

Half Yearly Report

2019

December (Unaudited)



COMPANY INFORMATION

Board of Directors

Mr. Muhammad Saeed uz Zaman - Chairman
Mr. Zafar Mahmood - Chief Executive Officer
Mr. Khalid Mumtaz Qazi
Mr. Umar Iqbal
Mr. Javed Saleem Arif
Ms. Parveen Akhter Malik
Mr. Tariq Ahmad Khan
Mr. Muhammad Iqbal
Mr. Abdul Jaleel Shaikh
(Nominee - Pak Brunei Investment Company Limited)

Executive Management

Mr. Zafar Mahmood
Mr. Khalid Mumtaz Qazi
Mr. Imran Afzal
Mr. Umar Iqbal
Mr. Aamir Jamil

Chief Financial Officer

Syed Sajid Nasim

Company Secretary

Mr. Muhammad Inam-ur-Rahim

Head of Internal Audit

Mr. Nabeel Ahmad Khan

Audit Committee

Mr. Javed Saleem Arif - Chairman
Mr. Tariq Ahmad Khan - Member
Mr. Abdul Jaleel Shaikh - Member

Human Resource & Remuneration Committee

Ms. Parveen Akhter Malik - Chairperson
Mr. Muhammad Saeed uz Zaman - Member
Mr. Zafar Mahmood - Member

External Auditors

EY Ford Rhodes
Chartered Accountants

Legal Advisor

Cornelius, Lane & Mufti
Advocates & Solicitors

Shares' Registrar

Corplink (Pvt.) Limited
Wings Arcade, 1-K (Commercial),
Model Town, Lahore.
Tel: +92 42 35916714 & 19
Fax: +92 42 35869037
www.corplink.com.pk

Bankers

The Bank of Punjab
Habib Bank Limited
Standard Chartered Bank (Pakistan) Limited
Samba Bank Limited
Pak Brunei Investment Company Limited
Soneri Bank Limited
Askari Bank Limited
National Bank of Pakistan
MCB Bank Limited
Bank Alfalah Limited

Al Baraka Bank (Pakistan) Limited

Meezan Bank Limited

Registered Office / Factory

14.8 km., Sheikhpura-Faisalabad Road,
Bhikhi, District Sheikhpura, Pakistan.
Tel: +92 56 3883001-7
Fax: +92 56 3883010
Cell: +92 301-8221151, 301-8483950

Lahore Office

12-B, New Muslim Town,
Lahore, Pakistan.
Tel: +92 42 35926090-93
Fax: +92 42 35926099

Web Site

www.nimir.com.pk

DIRECTORS' REPORT

We are pleased to present our review report together with the unaudited financial statements of Nimir Industrial Chemicals Limited for the half year ended December 31, 2019.

The government's tough measures of devaluing currency, increasing interest rate and the prices of utilities to improve balance of payment has resulted in rising inflation and overall economic slowdown and significant cut in domestic consumption. In view of this situation, overall businesses are facing negative growth in their sales turnover.

Due to diversified product range and recent new investments, we have been able to maintain the top-line. The gross profit for the period under review improved by PKR 168 million over last year, but most of it was offset due to substantial increase in financial cost because of increase in interest rates.

The Board has recommended interim cash dividend of Rs. 1.5 per share (i.e. 15%) for the half year ended December 31, 2019.

We are committed to putting up our best efforts to achieve the best possible results, though very challenging, in the remaining half of the year too, Insha Allah.

For and on the behalf of the Board



Khalid Mumtaz Qazi
Director



Zafar Mahmood
Chief Executive Officer

Lahore
February 25, 2020

ڈائریکٹر رپورٹ

ہم 31 دسمبر 2019 کو ختم ہونے والی ششماہی کے لئے نمبر انڈسٹریل کیمیکلز لمیٹڈ کے غیر نظر ثانی شدہ مالی حسابات کے ساتھ اپنی جائزہ رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

ادائیگیوں کے توازن کو بہتر بنانے کے لئے کرنسی کی قدر میں کمی، شرح سود اور بلوں کی قیمتوں میں اضافہ کے حکومت کے سخت اہم اقدامات کے نتیجے میں ہنگامی میں اضافہ اور مجموعی طور پر معیشت میں کمی اور ڈومیسٹک کنزیمپشن میں نمایاں گراؤٹ ہوئی ہے۔ اس صورت حال کے پیش نظر، مجموعی کاروبار اپنے فروخت ٹرن اوور میں منفی نمو کا سامنا کر رہے ہیں۔

متنوع پراڈکٹ ریج اور حالیہ نئی سرمایہ کاری کی وجہ سے، ہم ٹاپ لائن کو برقرار رکھنے کے قابل ہوئے ہیں۔ زیر جائزہ مدت میں مجموعی منافع گزشتہ سال سے 168 ملین روپے تک بہتر ہوا، لیکن اس میں زیادہ حصہ شرح سود میں اضافہ کی وجہ سے مالی لاگت میں بہت زیادہ اضافہ کے باعث ختم ہو گیا۔

بورڈ نے 31 دسمبر 2019 کو ختم ہونے والی ششماہی کے لئے 1.5 روپے فی شیئر (یعنی 15%) عبوری منافع منقسمہ سفارش کیا ہے۔

ہم انشاء اللہ، بقیہ ششماہی میں بہتر ممکنہ نتائج کے حصول کے لئے بھرپور کوششوں کے لئے پُر عزم ہیں۔

منجانب بورڈ



خالد ممتاز قاضی

ڈائریکٹر

لاہور

25 فروری 2020ء



ظفر محمود

چیف ایگزیکٹو آفیسر

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Nimir Industrial Chemicals Limited as at December 31, 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows, and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other Matter

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three month periods ended December 31, 2019 and December 31, 2018 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2019.

The engagement partner on the review resulting in this independent auditor's report is Abdullah Fahad Masood.



CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

	Note	(Unaudited) December 31, 2019 Rs '000'	(Audited) June 30, 2019 Rs '000'
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	3,393,200	3,122,888
Intangibles		-	283
Investment in subsidiaries	5	202,384	281,852
Loan to subsidiary		14,512	-
Long term deposits		35,326	33,125
		3,645,422	3,438,148
CURRENT ASSETS			
Stores, spare parts and loose tools		252,117	203,644
Stock in trade	6	3,727,374	2,466,536
Trade debts - considered good - unsecured		2,009,031	1,757,640
Loans and advances		221,393	71,135
Trade deposits and short term prepayments		11,599	3,489
Short term investment		-	8,200
Other receivables		49,871	15,955
Tax refunds due from the Government		533,322	518,522
Cash and bank balances		29,122	30,759
		6,833,829	5,075,880
TOTAL ASSETS		10,479,251	8,514,028
EQUITY AND LIABILITIES			
Authorized Share Capital			
145,000,000 (June 30, 2019: 145,000,000) Ordinary shares of Rs.10/- each		1,450,000	1,450,000
Issued, subscribed and paid up capital			
110,590,546 (June 30, 2019: 110,590,546) Ordinary shares of Rs. 10/- each		1,105,905	1,105,905
Unappropriated profit - Revenue reserve		2,220,380	1,928,979
		3,326,285	3,034,884
NON CURRENT LIABILITIES			
Long term loans	7	470,962	532,343
Lease liabilities		111,112	59,336
Deferred tax liability		308,964	321,621
		891,038	913,300
CURRENT LIABILITIES			
Trade and other payables		1,526,678	914,307
Contract liabilities		79,084	33,546
Net defined benefit liability - funded gratuity		88,287	75,287
Mark up accrued		92,405	81,771
Unclaimed dividend		8,290	7,468
Short term borrowings - secured	8	3,862,033	2,849,881
Current maturity of long term loans	7	225,979	242,303
Current maturity of lease liabilities		34,501	22,970
Provision for taxation		344,671	338,311
		6,261,928	4,565,844
CONTINGENCIES AND COMMITMENTS			
	9	-	-
TOTAL EQUITY AND LIABILITIES		10,479,251	8,514,028

