

**QUARTERLY
REPORT**
JAN - SEP



Surprisingly
Bata



Surprisingly
Bata

CORPORATE INFORMATION

Board of Directors

Mr. Roberto Longo	Chairman
Mr. Muhammad Imran Malik	Director/Chief Executive
Mr. Amjad Farooq	Director/CFO
Mr. Toh Guan Kiat	Director
Mr. Syed Asad Ali Zaidi	Director
Mr. Kamal Monnoo	Director
Mr. Muhammad Maqbool	Director
Ms. Fatima Asad Khan	Director
Mr. Aamir Amin (Nominee of NIT)	Director

Audit Committee

Mr. Muhammad Maqbool	Chairman
Mr. Roberto Longo	Member
Mr. Aamir Amin	Member
Mr. Toh Guan Kiat	Member

Human Resource and Remuneration Committee

Ms. Fatima Asad Khan	Chairperson
Mr. Muhammad Imran Malik	Member
Mr. Toh Guan Kiat	Member

Chief Financial Officer (CFO)

Mr. Amjad Farooq

Company Secretary

Mr. Hafiz Mudassar Hassan Kamran

Auditors

A.F. Ferguson & Co.
(a member firm of PwC Network)
23-C, Aziz Avenue, Canal Bank,
Gulberg V, Lahore.

Legal Advisor

SurrIDGE & Beecheno
60, Shahrah-e-Quaid-e-Azam,
Ghulam Rasool Building, Lahore.

Stock Exchange Listing

Bata Pakistan Limited is listed on Pakistan Stock Exchange under "Leather and Tanneries" sector.

Bankers

Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Bank Al Habib Limited
National Bank of Pakistan Limited
United Bank Limited
Meezan Bank Limited

Registered Office

Batapur,
G. T. Road,
P.O. Batapur, Lahore.

Share Registrar

Corplink (Pvt.) Ltd.
Wings Arcade, 1-K Commercial,
Model Town, Lahore.

Factories

Batapur,
G. T. Road,
P.O. Batapur, Lahore.

Maraka,
26 - Km, Multan Road,
Lahore.

Liaison Office

138 C-II Commercial Area,
P.E.C.H.S., Tariq Road,
Karachi.

DIRECTORS' REVIEW

It is my pleasure to present the un-audited Condensed Interim Financial Information and brief review of the Company's operations for the Nine month period ended 30 September 2020.

Net turnover in the period under review was Rs. 7.694 billion as compared to Rs. 12.242 billion for the corresponding period of last year. Turnover declined due to unprecedented outbreak of COVID-19 (Corona Virus) which resulted in complete shutdown of all segments of business from 23 March till 11 May 2020. This period of unprecedented lockdown not only consumed our summer shoe line launch but also wrecked our most profitable event of the year which was Eid. Slow economic activity, post Covid-19 lockdown, resulted in loss after tax of Rs. 1,058.808 million. Loss per share was recorded at Rs. 140.05.

Both retail and non-retail divisions remained under pressure due to COVID-19 impact and turnovers of both the divisions declined by 29% and 63% respectively against the corresponding period of last year. Before the outbreak, Company had successfully launched summer shoe line in both retail and non-retail divisions. Opening of new stores and renovations of stores were in full swing to get the maximum benefit in the shape of business during EID.

In spite of setback due to COVID -19, we are preparing ourselves to grasp all opportunities that come our way after all this is over. Our priority right now is to preserve our cash reserves to keep the Company liquid in cash and stay connected with our customers through social media and online campaigns.

The Company continued its Corporate Social Responsibilities (CSR) activities during the period under review and donated 1,219 pairs of shoes and distributed books and uniforms among 830 children studying in different schools. During the wake of Covid-19, mask making was done at Upper Stitching School Batapur and distributed 25,000 masks among employees as well as local community including residential areas, hospitals and roadside. This initiative was presented in global competition and won 'Bata Shoe Foundation Award.' Feeling the miseries of Daily Wagers who became jobless due to lockdown imposed on account of Coronavirus, we provided ration bags to 375 families of these daily wagers. Bata globally launched a campaign to donate one million pairs of shoes to health care workers, volunteers and their families – fighting in front line against Covid-19. Being a part of this initiative, Bata Pakistan decided to donate 100,000 pairs and we have distributed 80,000 pairs of shoes so far in leading hospitals of Karachi, Multan, Lahore and Rawalpindi.

This year has brought unprecedented times but resilience and passion of our staff and all stakeholders has enabled us to bounce back with more conviction and with more hope of not only getting back on track to attain our goals for the year but also to maintain a cohesion on national level by fulfilling our corporate responsibility to the society.

