

Bata
**Quarterly
Report**

January - March
2020





Surprisingly
Bata

CORPORATE INFORMATION

Board of Directors

Mr. Roberto Longo	Chairman
Mr. Muhammad Imran Malik	Director/Chief Executive
Mr. Amjad Farooq	Director/Chief Financial Officer
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. Toh Guan Kiat	Member

Human Resource and Remuneration Committee

Mr. Muhammad Maqbool	Chairman
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

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 Karachi

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 1st Quarter ended 31 March 2020.

Net turnover in the period under review was Rs. 2,913 billion as compared to Rs. 3,077 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 during the last 10 days of the period under review although impact on the business in the shape of low footfall at the stores started to come from the last week of February. Low turnover with decline in gross profit mainly due to high obsolescence provision and non-reduction of operating expenses resulted in loss before tax of Rs. 215,405 million. Loss per share was recorded at Rs. 33.11.

Both retail and non retail divisions remained under pressure due to COVID-19 impact and turnovers of both the divisions declined by 4% and 9% respectively against the corresponding period of last year. Before the outbreak, Company has 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.

Our production facilities at Batapur and Maraka were remained fully loaded to meet the demand of our popular items. We are continually making investment in new moulds, the majority of which are proved very successful in the marketplace.

Our precedence remains to satisfy the demand of our valued customers and provide them with services exclusively and efficiently. 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 1219 pairs of shoes to the underprivileged children studying in different schools. The Company also 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 5,000 masks so far in the local community including residential areas, hospitals and roadside.

We are anticipating a tough year ahead but we are very much confident that with passion of our staff and unconditional support from our all stakeholders, we will 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: 21 April 2020

MUHAMMAD IMRAN MALIK
Chief Executive

ڈائریکٹر کا جائزہ

مورخہ 31 مارچ 2020ء کو ختم ہوئی سال کی پہلی سہ ماہی کیلئے کمپنی کی کاروائیوں کا مختصر جائزہ اور غیر آڈٹ شدہ جامع عبوری مالیاتی معلومات پیش کرنے پر مجھے بے حد خوشی ہے۔

زیر نظر عرصہ کے دوران 2.913 ارب روپے کا خالص کاروبار ہوا جو کہ گزشتہ سال اسی عرصہ کے دوران 3.077 ارب روپے تھا۔ کاروبار میں کمی کو وید 19 (کورونا وائرس) کی غیر متوقع وبا کی وجہ سے واقع ہوئی جس کے نتیجے میں زیر جائزہ مدت کے آخری 10 دنوں کے دوران کاروبار کے تمام شعبے مکمل طور پر بند ہو گئے، اگرچہ سٹورز میں گاہکوں کی کم ہوتی ہوئی تعداد کے ساتھ اس کے اثرات فردی کے آخری ہفتے میں ہی ظاہر ہونا شروع ہو گئے تھے۔ کاروبار میں کمی کے ساتھ اشیاء کی بڑے پیمانے پر منسوخی اور کاروباری اخراجات میں کٹوتی نہ کرنے کی وجہ سے مجموعی منافع میں کمی آئی جس کے نتیجے میں قبل از ٹیکس 215,405 ملین روپے خسارہ ہوا۔ فی شیئر خسارہ 33.11 روپے ریکارڈ کیا گیا۔

کو وید 19 کے اثرات کی وجہ سے ریٹیل اور نان ریٹیل ڈویژن دونوں ہی دباؤ کا شکار رہے اور گزشتہ سال کے اسی عرصہ کے مقابلے میں دونوں ڈویژنوں کے کاروبار میں بالترتیب 4% اور 9% کی واقع ہوئی۔ وبا سے پہلے کمپنی نے ریٹیل اور نان ریٹیل دونوں ڈویژنوں 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 تزئین و آرائش اور نئے سٹورز کھولنے کا کام زور و شور سے جاری تھا۔

ہمارے بٹانا پورا اور مراکھ پیداواری مراکز اس عرصہ کے دوران ہماری مقبول عام آن لائن کی طلب کو پورا کرنے کیلئے پوری طرح مصروف تھے۔ ہم نئے مولڈز پر مسلسل سرمایہ کاری کر رہے تھے، جن میں سے اکثر مارکیٹ میں بہت کامیاب ثابت ہوئے ہیں۔