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Director


Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2019

Note	Six month period ended		Three month period ended		
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	
	Rs '000'	Rs '000'	Rs '000'	Rs '000'	
Revenue from contracts with customers-net	10	7,670,824	7,453,460	3,871,737	3,331,517
Cost of sales	11	(6,488,505)	(6,439,640)	(3,280,635)	(2,813,868)
Gross profit		1,182,319	1,013,820	591,102	517,649
Distribution costs		(75,599)	(79,330)	(17,649)	(38,082)
Administrative expenses		(119,262)	(92,773)	(63,688)	(46,779)
		(194,861)	(172,103)	(81,337)	(84,861)
Operating profit		987,458	841,717	509,765	432,788
Other expenses		(56,718)	(45,970)	(30,625)	(23,073)
Other income		9,588	6,842	5,754	4,354
Foreign exchange gain / (loss)		33,160	(25,281)	15,655	(19,179)
Finance cost		(296,524)	(157,039)	(175,648)	(83,564)
Profit before taxation		676,964	620,269	324,901	311,326
Taxation					
Current		(232,334)	(152,658)	(101,932)	(53,370)
Deferred		12,657	(60,993)	1,947	(57,480)
		(219,677)	(213,651)	(99,985)	(110,850)
Profit after taxation		457,287	406,618	224,916	200,476
Earnings per share - Basic and diluted (Rs.)	12	4.13	3.68	2.03	1.81

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2019

	Six month period ended		Three month period ended		
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	
	Rs '000'	Rs '000'	Rs '000'	Rs '000'	
Profit after taxation		457,287	406,618	224,916	200,476
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		457,287	406,618	224,916	200,476

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Director


Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2019

	Six month period ended	
	December 31, 2019	December 31, 2018
	Rs '000'	Rs '000'
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	676,964	620,269
Adjustments for:		
Depreciation	179,570	126,959
Depreciation - right-of-use assets	7,252	-
Amortization	283	340
Gain on disposal of property, plant and equipment	(4,055)	(1,726)
Impairment on investment in subsidiary	6,546	-
Mark-up expense	293,221	151,895
Exchange loss - unrealized	-	12,879
Provision for gratuity	15,000	7,200
Workers' profit participation fund	36,357	33,312
Workers' welfare fund	13,816	12,659
	547,990	343,518
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,224,954	963,787
(Increase) / decrease in current assets		
Stores, spares parts and loose tools	(48,473)	(11,114)
Stock in trade	(1,260,838)	(3,039)
Trade debts	(251,391)	438,943
Loans and advances	(150,258)	(109,325)
Trade deposits and short term prepayments	(8,110)	7,076
Other receivables	(33,916)	22,987
Tax refunds due from the Government	(144,652)	(8,813)
	(1,897,638)	336,715
Increase / (decrease) in current liabilities		
Trade and other payables	711,123	(50,621)
Contract liabilities	45,538	(13,516)
CASH GENERATED FROM OPERATIONS	83,977	1,236,365
Contribution to gratuity fund	(2,000)	(7)
Mark-up expense paid	(273,561)	(125,142)
Dividend paid during the period	(165,064)	(219,568)
Tax paid	(163,832)	(80,930)
Workers' welfare fund paid	(61,980)	(15,670)
Workers' profit participation fund paid	(19,235)	(52,978)
	(685,672)	(494,295)
NET CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES	(601,695)	742,070
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment - net	(12,497)	(28,255)
Addition in capital work in progress	(377,262)	(530,269)
Sale proceeds from disposal of property, plant and equipment	4,368	14,050
Short term investment	8,200	-
Assets transferred on dissolution of subsidiary	72,922	-
Long term deposits	(2,201)	(1,876)
NET CASH USED IN INVESTING ACTIVITIES	(306,470)	(546,350)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loan repaid	(111,701)	(92,942)
Long term loan obtained	19,484	187,601
Repayment of lease liabilities	(23,412)	(35,006)
New leases acquired during the period	10,005	15,362
Short term borrowings - net	1,012,152	(238,676)
NET CASH GENERATED FROM / (USED IN) FINANCING ACTIVITIES	906,528	(163,661)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(1,637)	32,059
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	30,759	6,446
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	29,122	38,505

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.


Chief Executive Officer

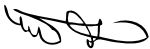

Director


Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2019

	Issued, subscribed and paid up share capital Rs '000'	Unappropriated Profit - Revenue reserve Rs '000'	Total Rs '000'
Balance as on July 01, 2018 - (Audited)	1,105,905	1,508,959	2,614,864
Total comprehensive income for the period ended 31 December 2018	-	406,618	406,618
Final dividend for the year ended 30 June 2018 at the rate of Rs.2 per share	-	(221,181)	(221,181)
Balance as on 31 December 2018	<u>1,105,905</u>	<u>1,694,396</u>	<u>2,800,301</u>
Balance as on 01 July 2019 - (Audited)	1,105,905	1,928,979	3,034,884
Total comprehensive income for the period ended 31 December 2019	-	457,287	457,287
Final dividend for the year ended 30 June 2019 at the rate of Rs. 1.5 per share	-	(165,886)	(165,886)
Balance as on 31 December 2019	<u>1,105,905</u>	<u>2,220,380</u>	<u>3,326,285</u>

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Director



Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2019

1 THE COMPANY AND ITS OPERATIONS

Nimir Industrial Chemicals Limited (the "Company") was incorporated in Pakistan as a Public Limited Company and its shares are listed on Pakistan Stock Exchange Limited. The Company is engaged in manufacturing and sales of chemical products. In previous year, the Company was a 56.74% subsidiary of Nimir Resources (Private) Limited ("NRPL"). As a result of voluntary winding up of NRPL, shares held by NRPL have been transferred to its sponsors, who have made a consortium through an agreement to control the Company. The registered office of the Company is situated at 14.8 km, Sheikhpura-Faisalabad Road, Mouza Bhikki, District Sheikhpura, Pakistan.