On behalf of the Board

Batapur:
Lahore: 28 October 2020

MUHAMMAD IMRAN MALIK
Chief Executive

ڈائریکٹرز کا جائزہ

مورخہ 30 ستمبر 2020ء کو ختم ہوئے نو مہینے کے عرصے کیلئے کمپنی کی کاروباریوں کا مختصر جائزہ اور غیر آڈٹ شدہ جامع عبوری مالیاتی معلومات پیش کرنے پر مجھے بے حد خوشی ہے۔

ذیل نظر عرصہ کے دوران 7,494 ارب روپے کا خالص کاروبار ہوا جو گزشتہ سال اسی عرصہ کے دوران 12,242 ارب روپے تھا۔ کاروبار میں کمی کوڈ-19 (کرونا وائرس) کی غیر متوقع وباء کی وجہ سے واقع ہوئی جس کے نتیجے میں 23 مارچ سے 11 مئی 2020ء تک کے دوران کاروبار کے تمام شعبے مکمل طور پر بندش کا شکار رہے۔ غیر متوقع لاک ڈان کے اس عرصے میں ناصرف ہم اپنی گرمیوں کی شولائن کو لانچ نہ کر سکے بلکہ یہ ہمارے سال کا سب سے زیادہ منافع بخش موقع یعنی عید پر بھی انتہائی بری طرح اثر انداز ہوا۔ سست معاشی سرگرمی اور کوڈ-19 لاک ڈان کے بعد قبل از ٹیکس 1058,808 ملین روپے کا خسارہ ہوا اور فی شیئر خسارہ 88.74 روپے ریکارڈ کیا گیا۔

کوڈ-19 کے اثرات کی وجہ سے ٹھیل اور نان رٹیل ڈویژن دونوں ہی دباؤ کا شکار رہے۔ اور گزشتہ سال کے اسی عرصہ کے مقابلے میں دونوں ڈویژن کے کاروبار میں بالترتیب 29 فیصد اور 63 فیصد کمی واقع ہوئی۔ وباء سے پہلے کمپنی نے رٹیل اور نان رٹیل دونوں ڈویژن میں موسم گرما کی شولائن کو کامیابی سے لانچ کیا عید کے دوران کاروبار کی صورت میں زیادہ سے زیادہ فائدہ اٹھانے کیلئے سٹورز کی تازین و رانش اور نئے سٹورز کھولنے کا کام زور و شور سے جاری تھا۔

کوڈ-19 کے نقصانات کے باوجود ہم اس مشکل مرحلے کے بعد، اپنی جانب آنے والے تمام اچھے مواقعوں سے فائدہ اٹھانے کی تیاری کر رہے ہیں۔ ہماری اولین ترجیح کمپنی کے نقد زخموں کو محفوظ رکھنا، تاکہ کمپنی کو "Liquid in Cash" رکھا جاسکے اور اپنے کسٹمرز کے ساتھ مشکل میڈیا اور آن لائن کمپین کے ذریعے منسلک رہنا ہے۔

کمپنی نے ذیل نظر عرصہ کے دوران اپنی کارپوریٹ سماجی ذمہ داریوں (CSR) کی سرگرمیوں کو بھی جاری رکھا اور سٹورز کے 1219 جوازوں کا عطیہ دیا اور مختلف سکولوں میں زیر تعلیم 830 بچوں میں کتابیں اور یونیفارم تقسیم کئے۔ کوڈ-19 کے دوران اپر سٹینجنگ اسکول بٹاپور میں ماسک بنانے کا کام شروع کیا گیا اور اپنے ملازمین کے علاوہ مقامی کمیونٹی بشمول رہائشی علاقوں، ہسپتالوں اور عام لوگوں میں 25000 ماسک تقسیم کئے گئے۔ یہ اقدام عالمی مقابلہ میں پیش کیا گیا اور اس نے "Bata Foundation Award" حاصل کیا۔ کرونا وائرس کے باعث لگائے جانے والے لاک ڈان کی وجہ سے بے روزگار ہوئے یومیہ اجرت پر کام کرنے والوں کی پریشانیوں کو دیکھتے ہوئے ہم نے ان کے 375 خاندانوں میں راشن کے تحفے تقسیم کیے۔ ہمارے عالمی سطح پر صحت کی دیکھ بھال کرنے والے کارکنوں، رضا کاروں اور ان کے اہل خانہ میں جوتوں کے دس لاکھ جوڑے عطیہ کرنے کی ہم شروع کی جو کہ کوڈ-19 کے خلاف ہر اول دستے کے طور پر کام کر رہے تھے۔ اس مہم کا حصہ بننے کیلئے بٹاپاکستان نے کراچی، ملتان، لاہور اور راولپنڈی کے نمایاں ہسپتالوں میں جوتوں کے ایک لاکھ جوڑے عطیہ کرنے کا فیصلہ کیا۔

