

Bata[®]

Half Yearly Report





Surprisingly
Bata.

CORPORATE INFORMATION

Board of Directors

Mr. Roberto Longo	Chairman
Mr. Muhammad Imran Malik	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
Mr. 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
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 Statements and brief review of the Company's operations for the six month period ended 30 June 2020.

Net turnover in the period under review was Rs. 4.682 billion as compared to Rs. 8.794 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. This resulted in loss before tax of Rs. 839.492 million. Loss per share was recorded at Rs. 88.74.

Both retail and non-retail divisions remained under pressure due to COVID-19 impact and turnovers of both the divisions declined by 39% and 70% 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.

The Company continued its Corporate Social Responsibilities (CSR) activities during the period under review and donated 1219 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 of shoes in leading hospitals of Karachi, Multan, Lahore and Rawalpindi.

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: 26 August 2020

MUHAMMAD IMRAN MALIK
Chief Executive

ڈائریکٹر کا جائزہ

مورخہ 30 جون 2020ء کو ختم ہوئے نصف سال 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 4,682 ارب روپے کا خالص کاروبار ہوا جو کہ گزشتہ سال اسی عرصہ کے دوران 18,794 ارب روپے تھا۔ کاروبار میں کیوویڈ 19 (کورونا 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 ڈاؤن کے اس عرصہ میں نہ صرف ہم اپنی گرمیوں کی شولائن کو لالچ نہ کر سکے بلکہ یہ ہمارے سال کے سب سے زیادہ منافع بخش موقع یعنی عید پر بھی انتہائی بری طرح اثر انداز ہوا۔ اس کے نتیجے میں قبل از ٹیکس 839,492 ملین روپے خسارہ ہوا۔ فی شیئر خسارہ 88.74 روپے ریکارڈ کیا گیا۔

کوویڈ 19 کے اثرات کی وجہ سے ریٹیل اور ٹرانزیشنل ڈویژن دونوں ہی دباؤ کا شکار رہے اور گزشتہ سال کے اسی عرصہ کے مقابلے میں دونوں ڈویژنوں کے کاروبار میں بالترتیب 39% اور 70% کمی واقع ہوئی۔ وباء سے پہلے کمپنی نے ریٹیل اور ٹرانزیشنل دونوں ڈویژنوں میں موسم گرما کی شولائن کا کامیابی سے لالچ 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۔

کمپنی نے زیر نظر عرصہ کے دوران اپنی کارپوریٹ سماجی ذمہ داریوں (سی ایس آر) کی سرگرمیوں کو بھی جاری رکھا اور شوز کے 1219 جوڑوں کا عطیہ دیا اور مختلف سکولوں میں زیر تعلیم 830 بچوں میں کتائیں اور یونیفارم تقسیم کئے۔ کوویڈ 19 کے دوران آپریشننگ سکول بٹا پور میں ماسک بنانے کا کام شروع کیا گیا اور اپنے ملازمین کے علاوہ مقامی کمیونٹی بشمول رہائشی علاقوں، ہسپتالوں اور عام لوگوں میں 25,000 ماسک تقسیم کئے گئے۔ یہ اقدام عالمی مقابلہ میں پیش کیا گیا اور اس نے 'بانا شوقاؤنڈیشن ایوارڈ' حاصل کیا۔ کورونا وائرس کے باعث لگائے جانے والے لاک ڈاؤن کی وجہ سے بے روزگار ہوئے یومیہ ہجرت پر کام کرنے والوں کی پریشانیوں کو دیکھتے ہوئے ہم نے ان کے 375 خاندانوں میں راشن کے تحفے تقسیم کئے۔ بانانے 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 مہم شروع کی جو کوویڈ 19 کے خلاف ہر اول دستے کے طور پر کام کر رہے تھے۔ اس مہم کا حصہ بننے کیلئے بانا پاکستان نے کراچی، ملتان، لاہور اور راولپنڈی کے نمایاں ہسپتالوں میں جوتوں کے ایک لاکھ جوڑے عطیہ کرنے کا فیصلہ کیا۔