2 BASIS OF PREPARATION

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

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

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

2.2 The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended 30 June 2019.

2.3 These condensed interim financial statements are unaudited but subject to limited scope review by the auditors and being submitted to the shareholders as required under Section 237 of the Companies Act, 2017 and the Listing Regulations of Pakistan Stock Exchange Limited.

2.4 The condensed interim financial statements have been prepared under the historical cost convention. These financial statements are prepared in Pak Rupees, which is the functional currency of the Company. Figures have been rounded off to the nearest thousand rupee unless otherwise stated.

2.5 These are separate financial statements, where the investment in subsidiary is shown at cost; consolidated financial statements are separately presented.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended 30 June 2019, except as follows:

3.1 New / Revised Standards, Interpretations and Amendments

The Company has adopted the following standard, amendments and interpretations of IFRSs which became effective for the current period:

New Standards, Interpretations and Amendments

IFRS 14	Regulatory Deferral Accounts
IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
IFRS 9	Prepayment Features with Negative Compensation — (Amendments)
IAS 28	Long-term Interests in Associates and Joint Ventures — (Amendments)
IAS 19	Plan Amendment, Curtailment or Settlement — (Amendments)
IFRS 3	Business Combinations - Previously held Interests in a joint operation — (AIP)
IFRS 11	Joint Arrangements - Previously held Interests in a joint operation — (AIP)
IAS 12	Income Taxes - Income tax consequences of payments on financial instruments classified as equity — (AIP)
IAS 23	Borrowing Costs - Borrowing costs eligible for capitalization — (AIP)

The nature and effect of the changes as a result of adoption of IFRS 16 are described below. The adoption of other standards, interpretations and amendments applied for the first time in the period did not have any material impact on the condensed interim financial statements of the Company.

3.2 IFRS 16 - Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The effect of adoption of IFRS 16 (increase / (decrease)) is as follows:

	December 31, 2019	July 1, 2019
	Rs '000'	Rs '000'
Condensed interim statement of financial position (un-audited)		
Assets		
Property, plant and equipment - right-of-use assets	60,436	67,688
Liabilities		
Lease liabilities - rented premises	(64,606)	(67,688)
Deferred tax liability	1,209	-
	<u>(2,961)</u>	<u>-</u>

The effect of adoption of IFRS 16 during the period ended 31 December 2019 is as follows:

	Rs '000'
Condensed interim statement of profit or loss (un-audited)	
Lease rental expense not booked	7,658
Depreciation - right-of-use assets	(7,252)
Mark-up on lease liabilities	(4,576)
Impact on profit before taxation	(4,170)
Taxation	1,209
Impact on profit after taxation	<u>(2,961)</u>
Impact on earnings per share - basic and diluted (Rupees)	<u>(0.03)</u>

The Company has lease contracts for various items of plant and machinery, vehicles and building. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

Leases previously classified as finance leases

The Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 July 2019.

Leases previously accounted for as operating leases

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

3.2.1 Summary of new accounting policies

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

a) Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

b) Lease liabilities - rented premises

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(Un-Audited) December 31, 2019	(Audited) June 30, 2019
Rs '000'	Rs '000'
3,008,452	3,094,530
384,748	28,358
<u>3,393,200</u>	<u>3,122,888</u>

4 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets
Capital work in progress

Following are the additions / disposals (at cost) in the operating fixed assets:

(Un-Audited).....	(Audited).....	
	Additions Dec-2019	Disposal Dec-2019	Additions June-2019	Disposal June-2019
	Rs '000'	Rs '000'	Rs '000'	Rs '000'
Free-hold land	-	-	178,877	-
Building on free-hold land	10,933	-	187,748	(125)
Plant and machinery - owned	9,937	(2,522)	662,134	(18,321)
Furniture and fittings	17	-	1,179	(1,116)
Office and factory equipment	2,476	(32)	58,953	(12,660)
Vehicles - Owned	-	(5,512)	11,623	(4,706)
Vehicles - Leased	10,005	-	34,274	(2,382)
Building - Leased*	67,688	-	-	-
	<u>101,056</u>	<u>(8,066)</u>	<u>1,134,788</u>	<u>(39,310)</u>

*This represents initial recognition of right-of-use asset on rented building for a period of five years.

5 INVESTMENT IN SUBSIDIARY

In 2016, the Company formed a wholly owned subsidiary under the name of Nimir Holding (Private) Limited (NHPL). NHPL formed a sub-subsidiary, Nimir Management (Private) Limited (NMPL), which acquired the majority shareholding of Nimir Resins Limited, a listed company engaged in the business of industrial chemicals.

On 4 July 2019, NHPL closed its operations, appointed liquidator and initiated voluntary winding up. During the period ended 31 December 2019, NHPL transferred its net assets to the Company after completion of winding up proceedings.

	Note	(Un-Audited) December 31, 2019 Rs '000'	(Audited) June 30, 2019 Rs '000'
Investment in subsidiary - cost		281,852	281,852
Net assets transferred	5.1	(275,306)	-
Impairment on investment charged during the period		6,546	281,852
5.1 Net assets transferred on dissolution of NHPL:			
Investment in shares of NMPL		128,162	-
Investment in shares of NRL	5.2	74,222	-
		202,384	-
Funds transferred		72,922	-
Loan to NRL		14,512	-
Loan novated from previous sponsors of NRL		(14,512)	-
		275,306	-

5.2 The effective shareholding of the Company in Nimir Management (Private) Limited is 51%, whereas, in Nimir Resins Limited it is 37.64%. The Company has determined that Nimir Resins Limited is a subsidiary in accordance with IFRS 10 Consolidated Financial Statements.

	Note	(Un-Audited) December 31, 2019 Rs '000'	(Audited) June 30, 2019 Rs '000'
6 STOCK IN TRADE			
Raw and packing material			
In hand		457,540	249,103
In transit		2,324,078	1,668,616
		2,781,618	1,917,719
Finished goods		945,756	548,817
		3,727,374	2,466,536
7 LONG TERM LOANS - secured			
Term finance - Secured I	7.1	18,220	40,104
Term finance - Secured II	7.2	9,375	18,750
Term finance - Secured III	7.3	121,084	149,026
Term finance - Secured IV	7.4	90,000	105,000
Term finance - Secured V	7.5	243,750	281,250
Term finance - Secured VI	7.6	200,000	180,516
Loan from directors / sponsors - unsecured	7.7	14,512	-
		696,941	774,646
Less: Current maturity shown under current liabilities		(225,979)	(242,303)
		470,962	532,343

7.1 This represents long term finance facility obtained from a financial institution carrying mark-up at the rate of 3 months KIBOR plus 200 bps per annum repayable in 48 equal monthly instalments starting from December 2015 with grace period of six months. This facility is secured against first joint pari passu charge over present and future fixed assets of the Company.