یہ سال اپنے ساتھ بہت سے مشکل مراحل لے کر آیا مگر ہمارے شاف اور متعلقین (سٹیک ہولڈرز) کی ثابت قدمی اور جذبہ نے ہمیں نہ صرف اس قابل بنایا کہ ہم اورز یادہ یقین اور اُمید کے ساتھ واپس اپنے سالانہ اہداف کے حصول کیلئے کوشاں ہیں بلکہ ہمیں اپنی کارپوریٹ سماجی ذمہ داریوں (CSR) کو پورا کر کے قومی سطح پر معاشرے میں ہم آہنگی کو برقرار رکھا۔

حاصل حکم پورڈ

بٹاپور

لاہور۔ 28 اکتوبر، 2020ء

محمد عمران ملک

چیف ایگزیکٹو

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION - UNAUDITED

AS AT SEPTEMBER 30, 2020

	Note	(UN - AUDITED) September 30, 2020	(AUDITED) December 31, 2019
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	1,989,385	1,866,897
Right of use assets		4,011,586	4,552,516
Intangible assets		87,667	44,328
Long term investments	7	45,004	45,032
Long term deposits and prepayments		41,451	39,284
Deferred taxation		463,578	70,667
		6,638,671	6,618,724
CURRENT ASSETS			
Stores and spare parts		1,994	540
Stock in trade	8	4,006,171	4,055,327
Trade debts - unsecured		1,608,021	2,621,262
Advances - unsecured		64,211	267,638
Trade deposits and short term prepayments		328,177	46,258
Other receivables		192,253	643,987
Interest accrued		4,104	1,224
Tax refunds due from Government	9	350,161	350,161
Cash and bank balances	10	1,130,337	1,273,248
		7,685,429	9,259,645
TOTAL ASSETS		14,324,100	15,878,369
SHARE CAPITAL AND RESERVES			
Authorized share capital		100,000	100,000
Issued, subscribed and paid up capital		75,600	75,600
Reserves			
Capital reserve		483	483
Revenue reserves		5,856,098	7,368,506
		5,856,581	7,368,989
		5,932,181	7,444,589
NON-CURRENT LIABILITIES			
Lease liability		3,864,808	3,999,916
Long term deposits		57,529	24,717
Long term borrowing	11	55,163	-
Deferred liability - employee benefits	12	79,190	83,476
		4,056,690	4,108,109
CURRENT LIABILITIES			
Current portion of lease liability		1,069,704	984,652
Current portion of long term borrowing	11	6,296	-
Trade and other payables		3,088,722	2,722,185
Unclaimed dividend		55,104	54,680
Short term borrowings	13	-	-
Provision for taxation		115,403	564,154
		4,335,229	4,325,671
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES	14	14,324,100	15,878,369

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

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

FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

	Note	Three month period ended		Nine month period ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
		(Rupees in '000)			
Sales - net	15	3,011,861	3,448,342	7,693,517	12,242,055
Cost of Sales	16	(1,798,017)	(1,897,820)	(4,573,119)	(6,632,139)
Gross Profit		1,213,844	1,550,522	3,120,398	5,609,916
Distribution Cost		(1,247,780)	(956,444)	(3,070,445)	(3,099,222)
Administrative Expenses		(226,537)	(283,955)	(748,389)	(850,021)
Other expenses		(50,883)	(33,204)	(68,725)	(130,897)
Other income		15,526	5,188	42,991	20,278
Finance cost	17	(200,996)	(127,998)	(612,148)	(487,022)
(Loss) / profit before taxation		(496,826)	154,109	(1,336,318)	1,063,032
Provision for taxation		108,880	(43,676)	277,510	(299,750)
(Loss) / profit after taxation		(387,946)	110,433	(1,058,808)	763,282
Other comprehensive income		—	—	—	—
Total comprehensive (loss) / income		(387,946)	110,433	(1,058,808)	763,282
(Loss) / earning per share					
- Basic and diluted	20	(Rs.51.32)	Rs.14.61	(Rs.140.05)	Rs.100.96

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

Chief Executive

Director

Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

	Share capital	Capital reserve	General reserve	Unappropriated profit	Total
	(Rupees in '000')				
Balance as at January 01, 2019	75,600	483	6,597,000	818,244	7,491,327
Transfer to general reserve for 2018	–	–	360,000	(360,000)	–
Total comprehensive income for the nine month period ended September 30, 2019	–	–	–	763,282	763,282
Transactions with owners in their capacity as owners:					
Final dividend for 2018 at the rate of Rs. 60 per share	–	–	–	(453,600)	(453,600)
Balance as at September 30, 2019	<u>75,600</u>	<u>483</u>	<u>6,957,000</u>	<u>767,926</u>	<u>7,801,009</u>
Balance as at January 01, 2020	75,600	483	6,957,000	411,506	7,444,589
Total comprehensive income for the nine month period ended September 30, 2020	–	–	–	(1,058,808)	(1,058,808)
Transactions with owners in their capacity as owners:					
Final dividend for 2019 at the rate of Rs. 60 per share	–	–	–	(453,600)	(453,600)
Balance as at September 30, 2020	<u>75,600</u>	<u>483</u>	<u>6,957,000</u>	<u>(1,100,902)</u>	<u>5,932,181</u>

