

NIMIR

2020

Half Yearly Report

December (Unaudited)

NIMIR RESINS LTD.

| BETTER LIFE THROUGH CHEMISTRY |

COMPANY INFORMATION

Board of Directors

Sheikh Amar Hameed - Chairman
Mr. Zafar Mahmood - Chief Executive Officer
Mr. Muhammad Yahya Khan
Mr. Abdul Jalil Jamil
Mr. Osman Hameed
Mr. Pervaiz Ahmad Khan
Mrs. Nazia Qureshi

Executive Management

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

Chief Financial Officer

Syed Sajid Nasim

Company Secretary

Mr. Muhammad Inam-ur-Rahim

Head of Internal Audit

Mr. Nabeel Ahmad Khan

Auditors

Crowe Hussain Chaudhury & Co.
Chartered Accountants

Audit Committee

Mr. Pervaiz Ahmad Khan - Chairman
Mr. Abdul Jalil Jamil - Member
Mr. Osman Hameed - Member

Human Resources &

Remuneration Committee

Mrs. Nazia Qureshi - Chairperson
Sheikh Amar Hameed - Member
Mr. Zafar Mahmood - Member

Bankers

The Bank of Punjab
Habib Bank Limited
MCB Bank Limited
Habib Metropolitan Bank Limited
Bank Alfalah Limited
Soneri Bank Limited
Al Baraka Bank (Pakistan) Limited
Pak Brunei Investment Company Limited
Meezan Bank Limited
JS Bank Limited

Legal Advisors

M/s Hassan & Hassan
Advocates

Share Registrar

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

Registered Office / Plant - 1

14.5 Km, Lahore-Sheikhupura Road,
Lahore, Pakistan.
Tel : +92 42 37971512-14
Fax: +92 42 37970229

Plant – 2

14.8 Km, Sheikhupura-Faisalabad Road,
Bhikhi, Dist. Sheikhupura. Pakistan.
Tel : +92 56 3883001 – 7
Fax: +92 56 3883010

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 unaudited financial statements of Nimir Resins Limited for the half year ended December 31, 2020.

During the period under review, Pakistan's economy continued its momentum of revival, despite the surge of new cases of Corona Virus across the country. There had been significant increase in exports and remittances by overseas Pakistanis and the country's FX reserves have crossed the USD 20.00 billion mark. This has helped in maintaining stability in the exchange rate. The Government's business friendly policies and maintaining the discount rate at 7% is helping the businesses to perform well.

Since our product portfolio is of diversified nature, the impact of economic recovery is significant on our top and bottom lines. The overall sales revenue in PKR showed 9% growth during the first half of the current financial year. However after-tax profit increased by 65% due to substantial reduction in financial cost, and the company posted net profit of PKR 122 million against PKR 74 million earned in the last year.

We are committed to continue endeavouring improvement in the financial results in the remaining half of the year, InShah Allah.

On behalf of the board, we would like to thank all of its stakeholders for their continued trust and support.



Muhammad Yahya Khan
Director

For and on the behalf of the Board



Zafar Mahmood
Chief Executive Officer

Lahore
January 28, 2021

ڈائریکٹر ز رپورٹ

ہم 31 دسمبر 2020 کو ختم ہونے والی ششماہی کے لئے نمبر ریزنٹ لمیٹڈ کے غیر نظر ثانی شدہ مالی حسابات کے ساتھ اپنی جائزہ رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

زیر جائزہ مدت کے دوران، ملک بھر میں کورونا وائرس کے نئے کیسز کے اضافے کے باوجود، پاکستان کی معیشت نے بحالی کی رفتار کو جاری رکھا۔ بیرون ملک مقیم پاکستانیوں کی طرف سے برآمدات اور ترسیلات زر میں نمایاں اضافہ ہوا ہے اور ملک کے ایف ایکس ذخائر 20.00 بلین امریکی ڈالر سے تجاوز کر گئے ہیں۔ اس سے شرح تبادلہ میں استحکام برقرار رکھنے میں مدد ملی ہے۔ حکومت کی کاروبار دوستانہ پالیسیوں اور 7 فیصد شرح ڈسکاؤنٹ برقرار رکھنے سے کاروبار کو بہتر کارکردگی کا مظاہرہ کرنے میں مدد مل رہی ہے۔