7.2 This represents long term finance facility obtained from a financial institution carrying mark-up at the rate of 3 months KIBOR plus 200 bps per annum repayable in 48 equal monthly instalments starting from December 2015 with grace period of six months. This facility is secured against first joint pari passu charge over present and future fixed assets of the Company.

7.3 This represents long term finance facility obtained from a financial institution carrying mark-up at the rate of 3 months KIBOR plus 125 bps per annum repayable in 48 equal monthly instalments starting from February 2017 with grace period of one year. This facility is secured against first joint pari passu charge over present and future fixed assets of the Company.

7.4 This represents long term finance facility obtained from a financial institution carrying mark-up at the rate of 3 months KIBOR plus 125 bps per annum repayable in 54 equal monthly instalments starting from December 2017 with grace period of six months. This facility is secured against first joint pari passu charge over present and future fixed assets of the Company.

7.5 This represents long term finance facility obtained from a financial institution carrying mark-up at the rate of 3 months KIBOR plus 125 bps per annum repayable in 48 equal monthly instalments starting from March 2018 with grace period of one year. This facility is secured against first pari passu charge over present and future fixed assets of the Company.

- 7.6 This represents long term finance facility amounting to Rs. 200 million from a financial institution carrying mark-up at the rate of 3 months KIBOR plus 125 bps per annum repayable in 16 equal quarterly instalments starting from March 2019 with grace period of one year. As of period end, Rs. 200 million has been availed out. This facility is secured against first joint pari passu charge over present and future fixed assets of the Company.
- 7.7 This represents loan obtained from ex-director / sponsors of Nimir Resins Limited. This loan is interest free and repayable on demand, however, the lender has agreed not to demand repayment for a period of next twelve months.

8 SHORT TERM BORROWINGS - Secured

- 8.1 The aggregate of short term finance facilities available from various financial institutions (including commercial banks) at period end is Rs. 8,499 million (30 June 2019: Rs. 6,399 million) which includes running finance facilities amounting Rs. 1,025 million (30 June 2019: Rs. 900 million). The rate of mark up ranges from 1 month KIBOR to 6 months KIBOR + 0 to 100 bps with no floor and no cap (30 June 2019: 1 month KIBOR to 6 months KIBOR + 0 to 100 bps with no floor and no cap). The facilities are secured against joint pari passu charge on the present and future current assets of the Company.

In addition to above, the unutilized facility for opening letters of credit and bank guarantees as at 31 December 2019 amounts to Rs. 2,595 million (30 June 2019: Rs. 2,120 million) and Rs. 59 million (30 June 2019: Rs. 84 million) respectively.

9 CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

There is no material change in the contingencies since the last audited financial statements for the year ended 30 June 2019.

COMMITMENTS

Commitments in respect of letters of credit and letters of guarantee as at 31 December 2019 are as follows:

	(Un-Audited) December 31, 2019 Rs '000'	(Audited) June 30, 2019 Rs '000'
Letters of credit established for the import of raw materials, spare parts and machinery	1,454 million	499 million
Letter of guarantee given to SNGPL	96 million	96 million
Letter of guarantee given to PSO	50 million	27 million
Letter of guarantee given to Total PARCO	5 million	3 million

	Six month period ended		Three month period ended	
	December 31, 2019 Rs '000'	December 31, 2018 Rs '000'	December 31, 2019 Rs '000'	December 31, 2018 Rs '000'
10 REVENUE FROM CONTRACTS WITH CUSTOMERS - NET				
Gross sales	8,983,650	8,721,642	4,539,482	3,898,458
Less: Sales tax & commission	(1,312,826)	(1,268,182)	(667,745)	(566,941)
Net Sales	<u>7,670,824</u>	<u>7,453,460</u>	<u>3,871,737</u>	<u>3,331,517</u>
11 COST OF SALES				
Opening stock of finished goods	548,817	471,688	830,386	395,336
Cost of goods manufactured	6,885,444	6,611,625	3,396,005	3,062,205
	7,434,261	7,083,313	4,226,391	3,457,541
Less: Closing stock of finished goods	(945,756)	(643,673)	(945,756)	(643,673)
	<u>6,488,505</u>	<u>6,439,640</u>	<u>3,280,635</u>	<u>2,813,868</u>
12 EARNINGS PER SHARE - BASIC AND DILUTED				
Profit attributable to ordinary shareholders (Rs. "000")	457,287	406,618	224,916	200,476
Weighted average number of shares (No. "000")	110,591	110,591	110,591	110,591
Earnings per share (Rs.)	<u>4.13</u>	<u>3.68</u>	<u>2.03</u>	<u>1.81</u>

13 TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise parent company, related group companies, directors and key management personnel. Transactions with related parties during the period are as follows:

Transactions with related parties:

Name of Related Parties	Nature of Transaction	(Un-Audited) Six month period ended	
		December 31, 2019	December 31, 2018
		Rs '000'	Rs '000'
Nimir Resins Limited - Subsidiary	Sale of goods	90,263	60,621
	Purchase of goods	602	-
	Services acquired	1,597	1,464
	Services provided	2,150	1,953
	Reimbursement of expenses - net	241	1,428
Key Management Personnel	Managerial Remuneration	76,218	54,504
	Other Benefits	24,604	17,849
Staff retirement benefits	Contribution to gratuity fund	2,000	7

Balances with related parties:

Name of Company and relationship	Nature of Transaction	(Un-Audited)	(Audited)
		December 31, 2019	June 30, 2019
		Rs '000'	Rs '000'
Nimir Resins Limited - Subsidiary	Trade debts	32,538	26,584
	Creditors	(234)	(684)

14 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors in its meeting held on Tuesday, February 25, 2020 has approved an interim dividend of Rs. 1.5 per share (i.e. 15%) for the period ended 31 December 2019 (31 December 2018: Rs. 1.5 per share (i.e. 15%)). This interim financial information does not reflect the effect of the above event.

15 GENERAL

These condensed interim financial statements were authorized for issue by the Board of Directors of the Company on February 25, 2020.


Chief Executive Officer


Director


Chief Financial Officer

NIMIR INDUSTRIAL CHEMICALS LIMITED AND ITS SUBSIDIARIES
FINANCIAL STATEMENTS - CONSOLIDATED
FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2019