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF CASH FLOWS - UNAUDITED

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

Note	Nine month period ended	
	September 30, 2020	September 30, 2019
	(Rupees in '000)	
CASH GENERATED FROM OPERATIONS		
(Loss) / profit before taxation	(1,336,318)	1,063,032
Adjustments for:		
Depreciation for property, plant & equipment	200,139	137,210
Depreciation of right of use assets	987,914	887,257
Amortization of intangible assets	119	416
Provision for gratuity	7,017	8,468
Loss on disposal of property, plant and equipment	37,859	15,945
Income from short term investments	(31,789)	(9,813)
Income from long term investments	(3,123)	(3,192)
Exchange loss	26,406	18,910
Finance cost	612,148	487,022
Income from discounting of supplier invoices	(162)	(237)
Provision for trade debts and advances - net	654,769	20,693
Provision for slow moving and obsolete stock - net	200,203	82,620
(Reversal) / recognition of provision for obsolescence stores & spare parts	(2,265)	1,074
	2,689,235	1,646,373
Operating profit before working capital changes (Increase) / decrease in current assets:	1,352,917	2,709,405
Stores & spare parts	811	(1,074)
Stock in trade	49,156	(1,831,321)
Trade debts - unsecured	358,472	(417,095)
Advances - unsecured	203,427	(220,802)
Deposits and short term prepayments	(281,919)	(138,481)
Other Receivables	19,223	(37,634)
	349,170	(2,646,407)
Increase in current liabilities:		
Trade and other payables	366,699	644,871
Cash generated from operations	2,068,786	707,869
Finance costs paid	(612,148)	(487,022)
Tax paid	(131,641)	(442,878)
Gratuity paid	(11,303)	(7,359)
Interest income received	32,032	11,885
	(723,060)	(925,374)
Decrease in long term prepayments	(2,167)	(9,215)
Increase in long term deposits	32,811	-
Net cash generated from / (used in) operating activities	1,376,370	(226,720)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(36,096)	(350,455)
Increase in capital work in process	(441,603)	(73,705)
Proceeds from sale of property, plant and equipment	1,563	16,893
Decrease in long term investments	28	(12)
Net cash used in investing activities	(476,108)	(407,279)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term borrowings	61,459	-
Short term borrowings	-	426,761
Payment of lease liabilities	(651,456)	(671,239)
Dividend paid	(453,176)	(451,775)
Net cash used in financing activities	(1,043,173)	(696,253)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(142,911)	(1,330,252)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,273,248	1,545,032
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,130,337	214,780

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The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

Chief Executive

Director

Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

1 LEGAL STATUS AND OPERATIONS

Bata Pakistan Limited (the Company) was incorporated in Pakistan as a public limited company and its shares are quoted on Pakistan Stock Exchange. The registered office of the Company is situated at Batapur, Lahore. The principal activity of the Company is manufacturing and sale of footwear of all kinds along with sale of accessories and hosiery items. The parent company of Bata Pakistan Limited is Bafin B.V. (Nederland), whereas the ultimate parent is Compass Limited, Bermuda. Furthermore, the Company has the following production facilities:

Sr. No	Business Units	Geographical Location
1	Batapur	G.T. Road, P.O. Batapur, Lahore
2	Maraka	26 - km, Multan Road, Lahore

The Company operates through retail outlets spread across the country with 8 outlets situated in Azad Kashmir, 6 in Baluchistan, 14 in Islamabad Capital Territory, 1 in Gilgit Baltistan, 43 in Khyber Pakhtun Khwa, 312 in Punjab and 68 outlets in Sindh. The Company also has 6 wholesale depots in Punjab, 1 in Sindh and 1 in Khyber Pakhtun Khwa.

2 STATEMENT OF COMPLIANCE

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

- International accounting standard IAS 34, Interim Financial Reporting, issued by the International Accounting Standard 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 and directives issued under the Companies Act, 2017 have been followed.

3 BASIS OF PRESENTATION AND MEASUREMENT

This condensed interim financial statements are unaudited but subject to limited scope review. The condensed interim financial statements do not include all the information required for annual financial statements including financial risk management information and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2019.

