation on additions during the year is charged from the month in which the asset is put to use, whereas no depreciation is charged for the month the asset is disposed off. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Gains and losses on disposal

Gains and losses on disposals of property, plant and equipment is recognised in the statement of profit or loss.

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any, and consists of expenditure incurred in respect of operating property, plant and equipment in the course of their acquisition, construction and installation. The assets are transferred to relevant category of operating property, plant and equipment when they are available for use.

3.2 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

The Company acts as a lessee and applies a single recognition and measurement approach for all the leases except for short-term leases and leases of low value assets (if any). The Company recognises lease liability to make lease payments and right-of-use assets representing the right to use the underlying assets. At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognises right-of-use asset (ROU asset) and its related lease liability at the commencement date of the lease .

i) Right-of-use asset

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability 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 incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain premeasurements of the lease liability.

The company present right-of-use asset that do not meet the definition of investment property in property, plant and equipment .

ii) Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid 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. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing source and makes certain adjustments, if needed to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is premeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is premeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company presents lease liabilities as a separate line item in the statement of financial position.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.3 Stores and spares

Stores and spare parts are measured at lower of cost and net realisable value. Cost is determined using the weighted average method and comprises all costs of purchase and other costs incurred in bringing the stores and spares to their present location and condition and is also adjusted through systematic provision for damaged, obsolete and slow moving items. Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

3.4 Stock-in-trade

Stock-in-trade are measured at the lower of cost determined on the weighted average method and realisable value.

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

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

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

3.5 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

Current

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of prior years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising under final tax regime.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

3.6 Financial instruments

3.6.1 Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.6.2 Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as: amortised cost, FVOCI - debt investment, FVOCI - equity investment, or FVTPL (if any).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (mark-up) on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (mark-up) on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual mark-up income, maintaining a particular mark-up rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest (mark-up)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' (mark-up) is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest (mark-up), the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest (mark-up) criterion if the prepayment amount substantially represents unpaid amounts of principal and interest (mark-up) on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (mark-up) (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest (mark-up) or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest (mark-up) income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest (mark-up) income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest (mark-up) expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest (mark-up) expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3.6.3 Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.6.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.7 Impairment

3.7.1 Impairment on financial assets

The Company recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt instruments measured at FVOCI, if any; and
- contract assets, if any.

The Company measures loss allowances at an amount equal to lifetime Expected Credit Losses (ECLs), except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date, if any; and

- other debt securities and bank balances, if any for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, that includes inducing forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the customer is unlikely to pay its balance to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or

- the financial asset is past due on the agreed terms.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12 - month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired ' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being past due for more than the agreed term;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3.7.2 Impairment of non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, then an asset's recoverable amount is estimated.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows i.e cash-generating units (CGU).

The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. An impairment loss is recognised as an expense in the profit or loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. Value in use is ascertained through discounting of the estimated future cash flows using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the assets. The fair value less costs to sell calculation is based on the available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs to sell of the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8 Cash and cash equivalents

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Three Month Period Ended 31 December 2022

3.9 Employee benefits

3.9.1 Retirement benefits

a) Defined contribution plan (provident fund)

The Company operates an approved contributory provident fund for all eligible employees. Equal monthly Company has contributions are made to the fund, both by the Company and the employees. The no further payment obligations once the contributions have been paid.

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

b) Defined benefit plan (gratuity fund)

The Company operates an approved gratuity fund for all its eligible employees.

The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Contributions to the fund is made periodically on the basis of recommendations of the actuary.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. 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 annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

c) Other long-term employee benefits (long service award)

The Company's net obligation in respect of other long-term employee benefits [i.e. long service award (Jubilee Plan)] is the amount of future benefit that employees have earned in return for their services in the current and prior periods.

The calculation of it is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements. Remeasurements are recognised in profit or loss in the period in which they arise.

3.9.2 Compensated absences

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

3.10 Revenue recognition

The Company is in the business of sale of goods to customers under the contractual arrangement. Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Standard products - sale of goods	Customers obtain control of products when the goods are delivered to and have been accepted. Invoices are generated at that point in time.	Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer i.e. when goods are dispatched and invoiced. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (i.e. discounts and volume rebates). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, and consideration payable to the customer (if any).
Indenting Commission	Customers obtain control of products when the goods are delivered to and have been accepted.	Indenting Income is recognised at the point in time when control of the goods is transferred to the customer i.e. when receipt of shipment is confirmed from the suppliers.

3.11 Foreign currency transactions

Transactions in foreign currencies are translated to Pakistan Rupees at the foreign exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the Pakistan Rupees at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into Pakistan Rupees at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

3.12 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 reporting date and adjusted to reflect the current best estimate.

3.13 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.

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 executive officer 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.

3.14 Government grants

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

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

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

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

The benefit of below-market interest loan obtained under Government (SBP) scheme is accounted for as government grant. The benefit, measured as the difference between the initial carrying value of the loan (i.e. fair value of the loan) and the proceeds received, is government grant. This amount of grant is recognized and presented in the financial statements as 'grant income'. In subsequent periods, the grant is recognised in statement of profit or loss, in line with the recognition of interest expenses the grant is compensating. This amount is presented as ‘other income’.

3.15 Finance costs and finance income

The Company’s finance income and finance costs include:

- mark-up income, if any;
- mark-up expense; and
- the foreign currency gain or loss on financial assets and financial liabilities.

The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating mark-up income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

3.16 Fair value measurement

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price, without any deduction for transaction costs.

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

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

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

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

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

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

3.17 Earings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholder and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4. PROPERTY, PLANT AND EQUIPMENT	Note	31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
Operating property, plant and equipment	4.1	**1,814,130**	1,836,601
Capital work-in-progress	4.4	**190,700**	92,931
		2,004,830	1,929,532

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Three Month Period Ended 31 December 2022

4.1 Operating property, plant and equipment

31 December 2022

	Land		Buildings			Plant and machinery	Furniture, fixtures and equipment		Vehicles		Total
	Freehold	Leasehold	On leasehold land	On freehold land	ROUA		Owned	ROUA	Owned	ROUA	
	(Rupees in '000)										
At 1 October 2022											
Cost	47	392,232	233,565	572,036	127,083	2,716,265	918,165	61,157	48,449	228,761	5,297,760
Accumulated depreciation	-	(30,305)	(106,503)	(412,867)	(25,523)	(2,104,399)	(613,524)	(49,868)	(12,127)	(106,043)	(3,461,159)
Net book value	47	361,927	127,062	159,169	101,560	611,866	304,641	11,289	36,322	122,718	1,836,601
Three months period ended 31 December 2022											
Opening net book value	47	361,927	127,062	159,169	101,560	611,866	304,641	11,289	36,322	122,718	1,836,601
Additions / transfers	-	-	-	-	-	-	4,495	-	-	22,223	26,718
Impact of reassessment	-	-	-	-	28,219	-	-	-	-	-	28,219
Disposals / write-offs:											
Cost	-	-	-	-	-	-	-	-	-	13,983	13,983
Accumulated depreciation	-	-	-	-	-	-	-	-	-	(8,749)	(8,749)
	-	-	-	-	-	-	-	-	-	5,234	5,234
Depreciation charge for the period	-	(990)	(2,469)	(6,190)	(2,681)	(30,686)	(17,578)	(1,215)	(62)	(10,303)	(72,174)
Closing net book value	47	360,937	124,593	152,979	127,097	581,180	291,558	10,074	36,260	129,404	1,785,911
At 31 December 2022											
Cost	47	392,232	233,565	572,036	155,302	2,716,265	922,660	61,157	48,449	237,001	5,338,714
Accumulated depreciation	-	(31,295)	(108,972)	(419,057)	(28,204)	(2,135,085)	(631,102)	(51,083)	(12,189)	(107,597)	(3,524,584)
Net book value	47	360,937	124,593	152,979	127,098	581,180	291,558	10,074	36,260	129,404	1,814,130
	%										
Depreciation rate	-	1.00%	3.33%	2.5 - 10%	2 - 80%	10 - 50%	10 - 33.33%	33.33%	20%	20 - 25%	