ہم آگے ایک مشکل سال کی توقع کر رہے ہیں لیکن ہم زیادہ پر اعتماد ہیں کہ اپنے عمل کے جذبے اور اپنے تمام متعلقین کی طرف سے غیر مشروط معاونت کے ذریعے ہم مزید یقین اور مزید امید کے ساتھ نہ صرف اس سال کے مقاصد کے حصول کیلئے واپس ٹریک پر 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 بطور ڈ

باناپور:

لاہور: 26 اگست 2020ء

محمد عمران ملک
چیف ایگزیکٹو

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Bata Pakistan Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Bata Pakistan Limited as at June 30, 2020 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

The figures of the condensed interim statement of profit or loss and other comprehensive income for the three-month period ended June 30, 2020 and June 30, 2019 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended June 30, 2020.

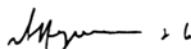
Scope of Review

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

Conclusion

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

The engagement partner on the audit resulting in this independent auditor's report is Amer Raza Mir.



A.F. Ferguson & Co.
Chartered Accountants

Lahore

Date: August 29, 2020

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A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Tel: +92 (42) 3571 5868-71 / 3577 5747-50-37; Fax: +92 (42) 3577 5754 www.pwc.com/pk

• Karachi • Lahore • Islamabad

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION - UNAUDITED

AS AT JUNE 30, 2020

	Note	(UN - AUDITED) June 30, 2020	(AUDITED) December 31, 2019
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	2,069,505	1,866,897
Right of use assets		4,408,065	4,552,516
Intangible assets		58,264	44,328
Long term investments	7	45,002	45,032
Long term deposits and prepayments		48,729	39,284
Deferred taxation		309,523	70,667
		6,939,088	6,618,724
CURRENT ASSETS			
Stores and spare parts		—	540
Stock in trade	8	4,759,256	4,055,327
Trade debts - unsecured		2,170,981	2,621,262
Advances - unsecured		63,914	267,638
Trade deposits and short term prepayments		378,111	46,258
Other receivables		179,178	643,987
Interest accrued		265	1,224
Tax refunds due from Government	9	350,161	350,161
Cash and bank balances	10	805,688	1,273,248
		8,707,554	9,259,645
TOTAL ASSETS		15,646,642	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		6,244,044	7,368,506
		6,244,527	7,368,989
		6,320,127	7,444,589
NON-CURRENT LIABILITIES			
Lease liability		4,153,193	3,999,916
Long term deposits		63,878	24,717
Long term borrowing	11	44,041	—
Deferred liability - employee benefits	12	79,323	83,476
		4,340,435	4,108,109
CURRENT LIABILITIES			
Current portion of lease liability		863,861	984,652
Trade and other payables		3,688,984	2,722,185
Unclaimed dividend		363,010	54,680
Short term borrowings	13	—	—
Provision for taxation		70,225	564,154
		4,986,080	4,325,671
CONTINGENCIES AND COMMITMENTS	14		
TOTAL EQUITY AND LIABILITIES		15,646,642	15,878,369

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - UNAUDITED

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2020

	Note	Three month period ended		Six month period ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
		(Rupees in '000)			
Sales - Net	15	1,769,155	5,717,138	4,681,656	8,793,713
Cost of Sales	16	(1,164,230)	(3,075,940)	(2,775,102)	(4,734,318)
Gross Profit		604,925	2,641,198	1,906,554	4,059,395
Distribution Cost		(773,292)	(1,239,469)	(1,822,665)	(2,142,778)
Administrative Expenses		(238,911)	(289,717)	(521,852)	(566,066)
Other expenses		(15,850)	(81,966)	(17,842)	(97,693)
Other income		3,036	6,500	27,465	15,090
Finance cost	17	(203,995)	(220,916)	(411,152)	(359,024)
(Loss) / profit before taxation		(624,087)	815,630	(839,492)	908,924
Provision for taxation		203,503	(206,965)	168,630	(256,074)
(Loss) / profit after taxation		(420,584)	608,665	(670,862)	652,850
Other comprehensive income		—	—	—	—
Total comprehensive (loss) / income		(420,584)	608,665	(670,862)	652,850
(Loss) / earning per share					
- Basic and diluted	20	(Rs.55.63)	Rs.80.51	(Rs.88.74)	Rs.86.36