چونکہ ہماری پراڈکٹ پورٹ فولیو متنوع نوعیت کی ہے، ہماری بالائی اور زیریں لائنز پر معاشی بحالی کا اثر نمایاں ہے۔ پاکستانی روپوں میں مجموعی طور پر فروخت آمدنی نے رواں مالی سال کی پہلی ششماہی کے دوران 9 فیصد نمو ظاہر کی۔ شرح سود میں نمایاں کمی کیوجہ سے کمپنی نے اپنے بعد از ٹیکس میں 65% کا اضافہ حاصل کیا اور ساتھ ہی خالص منافع کو 74 بلین پاکستانی روپے سے 122 بلین پاکستانی روپے تک لے جانے میں کامیاب رہی۔

ہم انشاء اللہ بقیہ نصف سال میں مالی نتائج میں بہتری کے لئے کوشاں رہیں گے۔

کمپنی بورڈ آف ڈائریکٹرز کی جانب سے ہم اپنے تمام اسٹیک وہولڈرز کی مسلسل حمایت اور بھروسے پر ان کے شکرگزار ہیں۔

منجانب بورڈ



محمد یحییٰ خان
ڈائریکٹر



ظفر محمود
چیف ایگزیکٹو آفیسر

لاہور

28 جنوری 2021ء

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of NIMIR RESINS LIMITED ("the Company") as at December 31, 2020 and the related condensed interim statement of profit or loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and 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 "interim financial statements"). Management is responsible for the preparation and presentation of these 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 the 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.

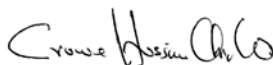
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 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 account and the condensed interim statement of comprehensive income for the quarters ended December 31, 2020 and 2019 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2020.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Nasir Muneer.



Lahore
January 28, 2021

CROWE HUSSAIN CHAUDHURY & CO.
Chartered Accountants

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020 (UNAUDITED)

	Note	December 31, 2020 Unaudited Rs '000'	June 30, 2020 Audited Rs '000'
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital			
300,000,000 (June 30, 2020: 300,000,000) Ordinary shares of Rs. 5 each		1,500,000	1,500,000
Issued, subscribed and paid up share capital			
Share deposit money		1,413,211	1,413,211
Sponsors' interest free loans		11,391	11,391
Surplus on revaluation of property, plant and equipment		107,000	107,000
Reserves		498,204	501,576
		(195,425)	(321,056)
		1,834,381	1,712,122
Non Current Liabilities			
Diminishing musharaka finance	5	743	1,653
Long term financing	6	122,056	21,096
Deferred income – Government grant	7	2,732	-
Lease liabilities	8	4,387	-
Post employment benefits obligation		20,443	16,396
Deferred tax liability		15,625	19,699
		165,986	58,844
Current Liabilities			
Trade and other payables		447,707	601,269
Unclaimed dividends		293	293
Accrued mark up		21,713	23,398
Short term borrowings	9	1,237,669	1,056,653
Current portion of long term liabilities	10	74,819	8,996
Provision for taxation		55,118	67,616
		1,837,319	1,758,225
Contingencies and Commitments			
	11	-	-
Total Equity and Liabilities			
		3,837,686	3,529,191
ASSETS			
Non Current Assets			
Property, plant and equipment	12	1,024,471	983,943
Intangible assets		166	332
Long term deposits		15,654	12,857
		1,040,291	997,132
Current Assets			
Stores and spares		17,321	15,485
Stock in trade		1,222,368	1,271,976
Trade debts		1,175,139	819,320
Loans and advances		76,302	40,487
Short term prepayments		6,027	895
Other receivables		5,359	1,309
Tax refunds due from government		264,970	368,134
Cash and bank balances		29,909	14,453
		2,797,395	2,532,059
Total Assets			
		3,837,686	3,529,191

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements (un-audited).



