

Bata[®]

**Quarterly
Report**



January-March

2019



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CORPORATE INFORMATION

Board of Directors

Mr. Roberto Longo	Chairman
Mr. Muhammad Imran Malik	Chief Executive
Mr. Rafel Dasca Vinyals	Director
Mr. Toh Guan Kiat	Director
Mr. Kamal Monnoo	Director
Mr. Muhammad Maqbool	Director
Mr. Syed Asad Ali Zaidi	Director
Mr. Ijaz Ahmad Chaudhry	Director
Mr. Aamir Amin (Nominee of NIT)	Director

Audit Committee

Mr. Muhammad Maqbool	Chairman
Mr. Mr.Roberto Longo	Member
Mr. Ijaz Ahmad Chaudhry	Member

Human Resource and Remuneration Committee

Mr. Ijaz Ahmad Chaudhry	Chairman
Mr. Muhammad Imran Malik	Member
Mr. Muhammad Maqbool	Member

Chief Financial Officer (CFO)

Mr. Rafel Dasca Vinyals

Company Secretary

Mr. Amjad Farooq

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

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 2019.

Net turnover in the period under review was Rs. 3.077 billion as compared to Rs. 3.057 billion for the corresponding period of last year. As a result, operating profit decline to Rs. 231.402 million from Rs. 261.657 million of last year. During the period, the Company has adopted IFRS 16, 'Leases'. This standard replaces the current guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. It requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Earnings per share decreased by Rs. 5.29 per share for the three months to March 31, 2019 as a result of the adoption of IFRS 16.

Retail division showed a good growth during the first quarter with current setup and was able to achieve improvement of 7% in turnover with respect to corresponding period. Our non-retail division showed a decline in turnover during this quarter as compared to corresponding period which was in line with the plan for the first quarter of 2019. They are striving to develop new products and customers base to achieve growth.

Our production facilities at Batapur and Maraka were kept 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 order to maintain our role as a leader in Footwear Industry, an amount of Rs. 24.642 million has been spent for opening new and renovation of existing stores. Our focus as a part of our strategy will remain on expansion of big format stores by closing low turnover and non profitable stores which are under minimum benchmark.

The Company continued its Corporate Social Responsibilities (CSR) activities during the period under review. Total of 5 fresh graduates from different areas of Pakistan completed their two months internship in factory and sales under National Internship Program. A water filtration plant has been built to provide clean and safe drinking water to the community at Maraka. The Company organized annual sports for 500 children studying in Eisar Taleem-o-Tarbiat School Lahore, and also organized scientific model project show in a local school for underprivileged children where the students presented their projects made under the supervision of their mentors.

We remain confident as regards to our prospects for the remaining year, despite the highly competitive marketing environment. We look forward to continued support from all our stakeholders to achieve the objectives for the year 2019.

On behalf of the Board

Batapur:
Lahore: 24 April 2019

MUHAMMAD IMRAN MALIK
Chief Executive

ڈائریکٹرز کا جائزہ

مورخہ 31 مارچ 2019ء کو ختم ہوئی پہلی سہ ماہی کیلئے کمپنی کی کاروائیوں کا مختصر جائزہ اور غیر آڈٹ شدہ جامع مالیاتی معلومات پیش کرنے پر مجھے بے حد خوشی ہے۔

زیر نظر عرصہ کے دوران 3.077 ارب روپے کی آمدنی ہوئی جو کہ گزشتہ سال اسی عرصہ کے دوران 3.057 ارب روپے تھی۔ اس کے نتیجے میں عملی منافع پچھلے سال کے 261.657 ملین روپے کے مقابلے میں کم ہو کر 231.402 ملین روپے ہو گیا۔ اس عرصہ کے دوران کمپنی نے انٹرنیشنل فنانسل رپورٹنگ سٹینڈرڈز (آئی ایف آر ایس) 16 'لیز'ز کو اپنایا۔ یہ سٹینڈرڈ موجودہ انٹرنیشنل اکاؤنٹنگ سٹینڈرڈز (آئی اے ایس) 17 'لیز'ز میں دی گئی رہنمائی کے ساتھ بدلا گیا ہے اور یہ خصوصاً لیز کے لحاظ سے اکاؤنٹنگ میں بڑی ڈورس تبدیلی ہے۔ اس میں لیز کرانے والوں کو مستقبل میں لیز کی ادائیگیوں کی عکاسی کرنے والی لیز کی ذمہ داری اور لیز کے تقریباً تمام معاہدوں کیلئے ایک رائٹ آف یوز ایسٹ قبول کرنے کی ضرورت ہوتی ہے۔ آئی ایف آر ایس 16 کو اپنانے کے نتیجے میں 31 مارچ 2019 تک کے تین ماہ کی فی حصص آمدنی 5.29 روپے تک کم ہو گئی۔