اپنے قابل قدر کسٹمرز کی مانگ کو پورا کرنا اور انہیں خصوصی اور موثر طریقے سے خدمات فراہم کرنا ہماری اولین ترجیح رہی۔ کو وید 19 کی وجہ سے پہنچنے والے دھچکے کے باوجود ہم اپنے آپ کو ان تمام موقعوں کو سمجھنے کیلئے تیار کر رہے ہیں جو یہ سب کچھ ختم ہونے کے بعد حاصل ہو سکتے ہیں۔ فی الحال ہماری ترجیح یہی ہے کمپنی کے نقد اثاثوں کیلئے نقد ذخائر کو محفوظ رکھا جائے اور اپنے صارفین کے ساتھ سوشل میڈیا اور آن لائن کمیونیز کے ذریعے رابطے میں رہا جائے۔

کمپنی نے زیر نظر عرصہ کے دوران اپنی کارپوریٹ سماجی ذمہ داریوں (سی ایس آر) کی سرگرمیوں کو بھی جاری رکھا اور مختلف سکولوں میں زیر تعلیم کم عمریات یافتہ بچوں کو شوز کے 1219 جوڑوں کا عطیہ دیا۔ کمپنی نے مختلف سکولوں میں زیر تعلیم 830 بچوں میں کتابیں اور یونیفارم بھی تقسیم کئے۔ کو وید 19 کے دوران آپریشننگ سکول بٹانا پور میں ماسک بنانے کا کام شروع کیا گیا اور اب تک مقامی کمیونٹی بشمول رہائشی علاقوں، ہسپتالوں اور عام لوگوں میں 5000 ماسک تقسیم کئے جا چکے ہیں۔

ہم آگے ایک مشکل سال کی توقع کر رہے ہیں لیکن ہم بہت زیادہ پراعتماد ہیں کہ اپنے عملہ کے جذبے اور اپنے تمام متعلقین کی طرف سے غیر مشروط معاونت کے ذریعے ہم مزید پختہ یقین اور مزید امید کے ساتھ نصف اس سال کے مقاصد کے حصول کیلئے ٹریک پر واپس آئیں گے بلکہ معاشرے کیلئے اپنی کارپوریٹ سماجی ذمہ داریوں کو نبھاتے ہوئے قومی سطح پر ہم آہنگی کو بھی برقرار رکھیں گے۔

حسب الحکم بورڈ

بٹانا پور:-

لاہور:- ۲۱ اپریل ۲۰۲۰ء

محمد عمران ملک

چیف ایگزیکٹو



Surprisingly
Bata

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION - UNAUDITED

AS AT 31 MARCH 2020

	Note	(UN - AUDITED) 31 March 2020	(AUDITED) 31 December 2019
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	2,065,374	1,866,897
Right of use assets	5.2	4,607,266	4,552,516
Intangible assets		57,956	44,328
Long term investments	6	45,035	45,032
Long term deposits and prepayments		44,197	39,284
Deferred taxation		79,482	70,667
		6,899,310	6,618,724
CURRENT ASSETS			
Stores and spares		88	540
Stock in trade	7	5,509,935	4,055,327
Trade debts - unsecured		2,737,667	2,621,262
Advances - unsecured		159,416	267,638
Trade deposits and short term prepayments		470,868	46,258
Other receivables		128,185	643,987
Interest accrued		2,789	1,224
Tax refunds due from Government	8	350,161	350,161
Cash and bank balances	9	173,840	1,273,248
		9,532,949	9,259,645
TOTAL ASSETS		16,432,259	15,878,369
EQUITY AND LIABILITIES			
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		7,118,228	7,368,506
		7,118,711	7,368,989
		7,194,311	7,444,589
NON-CURRENT LIABILITIES			
Lease liability		3,984,405	3,999,916
Long term deposits		66,921	24,717
Deferred liability - employee benefits	10	77,017	83,476
		4,128,343	4,108,109
CURRENT LIABILITIES			
Current portion of lease liability		1,083,117	984,652
Trade and other payables		3,930,502	2,722,185
Provision for taxation		43,688	564,154
Unclaimed dividend		52,298	54,680
		5,109,605	4,325,671
CONTINGENCIES AND COMMITMENTS	12	-	-
TOTAL EQUITY AND LIABILITIES		16,432,259	15,878,369

The annexed notes from 1 to 20 form an integral part of this interim financial information.