30 September 2022

	Land		Buildings			Plant and machinery	Furniture, fixtures and equipment		Vehicles		Total
	Freehold	Leasehold	On leasehold land	On freehold land	ROUA		Owned	ROUA	Owned	ROUA	
	(Rupees in '000)										
At 1 October 2021											
Cost	47	392,232	208,043	572,036	132,561	2,680,246	775,484	55,686	50,941	145,364	5,012,640
Accumulated depreciation	-	(26,314)	(98,784)	(387,574)	(21,316)	(1,961,255)	(583,598)	(45,266)	(14,545)	(93,065)	(3,231,717)
Net book value	47	365,918	109,259	184,462	111,245	718,991	191,886	10,420	36,396	52,299	1,780,923
Year ended 30 September 2022											
Opening net book value	47	365,918	109,259	184,462	111,245	718,991	191,886	10,420	36,396	52,299	1,780,923
Additions / transfers	-	-	25,522	-	-	36,019	170,263	5,471	151	113,284	350,710
Disposals / write offs:											
Cost	-	-	-	-	5,478	-	27,582	-	2,643	29,887	65,590
Accumulated depreciation	-	-	-	-	(5,478)	-	(25,542)	-	(2,643)	(22,616)	(56,279)
	-	-	-	-	-	-	2,040	-	-	7,271	9,311
Depreciation charge for the year	-	(3,991)	(7,719)	(25,293)	(9,685)	(143,144)	(55,468)	(4,602)	(225)	(35,594)	(285,721)
Closing net book value	47	361,927	127,062	159,169	101,560	611,866	304,641	11,289	36,322	122,718	1,836,601
At 30 September 2022											
Cost	47	392,232	233,565	572,036	127,083	2,716,265	918,165	61,157	48,449	228,761	5,297,760
Accumulated depreciation	-	(30,305)	(106,503)	(412,867)	(25,523)	(2,104,399)	(613,524)	(49,868)	(12,127)	(106,043)	(3,461,159)
Net book value	47	361,927	127,062	159,169	101,560	611,866	304,641	11,289	36,322	122,718	1,836,601
	%										
Depreciation rate	-	1.00%	3.33%	2.5 - 10%	2 - 80%	10 - 50%	10 - 33.33%	33.33%	20%	20 - 25%	

4.2 The depreciation charge for the year has been allocated as follows:

	Note	Three month period ended 31 December 2022 (Rs '000)	31 December 2021 (un-audited) (Rs '000)
Cost of goods sold	24	**57,139**	57,035
Distribution and marketing expenses	25	**8,437**	6,261
Administrative expenses	26	**6,598**	5,652
		72,174	68,948

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

Description	Mode of disposal	Cost	Book Value	Sale proceeds	Gain/(loss) on disposal	Purchaser	Relationship with purchaser
		------------------- (Rupees in '000)			-------------------		
Vehicles - leased							
Vehicle	Company policy	1,868	607	607	-	Anwaar Haider	Employee
Vehicle	Company policy	1,762	1,213	1,213	-	M. Zeeshan	Ex- Employee
Vehicle	Company policy	2,467	1,947	1,947	-	Moeed Siddiqui	Ex- Employee
		6,097	3,767	3,767	-		

4.4 Capital work-in-progress

	Note	31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
Plant and machinery		**180,557**	77,731
Equipment		**10,143**	15,200
	4.4.1	**190,700**	92,931

4.4.1 Capital work-in-progress - movement

	For the three month period ended 31 December 2022	For the twelve month period ended 30 September 2022
Opening balance	**92,931**	84,107
Capital expenditure	**100,871**	264,120
Transferred to operating property, plant and equipment	**(3,102)**	(255,296)
Closing balance	**190,700**	92,931

5. STORES AND SPARES

	Note	31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
Stores and spares	5.1	**67,992**	60,556
In transit		**466**	51
		68,458	60,607

5.1 Provision against slow moving and obsolete stores and spares amounts to Rs. Nil million (30 September 2022: Rs.6.389 million) and written off there against amounting to Rs. Nil (30 September 2022: Rs. Nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Three Month Period Ended 31 December 2022

6. STOCK-IN-TRADE	Note	31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
Raw and packing materials including goods in transit of Rs. 695.885 million (30 September 2022: Rs. 545.043 million)	6.2 & 6.3	**2,572,331**	3,035,880
Work-in-process-net	24	**126,396**	330,871
Finished goods including goods in transit of Rs. 29.534 million (30 September 2022: Rs. 14.323 million)	6.1, 6.2 & 6.4	**1,176,356**	619,233
		3,875,083	3,985,984

6.1 This includes imported finished goods amounting to Rs. 18.630 million (30 September 2022: Rs. 20.727 million).

6.2 Provision against slow moving and obsolete stock amounts to Rs. 258.61 million (Raw material: Rs.215.32 million, Finished goods: Rs.27.37 million and Work in process Rs.15.92 million) (30 September 2022:Rs. 272.82 million) and written off there against amounting to Rs. Nil million (30 September 2022: Rs.12.318 million).

6.3 Raw and packing material amounting to Rs. Nil million (2022: Rs. 2.611 million) has been written off directly during the year.

6.4 This includes finished goods sold under Tijarah facility amounting to Rs. 52.816 million (30 September 2022: Rs. Nil).

7. TRADE RECEIVABLES	Note	31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
Related parties			
- PT Archroma Indonesia		**10,567**	-
- Archroma (Thailand) Company Limited		**98,269**	85,456
- Archroma Japan KK		**41,162**	45,246
- Archroma Turkey		**533,373**	80,540
- Archroma Textile Mexico		**2,125**	4,257
- Archroma Peru S.A.		**7,569**	7,637
- Archroma Singapore Pte Limited		**8,235**	10,876
- Archroma Chemicals China Limited		**17,761**	52,189
	7.2	**719,061**	286,201
Others			
- Secured		**478,549**	305,763
- Unsecured		**5,253,080**	4,727,783
	7.3	**6,450,690**	5,319,747
Less: Impairment loss on trade receivables	7.1	**(492,063)**	(493,117)
		5,958,627	4,826,630

7.1 Movement of impairment loss on trade receivables:	For the three month period ended 31 December 2022	For the twelve month period ended 30 September 2022
Opening provision	**493,117**	521,094
Reversal for the period / year	**(1,054)**	(17,038)
Written off during the period / year	**-**	(10,939)
Closing provision	**492,063**	493,117

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

	31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
Not past due	**719,061**	286,201

7.3 The aging of the total trade receivables as at the reporting date is as under:

	31 December 2022			
	Weighted average loss rate	Gross	Impairment	Net
	%	----Rupees in '000----		
Not past due	-	5,104,624	-	5,104,624
Past due 1 - 30 days	-	601,554	-	601,554
Past due 31 - 60 days	-	200,459	-	200,459
Past due 61 - 90 days	-	25,342	-	25,342
Past due 91 - 180 days	-	26,648	-	26,648
Past due 181 - 360 days	100%	5,096	5,096	-
Over 360 days	100%	486,967	486,967	-
		6,450,690	492,063	5,958,627

	30 September 2022			
	Weighted average loss rate	Gross	Impairment	Net
	%	----Rupees in '000----		
Not past due	-	4,459,613	-	4,459,613
Past due 1 - 30 days	-	320,479	-	320,479
Past due 31 - 60 days	-	31,244	-	31,244
Past due 61 - 90 days	-	12,316	-	12,316
Past due 91 - 180 days	-	2,978	-	2,978
Past due 181 - 360 days	100%	4,633	4,633	-
Over 360 days	100%	488,484	488,484	-
		5,319,747	493,117	4,826,630

7.4 Majority of trade receivables of the Company are located in Pakistan. The exposure to credit risk from trade debts at 31 December 2022 by geographic region are as follows:

	Gross	Impairment	Net
Country	----Rupees in '000----		
Pakistan	5,198,173	492,063	4,706,110
Asia	719,144	-	719,144
Europe	533,373		533,373
	6,450,690	492,063	5,958,627

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

	Note	31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
- Archroma Turkey		**533,373**	680,568
- PT Archroma Indonesia		**10,567**	7,709
- Archroma (Thailand) Company Limited		**98,748**	169,721
- Spice Industria Quimica Ltd.		**-**	1,635
- Archroma Textile Mexico		**2,098**	5,004
- Archroma Peru S.A.		**14,726**	8,907
- Archroma Singapore Pte Limited		**8,642**	124,411
- Archroma Japan KK		**43,312**	87,890
- Archroma Chemical China Ltd.		**39,545**	52,189
- PT Archroma Specialties		**-**	13,049
		751,011	1,151,083

8. LOANS AND ADVANCES

Unsecured			
Advances for supplies and services		**8,467**	1,359

8.1 These advances did not carry any mark-up arrangement.

9. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Trade deposits			
Deposits		**2,570**	5,275
Margin on import letters of credit		**20,650**	59,247
		23,220	64,522
Short-term prepayments			
Prepaid insurance		**23,278**	23,534
Others		**16,751**	12,905
		40,029	36,439
		63,249	100,961

10. OTHER RECEIVABLES

Indenting commission due from related parties	10.1	**9,702**	16,426
Receivable from provident fund - related party		**-**	605
Others		**15,140**	11,752
		24,842	28,783

10.1 Indenting commission due from related parties:

Archroma Management GmbH		**7,967**	15,016
Archroma (Thailand) Company Limited		**-**	585
Archroma Singapore Pte Limited		**1,735**	825
	10.1.1	**9,702**	16,426

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

Not past due		**9,702**	16,426

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

	Note	31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
Archroma Management GmbH		**7,967**	15,016
Archroma (Thailand) Company Limited		**535**	585
Archroma Singapore Pte Limited		**1,735**	825
		10,237	16,426

11. SALES TAX REFUNDABLE

	Note	31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
Tax refunds due from Government - Sales Tax	11.1	**1,327,959**	1,327,959

11.1 Up to June 2019, under S.R.O.1125(I)/2011, the Company's local sales to export oriented sectors were taxed at reduced rates under which the Company is claiming sales tax refunds. The contingencies with respect to sales tax refundable are disclosed in Note 22 to these special purpose financial statements.