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS ACCOUNT
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2020 (UNAUDITED)

	Note	Half Year Ended		Quarter Ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
		Rs '000'	Rs '000'	Rs '000'	Rs '000'
Sales		2,777,311	2,540,924	1,540,874	1,430,960
Cost of sales	13	(2,471,813)	(2,252,461)	(1,353,571)	(1,269,626)
Gross Profit		305,498	288,463	187,303	161,334
Operating expenses:					
Distribution costs		(34,351)	(31,213)	(18,337)	(15,685)
Administrative expenses		(31,990)	(28,380)	(13,956)	(13,754)
		(66,341)	(59,593)	(32,293)	(29,439)
Operating Profit		239,157	228,870	155,010	131,895
Other operating expenses		(17,798)	(14,044)	(14,006)	(11,090)
Finance cost		(56,779)	(109,968)	(25,135)	(51,089)
Other income		8,766	8,229	6,311	6,001
		(65,811)	(115,783)	(32,830)	(56,178)
Profit before Taxation		173,346	113,087	122,180	75,717
Taxation	14				
Current		(55,161)	(47,751)	(36,419)	(31,076)
Deferred		4,074	8,859	1,109	7,342
		(51,087)	(38,892)	(35,310)	(23,734)
Net profit for the Period		122,259	74,195	86,870	51,983
Earnings per Share - Basic and Diluted		0.43	0.26	0.31	0.18

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements (un-audited).



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2020 (UNAUDITED)

	Half Year Ended		Quarter Ended	
	December 31, 2020 Rs '000'	December 31, 2019 Rs '000'	December 31, 2020 Rs '000'	December 31, 2019 Rs '000'
Net Profit for the Period	122,259	74,195	86,870	51,983
Other comprehensive income				
Items that will not be re-classified subsequently to profit or loss	-	-	-	-
Items that may be re-classified subsequently to profit or loss	-	-	-	-
Total Comprehensive Income for the Period	<u>122,259</u>	<u>74,195</u>	<u>86,870</u>	<u>51,983</u>

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements (un-audited).



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED DECEMBER 31, 2020 (UN-AUDITED)

Particulars	Share Capital	Share Deposit Money	Sponsors Interest Free Loans	Revaluation Surplus on Property, Plant and Equipment	Capital Reserves Share Premium	Revenue Reserves Accumulated Loss	Total Reserves	Total
Balance as at June 30, 2019	1,413,211	11,391	107,000	84,357	1,281	(451,368)	(450,087)	1,165,872
Total comprehensive income for the half year ended December 31, 2019	-	-	-	-	-	74,195	74,195	74,195
Incremental depreciation for the period on surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	(193)	-	193	193	-
Balance as at December 31, 2019	1,413,211	11,391	107,000	84,164	1,281	(376,980)	(375,699)	1,240,067
Balance as at June 30, 2020	1,413,211	11,391	107,000	501,576	1,281	(322,337)	(321,056)	1,712,122
Total comprehensive income for the half year ended December 31, 2020	-	-	-	-	-	122,259	122,259	122,259
Incremental depreciation for the period on surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	(3,372)	-	3,372	3,372	-
Balance as at December 31, 2020	1,413,211	11,391	107,000	498,204	1,281	(196,706)	(195,425)	1,834,381

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements (un-audited).



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)

	Half Year Ended	
	December 31, 2020	December 31, 2019
	Rs '000'	Rs '000'
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	173,346	113,087
Adjustments:		
Depreciation	26,091	19,563
Amortization of intangible asset	166	166
Provision for gratuity	4,320	4,320
Loss allowance	4,391	5,463
Workers' (profit) participation fund	9,338	6,083
Workers' welfare fund	4,069	2,498
Exchange loss - net	(2,362)	(319)
Finance cost	56,089	108,958
Gain on disposal of property, plant and equipment	-	(750)
	102,102	145,982
Operating profit before working capital changes	275,448	259,069
(Increase) / decrease in current assets:		
Stores and spares	(1,836)	888
Stock in trade	49,609	(128,305)
Short term investment	-	46,700
Trade debts	(360,210)	(50,024)
Loans and advances	(35,816)	(50,514)
Trade deposits and short term prepayments	(5,133)	(3,710)
Other receivables	(4,051)	(1,563)
Sales tax refundable - Net	21,822	67,146
(Decrease) / increase in current liabilities:		
Trade and other payables	(150,235)	370,138
	(485,850)	250,756
Cash (Used in) / Generated from Operations	(210,402)	509,825
Finance cost paid	(57,773)	(106,695)
Income tax refunded	54,659	-
Income tax paid	(40,977)	(15,247)
Gratuity paid	(273)	(690)
Workers' welfare fund paid	(4,289)	(3,344)
Workers' (profit) participation fund paid	(10,083)	(8,796)
Net Cash (Used in) / Generated from Operating Activities	(269,138)	375,053
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	(3,069)	(5,097)
Proceeds from disposal of property, plant and equipment	-	750
Capital work in progress - property, plant and equipment	(63,549)	(10,277)
Long term deposits	(2,796)	(3,522)
Net Cash Used in Investing Activities	(69,414)	(18,146)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing obtained	181,203	-
Payments against long term financing	(7,370)	(341)
Payments against diminishing musharaka finance	(842)	(644)
Short term borrowings - net	181,017	(335,941)
Net Cash Generated from / (Used in) Financing Activities	354,008	(336,926)
Net Increase in Cash and Cash Equivalents	15,456	19,981
Cash and cash equivalents at the beginning of the period	14,453	23,772
Cash and Cash Equivalents at the End of the Period	29,909	43,753