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

	Note	(Unaudited) December 31, 2019 Rs '000'	(Audited) June 30, 2019 Rs '000'
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	3,873,625	3,607,503
Intangibles		498	946
Long term deposits		48,184	42,460
		3,922,307	3,650,909
CURRENT ASSETS			
Stores, spare parts and loose tools		267,187	219,602
Stock in trade	6	4,707,324	3,320,280
Trade debts - considered good - unsecured		3,041,586	2,750,670
Loans and advances		304,972	104,200
Trade deposits and short term prepayments		15,637	3,816
Interest accrued		-	396
Short term investment		-	54,900
Other receivables		64,006	28,527
Tax refunds due from the Government		921,501	1,024,970
Cash and bank balances		73,490	127,733
		9,395,703	7,635,094
TOTAL ASSETS		13,318,010	11,286,003
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
145,000,000 (30 June 2019: 145,000,000) Ordinary Shares of Rs.10 each		1,450,000	1,450,000
Issued, subscribed and paid up capital			
110,590,546 (30 June 2019: 110,590,546) Ordinary shares of Rs. 10/- each		1,105,905	1,105,905
Unappropriated profit - Revenue reserve		2,448,866	2,123,150
Non-controlling interest		658,821	612,553
		4,213,592	3,841,608
NON CURRENT LIABILITIES			
Long term loans	7	565,212	641,447
Lease liabilities		111,112	59,336
Diminishing musharaka finance		2,559	3,253
Deferred tax liability		295,984	317,500
		974,867	1,021,536
CURRENT LIABILITIES			
Trade and other payables		2,141,951	1,168,243
Contract liabilities		86,602	42,387
Net defined benefit liability - funded gratuity		102,870	86,240
Mark up accrued		129,506	116,608
Unclaimed dividend		8,583	7,760
Short term borrowings - secured	8	5,010,921	4,334,710
Current maturity of long term loans	7	226,662	242,985
Current maturity of lease liabilities		34,501	22,970
Current maturity of diminishing musharaka finance		1,625	1,575
Provision for taxation		386,330	399,381
		8,129,551	6,422,859
CONTINGENCIES AND COMMITMENTS	9	-	-
TOTAL EQUITY AND LIABILITIES		13,318,010	11,286,003

The annexed notes from 1 to 15 form an integral part of these condensed interim consolidated financial statements.


Chief Executive Officer


Director


Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2019 (UN-AUDITED)

	Note	Six month period ended		Three month period ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		Rs '000'	Rs '000' (Restated)	Rs '000'	Rs '000' (Restated)
CONTINUING OPERATIONS					
Revenue from contracts with customers-net	10	10,120,883	9,544,020	5,256,275	4,479,529
Cost of sales	11	(8,651,803)	(8,351,092)	(4,506,478)	(3,861,660)
Gross profit		1,469,080	1,192,928	749,797	617,869
Distribution costs		(106,813)	(113,779)	(33,335)	(58,282)
Administrative expenses		(147,206)	(112,125)	(77,196)	(56,787)
		(254,019)	(225,904)	(110,531)	(115,069)
Operating profit		1,215,061	967,024	639,266	502,800
Other expenses		(64,216)	(65,082)	(35,169)	(41,085)
Other income		16,667	9,544	10,975	5,891
Foreign exchange gain / (loss)		33,479	(40,132)	15,974	(32,433)
Finance cost		(406,492)	(232,760)	(226,737)	(123,953)
Profit before taxation from continuing operations		794,499	638,594	404,309	311,220
Taxation		(258,202)	(180,385)	(123,352)	(71,928)
Profit after taxation from continuing operations		536,297	458,209	280,957	239,292
DISCONTINUED OPERATIONS					
Profit after taxation from discontinued operations 4		1,573	1,242	171	1,242
Profit for the period		537,870	459,451	281,128	240,534
Attributable to:					
Equity holders of the parent		491,602	429,327	248,711	216,892
Non-controlling interests		46,268	30,124	32,417	23,642
		537,870	459,451	281,128	240,534
Earnings per share					
- Basic and diluted (Rs.)					
-from continuing operations	12	4.44	3.87	2.25	1.95
-from discontinued operations	12	0.01	0.01	0.00	0.01
-for the period	12	4.45	3.88	2.25	1.96

The annexed notes from 1 to 15 form an integral part of these condensed interim consolidated financial statements.


Chief Executive Officer


Director


Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2019 (UN-AUDITED)

	Six month period ended		Three month period ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	Rs '000'	Rs '000'	Rs '000'	Rs '000'
Profit for the period	537,870	459,451	281,128	240,534
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	537,870	459,451	281,128	240,534
Attributable to:				
Equity holders of the parent	491,602	429,327	248,711	216,892
Non-controlling interests	46,268	30,124	32,417	23,642
	537,870	459,451	281,128	240,534

The annexed notes from 1 to 15 form an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2019 (UN-AUDITED)

	Issued, subscribed and paid up share capital	Unappropriated profit - Revenue reserve	Non-controlling interest	Total
	Rs '000'	Rs '000'	Rs '000'	Rs '000'
Balance as on 01 July 2018 - (Audited)	1,105,905	1,642,848	516,162	3,264,915
Total comprehensive income for the period ended 31 December 2018	-	429,327	30,124	459,451
Final dividend for the year ended 30 June 2018 at the rate of Rs.2 per share	-	(221,181)	-	(221,181)
Balance as on 31 December 2018	1,105,905	1,850,994	546,286	3,503,185
Balance as on 01 July 2019 - (Audited)	1,105,905	2,123,150	612,553	3,841,608
Total comprehensive income for the period ended 31 December 2019	-	491,602	46,268	537,870
Final dividend for the year ended 30 June 2019 at the rate of Rs. 1.5 per share	-	(165,886)	-	(165,886)
Balance as on 31 December 2019	1,105,905	2,448,866	658,821	4,213,592

The annexed notes from 1 to 15 form an integral part of these condensed interim consolidated financial statements.


Chief Executive Officer


Director


Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2019 (UN-AUDITED)

	Six month period ended	
	December 31, 2019	December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES	Rs '000'	Rs '000' (Restated)
Profit before taxation from continuing operations	794,499	638,594
Profit before taxation from discontinued operations	2,215	1,914
	796,714	640,508
Adjustment for:		
Depreciation	206,385	145,862
Amortization	449	505
Profit on term deposit receipt	(2,584)	(1,919)
Gain on disposal of property, plant and equipment	(4,805)	(1,726)
Provision for obsolescence of stock	-	10,036
Mark-up expense	402,179	226,526
Exchange (gain) / loss - unrealized	(319)	27,730
Provision for gratuity	19,320	10,737
Allowance for expected credit loss	5,463	7,717
Workers' profit participation fund	42,440	34,134
Workers' welfare fund	16,314	13,195
	684,842	472,797
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,481,556	1,113,305
(Increase) / decrease in current assets		
Stores, spares parts and loose tools	(47,584)	(13,280)
Stock in trade	(1,387,045)	(99,027)
Trade debts	(296,378)	407,795
Loans and advances	(200,773)	(108,833)
Trade deposits and short term prepayments	(11,821)	7,030
Other receivables	(35,479)	(2,875)
Tax refunds due from the Government	(77,506)	(84,834)
	(2,056,586)	105,976
Increase / (decrease) in current liabilities		
Trade and other payables	1,076,337	(233,611)
Contract liabilities	44,215	(9,713)
CASH GENERATED FROM OPERATIONS	545,522	975,957
Contribution to gratuity fund	(2,690)	(7)
Mark-up expense paid	(380,256)	(178,753)
Dividend paid during the period	(165,063)	(219,568)
Tax paid	(180,146)	(106,945)
Workers' welfare fund paid	(22,579)	(18,751)
Workers' profit participation fund paid	(70,776)	(57,597)
	(821,510)	(581,621)
NET CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES	(275,988)	394,336
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment - net	(22,508)	(32,486)
Addition in capital work in progress	(382,624)	(534,621)
Sale proceeds from disposal of property, plant and equipment	5,118	14,150
Interest income received	2,980	2,183
Short term investment	54,900	-
Long term deposits	(5,723)	(1,876)
NET CASH USED IN INVESTING ACTIVITIES	(347,857)	(552,650)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loan repaid	(112,042)	(92,942)
Long term loan obtained	19,484	190,727
Repayment of lease liabilities	(23,411)	(35,006)
New leases acquired during the period	10,005	15,362
Payment against diminishing musharaka finance	(644)	(965)
Short term borrowings - net	676,210	87,873
NET CASH GENERATED FROM FINANCING ACTIVITIES	569,602	165,049
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(54,243)	6,735
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	127,733	115,127
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	73,490	121,862

The annexed notes from 1 to 15 form an integral part of this condensed interim consolidated financial statements.