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED

FOR THE SIX-MONTH PERIOD ENDED JUNE 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 six month period ended June 30, 2019	–	–	–	652,850	652,850
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 June 30, 2019	<u>75,600</u>	<u>483</u>	<u>6,957,000</u>	<u>657,494</u>	<u>7,690,577</u>
Balance as at January 01, 2020	75,600	483	6,957,000	411,506	7,444,589
Total comprehensive loss for the six month period ended June 30, 2020	–	–	–	(670,862)	(670,862)
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 June 30, 2020	<u>75,600</u>	<u>483</u>	<u>6,957,000</u>	<u>(712,956)</u>	<u>6,320,127</u>

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 CASH FLOWS - UNAUDITED

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

Note	Six month period ended	
	June 30, 2020	June 30, 2019
	(Rupees in '000)	
CASH GENERATED FROM OPERATIONS		
(Loss) / profit before taxation	(839,492)	908,924
Adjustments for:		
Depreciation for property, plant & equipment	131,253	119,688
Depreciation of right of use assets	642,149	575,810
Amortization of intangible assets	41	295
Provision for gratuity	4,638	5,295
Loss on disposal of property, plant and equipment	1,172	2,784
Income from short term investments	(20,263)	(8,227)
Income from long term investments	(2,307)	(1,944)
Exchange loss	13,915	24,515
Finance cost	411,152	359,024
Income from discounting of supplier invoices	-	(213)
Provision for trade debts and advances - net	297,802	9,653
Provision for slow moving and obsolete stock - net	337,948	88,963
(Reversal) / recognition of provision for obsolescence stores & spare parts	(1,667)	765
	1,815,833	1,176,408
Operating profit before working capital changes	976,341	2,085,332
(Increase) / decrease in current assets:		
Stores & spare parts	2,207	(765)
Stock in trade	(1,041,877)	(1,467,581)
Trade debts - unsecured	152,479	(219,253)
Advances - unsecured	203,724	(179,959)
Deposits and short term prepayments	(331,853)	(255,217)
Other Receivables	(2,047)	(885)
	(1,017,367)	(2,123,660)
Increase in current liabilities:		
Trade and other payables	952,885	588,917
Cash generated from operations	911,859	550,589
Finance costs paid	(411,152)	(359,024)
Tax paid	(97,299)	(351,958)
Gratuity paid	(8,791)	(3,315)
Interest income received	23,529	8,921
	(493,713)	(705,376)
Decrease in long term prepayments	(9,445)	(5,226)
Increase in long term deposits	39,160	-
Net cash generated from / (used in) operating activities	447,861	(160,013)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(65,143)	(119,302)
Increase in capital work in process	(283,990)	(108,655)
Proceeds from sale of property, plant and equipment	123	1,974
Decrease in long term investments	30	-
Net cash used in investing activities	(348,980)	(225,983)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term borrowings	44,041	-
Payment of lease liabilities	(465,212)	(306,117)
Dividend paid	(145,270)	(449,889)
Net cash used in financing activities	(566,441)	(756,006)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(467,560)	(1,142,002)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,273,248	1,545,032
CASH AND CASH EQUIVALENTS AT END OF PERIOD	805,688	403,030