Chief Executive

Director

Chief Financial Officer

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

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

	Note	Jan - Mar 2020	Jan - Mar 2019
		(Rupees in '000)	
NET SALES	13	2,912,501	3,076,575
COST OF SALES	14	1,610,872	1,658,378
GROSS PROFIT		1,301,629	1,418,197
DISTRIBUTION COST		1,049,373	903,309
ADMINISTRATIVE EXPENSES		282,941	276,349
OTHER EXPENSES		1,992	15,727
		1,334,306	1,195,385
OTHER INCOME		24,429	8,590
OPERATING (LOSS)/PROFIT		(8,248)	231,402
FINANCE COST		207,157	138,108
(LOSS)/PROFIT BEFORE TAXATION		(215,405)	93,294
PROVISION FOR TAXATION			
Current		43,688	69,925
Deferred		(8,815)	(20,816)
		34,873	49,109
(LOSS)/PROFIT AFTER TAXATION		(250,278)	44,185
OTHER COMPREHENSIVE INCOME		—	—
TOTAL COMPREHENSIVE (LOSS)/INCOME		(250,278)	44,185
(LOSS)/EARNINGS PER SHARE - BASIC AND DILUTED	17	(Rs.33.11)	Rs.5.84

The annexed notes from 1 to 20 form an integral part of this interim financial information.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

	Share capital	Capital reserve	General reserve	Unappropriated profit	Total
	Rupees in '000'				
Balance as at 01 January 2019	75,600	483	6,597,000	818,244	7,491,327
Total comprehensive income for the three month period ended 31 March 2019	–	–	–	44,185	44,185
Balance as at 31 March 2019	75,600	483	6,597,000	862,429	7,535,512
Balance as at 01 January 2020	75,600	483	6,957,000	411,506	7,444,589
Total comprehensive loss for the three month period ended 31 March 2020	–	–	–	(250,278)	(250,278)
Balance as at 31 March 2020	75,600	483	6,957,000	161,228	7,194,311

The annexed notes from 1 to 20 form an integral part of this interim financial information.

Chief Executive

Director

Chief Financial Officer

CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

		Three month period ended	
	Note	Jan - Mar 2020	Jan - Mar 2019
		(Rupees in '000)	
CASH GENERATED FROM OPERATING ACTIVITIES			
Profit before taxation		(215,405)	93,294
Adjustments for:			
Depreciation for property, plant & equipment		64,587	58,174
Depreciation of right of use assets		309,451	330,201
Amortization of intangible assets		-	173
Provision for gratuity		2,315	2,635
(Profit)/Loss on disposal of property, plant and equipment		(15,139)	2,048
Income from short term investments		(4,911)	(5,374)
Income from long term investments		(1,319)	(882)
Exchange loss		-	626
Finance cost		207,157	138,108
Provision for trade debts and advances - (net)		4,064	12,311
Provision for slow moving and obsolete stock - (net)		84,293	18,315
Provision for obsolescence of raw material - (net)		1,958	1,113
(Reversal)/Recognition of provision for obsolescence stores and spare parts		(1,874)	(493)
		650,582	556,955
Operating profit before working capital changes		435,177	650,249
Effect on cash flow due to working capital changes:			
(Increase) / decrease in current assets:			
Stores & spare parts		452	-
Stock in trade		(1,454,607)	(1,877,063)
Trade debts - unsecured		(163,368)	4,637
Advances - unsecured		107,758	(366,174)
Trade deposits and short term prepayments		(378,968)	(129,620)
Other receivables		1,219	(1,573)
		(1,887,514)	(2,369,793)
Increase in current liabilities:			
Trade and other payables		1,150,992	587,124
Cash used in operations		(301,345)	(1,132,420)
Finance costs paid		(205,546)	(128,251)
Tax paid		(49,108)	(51,416)
Gratuity paid		(8,774)	(3,315)
Interest income received		4,664	7,571
		(258,764)	(175,411)
Decrease in Long term deposits and prepayments		37,262	499
Net cash used in operating activities	A	(522,847)	(1,307,332)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant & equipment		(51,683)	(57,457)
(Increase) in capital work in progress		(212,119)	(37,934)
Purchase of Intangible assets		(13,628)	-
Proceeds from sale of property, plant and equipment		123	13,746
Increase in long term investments		(3)	(1)
Net cash used in investing activities	B	(277,310)	(81,646)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings		-	172,939
Dividend paid		(2,382)	(1,412)
Lease payments		(296,869)	(274,640)
Net cash used in financing activities	C	(299,251)	(103,113)
NET DECREASE IN CASH AND CASH EQUIVALENTS	A+B+C	(1,099,408)	(1,492,091)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,273,248	1,545,032
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15	173,840	52,941

The annexed notes from 1 to 20 form an integral part of this interim financial information.