12. CASH AND BANK BALANCES

	Note	31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
With banks			
- In current accounts {including foreign currency account Rs. 1.88 million (30 September 2022: Rs. 5.872 million)}	12.1	**144,777**	7,291
- In deposit accounts (financial asset at amortised cost)	12.2	**83,000**	-
- In saving accounts		**-**	88,430
Cash in hand		**297**	310
		228,074	96,031

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

12.2 This represents one term deposit receipt, which is held with Company's banker for safe custody yielding 15.5% per annum with maturity by January 30, 2023.

13. SHARE CAPITAL

13.1 Authorised capital

31 December 2022 (Number of shares)	30 September 2022 (Number of shares)		31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
50,000,000	50,000,000	Ordinary shares of Rs. 10 each	**500,000**	500,000

13.2 Issued, subscribed and paid-up share capital

31 December 2022 (Number of shares)	30 September 2022 (Number of shares)		31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
7,441,639	7,441,639	Ordinary shares of Rs. 10 each issued for consideration other than cash	**74,416**	74,416
26,676,242	26,676,242	Ordinary shares of Rs. 10 each issued as bonus shares	**266,763**	266,763
34,117,881	34,117,881		**341,179**	341,179

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Three Month Period Ended 31 December 2022

13.3 Archroma Textiles GmbH, held 25,588,533 (30 September 2022: 25,588,533) ordinary shares of Rs. 10 each at 31 December 2022.

13.4 All the ordinary shares carry one vote per share and right to dividend.

14. DEFERRED TAXATION - NET

	31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
Deferred tax liabilities arising on taxable temporary differences:		
Accelerated tax depreciation allowance	**229,010**	255,688
Employees retirement benefits - net	**8,119**	6,403
	237,129	262,091
Deferred tax assets arising on deductible temporary differences:		
Impairment loss against trade receivables	**114,634**	126,277
Other long term employee benefits	**2,602**	2,859
Lease liabilities	**67,281**	74,025
	184,517	203,161
Deferred tax liability - net	**52,612**	58,930

14.1 Analysis of change in deferred tax

Taxable / (deductible) temporary differences	Net balance at at 1 October 2022	Recognized in profit or loss	Recognized in OCI	Net balance at at 31 December 2022
	-----------------------------Rupees in '000-----------------------------			
Property, plant and equipment	**255,688**	**(26,678)**	**-**	**229,010**
Employee retirement benefits - net	**6,403**	**(2,268)**	**3,984**	**8,119**
Allowance for impairment loss against trade receivables	**(126,277)**	**11,643**	**-**	**(114,634)**
Other long term employee benefits	**(2,859)**	**257**	**-**	**(2,602)**
Lease liabilities	**(74,025)**	**6,744**	**-**	**(67,281)**
	58,930	**(10,303)**	**3,984**	**52,612**

15. EMPLOYEES BENEFITS

	Note	31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
Net defined benefit - asset			
Employee retirement benefits - Gratuity	27.1.3	**34,850**	**25,004**
Net defined benefit - liability			
Other long term employee benefits - Long service award	15.1 & 27.3.4	**11,164**	11,164
		11,164	11,164

15.1 This represents long service awards operated by the Company for eligible employees. The Company's obligation is determined by the Archroma Group's globally appointed actuary using projected unit credit method.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Three Month Period Ended 31 December 2022

16. LONG TERM LOAN - SECURED	Note	31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
From banking companies - Islamic			
Loan obtained under refinance scheme for payment of wages and salaries	16.1	-	41,776
Less: current portion of long term loan		-	(41,776)
		-	-
Deferred income - government grant		-	857
Current portion of deferred income - government grant		-	(857)
		-	-
		-	-

16.1 Due to the effects of COVID-19 pandemic, State Bank of Pakistan (SBP) took various steps to support the economy. SBP introduced a refinance scheme for payment of salaries and wages at subsidized rate of borrowing.

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

Government grant amounting to Rs.0.86 million (30 September 2022: Rs 5.64 million) has been amortised during the period ended 31 December 2022.

17. LEASE LIABILITIES	Note	31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
Current	17.3	**19,853**	20,119
Non-current		**128,061**	104,710
		147,914	124,829

17.1 Movement of lease liabilities	For the three month period ended 31 December 2022	For the twelve month period ended 30 September 2022
Balance as at 1 October	**124,829**	120,914
Addition	**-**	-
Impact of reassessment	**28,219**	
Finance cost	**3,888**	15,882
Payments	**(9,022)**	(11,967)
Balance as at period end / year end	**147,914**	124,829

17.2 Maturity Analysis	31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
Payable within one year	**19,853**	20,119
Payable after one year but not later than 5 years	**128,061**	104,710
	147,914	124,829

17.3 This includes present value of lease liabilities discounted at the incremental borrowing rate 3 months+0.21%o the Company against lease agreement of Head office and area office premises, respectively.

18. LIABILITIES AGAINST DIMINISHING MUSHARIKA FINANCING

	Due within one year		Due after one year but within 5 years		Total	
	31 December 2022	30 September 2022	31 December 2022	30 September 2022	31 December 2022	30 September 2022
	(Rupees in '000)					
Liabilities against diminishing musharika financing	**46,561**	48,977	**122,544**	115,263	**169,105**	164,240

During the period, the Company has obtained various vehicles under diminishing musharika financing arrangement entered into with financial institutions having various maturity dates up to 25 November 2027 with monthly principal repayments. The financing is secured against the respective vehicles. The rate of profit on the borrowing is 3 months KIBOR + 0.50% per annum and 3 months KIBOR + 0.9% per annum.

19. TRADE AND OTHER PAYABLES	Note	31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
Creditors		**818,046**	718,262
Accrued liabilities	19.1	**996,467**	759,522
Advance from customers	19.2	**5,278**	9,951
Bills payable:			
- Related parties		**428,531**	338,957
- Others		**2,910,649**	2,829,506
Export commission :			
- Related parties		**2,587**	54,325
- Others		**-**	59,033
Workers' Profit Participation Fund	19.3	**33,929**	189,351
Workers' Welfare Fund		**105,567**	159,844
Royalty payable to Archroma Management GmbH		**503,981**	252,487
Sales tax payable		**104,704**	54,138
Others		**409,944**	325,009
		6,319,683	5,750,385

19.1 This includes provision for employees compensated absences amounting to Rs. 34 million (2022: Rs. 113.670 million).

19.2 The amount of Rs. 9.951 million outstanding in relation to advance from customers at the beginning of the period has been recognised as revenue for the period ended 31 December 2022.

19.3 Workers' Profit Participation Fund	Note	31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
Opening balance		**189,351**	32,813
Allocation for the period / year	28	**11,470**	168,664
		200,821	201,477
Interest on funds utilised in the Company's business	30	**-**	502
		200,821	201,979
Less: Amounts paid to and on behalf of the fund		**(166,892)**	(12,628)
Closing balance		**33,929**	189,351

	Note	31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
20. MARK-UP ACCRUED			
Mark-up accrued on:			
Short term finance facilities		**33,914**	18,123
Short term borrowing under Islamic Export Refinance Scheme		**55,721**	6,048
		89,635	24,171
21. SHORT-TERM BORROWINGS - SECURED			
From banking companies - Islamic			
Short-term running facilities under Islamic mode	21.1	**54,307**	301,740
Short-term borrowing under Islamic Export Refinance Scheme	21.1 & 21.2 21.3	**2,075,751**	1,675,751
Tijarah financing	21.3	**475,560**	-
		2,605,617	1,977,491

21.1 Short term Islamic and conventional finance facilities are available from various banks under profit arrangements, amounting to Rs. 8,050 million (Islamic Rs. 6,800 million & Conventional Rs. 1,250 million) (30 September 2022: Rs. 8,050 million). These facilities have various maturity dates up to 30 June 2023. These arrangements are secured against a pari passu charge of hypothecation on stock-in-trade and trade receivables with minimum 10% margin, in continuance of the limit the Company has also given corporate guarantee of Rs. 1,200 million to the bank in respect of the Tijarah facility. These facilities other than below islamic facilities, carry profit ranging from 1 month KIBOR +0.2% to 3 months KIBOR +0.35% per annum calculated on a daily product basis and payable quarterly. The aggregate amount of these facilities which have not been availed as at the reporting date amounting to Rs.4,683 million (30 September 2022: Rs. 6,072 million).

21.2 The Company has availed Islamic Export Refinance Facility under Part II amounting to Rs. 2,075 million (30 September 2022: Rs 1,676 million) under the Export Financing Scheme of the State Bank of Pakistan (SBP). The profit rates on these facilities range from 10.5% to 11.00% per annum (30 September 2022: 10.5% to 11.0% per annum).

21.3 The Company has also availed Tijarah facility against finished stocks amounting to Rs. 475 million (30 September 2022: Rs. Nil). The facility carry profit at 6 month KIBOR + 0.10% per annum.

22. CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

22.1.1 Octroi levies amounting to Rs. 31.32 million (30 September 2022: Rs 31.32 million) are in dispute with a contractor. A petition has been filed by the Company in the Court challenging the above levies which was decided in favor of the Company during the year ended 31 December 2012. However, an appeal has been filed by the counter party which is pending for hearing. The management along with its advisors are confident that the decision will be in favor of the Company, therefore no provision has been recognised in these financial statements in respect of the aforesaid amount.

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

22.1.3 During the year ended 31 December 2009, the Company had received notices from the sales tax authorities demanding payment of Rs. 233.42 million on account of sales tax along with the default surcharges on supply of the products to its customers as zero rated by the Company from June 2007 to June 2009. The Company had filed a suit before single judge of the High Court of Sindh against which the Court had issued decree dated 04 August 2017 in favor of the Company. In the decree, the Court had declared that the product will be given the benefit of SRO 163(1)/2011; hence, the impugned letters including demand of defendants are illegal which have been set aside and the defendants are directed to consider the refund claims of plaintiff within the parameters of the Law. Subsequently, Tax authorities filed an appeal against the Company before a Division Bench of the High Court of Sindh against the decree from single judge. The Divison bench of the High court of Sindh vide its order dated December 30, 2022 set aside the decree from single judge dated August 4, 2017 and directed the Company to respond to the notices issued by the department.

Subsequent to the period end, the Company filed an appeal in the Supreme Court of Pakistan against the above order of the Divison bench of the High Court of Sindh, which is currently pending. Management expects that the appeal will be decided in Company's favor. Accordingly, no provision has been recognised in these financial statements for such overdue Sales Tax Refunds of the Company

22.1.4 The Deputy Commissioner Inland Revenue (DCIR) passed an order against the Company, whereby sales tax demand of Rs. 91.08 million along with penalty of Rs. 6.63 million had been established on short payment of sales tax for the tax periods from July 2017 to June 2018. The Company filed an appeal before the Commissioner of Inland Revenue (Appeals)[CIRA]. CIR(A) has remanded back the case on certain allegations to the extent of Rs. 69.18 million and remaining impugned demand has been annulled. The department has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against order of CIR(A). The management in consultation with its tax advisor are confident that the outcome of the appeal effect will be in the favor of the Company therefore, no provision is required to be recognized in these financial statements.

22.1.5 The Deputy Commissioner Inland Revenue (DCIR) passed an order against the Company, whereby sales tax demand of Rs. 9.7 million along with penalty of Rs. 0.49 million has been raised on account of input sales tax claimed by the Company for the tax periods from October 2015 to September 2016. The Company filed an appeal before the Commissioner of Inland Revenue (Appeals). The case is pending before this forum. The management in consultation with its tax advisor are confident that the outcome of the appeal effect will be in the favor of the Company therefore, no provision is required to be recognized in these financial statements.

22.1.6 Tax contingencies are disclosed in note 31.4 to these financial statements.

22.2 Commitments

22.2.1 Commitments for capital expenditure as at 31 December 2022 aggregated Rs. 27.059 million (30 September 2022: Rs. 49.576 million).

22.2.2 Commitments under letters of credit for stock-in-trade and stores and spares as at 31 December 2022 amounted to Rs. 3,376 million (30 September 2022: Rs. 1,980 million).

22.2.3 Banks have provided guarantees to various parties on behalf of the Company. Guarantees outstanding as at 31 December 2022 amounted to Rs. 691.397 million (30 September 2022: Rs. 344.367 million).

22.2.4 The Company has provided post dated cheques amounting to Rs. 2,253.81 million (30 September 2022: Rs.2,253.81 million) in favor of the Collector of Customs and which are, in the normal course of business, to the Company after fulfilment of certain conditions.

23. SALES - net

	Brand & Performance Textile Specialties		Others		Total	
	31 December 2022	31 December 2021 (un-audited)	31 December 2022	31 December 2021 (un-audited)	31 December 2022	31 December 2021 (un-audited)
	------ (Rupees in '000) ------					
Sales						
Local	**4,047,571**	5,422,181	**821,690**	860,095	**4,869,261**	6,282,276
Export	**1,661,199**	1,655,392	**-**	-	**1,661,199**	1,655,392
Total sales	**5,708,770**	7,077,573	**821,690**	860,095	**6,530,460**	7,937,668
Discounts and commission	**205,721**	278,697	**3,210**	6,172	**208,931**	284,869
Sales tax	**562,209**	773,348	**119,735**	117,496	**681,944**	890,844
	767,930	1,052,045	**122,945**	123,668	**890,875**	1,175,713
Sales - net	**4,940,840**	6,025,528	**698,745**	736,427	**5,639,585**	6,761,955

23.1 The above sales are Revenue from contracts with customers.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Three Month Period Ended 31 December 2022

24. COST OF GOODS SOLD	Note	31 December 2022 (Rs '000)	31 December 2021 (un-audited) (Rs '000)
Raw and packing materials consumed		**4,403,782**	4,313,573
Stores, spares and supplies consumed		**38,128**	36,907
Salaries, wages and benefits	24.1	**128,363**	115,377
Outside service charges		**74,467**	72,215
Fuel and power		**77,543**	81,463
Legal and professional charges		**17**	1,617
Traveling and entertainment		**1,226**	728
Communication		**595**	546
Rent, rates and taxes		**773**	1,192
Insurance		**5,641**	5,211
Repairs and maintenance		**14,052**	13,071
Depreciation	4.2	**57,139**	57,035
Printing and stationery		**1,314**	2,098
Opening stock of work-in-process		**330,871**	257,237
Closing stock of work-in-process	6	**(126,396)**	(155,540)
Cost of goods manufactured		**5,007,515**	4,802,730
Opening stock of finished goods		**619,233**	568,609
Finished goods purchased		**51,797**	135,199
Included under distribution and marketing expenses:			
Cost of samples issued	25	**(222)**	(164)
Cost of shortages and breakages	25	**(188)**	(924)
Rebate on exports		**-**	(164)
Closing stock of finished goods	6	**(1,176,356)**	(794,854)
		4,501,779	4,710,432

24.1 Salaries, wages and benefits include Rs. 4.109 million and Rs. 4.469 million (31 December 2021: Rs. 3.652 million and Rs. 3.993 million) in respect of defined benefit scheme and defined contribution plan respectively.

25. DISTRIBUTION AND MARKETING EXPENSES	Note	31 December 2022 (Rs '000)	31 December 2021 (un-audited) (Rs '000)
Salaries and benefits	25.1	**90,764**	72,940
Outside service charges		**20,544**	20,510
Traveling and entertainment		**11,623**	7,723
Repairs and maintenance		**2,071**	2,156
Business event participation		**2,551**	3,440
Rent, rates and taxes		**4,225**	2,940
Communication		**1,563**	1,140
Supplies, printing and stationery		**5,367**	14,193
Insurance		**5,471**	3,886
Royalty	25.2	**279,437**	331,717
Legal and professional charges		**-**	70
Fuel and power		**7,906**	7,632
Depreciation	4.2	**8,437**	6,261
Outward freight and handling		**203,030**	206,990
Shortages and breakages	24	**188**	924
Samples issued	24	**222**	164
Fees and subscription		**265**	307
Books and periodicals		**8**	235
		643,672	683,228

25.1 Salaries and benefits include Rs. 2.342 million and Rs. 3.120 million (31 December 2021: Rs. 2.822 million and Rs. 2.790 million) in respect of defined benefit scheme and defined contribution plan respectively.

25.2 This represents royalty expense payable to Archroma Management Gmbh, Reinach, Switzerland which is the holding company of Archroma Pakistan Limited.

26. ADMINISTRATIVE EXPENSES	Note	31 December 2022 (Rs '000)	31 December 2021 (un-audited) (Rs '000)
Salaries and benefits	26.1	**73,332**	65,619
Outside service charges		**77,424**	62,703
Traveling and entertainment		**2,604**	894
Repairs and maintenance		**4,275**	4,783
Rent, rates and taxes		**82**	330
Communication		**1,037**	737
Printing and stationery		**2,109**	4,892
Insurance		**394**	315
Legal and professional charges		**2,156**	2,299
Fuel and power		**1,400**	798
Depreciation	4.2	**6,598**	5,652
Fees and subscription		**2,045**	1,776
Books and periodicals		**37**	63
		173,493	150,861

26.1 Salaries and benefits include Rs. 0.782 million and Rs.0.510 million (31 December 2021: Rs. 2.772 million and Rs.0.450 million) in respect of defined benefit scheme and defined contribution plan respectively.