The financial statements have been prepared under the historic cost convention except certain employee benefits which are recognized on present value. The 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 specified.

4 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED ACCOUNTING STANDARDS

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

4.1 Standards, amendments and interpretations to published standards effective in current period

Certain standards, amendments and interpretations to approved accounting standards are effective for the annual period beginning on or after January 01, 2020 but are considered not to be relevant to the company's operations and are, therefore, not detailed in these financial statements, except for the following:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

Standards or interpretation	Effective date (accounting periods beginning on or after)
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' regarding the definition of materiality	January 1, 2020
Revised Conceptual Framework for Financial Reporting	January 1, 2020

The above amendments are not expected to have a material impact on the Company's financial statements.

4.2 Standards, amendments and interpretations to existing standards not yet effective and not applicable/ relevant to the Company

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 01, 2020 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

4.3 Summary of significant events and transactions

The pandemic COVID-19 that rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. In March, Government announced countrywide lockdown as a measure to reduce the spread of COVID-19 which included measures such as temporary closure of businesses, curtailment of intercity movements and cancellation of major events etc. These measures have resulted in an overall economic slowdown and disruptions to various businesses. The Government of Pakistan and State Bank of Pakistan also announced several monetary and fiscal policy measures to mitigate the adverse economic impacts of the COVID-19.

Complying with the lockdown, the Company temporarily suspended its operations from March 23, 2020. All retail stores and depots remained closed and production was ceased till the date the lockdown was lifted on May 11, 2020. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company henceforth resumed its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowdown in economic activity.

The lockdown has caused disruptions in supply and distribution chain affecting the sales of the Company. It is also expected that the outbreak may affect the demand of the Company's products in future. In order to mitigate the effects of COVID-19, the management has adopted several measures such as consolidation of non retail businesses and introducing "Buy one get one" offers in order to generate revenue and negotiating with the landlords for a reduction in the lease rentals for the duration of the lockdown. The management has also assessed the accounting implications of these developments on these interim financial statements, including but not limited to the following areas:

- expected credit losses under IFRS 9, 'Financial Instruments';
- the impairment of tangible assets under IAS 36, 'Impairment of non-financial assets';
- the net realisable value of inventory under IAS 2, 'Inventories';
- provision for slow moving / obsolete inventory under IAS 2, 'Inventories';
- provision for taxation in accordance with IAS 12, 'Income taxes'; and
- going concern assumption used for the preparation of these financial statements.

According to management's assessment, as a result of COVID-19, there has been a substantial decrease in the revenue of the Company. Furthermore, there has been an increase in allowance for expected credit losses due to delayed recoveries from customers and increase in provision for slow moving / obsolete inventory due to build up of stocks. Cumulatively, the above have impacted the overall profitability of the entity for the nine months period ended September 30, 2020.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

However, the management is confident that the measures taken by it, which have been detailed above, and the subsequent easing of lockdown measures and resumption of normal business activities, will result in a positive impact in the coming months.

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended December 31, 2019.

Furthermore, the basis of significant estimates are same as those that were applied to the financial statements for the year ended December 31, 2019.

		(UN - AUDITED)	(AUDITED)	
		September 30, 2020	December 31, 2019	
Note		(Rupees in '000)		
6	PROPERTY, PLANT AND EQUIPMENT			
	Property, plant and equipment	6.1	1,823,661	1,823,444
	Capital work in progress	6.2	165,724	43,453
			1,989,385	1,866,897
6.1	Opening Net Book Value (NBV)		1,823,444	1,642,903
	Add: Additions/transfers during the period/year	6.1.1	239,778	482,170
			2,063,222	2,125,073
	Less: Disposals during the period (at NBV)	6.1.1	(39,422)	(44,646)
	Depreciation charged during the period/year		(200,139)	(256,983)
			(239,561)	(301,629)
			1,823,661	1,823,444

	(UN - AUDITED)		(AUDITED)	
	September 30, 2020	September 30, 2020	December 31, 2019	December 31, 2019
	Additions	Disposal (NBV)	Additions	Disposal (NBV)
(Rupees in '000)				
Buildings				
- Factory	50,726	—	40,938	—
- Others	2,574	—	1,165	—
Plant & Machinery	4,781	428	56,742	1,759
Gas Installations	—	—	24	—
Office Equipment	—	49	41	15
Furniture, Fixture and Fittings	168,853	38,228	339,375	41,367
Computers	12,844	717	30,735	1,505
Vehicles	—	—	13,150	—
	239,778	39,422	482,170	44,646

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

	Note	(UN - AUDITED) September 30, 2020	(AUDITED) December 31, 2019
		(Rupees in '000)	
6.2	Opening balance	43,453	125
	Add: Additions during the period/year	398,145	179,671
		441,598	179,796
	Less: Transfers during the period/year	275,874	136,343
		165,724	43,453

7 LONG TERM INVESTMENTS

At Fair value through amortised cost

PLS Term Deposit Receipts	7.1	45,004	45,032
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7.1 These deposits are earmarked against the balances due to employees held as securities and personal accounts maintained with commercial banks undertaking conventional banking services. These carry mark-up at the rate of 7.25% (2019: 13.00%) per annum.