ریشیل ڈویژن نے موجودہ سیٹ اپ کے ساتھ پہلی سہ ماہی کے دوران اچھی کارکردگی دکھائی اور اسی مدت کے لحاظ سے کاروبار میں 7% بہتری لانے میں کامیاب رہا۔ ہمارے نان ریشیل ڈویژن نے اس سہ ماہی کے دوران اسی مدت کے لحاظ سے شرح فروخت میں کمی ظاہر کی جو کہ 2019ء کی پہلی سہ ماہی کیلئے منصوبے کے مطابق تھی۔ وہ ترقی کے حصول کیلئے نئی مصنوعات تیار کرنے اور نئے کسٹمرز بنانے کیلئے کوشاں ہے۔

ہمارے بانا پورا اور مراکھ پیدوار اور مراکز اس عرصہ کے دوران ہماری مقبول عام آن لائن کی طلب کو پورا کرنے کیلئے پوری طرح مصروف رہے۔ ہم نئے مولڈز پر مسلسل سرمایہ کاری کر رہے ہیں، 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 ہے۔ جو توں کی صنعت میں لیڈر کی حیثیت سے اپنے کردار کو برقرار رکھنے کیلئے 24.624 ملین روپے نئے سٹورز رکھنے اور موجودہ سٹورز کی تزئین و آرائش پر خرچ کئے گئے۔ ہماری توجہ کم شرح فروخت اور غیر منافع بخش سٹورز کو بند کر کے، جو کم اڈم معیار سے بھی نیچے ہیں، بڑے فارمیٹ سٹورز کو ترویج دینے پر مرکوز رہے گی جو کہ ہماری حکمت عملی کا حصہ ہے۔

کمپنی نے زیر نظر عرصہ کے دوران اپنی کارپوریٹ سماجی ذمہ داریوں (سی ایس آر) کی سرگرمیوں کو بھی جاری رکھا۔ پاکستان کے مختلف علاقوں سے کل 5 فریش گریجویٹس نے انٹرنیشنل انٹرن شپ پروگرام کے تحت فیلڈری اور سٹاز میں دو ماہ کی انٹرن شپ مکمل کی۔ مراکھ کے لوگوں کو پینے کا صاف اور محفوظ پانی فراہم کرنے کیلئے ایک واٹر فلٹریشن پلانٹ تعمیر کیا گیا۔ کمپنی نے ایٹا تعلیم و تربیت سکول لاہور میں زیر تعلیم 500 بچوں کیلئے سالانہ سکھیلوں کا اہتمام کیا، اور ایک مقامی سکول میں کم مراعات یافتہ بچوں کیلئے سائنٹفک ماڈل پروجیکٹ کا بھی اہتمام کیا جہاں بچوں نے اپنے مشیروں کی نگرانی میں بنائے گئے اپنے پروجیکٹس پیش کئے۔

اجنبائی مسابقتی مارکیٹنگ کے ماحول کے باوجود ہم باقی ماندہ سال کیلئے اپنے امکانات کے بارے میں پراعتماد ہیں۔ ہم سال 2019ء کے مقاصد کے حصول کیلئے اپنے تمام سٹیک ہولڈرز کی طرف سے مسلسل معاونت کے طلبگار ہیں۔

حسب الحکم بورڈ

بانا پورا:

لاہور: 24 اپریل 2019ء

محمد عمران ملک
چیف ایگزیکٹو



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CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION - UNAUDITED