27. STAFF RETIREMENT BENEFITS

27.1 Defined benefit plan - approved gratuity fund

27.1.1 Salient features

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

The Company is exposed to the following risks on account of gratuity fund:

Final salary risks

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

Asset volatility

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

Discount rate fluctuation

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

Investment risks

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

Risk of insufficiency of assets

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

27.1.2 Valuation results

Actuarial valuation is carried out every year and the latest valuation was carried out as at 30 September, 2022 and June 30, 2021 by the Archroma Group on global basis. The information provided in notes 27.1.3 to 27.1.13 has been obtained from the actuarial valuation carried out as at 30 September 2022. The following significant assumptions have been used for valuation of this scheme:

Financial assumptions	31 December 2022	30 September 2022
a) Expected rate of increase in salary level	**8.0%**	8.0%
b) Discount rate	**13.5%**	13.5%
c) Expected return on plan assets	**13.5%**	13.5%
d) Price inflation	**7.5%**	7.5%
Demographic assumptions		
Mortality rate	**SLIC (2001-05)**	SLIC (2001-05)
Rates of employee turnover	**Low**	Low

27.1.3 Amounts recognised in the statement of financial position:

	Note	31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
Present value of defined benefit obligation	27.1.4	**1,022,844**	981,615
Less: Fair value of plan assets	27.1.5	**(1,057,694)**	(1,006,619)
		(34,850)	(25,004)

27.1.4 Movement in present value of defined benefit obligation:

	For the three month period ended 31 December 2022	For the twelve month period ended 30 September 2022
Obligation at beginning of the period / year	**981,615**	1,008,149
Current service cost	**8,099**	37,667
Interest cost	**33,130**	88,691
Benefits paid	**-**	(31,200)
Remeasurement loss / (gain)	**-**	(121,692)
Obligation at end of the period / year	**1,022,844**	981,615

27.1.5 **Movement in fair value of plan assets:**	For the three month period ended 31 December 2022	For the twelve month period ended 30 September 2022
Fair value at beginning of the period / year	**1,006,619**	1,083,901
Return on plan assets	**33,973**	96,806
Company contributions	**-**	28,933
Benefits paid	**-**	(31,200)
Return on plan assets	**17,102**	(171,821)
Fair value at end of the period / year	**1,057,694**	1,006,619
27.1.6 Movement in the net defined benefit asset / (liability)		
Opening balance	**25,004**	75,752
Net periodic cost for the period / year	**(7,256)**	(29,552)
Contribution paid during the period / year	**-**	28,933
Re-measurements recognised in other comprehensive income during the period/year	**17,102**	(50,129)
Closing balance	**34,850**	25,004

27.1.7 Amounts recognised in statement of profit or loss and other comprehensive income:

The following amounts have been charged in respect of these benefits to statement of profit or loss and other comprehensive income:

	Note	31 December 2022 (Rs '000)	31 December 2021 (un-audited) (Rs '000)
Component of defined benefit costs recognised in statement of profit or loss and other comprehensive income			
- Current service cost		**8,099**	9,262
- Net interest		**(843)**	(2,029)
		7,256	7,233
Component of defined benefit costs (re-measurement) recognised in other comprehensive income			
Gain due to change in experience adjustments		**-**	-
Gain on fair value of plan assets during the period / year		**(17,102)**	-
Net re-measurement recognised in other comprehensive income		**(17,102)**	-
Total defined benefit cost recognised in statement of profit or loss and other comprehensive income		**9,847**	(7,233)

27.1.8 Actual return on plan assets during the period/year was Rs. (75.014) million (30 September 2021: Rs. 43.915 million).

27.1.9 Sensitivity analysis

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

	31 December 2022		
	Change in assumption	Percentage change	Impact of Increase / (decrease)
		(%)	(Rupees in '000)
Increase by 50 basis points	**Discount rate**	**+ 0.5%**	**(22,179)**
Decrease by 50 basis points	**Discount rate**	**- 0.5%**	**23,139**

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. We have carried the acturial valuation performed on 30 September 2022, as there were no major change in assumption in the three months.

The comparative figures of sensitivity analysis are as follows:

	30 September 2022		
	Change in assumption	Percentage change	Impact of Increase / (decrease)
		(%)	(Rupees in '000)
Increase by 50 basis points	Discount rate	+ 0.5%	(22,179)
Decrease by 50 basis points	Discount rate	- 0.5%	23,139

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

27.1.11 Plan assets comprise of the following:

	31 December 2022 (Rs '000) (unaudited)	31 December 2022 Percentage composition	30 September 2022 (Rs '000) (unaudited)	30 September 2022 Percentage composition
Debt investment	**498,682**	**47.15%**	198,118	19.68%
Equity investment	**536,708**	**50.75%**	807,147	80.18%
Cash	**22,304**	**2.11%**	1,354	0.13%
	1,057,694	**100.00%**	1,006,619	100.00%

27.1.12 As per the actuarial recommendations on 30 September 2022, the expected return on plan assets was taken, as 13.5% (30 September 2022: 13.5%) 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. As there is no significant variation, therefore, assumptions are kept constant.

27.1.13 Based on actuarial advice on 30 September 2022, the Company intends to charge an amount of Rs. 26.587 million in the financial statements for the year ending 30 September 2023.

27.2 Defined contribution plan - Employees Provident Fund

27.2.1 During the period / year , an amount of Rs. 11.278 million (30 September 2022: Rs. 38.248 million) has been charged to profit or loss in respect of the Company's contributions towards employees provident fund.

27.3 Defined benefit plan - Long service awards

27.3.1 Salient features

This represents long service awards operated by the Company for eligible employees. The Company's obligation is determined by the Archroma Group's globally appointed actuary using projected unit credit method.

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.

27.3.2 Valuation results

Actuarial valuation is carried out every year and the latest valuation was carried out as at September 30, 2022 and June 30, 2021 by the Archroma Group on global basis. The information provided in notes 27.3.2 to 27.3.6 has been obtained from the actuarial valuation carried out as at September 30, 2022 and June 30, 2021. The following significant assumptions have been used for valuation of this scheme:

Financial assumptions	31 December 2022	30 September 2022
a) Discount rate	**13.50%**	13.50%
b) Price inflation	**7.50%**	7.50%
Demographic assumptions		
Mortality rate	**SLIC (2001-05)**	SLIC (2001-05)
Rates of employee turnover	**Low**	Low

27.3.3 Amounts recognised in the statement of financial position

	31 December 2022	30 September 2022
Present value of defined benefit obligation	**11,164**	11,164

27.3.4 Movement in present value of defined benefit obligation	For the three month period ended 31 December 2022	For the twelve month period ended 30 September 2022
Obligation at beginning of the year	**11,164**	12,526
Current service cost	**-**	2,926
Interest cost	**-**	1,072
Benefits paid	**-**	(7,233)
Remeasurement loss	**-**	1,873
Obligation at end of the year	**11,164**	11,164

27.3.5 Based on actuarial advice, the Company intends to charge an amount of Rs. 1.979 million in the financial statements for the year ending 30 September 2023.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Three Month Period Ended 31 December 2022

		Note	31 December 2022 (Rs '000)	31 December 2021 (un-audited) (Rs '000)
28.	**OTHER EXPENSES**			
	Auditors' remuneration		**1,013**	2,130
	Workers' Profit Participation Fund	19.3	**11,470**	56,052
	Workers' Welfare Fund		**4,631**	22,210
	Donations		**1,285**	-
			18,399	80,392
29.	**OTHER INCOME**			
	Indenting commission - net of payment of Rs. 1.019 million (2022: Rs. 11.435 million)		**2,760**	8,444
	Sale of scrap		**4,276**	7,473
	Grant income		**-**	2,259
			7,036	18,176
30.	**FINANCE COSTS**			
	Mark-up on:			
	- Lease obligations		**12,196**	4,661
	- Gratuity Fund		**2,274**	-
	- Short-term running finances	30.1	**93,284**	4,051
	Exchange (gain)/loss		**(14,639)**	113,005
	Bank charges		**6,466**	5,579
			99,581	127,296

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

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

		Note	31 December 2022 (Rs '000)	31 December 2021 (un-audited) (Rs '000)
31.	**TAXATION**			
	Current		**66,213**	275,497
	Deferred		**(10,303)**	19,299
		31.1	**55,910**	294,796

31.1 Relationship between income tax expense and accounting profit

	31 December 2022 (Effective tax rate %)	31 December 2021 (un-audited) (Effective tax rate %)	31 December 2022 (Rs '000)	31 December 2021 (un-audited) (Rs '000)
Profit before taxation			**210,751**	1,044,960
Tax at the enacted tax rate	**29.00**	29.00	**61,118**	303,038
Impact of minimum tax	**0.00**	0.00	**-**	-
Tax effect on exports under Final Tax Regime	**(0.33)**	0.00	**(692)**	-
Tax effect of items that are not deductible in determining taxable profit - permanent differences	**(1.62)**	0.00	**(3,413)**	-
Others	**(0.52)**	(0.79)	**(1,103)**	(8,242)
	26.53	28.21	**55,910**	294,796

31.2 The Company had filed a constitutional petition in the High Court of Sindh challenging the vires of section 4C of the Income Tax Ordinance, 2001. Subsequent to the period end, the Court vide its order dated January 13, 2023 has declared that the Super tax @ 10% to be discriminatory and ultra vires to the Constitution and that the Super tax under section 4C of the Income Tax Ordinance to be applicable from the Tax year 2023.