8 STOCK IN TRADE

This represents net amount after adjustment for provision against slow moving and obsolete stock amounting to Rs. 242.543 million (2019: Rs. 42.340 million)

9 TAX REFUNDS DUE FROM GOVERNMENT

	Note	(UN - AUDITED) September 30, 2020	(AUDITED) December 31, 2019
		(Rupees in '000)	
	9.1	350,161	350,161
9.1	This represents sales tax paid on raw materials used in zero-rated taxable shoes for which refund claims have been lodged with the Sales Tax Department.		

10 CASH AND BANK BALANCES

Bank balances in			
Current accounts			
- Foreign currency		24,855	23,303
- Local currency		67,310	30,158
		92,165	53,461
Daily profit accounts	10.1	937,056	1,100,014
	10.2	1,029,221	1,153,475
Cash in transit		100,317	115,759
Cash in hand			
- Foreign currency		434	2,826
- Local currency		365	1,188
		799	4,014
		1,130,337	1,273,248

10.1 The rate of mark-up on these accounts ranges from 5.50% to 7.25% (2019: 8.03% to 10.48%) per annum.

10.2 These balances are maintained with commercial banks undertaking conventional banking services.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

		(UN - AUDITED)	(AUDITED)
	Note	September 30, 2020	December 31, 2019
		(Rupees in '000)	
11 LONG TERM BORROWING			
Long term borrowing		55,163	–
Current portion of long term borrowing		6,296	–
	11.1	61,459	-

11.1 The long term borrowing has been obtained from Habib Bank Limited for capital expenditure. Under the arrangement, principal amount of Rs 61.459 million is repayable in 39 equal bi-quarterly instalments beginning on November 15, 2020. Mark-up is payable quarterly at the rate of 3.50% per annum.

These finances are secured against hypothecation of movable fixed assets of the Company amounting to Rs. 106.67 million (2019: NIL).

	(UN - AUDITED)	(AUDITED)
	September 30, 2020	December 31, 2019
(Rupees in '000)		
12 DEFERRED LIABILITY- EMPLOYEE BENEFITS		
Opening liability	83,476	81,421
Amount recognized during the period/year	7,017	10,577
Payment made by the Company during the period/year	(11,303)	(10,776)
Experience adjustment	–	2,254
Closing liability	79,190	83,476

The latest actuarial valuation was carried out as at December 31, 2019.

13 SHORT TERM BORROWINGS

The credit facilities available to the Company from various commercial banks aggregate to Rs. 1,855.000 million (2019: Rs. 1,140.000 million). These include:

- Non funded facilities of letters of guarantee and letters of credit amounting to Rs. 255.000 million (2019: Rs. 740.000 million); and

-Cash finance facilities of Rs. 1,600.00 million (2019: Rs. 400.000 million).

The un-utilized facility for letter of credits and guarantees at year end amounts to Rs. 1,839 million (2019: Rs. 558.661 million).

Mark up on cash finance ranges from 3 months KIBOR plus 0.50% to 1.0% (2019: 3 months KIBOR plus 0.50% to 1.0%) as per agreements with banks.

While mark up on export finance is charged at SBP rate plus 1.00% (2019: 1.00%) per annum.

These finances are secured against hypothecation of stock in trade, stores and spares and receivables of the Company amounting to Rs. 2,147 million (2019: Rs. 1,194 million).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

14 CONTINGENCIES AND COMMITMENTS

There is no significant change in contingencies since the date of preceding published annual financial statements for the year ended December 31, 2019 except the following:

14.1.1 The Deputy Commissioner Inland Revenue (DCIR) raised demand vide order dated March 02, 2020 pertaining to tax year 2017 amounting to Rs. 24.863 million on account of certain issues which primarily include disallowance of certain salaries due to non deduction of withholding tax, disallowance of Provident Fund contribution, disallowance of certain expenses such as tax loss claimed on the sales of fixed assets, exchange loss, and certain miscellaneous expenses. Being aggrieved, the Company preferred an appeal before the Commissioner Inland Revenue (Appeals) which is pending adjudication. Based on the tax advisor's opinion, the Company's management expects favorable outcome due to which no provision has been recorded in these financial statements.