Chief Executive Officer


Director


Chief Financial Officer

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2019 (UN-AUDITED)

1 THE GROUP AND ITS OPERATIONS

- 1.1 Nimir Industrial Chemicals Limited ("NICL") is part of Nimir Group ("The Group") which consist of:

Parent (Holding) Company

Nimir Industrial Chemicals Limited ("NICL")

Subsidiary Companies

Nimir Holding (Private) Limited ("NHPL")

Nimir Management (Private) Limited ("NMPL")

Nimir Resins Limited ("NRL")

The shareholding of Nimir Group as at period end is as follows:

- | | |
|-------------------------------------|--------|
| • The holding of NICL in NMPL: | 51% |
| • The holding of NMPL in NRL: | 51% |
| • The holding of NICL in NRL: | 11.63% |
| • Effective holding of NICL in NRL: | 37.64% |

Nimir Industrial Chemicals Limited ('the Holding Company') was incorporated in Pakistan as a Public Limited Company and its shares are listed on Pakistan Stock Exchange Limited. The Holding Company is engaged in manufacturing and sales of chemical products. In previous year, the Holding Company was a 56.74% subsidiary of Nimir Resources (Private) Limited ('NRPL'). As a result of voluntary winding up of NRPL, shares held by NRPL have been transferred to its sponsors, who have made a consortium through an agreement to control the Holding Company. Following are the business units of the Holding Company along with their respective locations:

Business Unit

Address

Registered office and plant Head Office	14.8 Km, Sheikhpura-Faisalabad Road, Mouza Bhikki, District Sheikhpura, Pakistan. Nimir House, 12-B, New Muslim Town, Lahore, Pakistan.
--	--

Nimir Holding (Private) Limited (NHPL) and Nimir Management (Private) Limited (NMPL) were incorporated in Pakistan as private limited companies on 28 September 2015 and 4 December 2015 respectively for the purpose of investment in Nimir Resins Limited. During the period, NHPL had initiated and completed process of voluntary-winding up after which the net assets of the NHPL were transferred to the NICL holding 100% shares of the NHPL.

Nimir Resins Limited was initially incorporated in Pakistan on 17 December 1964 as a private limited company under the Companies Act, 1913 (now the Companies Act, 2017) and was converted into public limited company on 19 August 1991 with the name of Nimir Resins Limited. The name of the company was changed to Descon Chemicals Limited on 1 April 2010 when the company entered into a scheme of arrangement for merger / amalgamation with Descon Chemicals (Private) Limited. Upon acquisition by Nimir Group as explained in note 1.2, the name of the company changed to Nimir Resins Limited as per the approval of Securities and Exchange Commission of Pakistan dated 18 April 2016. The shares of Nimir Resins Limited are quoted on Pakistan Stock Exchange Limited. The principal activity of the company is to manufacture surface coating resins for paint industry, polyesters, and optical brightener for paper and textile industries and textile auxiliaries for textile industry. Following are the business units of the company along with their respective locations:

Business Unit

Address

Registered office and plant 1 Plant 2	14.5 Km, Lahore-Sheikhpura Road, Lahore, Pakistan 14.8 Km, Sheikhpura-Faisalabad Road, Mouza Bhikki, District Sheikhpura, Pakistan.
--	--

- 1.2 As a result of adoption of International Financial Reporting Standard (IFRS) – 10 'Consolidated Financial Statements', the Holding Company assessed the control conclusion of its investment in Nimir Resins Limited (NRL) that although the Holding Company has less than 50% shareholding in NRL, however, based on absolute size of the Holding Company's shareholding, common directorship and management, the Holding Company has the ability to exercise control over NRL as per the terms of IFRS-10. Henceforth, Nimir Industrial Chemicals Limited (NICL) is deemed to be holding company of NRL.

2 BASIS OF PREPARATION

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
 - Provisions of and directives issued under the Companies Act, 2017.
Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.
- 2.2** The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the financial statements of the Group for the year ended 30 June 2019.
- 2.3** These condensed interim consolidated financial statements are unaudited but subject to limited scope review by the auditors and being submitted to the shareholders as required under Section 237 of the Companies Act, 2017 and the Listing Regulations of Pakistan Stock Exchange Limited.
- 2.4** The condensed interim consolidated financial statements have been prepared under the historical cost convention. These condensed interim consolidated financial statements are prepared in Pak Rupees, which is the functional currency of the Group. Figures have been rounded off to the nearest thousand rupee unless otherwise stated.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim consolidated financial statements are the same as those applied in the preparation of the financial statements for the year ended 30 June 2019, except as follows:

3.1 New / Revised Standards, Interpretations and Amendments

The Group has adopted the following standard, amendments and interpretations of IFRSs which became effective for the current period:

New Standards, Interpretations and Amendments

IFRS 14	Regulatory Deferral Accounts
IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
IFRS 9	Prepayment Features with Negative Compensation — (Amendments)
IAS 28	Long-term Interests in Associates and Joint Ventures — (Amendments)
IAS 19	Plan Amendment, Curtailment or Settlement — (Amendments)
IFRS 3	Business Combinations - Previously held Interests in a joint operation — (AIP)
IFRS 11	Joint Arrangements - Previously held Interests in a joint operation — (AIP)
IAS 12	Income Taxes - Income tax consequences of payments on financial instruments classified as equity — (AIP)
IAS 23	Borrowing Costs - Borrowing costs eligible for capitalization — (AIP)

The nature and effect of the changes as a result of adoption of IFRS 16 are described below. The adoption of other standards, interpretations and amendments applied for the first time in the period did not have any material impact on the condensed interim consolidated financial statements of the Group.