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements (un-audited).



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)

1 The Company and its Operations

- 1.1 Nimir Resins Limited (the Company) was incorporated in Pakistan on December 17, 1964 as a private limited company under the Companies Act, 1913 (now the Companies Act, 2017) and was converted into public limited company on August 19, 1991.
- 1.2 The Company is a subsidiary of Nimir Management (Private) Limited whereas Nimir Industrial Chemicals Limited is the ultimate parent company of Nimir Resins Limited.
- 1.3 The shares of the Company are quoted on Pakistan Stock Exchange Limited. The Company is domiciled in Pakistan and its registered office is situated at 14.5 KM, Lahore-Sheikhupura Road, Lahore. The principal activity of the Company is to manufacture surface coating resins, polyesters for paint industry, optical brightener and textile auxiliaries for textile industry.

Corporate office of the Company is located at 14.5 KM, Lahore-Sheikhupura Road, Lahore, while the production plant and warehouse of the Company are located at 14.5 KM, Lahore-Sheikhupura Road, Lahore and 14.8 KM, Sheikhupura Faisalabad Road, Sheikhupura respectively.

2 Basis of Preparation

- 2.1 These condensed interim financial statements has 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:

- 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 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 These condensed interim financial statements are unaudited and have been subjected to limited scope review by the external auditors as required by Section 237 of the Companies Act, 2017. The figures for the quarters ended on December 31, 2019 and 2020 presented in the condensed financial statements have not been reviewed by the external auditors.
- 2.3 These condensed interim financial statements are presented in Pak rupees, which is the Company's functional and presentation currency. Figures have been rounded off to nearest thousand rupees, unless stated otherwise. These condensed financial statements do not include all the information required for annual financial statements and therefore, should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2020.

3 Significant Accounting Policies

The accounting policies and methods of presentation of these condensed interim financial statements are the same as those followed in the preparation of annual financial statements for the preceding financial year ended June 30, 2020 except for the following.

3.1 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in noncurrent liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

3.2 Leases

For contracts entered into, or modified, on or after July 1, 2020; the Company assesses whether a contract contains a lease or not at the inception of a contract. The Company reassesses whether a contract is, or contains, a lease further when the terms and conditions of the contract are modified.

The Company determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain to not to exercise that option.

The Company reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the Company and affects whether the Company is reasonably certain to exercise an option not previously included in its determination

of the lease term, or not to exercise an option previously included in the determination of the lease term.

The Company revises the lease term if there is a change in the non-cancellable period of a lease.

3.2.1 Company as a lessee

3.2.1.1 Recognition

The Company recognizes a right-of-use asset and a lease liability at the commencement date. A commencement date is the date on which the lessor makes an underlying asset available for use by the lessee (the Company).

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of all underlying assets that have a lease term of 12 months or less and leases for which the underlying asset, when new, is of low-value as per the threshold set by the Company. The Company recognizes the lease payments associated with these leases as an expense on straight-line basis over the lease term.