1st QUARTER REPORT JANUARY - MARCH 2020

Chief Executive

Director

Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 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 Factory	G.T. Road, P.O. Batapur, Lahore
2	Maraka Factory	26 - km, Multan Road, Lahore

The Company operates through retail outlets spread across the country with 7 outlets situated in Azad Kashmir, 6 in Baluchistan, 15 in Islamabad Capital Territory, 1 in Gilgit Baltistan, 39 in Khyber Pakhtun Khwa, 317 in Punjab and 77 outlets in Sindh. The Company also has 7 wholesale depots in Punjab, 2 in Sindh and 1 in Khyber Pakhtun Khwa.

2 STATEMENT OF COMPLIANCE

These condensed interim financial information of the Company for the three month period ended 31 March 2020 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed.

3 BASIS OF PRESENTATION AND MEASUREMENT

This condensed interim financial information of the Company for the three month period ended 31 March 2020 are unaudited and these should be read in conjunction with the financial statements of the Company for the year ended 31 December 2019.

Corona Pandemic (Covid-19) has brutally effected the entire Globe and we were no exception. The Company's business took the hit unswervingly. The footfall started to decrease with an outbreak of the virus. As a precautionary measure, on March 23, 2020, Government closed down all retail activities in the Country in its directions under lockdown. As a result, Company lost its business for last 10 days of the closing period that tentatively amounts to Rs. 340 million. Although there is no definite time for uplifting the Lockdown, management, as a strategy has decided to preserve its cash reserve considering it the most vital component of working capital in these unprecedented times

The financial information have been prepared under the historic cost convention. The financial information 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 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation adopted in the preparation of this condensed interim financial information are the same as those applied in preparation of the annual audited and published financial statements for the year ended 31 December, 2019.

5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment
Capital work in progress

Note	(UN - AUDITED)	(AUDITED)
	31 March 2020	31 December 2019
	(Rupees in '000)	
5.1	1,823,430	1,823,444
	241,944	43,453
	2,065,374	1,866,897

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

		(UN - AUDITED)	(AUDITED)
		31 March 2020	31 December 2019
Note		(Rupees in '000)	
5.1	Opening Net Book Value (NBV)	1,823,444	1,642,903
	Add: Additions/transfers during the period/year	65,311	482,170
		1,888,755	2,125,073
	Less: Disposals during the period (at NBV)	738	44,646
	Depreciation charged during the period/year	64,587	256,983
		65,325	301,629
		1,823,430	1,823,444

(UN-AUDITED)			
31 March 2020		31 March 2019	
Additions	Disposal (cost)	Additions	Disposal (cost)
(Rupees in '000)			
5.1.2 ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT			
Buildings			
- Factory	1,220	-	-
- Others	703	-	-
Plant & Machinery	730	86	-
Gas Installations	-	24	-
Office Equipment	-	-	-
Furniture, Fixture and Fittings	56,646	39,910	8,301
Computers	6,012	4,287	-
Vehicles	-	13,150	-
	65,311	57,457	8,301

		(UN - AUDITED)	(AUDITED)
		31 March 2020	31 December 2019
Note		(Rupees in '000)	
5.2	RIGHT OF USE ASSETS		
	Opening balance / Initial application of IFRS 16	5,677,794	4,899,823
	Additions	364,201	826,815
	Shops vacated	-	(48,844)
	Accumulated Depreciation	(1,434,729)	(1,125,278)
		4,607,266	4,552,516

6 LONG TERM INVESTMENTS

Held to maturity at cost

PLS Term Deposit Receipts	6.1	45,035	45,009
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- 6.1 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 8.60% (2019: 8.60%) per annum.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

7 STOCK IN TRADE

This represents net amount after adjustment for provision against slow moving and obsolete stock amounting to Rs. 120,296 ('000) (2019: Rs. 34,246 ('000))

8 TAX REFUNDS DUE FROM GOVERNMENT

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.