AS AT 31 MARCH 2019

	Note	(UN - AUDITED) 31 March 2019	(AUDITED) 31 December 2018
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	7,158,083	1,643,028
Intangible assets		405	578
Long term investments	6	45,009	45,008
Long term deposits and prepayments		33,563	34,061
		7,237,060	1,722,675
CURRENT ASSETS			
Stores and spares		-	-
Stock in trade	7	5,829,601	3,970,853
Trade debts - unsecured		2,174,788	2,167,114
Advances - unsecured		451,034	84,860
Trade deposits and short term prepayments		339,491	209,872
Other receivables		89,283	641,802
Interest accrued		2,067	752
Tax refunds due from Government	8	350,161	350,161
Cash and bank balances	9	225,880	1,545,032
		9,462,305	8,970,446
TOTAL ASSETS		16,699,365	10,693,121
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		7,459,429	7,415,244
		7,459,912	7,415,727
		7,535,512	7,491,327
NON-CURRENT LIABILITIES			
Long term lease liability		4,269,137	-
Long term deposits		45,009	24,171
Deferred liability - employee benefits	10	80,741	81,421
Deferred taxation		23,523	44,339
		4,418,410	149,931
CURRENT LIABILITIES			
Trade and other payables		3,189,002	2,312,920
Short term borrowings	11	172,939	-
Current portion of long term lease liability		1,267,119	-
Provision for taxation		69,925	691,073
Unclaimed dividend		46,458	47,870
		4,745,443	3,051,863
CONTINGENCIES AND COMMITMENTS	12	-	-
TOTAL EQUITY AND LIABILITIES		16,699,365	10,693,121

The annexed notes from 1 to 19 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 2019

	Note	Jan - Mar 2019	Jan - Mar 2018
(Rupees in '000)			
NET SALES	13	3,076,575	3,057,368
COST OF SALES	14	1,658,378	1,735,429
GROSS PROFIT		1,418,197	1,321,939
DISTRIBUTION COST		903,309	785,285
ADMINISTRATIVE EXPENSES		276,349	264,900
OTHER EXPENSES		15,727	22,379
		1,195,385	1,072,564
OTHER INCOME		8,590	12,282
OPERATING PROFIT		231,402	261,657
FINANCE COST		138,108	11,132
PROFIT BEFORE TAXATION		93,294	250,525
PROVISION FOR TAXATION			
Current		69,925	93,039
Deferred		(20,816)	(13,840)
		49,109	79,199
PROFIT AFTER TAXATION		44,185	171,326
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		44,185	171,326
EARNINGS PER SHARE - BASIC AND DILUTED	17	Rs.5.84	Rs.22.66

The annexed notes from 1 to 19 form an integral part of this financial information.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

	Share capital	Capital reserve	General reserve	Unappropriated profit	Total
	Rupees in '000'				
Balance as at 01 January 2018	75,600	483	6,132,000	918,641	7,126,724
Total comprehensive income for the three month period ended 31 March 2018	-	-	-	171,326	171,326
Balance as at 31 March 2018	75,600	483	6,132,000	1,089,967	7,298,050
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

The annexed notes from 1 to 19 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 2019

	Note	Three month period ended	
		Jan - Mar 2019	Jan - Mar 2018
		(Rupees in '000)	
CASH GENERATED FROM OPERATIONS			
Profit before taxation		93,294	250,525
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation for property, plant & equipment		388,375	51,136
Amortization of intangible assets		173	327
Provision for gratuity		2,635	1,628
Loss on disposal of property, plant and equipment		2,048	1,703
Income from short term investments		(5,374)	(8,428)
Income from long term investments		(882)	(632)
Exchange loss		626	544
Finance cost		138,108	11,132
Income from discounting of supplier invoices		-	(1,165)
Provision for trade debts and advances - (net)		12,311	1,625
Provision for slow moving and obsolete stock - (net)		18,315	36,093
Provision for obsolescence of raw material - (net)		1,113	-
(Reversal)/Recognition of provision for obsolescence stores and spare parts		(493)	(144)
		556,955	93,819
Operating profit before working capital changes		650,249	344,344
(Increase) / decrease in current assets:			
Stores & spare parts		-	-
Stock in trade		(1,877,063)	(898,711)
Trade debts - unsecured		4,637	(133,522)
Advances - unsecured		(366,174)	117,788
Deposits and short term prepayments		(129,620)	(126,414)
Other receivables		(1,573)	(5,849)
		(2,369,793)	(1,046,708)
(Increase) / decrease in current liabilities:			
Trade and other payables		587,124	531,366
Cash generated from / (used in) operations		(1,132,420)	(170,998)
Finance costs paid		(128,251)	(11,132)
Tax paid		(51,416)	(46,701)
Gratuity paid		(3,315)	(3,116)
Interest income received		7,571	8,508
		(175,411)	(52,441)
Decrease/(Increase) in Long term deposits and prepayments		498	(232)
Decrease/(Increase) in Long term deposits and prepayments		1	4
Net cash generated from / (used in) operating activities	A	(1,307,332)	(223,667)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of operating fixed assets		(57,457)	(35,656)
Decrease/(Increase) in capital work in progress		(37,934)	5,177
Purchase of Intangible assets		-	-
Proceeds from sale of property, plant and equipment		13,746	2,476
Increase in long term investments		(1)	(4)
Net cash used in investing activities	B	(81,646)	(28,007)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings		172,939	-
Lease liability paid		(274,640)	-
Dividend paid		(1,412)	(5,463)
Net cash used in financing activities	C	(103,113)	(5,463)
NET DECREASE IN CASH AND CASH EQUIVALENTS	A+B+C	(1,492,091)	(257,137)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,545,032	1,160,132
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15	52,941	902,995