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 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 7 outlets situated in Azad Kashmir, 6 in Balochistan, 15 in Islamabad Capital Territory, 1 in Gilgit Baltistan, 39 in Khyber Pakhtun Khwa, 323 in Punjab and 75 outlets in Sindh. The Company also has 7 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 SIX-MONTH PERIOD ENDED JUNE 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 do not 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, 2021 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. On March 23, 2020, the Government of the Punjab, announced measures; temporary lockdown, temporary closure of businesses, curtailment of intercity movements and cancellation of major events. These measures were followed by other provinces as well. 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 six months period ended June 30, 2020.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 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)
		June 30, 2020	December 31, 2019
Note		(Rupees in '000)	
6 PROPERTY, PLANT AND EQUIPMENT			
Property, plant and equipment	6.1	1,795,863	1,823,444
Capital work in progress	6.2	273,642	43,453
		2,069,505	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	104,967	482,170
		1,928,411	2,125,073
Less: Disposals during the period (at NBV)	6.1.1	(1,295)	(44,646)
Depreciation charged during the period/year		(131,253)	(256,983)
		(132,548)	(301,629)
		1,795,863	1,823,444

6.1.1		(UN-AUDITED)		(AUDITED)	
		June 30, 2020	June 30, 2020	December 31, 2019	December 31, 2019
		Additions	Disposal (NBV)	Additions	Disposal (NBV)
		(Rupees in '000)			
Buildings					
- Factory	3,561	—	40,938	—	
- Others	703	—	1,165		
Plant & Machinery	1,138	—	56,742	1,759	
Gas Installations	—	—	24	—	
Office Equipment	—	48	41	15	
Furniture, Fixture and Fittings	92,130	913	339,375	41,367	
Computers	7,435	334	30,735	1,505	
Vehicles	—	—	13,150	—	
	104,967	1,295	482,170	44,646	

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2020

	Note	(UN - AUDITED)	(AUDITED)
		June 30, 2020	December 31, 2019
		(Rupees in '000)	
6.2	Opening balance	43,453	125
	Add: Additions during the period	270,013	179,671
		313,466	179,796
	Less: Transfers during the period	39,824	136,343
		273,642	43,453

7 LONG TERM INVESTMENTS

At Fair value through amortised cost

PLS Term Deposit Receipts	7.1	45,002	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. 380.289 million (2019: Rs. 42.340 million)

9 TAX REFUNDS DUE FROM GOVERNMENT

	Note	(UN - AUDITED)	(AUDITED)
		June 30, 2020	December 31, 2019
		(Rupees in '000)	
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.	350,161	350,161

10 CASH AND BANK BALANCES

Bank balances in			
Current accounts			
- Foreign currency		25,094	23,303
- Local currency		332,079	30,158
		357,173	53,461
Daily profit accounts	10.1	394,722	1,100,014
	10.2	751,895	1,153,475
Cash in transit		52,446	115,759
Cash in hand			
- Foreign currency		417	2,826
- Local currency		930	1,188
		1,347	4,014
		805,688	1,273,248

10.1 The rate of mark-up on these accounts ranges from 7.25% to 13.00% (2019: 8.00% to 11.48%) 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 SIX-MONTH PERIOD ENDED JUNE 30, 2020

		(UN - AUDITED)	(AUDITED)
	Note	June 30, 2020	December 31, 2019
		(Rupees in '000)	
11	LONG TERM BORROWING		
Long term borrowing	11.1	44,041	—

11.1 The long term borrowing has been obtained from Habib Bank Limited for capital expenditure. Under the arrangement, principal amount of Rs. 44.041 million is repayable in 39 equal biquarterly instalments beginning on November 15, 2020. Interest is payable quarterly at the rate of 9.81% per annum.

	(UN - AUDITED)	(AUDITED)
	June 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	4,638	10,577
Payment made by the Company during the period/year	(8,791)	(10,776)
Experience adjustment	–	2,254
Closing liability	79,323	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. 1,640.000 million (2019: Rs. 1,140.000 million). These include:

- Non funded facilities of letters of guarantee and letters of credit amounting to Rs. 180.000 million (2019: Rs. 740.000 million); and

-Cash finance facilities of Rs. 1,460.00 million (2019: Rs. 400.000 million).