		(UN - AUDITED)	(AUDITED)
		31 March 2020	31 December 2019
	Note		
9 CASH AND BANK BALANCES		(Rupees in '000)	
Bank balances in			
Current accounts			
- Foreign currency		23,853	23,303
- Local currency		35,072	30,158
		58,925	53,461
Daily profit accounts	9.1	45,751	1,100,014
	9.2	104,676	1,153,475
Cash in transit		66,362	115,759
Cash in hand			
- Foreign currency		2,355	2,826
- Local currency		447	1,188
		2,802	4,014
		173,840	1,273,248

9.1 The rate of mark-up on these accounts ranges from 9.59% to 11.48% (2019: 8.00% to 11.48%) per annum.

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

	(UN - AUDITED)	(AUDITED)
	31 March 2020	31 December 2019
10 DEFERRED LIABILITY- EMPLOYEE BENEFITS	(Rupees in '000)	
Opening liability	83,476	81,421
Amount recognized during the period/year	2,315	10,577
Payment made by the Company during the period/year	(8,774)	(10,776)
Experience Adjustment	-	2,254
Closing liability	77,017	83,476

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

11 SHORT TERM BORROWINGS

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

- Non funded facilities of letters of guarantee and letters of credit amounting to Rs. 740.000 million (2019: Rs. 740.000 million); and
- Cash finance facilities of Rs. 400.000 million (2019: Rs. 400.000 million).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

Moreover, the Company can avail further cash finance facilities out of un-utilized unfunded facilities of Rs. 365,000 million (2019: Rs. 275,000 million) which also includes Rs. 35,000 million (2019: Rs. 35,000 million) of export finance facilities.

The un-utilized facility for letter of credits and guarantees at year end amounts to Rs. 553,041 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. 1,194 million (2019: Rs. 1,194 million).

	(UN - AUDITED)	(AUDITED)
	31 March 2020	31 December 2019
	(Rupees in '000)	
12 CONTINGENCIES AND COMMITMENTS		
12.1 The Company is contingently liable for:		
Order by sales tax department-under appeal	265,454	265,454
Order by sales tax department-under appeal	237,370	237,370
Order by income tax department-decided in Company's favour with department having right to appeal	954,859	954,859
Order by income tax department-under appeal	1,027,460	1,027,460
Order by sales tax department-under appeal	79,982	79,982
Order by sales tax department-under appeal	52,134	52,134
Show cause notice by sales tax department against which stay order has been obtained	85,097	85,097
Order by income tax department-under appeal	254,038	254,038
Order by sales tax department-under appeal	60,732	60,732
Order by Collector of Customs-under appeal	23,975	23,975
Order by income tax department-under appeal	34,270	34,270
	<u>3,075,371</u>	<u>3,075,371</u>

There is no significant change in contingencies since the date of preceding published annual financial statements.

	(UN - AUDITED)	(AUDITED)
	31 March 2020	31 December 2019
	(Rupees in '000)	
12.2 Other contingent liabilities		
The Company is contingently liable for:		
Counter guarantees given to banks	15,516	15,516
Indemnity bonds given to custom authorities	21,696	30,093
Claims not acknowledged as debts	17,178	17,178
	<u>54,390</u>	<u>62,787</u>
12.3 Commitments in respect of:		
- Capital expenditure	66,913	64,299
- Letters of credit and bank contracts	156,088	171,443
	<u>223,001</u>	<u>235,742</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

		(UN - AUDITED)	
		Three month period ended	
		31 March 2020	31 March 2019
		(Rupees in '000)	
13 NET SALES			
Shoes and accessories			
Local	3,640,466		3,515,928
Export	10,418		15,234
	3,650,884		3,531,162
Sundry articles and scrap material	13,690		23,734
	3,664,574		3,554,896
Less: Sales tax	503,154		224,923
Discount to dealers and distributors	174,969		183,253
Commission to agents/business associates	73,950		70,145
	752,073		478,321
	2,912,501		3,076,575
14 COST OF SALES			
Raw material consumed	1,141,982		1,024,014
Spares consumed	2,551		2,477
Fuel and power	44,605		38,246
Salaries, wages and benefits	166,279		135,790
Repairs and maintenance	15,047		15,644
Insurance	4,903		4,352
Depreciation	12,897		11,767
	1,388,264		1,232,290
Add: Opening goods in process	46,908		43,965
	1,435,172		1,276,255
Less: Closing goods in process	80,840		57,634
Cost of goods manufactured	1,354,332		1,218,621
Add: Opening stock of finished goods	3,828,968		3,743,958
Finished goods purchased	1,430,565		2,102,802
	6,613,865		7,065,381
Less: Closing stock of finished goods	5,002,993		5,407,003
	1,610,872		1,658,378
15 CASH AND CASH EQUIVALENTS			
Bank balances in			
- Current accounts	58,925		35,520
- Daily profit accounts	45,751		12,636
Cash in transit	66,362		173,952
Cash in hand	2,802		3,772
Short term borrowings	-		(172,939)
	173,840		52,941