The annexed notes from 1 to 19 form an integral part of this financial information.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

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 4 outlets situated in Azad Kashmir, 3 in Baluchistan, 12 in Islamabad Capital Territory, 1 in Gilgit Baltistan, 25 in Khyber Pakhtun Khwa, 210 in Punjab and 53 outlets in Sindh. The Company also has 8 wholesale depots in Punjab, 3 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 2019 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 2019 are unaudited. These condensed interim financial statements do not include all the statements required for annual financial statements including financial risk management statements and there should be read in conjunction with the financial statements of the Company for the year ended 31 December 2018.

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.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

3.1 New and amended standards adopted by the company

A number of new or amended standards became applicable for the current reporting period, and the company had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16 Leases.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in note 4 below. The other standards did not have any impact on the company's accounting policies and did not require retrospective adjustments.

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, 2018 except below:

4.1 Changes in accounting policies

The company has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

4.1.1 Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 11.55%. There is no lease that was previously classified as finance lease under IAS 17 Leases.

	(Rupees in '000)
Lease liability discounted using the lessee's incremental borrowing rate at the date of initial application	5,615,149
Lease liability recognised as at 1 January 2019	5,615,149
Of which are:	
Current lease liabilities	1,287,881
Non-current lease liabilities	4,327,268

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	(UN - AUDITED)	
	31 March 2019	01 January 2019
	(Rupees in '000)	
Buildings	5,480,693	5,615,149
Total	5,480,693	5,615,149

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019: Property, plant and equipment-increased by Rs. 5,615 million Lease liabilities-recognised by Rs. 5,615 million. The net impact on retained earnings on 1 January 2019 was Nil.

i) Impact on segment disclosures and earnings per share

Segment assets and segment liabilities for March 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segments were affected by the change in policy:

	Segment Assets	Segment Liabilities
	(Rupees in '000)	
Retail	5,330,271	5,385,982
Wholesale	150,422	150,274

Earnings per share decreased by Rs. 5.29 per share for the three months to March 31, 2019 as a result of the adoption of IFRS 16.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

ii) Practical expedients applied

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

4.1.2 The company's leasing activities and how these are accounted for

The company leases various retail stores and depots. Rental contracts are typically made for fixed periods of 2 to 19 years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property were classified operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. There are no low value assets under lease.

(i) Variable lease payments

Estimation uncertainty arising from variable lease payments:

(ii) Extension and termination options

Extension and termination options are included in a number of store leases entered by the company. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the company and not by the respective lessor. No such option was exercised during the period.

(iii) Residual value guarantees

The company has not provided residual value guarantees in relation to property leases.

	Note	(UN - AUDITED)	(AUDITED)
		31 March 2019	31 December 2018
5 PROPERTY, PLANT AND EQUIPMENT			
Property, plant and equipment	5.1	7,120,024	1,642,903
Capital work in progress		38,059	125
		7,158,083	1,643,028
5.1 Opening Net Book Value (NBV)	5.1.1	7,258,052	1,502,756
Add: Additions/transfers during the period/year	5.1.2	253,203	387,501
		7,511,255	1,890,257
Less: Disposals during the period (at NBV)		2,855	20,492
Depreciation charged during the period/year		388,376	226,862
		391,231	247,354
		7,120,024	1,642,903

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

5.1.1 This includes Rs. 5,615 million as Right-of-use asset due to first time application of IFRS 16 as explained in Note 4.