Federal Board of Revenue (FBR) filed an appeal in the Supreme Court of Pakistan against the above order of the High Court of Sindh. The Supreme Court of Pakistan vide its interim order dated February 16, 2023, has required payment of Super tax @4% till the matter is finally decided by the Supreme Court of Pakistan.

The Management based on the discussions with its Tax consultants and legal counsel is confident that the case will be decided in favor of the Company. However, the Company has made full provision for the said Super Tax @ 10% as a matter of prudence and abundant precaution.

31.3 Income tax assessments of the Company have been submitted up to and including tax year 2022 on self assessment basis under section 120 of the Income Tax Ordinance 2001 (the Ordinance). However, the return(s) may be selected for detailed audit within six years from the date of filing of return.

31.4 Description of tax proceedings

Name of the court, agency or authority	Description of the factual basis of the proceedings and relief sought	Principal parties	Date instituted
Appellate Tribunal Inland Revenue (ATIR)	In respect of business acquired by the Company (now merged with the Company), the tax authorities for the tax year 2012 and 2013 has created demand of Rs. 20 million which has been paid by the Company. For the tax years 2012, the ATIR has passed the Order by remanding back the issues and for tax year 2013departmental appeal has been dismissed.	Commissioner Inland Revenue Appeals and the Company	18 March 2015
Appellate Tribunal Inland Revenue (ATIR)	For the tax year 2011, the Company was selected for tax audit under Section 177 of the Income Tax Ordinance, 2001 (the Ordinance). The Deputy Commissioner Inland Revenue (DCIR) had passed an Order that amended the assessment under section 122(4) of the Ordinance. The Company filed an appeal before the ClR(A) against the Order passed by DCIR, which was decided in favor of the Company against certain disallowances made by DCIR. The income tax department has filed an appeal before the learned ATIR against the decisions of CIR(A). The appeal is pending for adjudication. The management in consultation with its tax advisor believesthat the outcome will be in its favor and therefore no provision is required to be recognized in these financial statements.	The Deputy Commissioner Inland Revenue (DCIR) and the Company	21 June 2017
Federal Board of Revenue	The Company was selected for audit for tax year 2014 under section 177 and consequently Order u/s 122(1) was passed to amend the assessment. The Company filed an appeal against the amended assessment Order before CIR(A) who vide its Order dated 19 October 2020 has provided certain reliefs. The Company has preferred an appeal before the ATIR on the issues decided by the CIR(A) against the Company. The management based on consultation with its tax advisor is confident that there will be no unfavorable outcome for said tax year and accordingly no provision has been made in these provision is required to be recognized in these financial statements.	The Assistant Commissioner Inland Revenue (ACIR) and the Company	19 October 2020

Name of the court, agency or authority	Description of the factual basis of the proceedings and relief sought	Principal parties	Date instituted
Federal Board of Revenue	The Income tax return for tax year 2015 was selected for audit under section 214D of the Income Tax Ordinance, 2001. The audit proceedings have been completed and ACIR passed an order, wherein certain additions and disallowances were made. The management filed an appeal against the aforementioned order before the CIR (A). The CIR(A) passed an appellate order with relief on certain disallowances by ACIR. The Company has filled an appeal before ATIR on issues decided by CIR(A) against the Company. The management along with its tax advisor are confident that the outcome of the case will be in their favor, therefore, no provision has been recognised in the financial statements.	The Assistant Commissioner Inland Revenue (ACIR) and the Company	29 March 2021
Commissioner Inland Revenue Appeals (CIRA)	For the tax year 2018, Additional Commissioner (Audit-I) Inland Revenue (ACIR) had passed an order dated 24 November 2021 that amended the assessment under section 122(5A) of the Ordinance. The Company filed an appeal dated 24 December 2021 before the CIR(A) against the order passed by ACIR. The management based on consultation with its tax advisor is confident that there will be no unfavorable outcome for the said tax year and accordingly no provision has been made in the these financial statements.	The Assistant Commissioner Inland Revenue (ACIR) and the Company	24 November 2021
Appellate Tribunal Inland Revenue (ATIR)	For the tax year 2019, Additional Commissioner (Audit-I) Inland Revenue (ACIR) had passed an order dated 31 January 2022 that amended the assessment under section 122(5A) of the Ordinance. The CIR(A) passed order by allowing partial relief on certain disallowances. The Company has filed an appeal dated 22 July 2022 before the ATIR on issues decided by CIRA against the Company. The management based on consultation with its tax advisor is confident that there will be no unfavorable outcome for the said tax year and accordingly no provision has been made in the these financial statements.	The Assistant Commissioner Inland Revenue (ACIR) and the Company	31 January 2022
Commissioner Inland Revenue Appeals (CIRA)	For the tax year 2020, Additional Commissioner (Audit-I) Inland Revenue (ACIR) had passed an order dated 29 December 2022 that amended the assessment under section 122(5A) of the Ordinance. The company has filed an appeal before the CIR(A) against the said order which is pending for adjudication The management based on consultation with its tax advisor is confident that there will be no unfavorable outcome for the said tax year and accordingly no provision has been made in the these financial statements.	The Assistant Commissioner Inland Revenue (ACIR) and the Company	29 December 2022

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32. EARNINGS PER SHARE

32.1 Basic

	31 December 2022 (Rs '000)	31 December 2021 (un-audited) (Rs '000)
Profit after taxation attributable to ordinary shareholders	**154,840**	750,165
	(Number of shares)	(Number of shares)
Weighted average number of ordinary shares outstanding during the year	**34,117,881**	34,117,881
	(Rupees)	(Rupees)
Earnings per share	**4.54**	21.99

32.2 Diluted

There were no convertible dilutive potential ordinary shares in issue as at 31 December 2022 and 31 December 2021.

33. SEGMENT INFORMATION

	Brand & Performance Textile Specialties		Others *		Total	
	31 December 2022	31 December 2021 (un-audited)	31 December 2022	31 December 2021 (un-audited)	31 December 2022	31 December 2021 (un-audited)
	(Rupees in '000)					
Net sales	**4,940,840**	6,025,528	**698,745**	736,427	**5,639,585**	6,761,955
Segment results based on 'management approach'	**217,591**	1,112,424	**111,511**	135,663	**329,102**	1,248,087
Other operating expenses - WPPF and WWF					**(16,100)**	(78,263)
Assets charged to profit and loss for internal reporting purposes based on group guidelines					**(2,670)**	2,432
Operating profit					**310,332**	1,172,256
Finance costs					**(99,581)**	(127,296)
Profit before taxation					**210,751**	1,044,960
33 .1 Segment assets	**9,794,635**	9,386,511	**652,167**	858,499	**10,446,802**	10,245,010
Unallocated					**3,160,292**	2,150,495
					13,607,094	12,395,505
33.2 Segment liabilities	**4,707,745**	3,941,020	**515,767**	444,752	**5,223,512**	4,385,772
Unallocated					**5,126,172**	4,237,924
					10,349,684	8,623,696
33.3 Fixed capital expenditures	**102,030**	23,446	**-**	-	**102,030**	23,446
Unallocated					**234**	489
					102,264	23,935
33.4 Depreciation	**67,219**	64,106	**612**	1,297	**67,831**	65,403
Unallocated					**4,343**	3,545
					72,174	68,948

*Others do not contitute a separately reportable segment as per IFRS 8 " Operating Segments".

33.5 Geographical information

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

	31 December 2022 (Rs '000)	31 December 2021 (un-audited) (Rs '000)
Domestic sales	**4,869,261**	6,282,276
Export sales	**1,661,199**	1,655,392
	6,530,460	7,937,668

The Company exports its products to numerous countries.

33.6 As at December 31, 2022 all non-current assets of the Company are located in Pakistan.

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

33.8 21.09% and 10.32% (collectively 31.41%) of the Company's gross sales for the period ended 31 December 2022 {(31 December 2021: 15.24% and 8.05% (collectively 23.29%)} were made to two distributors. The segment wise sales to these two distributors is as follows:

	Brand & Performance Textile Specialties		Others *		Total	
	31 December 2022	31 December 2021 (un-audited)	31 December 2022	31 December 2021 (un-audited)	31 December 2022	31 December 2021 (un-audited)
	%					
Distributor 1	**21.09**	15.24	**-**	-	**21.09**	15.24
Distributor 2	**10.62**	8.05	**-**	-	**10.62**	8.05

* Others do not constitute a separately segment as per IFRS 8 “Operating Segments”.