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

16 TRANSACTIONS WITH RELATED PARTIES

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

		(UN - AUDITED)	
		Three month period ended	
Relationship with the Company	Nature of transactions	31 March 2020	31 March 2019
		(Rupees in '000)	
Common control companies	Purchase of goods and services	22,808	331,126
	Sale of goods and services	1,451	3,015
	Trade mark license fee	145,497	153,678
	Management service fee	52,272	48,142
Staff Retirement Benefits	Contribution to provident fund trusts	16,634	17,430
Staff Retirement Benefits	Gratuity paid	8,774	3,315
Key management personnel	Remuneration	35,020	36,149

The Company continues to have a policy whereby all transactions with related parties and common control companies are entered into at arm's length. Price on the same terms and conditions as third party transactions using comparable uncontrolled price methods.

17 EARNINGS PER SHARE - BASIC AND DILUTED

		(UN - AUDITED)	
		Three month period ended	
		31 March 2020	31 March 2019
Profit after taxation attributable to ordinary share holders (Rupees in '000)		(250,278)	44,185
Weighted average number of ordinary shares - Number (in '000)		7,560	7,560
(Loss)/Earnings per share - Basic (Rs.)		(33.11)	5.84

17.1 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

18 SEGMENT REPORTING

(UN - AUDITED)									
Three month period ended									
	Retail		Wholesale		Export		Others		Total
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020
(Rupees in '000)									
Net sales	2,425,898	2,527,714	464,304	509,893	10,418	15,234	11,881	23,734	2,912,501
Inter - segment sales	-	-	-	-	-	-	-	-	-
Total Sales	2,425,898	2,527,714	464,304	509,893	10,418	15,234	11,881	23,734	2,912,501
Segment result before unallocated expenses	253,409	550,735	31,555	57,089	1,786	2,561	4,121	7,753	290,871
Unallocated operating expenses									618,138
Other expenses									379,599
Other income									15,727
-									8,590
Operating (loss)/profit									231,402
Finance cost									138,108
(Loss)/Profit before taxation									93,294
Taxation									49,109
(Loss)/Profit after taxation									44,185

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

	(UN-AUDITED)	(AUDITED)	(UN-AUDITED)	(AUDITED)
	Segment assets		Segment liabilities	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
18.1 SEGMENT ASSETS AND LIABILITIES	(Rupees in '000)			
Retail	10,074,356	9,018,951	5,139,951	4,951,423
Wholesale	3,701,772	3,488,814	220,302	190,183
Export	15,292	12,949	—	—
Unallocated	2,640,839	3,357,655	3,877,695	3,292,174
	<u>16,432,259</u>	<u>15,878,369</u>	<u>9,237,948</u>	<u>8,433,780</u>

19 EVENT AFTER REPORTING DATE

In December 2019, a novel coronavirus disease ("COVID-19") was reported and in January 2020, the World Health Organization ("WHO") declared it a Public Health Emergency of International Concern. On February 28, 2020, the WHO raised its assessment of the COVID-19 threat from high to very high at a global level due to the continued increase in the number of cases and affected countries, and on March 11, 2020, the WHO characterised COVID-19 as a pandemic. This recent outbreak has adversely impacted global commercial activity, including the manufacturing and retail sectors. In an effort to contain COVID-19 or slow its spread, the government of Pakistan has also enacted various measures, including orders to close all businesses not deemed "essential," isolate residents to their homes or places of residence, and practice social distancing when engaging in essential activities. The company anticipates that these actions and the global health crisis caused by COVID-19 will negatively impact its business activity. It is not clear what the potential effects any such restrictions may have on the Company's business, including the effects on interactions with governmental agencies, customers, vendors and employees. Due to the rapidly evolving developments regarding the pandemic, the Company's results for the quarter ended March 31, 2020 have been adversely impacted and the future results of operations, financial condition and cash flows may be impacted more. However, the Company cannot reasonably estimate the ultimate impact of COVID-19. However, in view of the current and anticipated adverse impact of COVID-19 on company's operations, the management has reassessed its going concern assumption and in the light of company's strong liquidity position, low debt level and strong business model found it in order.

20 DATE OF AUTHORIZATION

This interim financial information was authorized for issue by the Board of Directors on 21 April, 2020.

INVESTORS' EDUCATION

In compliance with the Securities and Exchange Commission of Pakistan's SRO 924(1)/2015 dated September 9, 2015, Investors' attention is invited to the following information message:

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