(UN-AUDITED)			
31 March 2019		31 March 2018	
Additions	Disposal (cost)	Additions	Disposal (cost)
(Rupees in '000)			
5.1.2 ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT			
Buildings			
- Factory	-	6,051	-
- Others	-	-	-
- Right-of-use asset	195,746	-	-
Plant & Machinery	86	232	2,145
Gas Installations	24	23	-
Office Equipment	-	-	-
Furniture, Fixture and Fittings	39,910	25,176	14,961
Computers	4,287	4,174	-
Vehicles	13,150	-	1,643
253,203	8,301	35,656	18,749

		(UN - AUDITED)	(AUDITED)
Note		31 March 2019	31 December 2018
6 LONG TERM INVESTMENTS			
(Rupees in '000)			
Held to maturity at cost			
PLS Term Deposit Receipts	6.1	45,009	45,008

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% (2018: 8.60%) per annum.

7 STOCK IN TRADE

This represents net amount after adjustment for provision against slow moving and obsolete stock amounting to Rs. 59,521 ('000) (2018: Rs. 85,901 ('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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

		(UN - AUDITED)	(AUDITED)
		31 March 2019	31 December 2018
(Rupees in '000)			
9 CASH AND BANK BALANCES			
Bank balances in			
Current accounts		19,177	19,614
- Foreign currency		16,343	20,796
- Local currency		35,520	40,410
Daily profit accounts	9.1	12,636	1,360,562
	9.2	48,156	1,400,972
Cash in transit		173,952	137,432
Cash in hand			
- Foreign currency		2,796	5,737
- Local currency		976	891
		3,772	6,628
		225,880	1,545,032

9.1 The rate of mark-up on these accounts ranges from 5.50% to 8.25% (2018: 3.75% to 5.50%) per annum.

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

		(UN - AUDITED)	(AUDITED)
		31 March 2019	31 December 2018
(Rupees in '000)			
10 DEFERRED LIABILITY- EMPLOYEE BENEFITS			
Opening liability		81,421	76,030
Amount recognized during the period/year		2,635	6,857
Payment made by the Company during the period/year		(3,315)	(5,363)
Experience Adjustment		-	3,897
Closing liability		80,741	81,421

The latest actuarial valuation was carried out as at 31 December 2018.

11 SHORT TERM BORROWINGS

The credit facilities available to the Company from various commercial banks aggregate to Rs. 1,140 million (2018: Rs. 1,140 million). These include:

- Non funded facilities of letters of guarantee and letters of credit amounting to Rs. 740 million (2018: Rs. 740 million); and

- Cash finance facilities of Rs. 400 million (2018: Rs. 400 million).

Moreover, the Company can avail further cash finance facilities out of un-utilized unfunded facilities of Rs. 275 million (2018: Rs. 275 million) which also includes Rs. 35 million (2018: Rs. 35 million) of export finance facilities.

The un-utilized facility for letter of credits and guarantees at year end amounts to Rs. 558.661 million (2018: Rs. 226.368 million).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

Mark up on cash finance ranges from 3 months KIBOR plus 0.50% to 1.0% (2018: 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% (2018: SBP rate plus 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 (2018: Rs. 1,194 million).

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingent taxation liabilities

The Company is contingently liable for:

	(UN - AUDITED) 31 March 2019	(AUDITED) 31 December 2018
	(Rupees in '000)	
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-under 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	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 sales tax department-under appeal	23,975	23,975
	3,041,101	3,041,101

12.2 Other contingent liabilities

The Company is contingently liable for:

	(UN - AUDITED) 31 March 2019	(AUDITED) 31 December 2018
	(Rupees in '000)	
Counter Guarantees given to banks	15,960	15,960
Indemnity Bonds given to Custom Authorities	70,145	52,435
Claims not acknowledged as debts-under appeal	9,881	9,881
	95,986	78,276

12.3 Commitments in respect of:

	(UN - AUDITED) 31 March 2019	(AUDITED) 31 December 2018
	(Rupees in '000)	
- Capital expenditure	80,490	19,881
- Letters of credit and bank contracts	682,723	181,339
	763,213	201,220