3.2.1.2 Initial measurement

Lease liability

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid. The lease payments are discounted using the interest rate implicit in the lease, or the Company's incremental borrowing rate if the implicit rate is not readily available. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments comprise fixed payments less any lease incentives receivable; variable lease payments that depend on an index or a rate; amounts expected to be payable by the Company under residual value guarantees; the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

Right-of-use asset

The Company initially measures the right-of-use asset at cost. This cost comprises the amount of lease liability as initially measured, plus any lease payments made on or before the commencement date, less lease incentives received, initial direct costs and estimated terminal costs (i.e. dismantling or other site restoration costs required by the terms and conditions of the lease contract).

3.2.1.3 Subsequent measurement

Lease liability

After the commencement date, the Company re-measures the lease liability to reflect the affect of interest on outstanding lease liability, lease payments made, reassessments and lease modifications etc. Variable lease payments not included in the measurement of the lease liability and interest on lease liability are recognized in the statement of profit or loss account, unless these are included in the carrying amount of another asset.

Lease payments are apportioned between the finance charges and reduction of the lease liability using the incremental borrowing rate implicit in the lease to achieve a constant rate of interest on the remaining balance of the liability.

Lease liability payable in foreign currency is translated to local currency of the Company i.e. PKR at the reporting date. Any foreign exchange differences arising on translation of lease liability are recognized in profit or loss.

Right-of-use asset

After the commencement date, the Company measures the right-of-use asset at cost less accumulated depreciation and accumulated identified impairment losses, if any, adjusted for any remeasurement of the lease liability.

The Company depreciates the cost of right-of-use asset, net of residual value, from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. However, if the lease contract transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise the purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.

4 Accounting Estimates and Judgment

The accounting estimates and associated assumptions used in the preparation of these interim financial statements are consistent with those applied in the preparation of annual financial statements of the Company for the immediately preceding year ended June 30, 2020.

5 Diminishing Musharika Arrangements

		December 31, 2020 (Un-audited) Rs '000'	June 30, 2020 (Audited) Rs '000'
	Note		
Diminishing musharika facility	5.1	2,559	3,400
Less: Current portion		(1,816)	(1,747)
		743	1,653

- 5.1 The Company acquired vehicles under the diminishing musharaka financing arrangements entered into with First Punjab Modaraba, for a period of 60 months. The financing is secured against specific charge on this asset to the extent of diminishing musharaka opening value. The effective rate of rent per unit is three months KIBOR plus 2.5% with floor rate of 8.55% - 8.66% per annum (2020: 8.55% - 8.66%).

6 Long Term Financing

		December 31, 2020 (Un-audited) Rs '000'	June 30, 2020 (Audited) Rs '000'
	Note		
Soneri Bank Limited	6.1	1,876	2,103
Bank of Punjab	6.2	92,857	-
Bank Alfalah Limited	6.3	50,000	-
Refinance for salaries	6.4	52,382	26,242
Less: deferred income - Government grant		(3,555)	-
		48,827	26,242
		193,560	28,345
Less: current portion of loans			
- Soneri Bank Limited		(682)	(682)
- Bank of Punjab		(35,714)	-
- Bank Alfalah Limited		(10,000)	-
- Refinance for salaries		(25,108)	(6,567)
		(71,504)	(7,249)
		122,056	21,096

- 6.1 This represents the balance payable on account of loan of Rs. 3.411 million obtained by the Company from Soneri Bank Limited for purchase of a vehicle. This loan is repayable in 60 equal monthly installments starting from August 01, 2018. Markup is charged at the rate of three months KIBOR plus 1.5% p.a payable monthly in arrears. The vehicle is comprehensively insured in bank's favour with bank mortgage clause.
- 6.2 During the period, the Company obtained a loan of Rs. 100 million from Bank of Punjab to facilitate capital expenditure requirements pertaining to procurement, installation and augmentation of new and existing machinery, equipment related auxiliaries and civil works. This loan is repayable in 14 equal quarterly instalments payable in arrears starting from September 30, 2020. Mark-up is charged at the rate 3 months KIBOR plus 1.5%. This facility is secured against exclusive charge registered with SECP over fixed assets of the Company amounting to Rs 134 million.
- 6.3 During the period, the Company has obtained a loan of Rs. 50 million from Bank Alfalah Limited for Solar Energy unit of 450KW. This loan is repayable in 20 equal installments payable quarterly in arrears starting from March 31, 2021. Markup is charged at 3 Months Kibor plus 2% p.a payable quarterly in arrears till the approval from the State Bank of Pakistan (SBP) and as soon as SBP gives approval, mark up will be charged at SBP rate plus 2% p.a payable quarterly in arrears. This loan is secured against joint pari passu charge of Rs. 67 million over fixed assets of the Company.
- 6.4 This represents the loan obtained by the Company of Rs. 52.382 million (June 30, 2020: Rs. 26.242 million) from Bank of Punjab for disbursement of salaries of employees under the State Bank of Pakistan Refinance Scheme for payment of wages and salaries. This loan is repayable in 8 equal quarterly installments payable in arrears starting from January 01, 2021. Markup is charged at the rate of SBP rate plus 1% - 1.5% p.a payable quarterly in arrears. This facility is secured against exclusive charge over fixed assets of the Company amounting to Rs 70.06 million registered with SECP.