3.2 IFRS 16 - Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The effect of adoption of IFRS 16 (increase / (decrease)) is as follows:

	December 31, 2019	July 1, 2019
	Rs '000'	Rs '000'
Condensed interim consolidated statement of financial position (un-audited)		
Assets		
Property, plant and equipment - right-of-use assets	60,436	67,688
Liabilities		
Lease liabilities - rented premises	(64,606)	(67,688)
Deferred tax liability	1,209	-
	<u>(2,961)</u>	<u>-</u>

The effect of adoption of IFRS 16 during the period ended 31 December 2019 is as follows:

	Rs '000'
Condensed interim consolidated statement of profit or loss (un-audited)	
Lease rental expense not booked	7,658
Depreciation - right-of-use assets	(7,252)
Mark-up on lease liabilities	(4,576)
Impact on profit before taxation	(4,170)
Taxation	1,209
Impact on profit after taxation	<u>(2,961)</u>
Impact on earnings per share - basic and diluted (Rupees)	<u>(0.03)</u>

The Group has lease contracts for various items of plant and machinery, vehicles and building. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 July 2019.

Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

3.2.1 Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

a) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

b) Lease liabilities - rented premises

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

4 DISCONTINUED OPERATIONS

During the period, Nimir Holding (Private) Limited (NHPL) had initiated and completed process of voluntary-winding up after which the net assets of the NHPL were transferred to the Holding Company holding 100% shares of the NHPL. The results of NHPL for the period are presented below:

	Six-month period ended	
	December * 31, 2019	December 31, 2018
	Rs '000'	Rs '000'
Administrative expenses	(368)	(5)
Other income	2,584	1,919
Profit before taxation from discontinued operations	2,216	1,914
Taxation	(643)	(672)
Profit after taxation from discontinued operations	1,573	1,242

*Represents activity prior to the transfer of net assets on 16 December 2019.

The net cash flows generated/(incurred) by Nimir Holding (Private) Limited are, as follows:

Operating activities	(2,802)	(551)
Investing activities	2,980	2,183
Net cash inflow	178	1,632
	(Un-audited) December 31, 2019	(Audited) June 30, 2019
	Rs '000'	Rs '000'
Operating fixed assets	3,467,652	3,563,283
Capital work in progress	405,973	44,220
	3,873,625	3,607,503

5 PROPERTY, PLANT AND EQUIPMENT

Following are the additions / disposals (at cost) in the operating fixed assets:

	(Un-Audited)		(Audited)	
	Additions Dec-2019	Disposal Dec-2019	Additions June-2019	Disposal June-2019
	Rs '000'	Rs '000'	Rs '000'	Rs '000'
Free-hold land	-	-	178,877	-
Building on free-hold land	11,903	-	190,646	(125)
Plant and machinery - owned	10,135	(2,522)	703,770	(18,321)
Furniture and fittings	17	-	1,179	(1,116)
Office and factory equipment	11,244	(32)	62,368	(12,660)
Vehicles - Owned	76	(6,775)	16,940	(6,248)
Vehicles - Leased	10,005	-	34,274	(2,382)
Building - Leased*	67,688	-	-	-
	<u>111,068</u>	<u>(9,329)</u>	<u>1,188,054</u>	<u>(40,852)</u>

* This represents initial recognition of right-of-use asset on rented building for a period of five years.

6 STOCK IN TRADE	Note	(Un-audited)	(Audited)
		December 31, 2019	June 30, 2019
		Rs '000'	Rs '000'
Raw and packing material			
In hand		1,092,125	781,375
In transit		2,379,102	1,813,520
		<u>3,471,227</u>	<u>2,594,895</u>
Finished goods		1,251,879	752,570
Less: Provision for obsolescence		(15,782)	(27,185)
		<u>1,236,097</u>	<u>725,385</u>
		<u>4,707,324</u>	<u>3,320,280</u>

7 LONG TERM LOANS

Term finance - Secured I	7.1	18,220	40,104
Term finance - Secured II	7.2	9,375	18,750
Term finance - Secured III	7.3	121,084	149,026
Term finance - Secured IV	7.4	90,000	105,000
Term finance - Secured V	7.5	243,750	281,250
Term finance - Secured VI	7.6	200,000	180,516
Term finance - Secured VII	7.7	2,445	2,786
Loan from directors / sponsors - unsecured	7.8	107,000	107,000
		791,874	884,432
Less: Current maturity shown under current liabilities		(226,662)	(242,985)
		<u>565,212</u>	<u>641,447</u>

7.1 This represents long term finance facility obtained from a financial institution carrying mark-up at the rate of 3 months KIBOR plus 200 bps per annum repayable in 48 equal monthly instalments starting from December 2015 with grace period of six months. This facility is secured against first joint pari passu charge over present and future fixed assets of the Holding Company.

7.2 This represents long term finance facility obtained from a financial institution carrying mark-up at the rate of 3 months KIBOR plus 200 bps per annum repayable in 48 equal monthly instalments starting from December 2015 with grace period of six months. This facility is secured against first joint pari passu charge over present and future fixed assets of the Holding Company.

- 7.3** This represents long term finance facility obtained from a financial institution carrying mark-up at the rate of 3 months KIBOR plus 125 bps per annum repayable in 48 equal monthly instalments starting from February 2017 with grace period of one year. This facility is secured against first joint pari passu charge over present and future fixed assets of the Holding Company.
- 7.4** This represents long term finance facility obtained from a financial institution carrying mark-up at the rate of 3 months KIBOR plus 125 bps per annum repayable in 54 equal monthly instalments starting from December 2017 with grace period of six months. This facility is secured against first joint pari passu charge over present and future fixed assets of the Holding Company.
- 7.5** This represents long term finance facility obtained from a financial institution carrying mark-up at the rate of 3 months KIBOR plus 125 bps per annum repayable in 48 equal monthly instalments starting from March 2018 with grace period of one year. This facility is secured against first pari passu charge over present and future fixed assets of the Holding Company.
- 7.6** This represents long term finance facility amounting to Rs. 200 million from a financial institution carrying mark-up at the rate of 3 months KIBOR plus 125 bps per annum repayable in 16 equal quarterly instalments starting from March 2019 with grace period of one year. As of period end, Rs. 200 million has been availed out. This facility is secured against first joint pari passu charge over present and future fixed assets of the Holding Company.
- 7.7** This represents long term finance facility obtained from a financial institution carrying mark-up at the rate of 3 months KIBOR plus 150 bps per annum repayable in 60 equal monthly instalments starting from August 2018. This facility is secured against first pari passu charge over a vehicle of the subsidiary company for which loan facility is obtained.
- 7.8** This represents loan obtained from ex-director / sponsors of Nimir Resins Limited. This loan is interest free and repayable on demand, however, the lender has agreed not to demand repayment for a period of next twelve months.

8 SHORT TERM BORROWINGS - Secured

- 8.1** The aggregate of short term finance facilities available from various financial institutions (including commercial banks) at period end is Rs. 11,664 million (30 June 2019: Rs. 9,564 million) which includes running finance facilities amounting Rs. 1,925 million (30 June 2019: Rs. 1,800 million). The rate of mark up ranges from 1 month KIBOR to 6 months KIBOR + 0 to 125 bps with no floor and no cap (30 June 2019: 1 month KIBOR to 6 months KIBOR + 0 to 125 bps with no floor and no cap). The facilities are secured against joint pari passu charge on the present and future current assets of the Group.