34. TRANSACTIONS WITH RELATED PARTIES

Name of related party	Nature of Relationship	Nature of transactions	Aggregate % of Shareholding	31 December 2022 (Rs '000)	31 December 2021 (un-audited) (Rs '000)
Archroma Textile Gmbh, Switzerland	Parent / Holding Company	Dividend	75%	**511,770**	-
Archroma Management Gmbh, Switzerland	Associated Company	Purchases and services	N/A	**123,687**	75,659
		Royalty expenses		**279,437**	331,717
		Indenting commission		**2,057**	7,282
Archroma Turkey Limited	Associated Company	Purchases	N/A	**-**	559
		Sales		**920,979**	573,879
Archroma Singapore, Pte Ltd	Associated Company	Purchases	N/A	**3,344**	6,551
		Sales		**867**	3,197
		Export commission		**-**	23,154
		Indenting commission		**1,720**	2,206
Archroma Textile Mexico S.De	Associated Company	Purchases	N/A	**35,734**	-
		Sales		**2,098**	1,007
Archroma Thailand	Associated Company	Purchases	N/A	**-**	-
		Sales		**96,041**	117,869
		Indenting commission		**-**	520
PT Archroma Indonesia	Associated Company	Purchases	N/A	**8,068**	17,314
		Sales		**10,432**	7,709
		Indenting commission		**-**	-
Archroma Tianjin Ltd	Associated Company	Purchases	N/A	**3,703**	52,965
Spice Industria Quimica	Associated Company	Purchases	N/A	**-**	-
		Sales		**1,854**	-

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Name of related party	Nature of Relationship	Nature of transactions	Aggregate % of Shareholding	31 December 2022 (Rs '000)	31 December 2021 (un-audited) (Rs '000)
PT Archroma Specialties Indonesia	Associated Company	Sales	N/A	**-**	-
Archroma China	Associated Company	Purchases	N/A	**-**	1,641
		Sales		**17,440**	22,340
Archroma Germany GMBH	Associated Company	Sales	N/A	**1,251**	-
Archroma Korea	Associated Company	Sales	N/A	**-**	-
Archroma Peru S.A.	Associated Company	Sales	N/A	**7,349**	4,720
Archroma Iberica, S.L.	Associated Company	Sales	N/A	**47,755**	44,764
Archroma Japan KK	Associated Company	Sales	N/A	**40,350**	12,531
Archroma Colombia S.A.S.	Associated Company	Sales	N/A	**-**	-
Archroma U.S	Associated Company	Purchases	N/A	**-**	1,004
Pakistan Oxygen Limited	Common directorship	Purchases	N/A	**-**	-
Swiss Business Council	Common directorship	Subscription	N/A	**110**	100
Overseas Investor Chamber of Commerce and Industry	Common directorship	Subscription	N/A	**-**	-
Jubilee Life Insurance Company Limited	Common directorship	Insurance	N/A	**-**	40,316
Key management personnel	Related parties	Proceeds from disposal of property, plant and equipment	N/A	**-**	-

Name of related party	Nature of Relationship	Nature of transactions	Aggregate % of Shareholding	31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
Archroma Textile Gmbh, Switzerland	Parent / Holding Company	Payable	75%	**511,770**	-
Archroma Management Gmbh, Switzerland	Associated Company	Receivable		**7,967**	15,016
		Payable	N/A	**857,528**	509,675
Archroma Turkey Limited	Associated Company	Receivable		**533,374**	80,541
		Payable	N/A	**-**	-
Archroma Singapore, Pte Ltd	Associated Company	Receivable	N/A	**9,970**	11,701
		Payable		**20,364**	75,430
Archroma Textile Mexico S.De	Associated Company	Receivable	N/A	**2,125**	4,257
		Payable		**36,682**	7,820
Archroma Thailand	Associated Company	Receivable	N/A	**98,269**	86,042
		Payable		**124**	-
PT Archroma Indonesia	Associated Company	Receivable	N/A	**-**	-
		Payable		**3,608**	5,798
Archroma Tianjin Ltd	Associated Company	Payable	N/A	**17,567**	-
PT Archroma Specialties Indonesia	Associated Company	Receivable	N/A	**3,959**	-
Archroma China	Associated Company	Receivable	N/A	**17,761**	52,189
		Payable		**-**	37,568
Archroma Peru	Associated Company	Receivable	N/A	**7,569**	7,637
Archroma Brazil	Associated Company	Payable	N/A	**-**	18,463
Archroma Japan KK	Associated Company	Receivable	N/A	**41,162**	45,246

		Note	31 December 2022 (Rs '000)	31 December 2021 (un-audited) (Rs '000)
35.	**CASH GENERATED FROM OPERATIONS**			
	Profit before taxation		**210,751**	1,044,960
	Adjustments for non-cash charges and other items:			
	Depreciation	4.2	**72,174**	68,948
	Impairment reversal on trade receivables	7.1	**(1,054)**	(17,038)
	Deferred assets	27.1.6	**7,256**	7,233
	Interest / mark-up expense		**107,754**	10,503
	Working capital changes	35.1	**(424,048)**	(82,715)
			(27,167)	1,031,891
35.1	**Working capital changes**			
	Decrease / (increase) in current assets			
	Stores and spares		**(7,851)**	(167)
	Stock-in-trade		**110,901**	(1,848,471)
	Trade receivables		**(1,130,943)**	(1,792,457)
	Loans and advances		**(7,108)**	(39,356)
	Trade deposits and short-term prepayments		**37,712**	(46,994)
	Other receivables		**3,941**	(92,750)
			(993,348)	(3,820,195)
	Increase in current liabilities			
	Trade and other payables		**569,300**	3,737,480
			(424,048)	(82,715)
36.	**CASH AND CASH EQUIVALENTS**			
	Cash and cash equivalents included in the statement of cash flow comprise of the following statement of financial position amounts:			
	Short term investments - term deposit receipts	12	**-**	957,657
	Cash and bank balances	12	**228,074**	1,338,490
	Short-term running finance facilities	21.1	**(54,307)**	(124,799)
			173,767	2,171,348

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37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

37.1 Financial instruments by category and fair value measurement

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

	31 December 2022				
	Carrying amount		Fair value		
	Amortised cost	Other than amortised cost	Level 1	Level 2	Level 3
	(Rupees in '000)				
Financial assets					
Long term deposits	**12,655**	-	-	-	-
Deposits	**20,650**	-	-	-	-
Trade receivables	**5,958,627**	-	-	-	-
Other receivables	**24,842**	-	-	-	-
Cash and bank balances	**228,074**	-	-	-	-
	6,244,848	-			
Other financial liabilities at amortised cost					
Lease liabilities	**147,914**	-	-	-	-
Liabilities against diminishing musharika financing	**169,105**	-	-	-	-
Short-term borrowings	**2,605,617**	-	-	-	-
Mark-up accrued	**89,634**	-	-	-	-
Long term loan	**-**	-	-	-	-
Trade and other payables	**6,070,206**	-	-	-	-
Unclaimed dividend	**88,316**	-	-	-	-
Unpaid dividend	**632,259**	-	-	-	-
	9,803,051	-			

	30 September 2022				
	Carrying amount		Fair value		
	Amortised cost	Other than amortised cost	Level 1	Level 2	Level 3
	(Rupees in '000)				
Financial assets					
Deposits	64,522	-	-	-	-
Trade receivables	4,826,630	-	-	-	-
Other receivables	28,783	-	-	-	-
Cash and bank balances	96,031	-	-	-	-
	5,015,966	-			
Other financial liabilities at amortised cost					
Lease liabilities	124,829	-	-	-	-
Liabilities against diminishing musharika financing	164,240	-	-	-	-
Short-term borrowings	1,977,491	-	-	-	-
Mark-up accrued	24,171	-	-	-	-
Long term loan	42,633	-	-	-	-
Unclaimed dividend	88,430	-	-	-	-
Trade and other payables	5,273,965	-	-	-	-
	7,695,759	-			

The Company has not disclosed fair values for these financial assets and financial liabilities because their carrying amounts are reasonable approximation of fair value.

37.2 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:

37.2.1 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, deposits and credit exposures to customers, including trade receivables and other receivables.

The total bank balance of Rs. 227.77 million (30 September 2022: Rs. 95.7 million) have been placed with banks having short-term credit ratings of A1 and A1+. Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non–performance by these counter parties on their obligations to the Company.

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 sales tax receivable as it is due from government.

The most significant financial asset exposed to credit risk is the trade receivables of the Company. For trade receivables, individual credit limits are assigned to customers based on the recommendations from respective business unit heads keeping in view their payment history, financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. The concentration of credit risk lies in the top 5 (30 September 2022: 5) customers which constitute 56% (30 September 2022: 43.9%) of the Company's trade receivables.