7 Deferred income – Government grant

		December 31, 2020 (Un-audited) Rs '000'	June 30, 2020 (Audited) Rs '000'
Deferred income - Government grant		3,555	-
Less: current portion		(823)	-
		2,732	-

7.1 The Company has recorded deferred income for government grants in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" for the treatment of loan received under Refinance Scheme for Payment of Wages and Salaries as mentioned in Note 6.4. The standard requires that any benefit of a government loan accruing to the entity owing to a below-market rate of interest should be treated as a government grant. The loan is initially recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. The Company is treating it as per income approach and, therefore, grant's benefit shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises the related expense.

8 Liabilities against assets subject to finance lease

	December 31, 2020 (Un-audited) Rs '000'	June 30, 2020 (Audited) Rs '000'
The amounts of future lease rentals are payable during:		
- 2020-2021	501	-
- 2021-2022	1,001	-
- 2022-2023	1,001	-
- 2023-2024	1,001	-
- 2024-2025	1,001	-
- 2025-2026	501	-
	5,006	-
Add: Security deposit	1,014	-
	6,020	-
Less: Financial charges not currently due	(957)	-
Present value of minimum lease payments	5,063	-
Less: Current portion	(676)	-
	4,387	-

Reconciliation between total of minimum lease payments and their present value is as under:

	December 31, 2020 (Un-audited) Rs '000'	June 30, 2020 (Audited) Rs '000'
Gross minimum lease payments:		
- Due not later than one year	1,001	-
- Due later than one year but not later than five years	5,018	-
	6,019	-
Present value of minimum lease payments:		
- Due not later than one year	676	-
- Due later than one year but not later than five years	4,387	-
	5,063	-

8.1 The Company acquired vehicles under the Finance lease arrangements entered into with The Bank of Punjab, for a period of 60 months. Present value of minimum lease payments has been discounted using 1 year KIBOR + 1%. Rentals are paid in equal monthly instalments. Taxes, repairs and insurance costs are borne by the Company. In case of earlier termination, the Company will be required to pay entire rentals for unexpired period of lease agreement. The interest is charged at 1 year Kibor + 1% bank spread to be revised annually. These vehicles are registered exclusively in the name of The Bank of Punjab.

9 Short Term Borrowings

	December 31, 2020 (Un-audited) Rs '000'	June 30, 2020 (Audited) Rs '000'
Banking companies - Secured		
Running finance	372,377	393,338
Borrowings / FATRs	865,292	663,315
	1,237,669	1,056,653

9.1 Terms and conditions of borrowings

Purpose

The Company has obtained various funded and unfunded financial facilities from different banks for a total sanctioned limit of Rs. 3,140 million (June 30, 2020: Rs. 3,140 million) including running finance facilities amounting to Rs. 900 million (June 30, 2020: Rs. 900 million), towards working capital requirements, retirement of local and foreign LCs, discounting local bills / receivables and loan against trust receipts etc.

Mark-up

Mark-up on short term borrowings is charged using 1 to 6 Months KIBOR+ spread of up to 1.25% (June 30, 2020: 1 to 6 Months KIBOR+ spread of up to 1.25%) per annum. Mark up is payable on monthly / quarterly basis in arrears or at the time of adjustment of liability whichever is earlier. Furthermore, some limits carry LC opening commission against foreign and local LCs at 0.05% to 0.10% (June 30, 2020: 0.05% to 0.1%) per quarter.