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

	(UN - AUDITED)	
	Three month period ended	
	31 March 2019	31 March 2018
	(Rupees in '000)	
13 NET SALES		
Shoes and accessories		
Local	3,515,928	3,533,476
Export	15,234	17,290
	3,531,162	3,550,766
Sundry articles and scrap material	23,734	14,183
	3,554,896	3,564,949
Less: Sales tax	224,923	229,380
Discount to dealers and distributors	183,253	212,274
Commission to agents/business associates	70,145	65,927
	478,321	507,581
	3,076,575	3,057,368
14 COST OF SALES		
Raw material consumed	1,024,014	742,916
Spares consumed	2,477	2,210
Fuel and power	38,246	26,462
Salaries, wages and benefits	135,790	114,943
Repairs and maintenance	15,644	9,720
Insurance	4,352	3,896
Depreciation	11,767	12,020
	1,232,290	912,167
Add: Opening goods in process	43,965	49,498
	1,276,255	961,665
Less: Closing goods in process	57,634	56,259
Cost of goods manufactured	1,218,621	905,406
Add: Opening stock of finished goods	3,743,958	3,269,167
Finished goods purchased	2,102,802	1,637,386
	7,065,381	5,811,959
Less: Closing stock of finished goods	5,407,003	4,076,530
	1,658,378	1,735,429
15 CASH AND CASH EQUIVALENTS		
Bank balances in		
- Current accounts	35,520	124,628
- Daily profit accounts	12,636	415,669
Short term investment	-	200,000
Cash in transit	173,952	160,336
Cash in hand	3,772	1,949
Short term borrowings	(172,939)	-
	52,941	902,582

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

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	
		31 March 2019	31 March 2018
Relationship with the Company	Nature of transactions	(Rupees in '000)	
Common control companies	Purchase of goods and services	331,126	381,572
	Sale of goods and services	3,015	3,304
	Trade mark license fee	153,678	76,387
	Management service fee	48,142	39,852
	IT charges	-	14,939
Staff Retirement Benefits	Contribution to provident fund trusts	17,430	17,035
Staff Retirement Benefits	Gratuity paid	3,315	3,116
Key management personnel	Remuneration	36,149	34,129

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 2019	31 March 2018
	Profit after taxation attributable to ordinary share holders (Rupees in '000)	44,185	171,326
	Weighted average number of ordinary shares - Number (in '000)	7,560	7,560
	Earnings per share - Basic (Rs.)	5.84	22.66

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.

18 SEGMENT REPORTING

(UN - AUDITED)
Three month period ended

	Retail		Wholesale		Export		Others		Total	
	31 March 2019	31 March 2018								
Net sales	2,527,714	2,452,050	509,893	674,590	15,234	17,290	23,734	13,438	3,076,575	3,057,268
Inter - segment sales	-	-	-	-	-	-	-	-	-	-
Total Sales	2,527,714	2,452,050	509,893	674,590	15,234	17,290	23,734	13,438	3,076,575	3,057,268
Segment result before unallocated expenses	406,289	475,265	57,089	77,532	2,561	1,768	7,753	3,283	493,692	557,818
Unallocated operating expenses									379,599	286,094
Other expenses									15,727	22,379
Other income									8,590	12,282
Operating profit									106,956	261,657
Finance cost									13,662	11,132
Profit before taxation									93,294	250,525
Taxation									49,109	79,199
Profit after taxation									44,185	171,326

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

	(UN-AUDITED)	(AUDITED)	(UN-AUDITED)	(AUDITED)
	Segment assets		Segment liabilities	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
18.1 SEGMENT ASSETS AND LIABILITIES				
	(Rupees in '000)			
Retail	10,739,496	4,221,022	5,494,323	129,306
Wholesale	3,694,145	3,015,461	174,454	24,231
Export	16,174	9,924	–	–
Unallocated	2,249,550	3,446,417	3,495,076	3,048,257
	<u>16,699,365</u>	<u>10,692,824</u>	<u>9,163,853</u>	<u>3,201,794</u>

19 DATE OF AUTHORIZATION

This interim financial information was authorized for issue by the Board of Directors on 24 April, 2019.

SPRING SUMMER '19

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