In addition to above, the unutilized facility for opening letters of credit and bank guarantees as at 31 December 2019 amounts to Rs. 3,032 million (30 June 2019: Rs. 3,153 million) and Rs. 59 million (30 June 2019: Rs. 86 million) respectively.

9 CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

There is no material change in the contingencies since the last audited financial statements for the year ended 30 June 2019.

COMMITMENTS

Commitments in respect of letters of credit and letters of guarantee are as follows:

	(Un-audited) December 31, 2019	(Audited) June 30, 2019
	Rs '000'	Rs '000'
Letters of credit established for the import of raw materials, spare parts and machinery	1,878	866
Letter of guarantee given to SNGPL	99	99
Letter of guarantee given to PSO	53	30
Letter of guarantee given to Total PARCO	12	10

	Six month period ended		Three month period ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	Rs '000'	Rs '000'	Rs '000'	Rs '000'
.....(Un-Audited).....				
10 REVENUE FROM CONTRACTS WITH CUSTOMERS - NET				
Gross sales	11,880,700	11,015,155	6,174,695	5,131,984
Less: Sales tax	(1,759,817)	(1,471,135)	(918,420)	(652,455)
Net Sales	<u>10,120,883</u>	<u>9,544,020</u>	<u>5,256,275</u>	<u>4,479,529</u>
11 COST OF SALES				
Opening stock of finished goods	752,570	651,810	1,080,541	576,405
Cost of goods manufactured	9,151,112	8,570,489	4,677,816	4,156,462
	<u>9,903,682</u>	<u>9,222,299</u>	<u>5,758,357</u>	<u>4,732,867</u>
Less: Closing stock of finished goods	(1,251,879)	(871,207)	(1,251,879)	(871,207)
	<u>8,651,803</u>	<u>8,351,092</u>	<u>4,506,478</u>	<u>3,861,660</u>
12 EARNINGS PER SHARE - BASIC AND DILUTED				
Profit from continuing operations attributable to ordinary shareholders (Rs. "000")	<u>490,029</u>	<u>428,085</u>	<u>248,540</u>	<u>215,650</u>
Profit from discontinued operations attributable to ordinary shareholders (Rs. "000")	<u>1,573</u>	<u>1,242</u>	<u>171</u>	<u>1,242</u>
Profit for the period attributable to ordinary shareholders (Rs. "000")	<u>491,602</u>	<u>429,327</u>	<u>248,711</u>	<u>216,892</u>
Weighted average number of shares (No. "000")	<u>110,591</u>	<u>110,591</u>	<u>110,591</u>	<u>110,591</u>
Earnings per share from continuing operations (Rs.)	<u>4.44</u>	<u>3.87</u>	<u>2.25</u>	<u>1.95</u>
Earnings per share from discontinued operations (Rs.)	<u>0.01</u>	<u>0.01</u>	<u>0.00</u>	<u>0.01</u>
Earnings per share for the period (Rs.)	<u>4.45</u>	<u>3.88</u>	<u>2.25</u>	<u>1.96</u>

13 TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise directors and key management personnel. Transactions with related parties during the period are as follows:

Transactions with related parties:

Name of related party	Nature of Transaction	(Un-Audited)	
		Six month period ended December 31, 2019	December 31, 2018
		Rs '000'	Rs '000'
Key Management Personnel	Managerial Remuneration	92,900	69,850
	Other Benefits	28,135	22,156
Staff retirement benefits	Contribution to gratuity fund	2,690	3,544

14 OPERATING SEGMENT INFORMATION

	Oleo chemicals and chlor alkali		Coating, emulsion and resins		Other segments		Inter segment eliminations		Total	
	Rupees in thousands		Rupees in thousands		Rupees in thousands		Rupees in thousands		Rupees in thousands	
	Six-month period ended 2019	2018	Six-month period ended 2019	2018	Six-month period ended 2019	2018	Six-month period ended 2019	2018	Six-month period ended 2019	2018
Revenue from contracts with customers-net	7,670,624	7,453,460	2,540,924	2,151,181	-	-	(90,865)	(60,621)	10,120,883	9,544,020
Cost of sales	(6,488,505)	(6,439,640)	(2,252,461)	(1,975,730)	-	-	89,163	64,278	(8,651,803)	(8,351,092)
Gross profit / (loss)	1,182,319	1,013,820	288,463	175,451	-	-	(1,702)	3,357	1,469,080	1,192,928
Dishibition cost	(75,698)	(79,370)	(31,214)	(34,449)	-	-	-	-	(106,813)	(113,779)
Administrative expenses	(119,282)	(92,773)	(28,380)	(20,402)	-	(54)	436	1,104	(147,206)	(112,125)
Operating profit / (loss)	987,458	841,717	228,869	120,600	-	(54)	(1,268)	4,761	1,215,061	967,024
Other expenses	(56,718)	(45,970)	(14,044)	(19,112)	-	-	-	-	(64,216)	(65,082)
Other income	9,588	6,842	7,911	4,166	-	-	(832)	(1,464)	16,667	9,544
Foreign exchange gain / (loss)	33,160	(25,281)	319	(14,851)	-	-	-	-	33,479	(40,132)
Finance cost	(296,524)	(157,039)	(109,968)	(75,721)	-	-	-	-	(406,492)	(232,760)
Profit / (loss) before taxation from continuing operations	676,964	620,269	113,087	15,052	-	(54)	4,448	3,297	794,499	638,594
Taxation	(219,677)	(213,651)	(38,892)	33,266	-	-	367	-	(256,202)	(180,385)
Profit / (loss) after taxation from continuing operations	457,287	406,618	74,195	48,348	-	(54)	4,815	3,297	538,297	458,209
DISCONTINUING OPERATIONS										
Profit after taxation from discontinued operations	-	-	-	1,573	1,242	1,242	0	-	1,573	1,242
Profit for the period	457,287	406,618	74,195	48,348	1,573	1,188	4,815	3,297	539,870	459,451
31 December 2019 (Un-audited)	10,479,251	8,514,028	3,131,971	3,048,864	293,517	584,558	(586,728)	(681,447)	13,318,010	11,286,003
30 June 2019 (Audited)	7,152,967	5,479,144	1,891,903	1,882,892	78,546	96,221	(18,998)	(13,962)	9,104,418	7,444,395

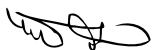
14.1 Inter segment sales, purchases and balances have been eliminated.

15 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors in its meeting held on Tuesday, February 25, 2020 has approved an interim dividend of Rs. 1.5 per share (i.e. 15%) for the period ended 31 December 2019 (31 December 2018: Rs. 1.5 per share (i.e. 15%)). This condensed interim consolidated financial statements do not reflect the effect of the above event.

16 GENERAL

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on February 25, 2020.



Chief Executive Officer



Director



Chief Financial Officer



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