Securities

These facilities are secured by way of joint pari passu charge and ranking hypothecation charge over present and future, current assets of the Company and lien over title of imported goods.

10 Current Portion of Long Term Liabilities

	December 31, 2020	June 30, 2020
	(Un-audited) Rs '000'	(Audited) Rs '000'
Diminishing musharaka arrangements	1,816	1,747
Liabilities against assets subject to finance lease	676	-
Long term financing	72,327	7,249
	74,819	8,996

11 Contingencies and Commitments

11.1 Contingencies

11.1.1 In respect of tax year 2011, the Company was selected for tax audit through random computer balloting by tax authorities. On production of records, the concerned Assistant Commissioner of Inland Revenue (ACIR) made additions of Rs. 61.702 million vide order dated October 30, 2017, whereas the Company had declared a tax loss of Rs. 147.994 million in its tax return. Against this order, the Company has preferred appeal on January 11, 2018 with CIR(appeals) and such appeal is pending adjudication.

11.1.2 In respect of tax year 2014, the Company was related for tax audit through random computer balloting by tax authorities. After examining the records, the concerned Assistant Commissioner of Inland Revenue (ACIR) has made additions of Rs. 27.828 million, whereas the Company had declared a tax loss of Rs. 55.554 million in its tax return. Against this order, the Company has initiated preferred appeal on October 25, 2017 with CIR(appeals) and such appeal is pending adjudication.

11.1.3 The Company has filed a suit of Rs. 22.17 million in Civil Court, Lahore against M/s Chitral Ghee and Oil Mills Company for the recovery of balance of advance given to said vendor party. In another suit before the Civil Court, Lahore the same party has demanded an amount of Rs. 5.860 million allegedly receivable from the Company on account of supplies of various products made to the Company. Both the matters are pending adjudication.

11.2 Guarantees

	December 31, 2019	June 30, 2019
	(Un-audited) Rs '000'	(Audited) Rs '000'
Sui Northern Gas Pipelines Limited	3,090	3,090
Pakistan State Oil Company Limited	3,000	3,000
Total Parco Pakistan Limited	7,000	7,000
	13,090	13,090

11.3 Commitments

Letters of credit	503,876	391,732
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12 Property, Plant and Equipment

	Note	December 31, 2020 (Un-audited) Rs '000'	June 30, 2020 (Audited) Rs '000'
Operating fixed assets	12.1	964,777	940,281
Capital work in progress	12.2	59,694	43,662
		<u>1,024,471</u>	<u>983,943</u>
12.1 Operating fixed assets			
Opening written down value		940,281	507,861
Additions during the period / year		50,587	18,885
Disposals during the period / year		-	(1,809)
Revaluation adjustment		-	(22,095)
Revaluation surplus		-	456,190
		<u>990,868</u>	<u>959,032</u>
Depreciation charge for the period / year		(26,091)	(42,655)
Disposals during the year		-	1,809
Revaluation adjustment		-	22,095
		<u>(26,091)</u>	<u>(18,751)</u>
		<u>964,777</u>	<u>940,281</u>
12.2 Capital Work in Progress			
Opening balance		43,662	15,862
Additions during the period / year		63,550	38,516
		<u>107,212</u>	<u>54,378</u>
Transferred to property, plant and equipment		(47,518)	(10,716)
		<u>59,694</u>	<u>43,662</u>

13 Cost of Sales

	Half Year Ended		Quarter Ended	
	December 31, 2020 (Un-audited) Rs '000'	December 31, 2019 (Un-audited) Rs '000'	December 31, 2020 (Un-audited) Rs '000'	December 31, 2019 (Un-audited) Rs '000'
Opening stock of finished goods	311,476	203,753	266,268	250,155
Cost of goods manufactured	2,455,299	2,360,350	1,382,265	1,331,113
	<u>2,766,775</u>	<u>2,564,103</u>	<u>1,648,533</u>	<u>1,581,268</u>
Closing stock of finished goods	(294,962)	(311,642)	(294,962)	(311,642)
Cost of goods sold	<u>2,471,813</u>	<u>2,252,461</u>	<u>1,353,571</u>	<u>1,269,626</u>