14.1.2 The Assistant Commissioner Inland Revenue (ACIR) raised demand vide Order dated February 28, 2020 amounting to Rs. 90.316 million in respect of sales tax charged for the period January 2019 to September 2019 on account of failure to charge further tax on supplies made to unregistered persons. Being aggrieved, the Company preferred an appeal before Commissioner Inland Revenue (Appeals), who remanded the case back to the Assistant Commissioner Inland Revenue (ACIR) to afford another opportunity of being heard to the Company. However, no such proceedings have yet been initiated by the Department.

14.1.3 The Assistant Commissioner Inland Revenue (ACIR) raised demand vide Order dated March 10, 2020 amounting to Rs. 48.046 million in respect of sales tax for the period January 2019 to August 2019 on the basis that the Company has failed to maintain value addition at the rate of 4% as per the provisions of 'Eight Schedule' of the Sales tax Act, 1990. Being aggrieved, the Company preferred an appeal before Commissioner Inland Revenue (Appeals), who remanded the case back to the Assistant Commissioner Inland Revenue (ACIR) to afford another opportunity of being heard to the Company. However, no such proceedings have yet been initiated by the Department.

14.2 Commitments in respect of:

- Capital expenditure
- Letters of credit and bank contracts

	(UN - AUDITED) September 30, 2020	(AUDITED) December 31, 2019
(Rupees in '000)		
	29,439	64,299
	15,847	171,443
	45,286	235,742

	(UN - AUDITED) Three month period ended		(UN - AUDITED) Nine month period ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
(Rupees in '000)				
	3,708,517	4,398,559	9,506,570	14,795,732
	9,580	6,977	28,574	54,419
	3,718,097	4,405,536	9,535,144	14,850,151
	6,124	8,729	20,795	55,324
	3,724,221	4,414,265	9,555,939	14,905,475
	(430,565)	(635,911)	(1,196,377)	(1,304,413)
	(203,463)	(254,630)	(449,438)	(1,102,048)
	(78,332)	(75,382)	(216,607)	(256,959)
	(712,360)	(965,923)	(1,862,422)	(2,663,420)
	3,011,861	3,448,342	7,693,517	12,242,055

15 NET SALES

Shoes and accessories

Local

Export

Sundry articles and scrap material

Less: Sales tax

Discount to dealers and distributors

Commission to agents/business associates

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

	(UN - AUDITED)		(UN - AUDITED)	
	Three month period ended		Nine month period ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(Rupees in '000)			
16 COST OF SALES				
Raw material consumed	399,946	953,691	1,573,752	2,753,484
Stores and spares consumed	2,052	2,074	4,997	7,087
Fuel and power	25,482	44,371	78,849	114,072
Salaries, wages and benefits	93,584	149,479	351,095	414,637
Repairs and maintenance	4,725	20,446	30,549	51,550
Insurance	4,134	5,696	14,868	14,537
Depreciation	14,244	13,369	40,093	37,424
	544,167	1,189,126	2,094,203	3,392,791
Add: Opening goods in process	79,928	62,453	46,908	43,965
	624,095	1,251,579	2,141,111	3,436,756
Less: Closing goods in process	(51,694)	(78,057)	(51,694)	(78,057)
Cost of goods manufactured	572,401	1,173,522	2,089,417	3,358,699
Add: Opening stock of finished goods	4,116,676	4,946,077	3,828,968	3,743,958
Finished goods purchased	541,491	1,080,351	2,087,285	4,831,612
	5,230,568	7,199,950	8,005,670	11,934,269
Less: Closing stock of finished goods	(3,432,551)	(5,302,130)	(3,432,551)	(5,302,130)
	1,798,017	1,897,820	4,573,119	6,632,139

	(UN - AUDITED)		(UN - AUDITED)	
	Three month period ended		Nine month period ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(Rupees in '000)			
17 FINANCE COSTS				
Interest / mark-up on:				
Workers' profit participation fund	—	—	1,002	1,962
Employees / agents' securities and personal accounts	2,338	1,841	5,414	6,754
Long term borrowings	1,621	—	1,621	—
Short term borrowings	—	5,859	19,776	15,125
Lease liability	189,001	108,338	561,296	430,591
	192,960	116,038	589,109	454,432
Bank charges and commission	8,036	11,960	23,039	32,590
	200,996	127,998	612,148	487,022

	(UN - AUDITED)	
	Nine month period ended	
	September 30, 2020	September 30, 2019
	(Rupees in '000)	
18 CASH AND CASH EQUIVALENTS		
Bank balances in		
- Current accounts	92,165	38,160
- Daily profit accounts	937,056	54,055
Cash in transit	100,317	119,731
Cash in hand	799	2,834
	1,130,337	214,780