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

	31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
Due from customers other than related parties		
Direct customers	**2,825,718**	2,670,506
Distributors	**2,905,911**	2,363,040
	5,731,629	5,033,546
Less: Impairment loss on trade receivables	**(492,063)**	(493,117)
	5,239,566	4,540,429

Out of the total trade receivables of Rs. 5,975.13 million (30 September 2022: Rs. 5,319.747 million), the Company has made an allowance for impairment loss amounting to Rs. 492.06 million (30 September 2022: Rs. 493.117 million)

37.2.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet it's 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:

	31 December 2022				
	Carrying amount	Contractual cash flows	Less than one month	Upto one year	More than one year
Financial liabilities	(Rupees in '000)				
Trade and other payables	**6,070,206**	**(6,070,206)**	**(6,070,206)**	**-**	**-**
Mark-up accrued	**89,634**	**(89,634)**	**(89,634)**	**(89,634)**	**-**
Short term borrowings	**2,605,617**	**(2,605,617)**	**(54,307)**	**(2,551,310)**	**-**
Lease liabilities	**147,914**	**(1,801,531)**	**-**	**(33,943)**	**(1,767,588)**
Liabilities against diminishing musharika financing	**169,105**	**(226,303)**	**-**	**(71,358)**	**(154,945)**
Unclaimed dividend	**88,316**	**(88,316)**	**(88,316)**	**-**	**-**
Unpaid dividend	**632,259**	**(632,259)**	**(632,259)**	**-**	**-**
	9,803,051	**(11,513,866)**	**(6,214,147)**	**(2,746,245)**	**(1,922,533)**

	30 September 2022				
	Carrying amount	Contractual cash flows	Less than one month	Upto one year	More than one year
Financial liabilities	(Rupees in '000)				
Long term loan - secured	42,633	(44,765)	-	(44,765)	-
Trade and other payables	5,273,965	(5,273,965)	(5,273,965)	-	-
Unclaimed dividend	88,430	(88,430)	(88,430)	-	-
Mark-up accrued	24,171	(24,171)	(24,171)	-	-
Short term borrowings	1,977,491	(2,228,854)	(301,740)	(1,927,114)	-
Lease liabilities	124,829	(1,784,161)	-	(16,573)	(1,767,588)
Liabilities against diminishing musharika financing	164,240	(219,026)	-	(71,636)	(147,390)
	7,695,759	(9,663,372)	(5,688,306)	(2,060,088)	(1,914,978)

37.2.3 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, interest rate risk and other price risk.

i) Currency Risk

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

	31 December 2022				
	(USD '000)	(EUR '000)	(RMB '000)	(CHF '000)	(JPY '000)
Trade and other receivables	**5,297**	**-**	**-**	**-**	**-**
Trade payables	**(6,920)**	**(257)**	**(38,650)**	**(13)**	**(334)**
Other payables	**(1,200)**	**-**	**-**	**-**	**-**
Net foreign currency exposure	**(2,823)**	**(257)**	**(38,650)**	**(13)**	**(334)**

	30 September 2022				
	(USD '000)	(EUR '000)	(RMB '000)	(CHF '000)	(JPY '000)
Trade and other receivables	2,667	-	-	-	-
Trade payables	(7,878)	(84)	(34,574)	(35)	(2,850)
Other payables	(497)	-	-	-	-
Net foreign currency exposure	(5,708)	(84)	(34,574)	(35)	(2,850)

At 30 September 2021, if the Pakistani Rupee had weakened / strengthened by 1% against the US Dollar, Euro, Chinese Renminbi and Swiss Francs with all other variables held constant, profit before taxation for the year would have been higher / lower by Rs. 43.59 million (30 September 2022: Rs. 24.51 million). The sensitivity analysis is not actual indicator of impact owing to future fluctuation in exchange rate. The analysis is performed on the same basis for 30 September 2022.

ii) Interest rate risk

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

At the statement of financial position date, the interest rate profile of the Company’s interest-bearing financial instrument is:

	Carrying amount 31 December 2022 (Rs '000)	Carrying amount 30 September 2022 (Rs '000)
Variable rate instruments		
Financial assets	**-**	88,430
Financial liabilities	**(2,774,722)**	(2,141,731)
	(2,774,722)	(2,053,301)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and the profit by Rs. 15.40 million (30 September 2022: Rs. 14.58 million) with the corresponding effect on the carrying amount of the liability and asset. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for the year ended 30 September 2022 except for the addition of variable rate financial assets during the year. The sensitivity analysis is not actual indicator of impact owing to movement in future interest rate.

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iii) Other price risk

Other price risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices such as equity price risk. Equity price risk is the risk arising from uncertainties about future values of investment securities. As at reporting date, the Company is not exposed to other price risk.

37.3 Reconciliation of movements of liabilities to cash flows arising from financing activities

	31 December 2022					
	Long term loan	Other short term borrowings	Unclaimed / unpaid Dividend	Diminishing Musharaka Liabilities	Lease Liabilities	Total
	(Rupees in '000)					
Balance as at 1 October 2022	**42,633**	**1,675,751**	**88,430**	**164,240**	**124,829**	**2,095,883**
Changes from financing cash flows						
Repayment of loan and borrowing	**(42,633)**	**-**	**-**	**(17,358)**	**-**	**(59,991)**
Proceeds from loan and borrowing	**-**	**875,560**	**-**	**-**	**-**	**875,560**
Dividend paid	**-**	**-**	**50,213**	**-**	**-**	**(50,213)**
Payments against lease liabilities	**-**	**-**	**-**	**-**	**(9,022)**	**(9,022)**
Financing against diminishing musharika finance - net	**-**	**-**	**-**	**-**	**-**	**-**
Total changes from financing activities	**(42,633)**	**875,560**	**50,213**	**(17,358)**	**(9,022)**	**756,334**
Liability related other changes						
Mark-up expense - net	**-**	**-**	**-**	**-**	**3,888**	**3,888**
Grant income	**-**	**-**	**-**	**-**	**-**	**-**
Additions	**-**	**-**	**-**	**22,223**	**-**	**22,223**
Impact of reassessment	**-**	**-**	**-**	**-**	**28,219**	**-**
Dividend declared	**-**	**-**	**682,358**	**-**	**-**	**682,358**
Total liability related other changes	**-**	**-**	**682,358**	**22,223**	**32,107**	**708,469**
Total equity related other changes	**-**	**-**	**-**	**-**	**-**	**-**
Balance as at 31 December 2022	**-**	**2,551,311**	**720,575**	**169,105**	**147,914**	**3,560,686**

	30 September 2022					
	Long term loan	Other short term borrowings	Unclaimed / unpaid Dividend	Diminishing Musharaka Liabilities	Lease Liabilities	Total
	(Rupees in '000)					
Balance as at 1 October 2021	221,904	1,228,222	72,097	97,825	120,914	1,740,962
Changes from financing cash flows	-	-	-	-	-	-
Repayment of loan and borrowing	(173,627)	(325,478)	-	-	-	(499,105)
Proceeds from loan and borrowing	-	773,007	-	-	-	773,007
Dividend paid	-	-	(3,907,223)	-	-	(3,907,223)
Payments against lease liabilities	-	-	-	-	(11,967)	(11,967)
Financing against diminishing musharika finance - net	-	-	-	(73,268)	-	(73,268)
Total changes from financing activities	(173,627)	447,529	(3,907,223)	(73,268)	(11,967)	(3,718,556)
Liability related other changes						
Mark-up expense - net note 41.3.1)	-	-	-	20,928	15,882	36,810
Grant income	(5,644)	-	-	-	-	(5,644)
Additions	-	-	-	118,755	-	118,755
Dividend declared	-	-	3,923,556	-	-	3,923,556
	-	-	-	-	-	-
Total liability related other changes	(5,644)	-	3,923,556	139,683	15,882	4,073,477
Total equity related other changes	-	-	-	-	-	-
Balance as at 30 September 2022	478,548	1,675,751	88,430	164,240	124,829	2,095,883

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Three Month Period Ended 31 December 2022

37.4 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. The gearing ratio of the Company is as follows:

	31 December 2022 (Rs '000)	30 September 2022 (Rs '000)
Total interest bearing debt	**2,774,722**	2,309,193
Less: Cash and bank balances	**(228,074)**	(96,031)
Net interest bearing debt	**2,546,648**	2,213,162
Equity and interest bearing debt	**6,032,132**	6,081,002
Gearing ratio	**0.42**	0.36

38. DATE OF AUTHORISATION

These financial statements were authorised for issue on 27 April 2023 by the Board of Directors of the Company.

Mujtaba Rahim Chief Executive Officer	Naveed Kamil Director	Irfan Chawala Director and Chief Financial Officer

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 Extraordinary General Meeting of the Company to be held on Friday, 23 June 2023 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.

پراکسی فارم

برائے کرم
فولیو نمبر درج کریں

میں مسمّی/مسماۃ ______________ ساکن ______________

ضلع ______________ بحیثیت ممبر ______________ لمیٹڈ، مسمّی/مسماۃ ______________

ساکن ______________ کو بطورِ مختار (پراکسی) مقرر کرتا ہوں تاکہ وہ میری جگہ اور میری طرف سے

کمپنی کے غیر معمولی عام اجلاس جو صبح 10.00 بجے، بتاریخ 23 جون 2023ء بروز جمعہ منعقد ہو رہا ہے میں اور اس کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

(ریونیو اسٹیمپ)

دستخط از: ______________

گواہ (1):		گواہ (2):	
دستخط:	______________	دستخط:	______________
نام:	______________	نام:	______________
شناختی کارڈ:	______________	شناختی کارڈ:	______________
پتہ:	______________	پتہ:	______________

جگہ: ______________ تاریخ: ______________

نوٹس:

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

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

www.archroma.com.pk
archroma.pakistan@archroma.com

ARCHROMA PAKISTAN LTD.

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