14 Taxation

	Half Year Ended		Quarter Ended	
	December 31, 2020 (Un-audited) Rs '000'	December 31, 2019 (Un-audited) Rs '000'	December 31, 2020 (Un-audited) Rs '000'	December 31, 2019 (Un-audited) Rs '000'
Current tax:				
- Current period	55,118	38,162	36,376	21,487
- Adjustment for prior years	43	9,589	43	9,589
	<u>55,161</u>	<u>47,751</u>	<u>36,419</u>	<u>31,076</u>
Deferred tax	(4,074)	(8,859)	(1,109)	(7,342)
	<u>51,087</u>	<u>38,892</u>	<u>35,310</u>	<u>23,734</u>

15 Transactions with Related Parties

Related parties comprise related group companies, associated companies, staff retirement funds, directors and executives. The Company in the normal course of business carries out transactions with various related parties. The Company enters into transactions with related parties on the basis of

mutually agreed terms. Significant balances and transactions with related parties are as follows:

Related parties	Relationship	Nature of Transaction	Half Year Ended	
			December 31, 2020 (Un audited) Rs '000'	December 31, 2019 (Un audited) Rs '000'
Nimir Industrial Chemicals Limited	Ultimate parent Company	Purchase of goods	101,226	90,263
		Sale of goods	22	602
		Services provided	2,115	1,597
		Services received/acquired	2,729	2,150
		Other expenses reimbursed	434	241
Contribution to staff retirement benefits				
Contribution to gratuity fund			4,320	4,320
Key Management Personnel				
Remuneration			18,543	16,682
Other benefit			4,048	3,531

Sale and purchase transactions have been carried out on commercial terms and conditions as per the Company's Policy.

16 Segment Reporting

16.1 A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. The management has determined its operating segments based on the information that is presented to the Chief Executive Officer for allocation of resources and assessments of performance. Based on internal management reporting structure and products produced and sold, the Company is organized into the following two operating segments:

- Coating, Emulsion and Blending
- Textile, Paper and others

The management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is generally evaluated based on certain key performance indicators including business volume, gross profit, profit from operations, reduction in operating cost and free cash flows.

Segment assets include all operating assets used by a segment and consist principally of receivables, inventories and property, plant and equipment, net of impairment and provisions. Segment liabilities include all operating liabilities and consist principally of trade and bills payable.

16.2 Segment analysis

The segment information for the reportable segments is as follows:

	Coating, Emulsion & Blending Rs '000'	Textile Paper & Other Rs '000'	Total Rs '000'
Segment Results for the half year ended December 31, 2020			
Revenue	<u>1,776,655</u>	<u>1,000,656</u>	<u>2,777,311</u>
Segment results	<u>120,281</u>	<u>118,876</u>	<u>239,157</u>
Other operating expenses			(17,798)
Finance cost			(56,779)
Other income			8,766
Profit before taxation			<u>173,346</u>

	Coating, Emulsion & Blending	Textile Paper & Other	Total
	<u>Rs '000'</u>	<u>Rs '000'</u>	<u>Rs '000'</u>
Segment Results for the half year ended December 31, 2019			
Revenue	<u>1,563,509</u>	<u>977,415</u>	<u>2,540,924</u>
Segment results	<u>94,206</u>	<u>134,664</u>	<u>228,870</u>
Other operating expenses			(14,044)
Finance cost			(109,968)
Other income			8,229
Profit before taxation			<u>113,087</u>

16.3 Entity-wide disclosures regarding reportable segment are as follows:

- Information about major customers

One customer of the Company accounts for 8.41% (2019: 16.04%) of total sales for the period. Revenue from such customer was Rs. 233.476 million (2019: Rs. 407.660 million).

- Information about geographical area

- All non-current assets of the Company are located in Pakistan as at the reporting date.

- Revenue from export sale is 2.088 million (2019: Nil).

17 Authorization of Financial Statements

These condensed interim financial statements (un-audited) are approved and authorized for issuance on Thursday, January 28, 2021 by the Board of Directors of the Company.

18 General

Corresponding figures are re-arranged / reclassified, wherever necessary, to facilitate comparison. No material reclassifications have been made in these condensed interim financial statements (un-audited).



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER



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