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

19 TRANSACTIONS WITH RELATED PARTIES

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

		(UN - AUDITED)		(UN - AUDITED)	
		Three month period ended		Nine month period ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Relationship with the Company	Nature of transactions	(Rupees in '000)			
Common control companies	Purchase of goods and services	970	163,410	41,367	589,624
	Sale of goods and services	1,566	–	3,017	4,803
	Trade mark license fee	156,783	189,604	384,676	611,863
	Management service fee	57,342	53,912	163,583	152,629
Holding company	Dividend paid	–	–	341,152	341,152
Staff Retirement Benefits	Contribution to provident fund trusts	20,531	19,587	58,823	54,010
Staff Retirement Benefits	Gratuity paid	2,512	4,044	11,303	7,359
Key management personnel	Remuneration	27,100	37,911	97,055	121,400

All transactions with related parties have been carried out on mutually agreed terms and conditions.

	(UN - AUDITED)		(AUDITED)
	September 30, 2020		December 31, 2019
	(Rupees in '000)		
Period end balances			
Receivable from related party		1,566	6,375
Payable to related party		1,208,741	1,037,546

20 (LOSS)/EARNINGS PER SHARE - BASIC AND DILUTED

	(UN - AUDITED)		(UN - AUDITED)	
	Three month period ended		Nine month period ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
(Rupees in '000)				
(Loss) / Profit after taxation attributable to ordinary share holders (Rupees in '000)	(387,946)	110,433	(1,058,808)	763,282
Weighted average number of ordinary shares - Number (in '000)	7,560	7,560	7,560	7,560
(Loss) / Earnings per share - Basic (Rs.)	(51.32)	14.61	(140.05)	100.96

20.1 No figure for diluted earnings per share has been disclosed as the Company has not issued any instrument which would have a dilutive impact on earnings per share, when exercised.

21. SEGMENT REPORTING

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

(UN - AUDITED) Nine month period ended

	Retail		Wholesale		Export		Others		Total	
	Sep 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019
(Rupees in '000)										
Net sales	6,554,953	9,194,218	1,090,753	2,942,110	28,574	54,419	19,237	51,308	7,693,517	12,242,055
Inter - segment sales	-	-	-	-	-	-	-	-	-	-
Total Sales	6,554,953	9,194,218	1,090,753	2,942,110	28,574	54,419	19,237	51,308	7,693,517	12,242,055
Segment result before unallocated expenses	758,115	2,152,966	(689,784)	525,511	4,734	10,791	8,814	21,189	81,879	2,710,457
Unallocated operating expenses									(780,315)	(1,049,784)
Other expenses									(68,725)	(130,897)
Other income									42,991	20,278
Finance cost									(612,148)	(867,022)
(Loss) / profit before taxation									(1,336,318)	1,065,032
Taxation									277,510	(298,750)
(Loss) / profit after taxation									(1,058,808)	766,282

(UN-AUDITED) Three month period ended

	Retail		Wholesale		Export		Others		Total	
	Sep 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019
(Rupees in '000)										
Net sales	2,575,835	2,697,188	421,025	736,447	9,580	6,978	5,421	7,729	3,011,861	3,446,342
Inter - segment sales	-	-	-	-	-	-	-	-	-	-
Total Sales	2,575,835	2,697,188	421,025	736,447	9,580	6,978	5,421	7,729	3,011,861	3,446,342
Segment result before unallocated expenses	497,442	430,350	(400,021)	143,142	3,074	1,431	2,758	5,095	103,253	579,958
Unallocated operating expenses									(363,726)	(269,835)
Other expenses									(50,883)	(33,204)
Other income									15,526	5,188
Finance cost									(200,996)	(127,998)
(Loss) / profit before taxation									(496,826)	154,109
Taxation									108,880	(43,676)
(Loss) / profit after taxation									(387,946)	110,433

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

	(UN - AUDITED)	(AUDITED)	(UN - AUDITED)	(AUDITED)
	Segment assets		Segment liabilities	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
	(Rupees in '000)			
21.1 SEGMENT ASSETS AND LIABILITIES				
Retail	8,131,578	9,018,951	4,513,340	4,951,423
Wholesale	2,420,834	3,488,814	525,262	190,183
Export	7,221	12,949	-	-
Unallocated	3,764,467	3,357,655	3,353,317	3,292,174
	<u>14,324,100</u>	<u>15,878,369</u>	<u>8,391,919</u>	<u>8,433,780</u>

22 EVENTS AFTER THE REPORTING DATE

No material events have occurred subsequent to the period ended September 30, 2020.

23 DATE OF AUTHORIZATION

This interim financial statements were authorized for issue by the Board of Directors on 28 October 2020.

24 CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of financial position and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of the preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income, and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.

NOTES

QUARTERLY REPORT JANUARY - SEPTEMBER 2020

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