The un-utilized facility for letter of credits and guarantees at year end amounts to Rs. 1,625 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. 1,962 million (2019: Rs. 1,194 million).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 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 favourable 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) June 30, 2020	(AUDITED) December 31, 2019
(Rupees in '000)		
	120,801	64,299
	9,477	171,443
	130,278	235,742

	(UN-AUDITED) Three month period ended		(UN-AUDITED) Six month period ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
(Rupees in '000)				
Shoes and accessories				
Local	2,157,587	6,881,245	5,798,053	10,397,173
Export	8,576	32,208	18,994	47,442
	2,166,163	6,913,453	5,817,047	10,444,615
Sundry articles and scrap material	981	22,861	14,671	46,595
	2,167,144	6,936,314	5,831,718	10,491,210
Less: Sales tax	(262,658)	(443,579)	(765,812)	(668,502)
Discount to dealers and distributors	(71,006)	(664,165)	(245,975)	(847,418)
Commission to agents/business associates	(64,325)	(111,432)	(138,275)	(181,577)
	(397,989)	(1,219,176)	(1,150,062)	(1,697,497)
	1,769,155	5,717,138	4,681,656	8,793,713

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 SIX-MONTH PERIOD ENDED JUNE 30, 2020

	(UN-AUDITED)		(UN-AUDITED)	
	Three month period ended		Six month period ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
(Rupees in '000)				
16 COST OF SALES				
Raw material consumed	31,824	775,779	1,173,806	1,799,793
Stores and spares consumed	394	2,536	2,945	5,013
Fuel and power	8,762	31,455	53,367	69,701
Salaries, wages and benefits	91,232	129,368	257,511	265,158
Repairs and maintenance	10,777	15,460	25,824	31,104
Insurance	5,831	4,488	10,734	8,840
Depreciation	12,952	12,288	25,849	24,055
	161,772	971,374	1,550,036	2,203,664
Add: Opening goods in process	80,840	57,634	46,908	43,965
	242,612	1,029,008	1,596,944	2,247,629
Less: Closing goods in process	(79,928)	(62,453)	(79,928)	(62,453)
Cost of goods manufactured	162,684	966,555	1,517,016	2,185,176
Add: Opening stock of finished goods	5,002,993	5,407,003	3,828,968	3,743,958
Finished goods purchased	115,229	1,648,459	1,545,794	3,751,261
	5,280,906	8,022,017	6,891,778	9,680,395
Less: Closing stock of finished goods	(4,116,676)	(4,946,077)	(4,116,676)	(4,946,077)
	1,164,230	3,075,940	2,775,102	4,734,318

	(UN-AUDITED)		(UN-AUDITED)	
	Three month period ended		Six month period ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
(Rupees in '000)				
17 FINANCE COST				
Interest / mark-up on:				
Workers' profit participation fund	1,962	—	1,962	1,962
Employees / agents' securities and personal accounts	504	4,706	2,116	4,912
Lease liability	177,031	197,806	372,295	322,253
Short term borrowings	19,776	5,993	19,776	7,630
	199,273	208,505	396,149	336,757
Bank charges and commission	4,722	12,411	15,003	22,267
	203,995	220,916	411,152	359,024

	(UN-AUDITED)	
	Six month period ended	
	June 30, 2020	June 30, 2019
(Rupees in '000)		
18 CASH AND CASH EQUIVALENTS		
Bank balances in		
- Current accounts	357,173	56,637
- Daily profit accounts	394,722	215,530
Short term investment	—	—
Cash in transit	52,446	124,455
Cash in hand	1,347	6,408
	805,688	403,030

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 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		Six month period ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Relationship with the Company	Nature of transactions	(Rupees in '000)			
Common control companies	Purchase of goods and services	17,589	95,088	40,397	426,214
	Sale of goods and services	—	1,788	1,451	4,803
	Trade mark license fee	82,396	268,581	227,893	422,259
	Management service fee	53,969	50,575	106,241	98,717
Holding company	Dividend paid	341,152	341,152	341,152	341,152
Staff Retirement Benefits	Contribution to provident fund trusts	21,658	16,993	38,292	34,423
Staff Retirement Benefits	Gratuity paid	17	—	8,791	3,315
Key management personnel	Remuneration	34,935	47,340	69,955	83,489

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

	(UN - AUDITED)		(AUDITED)
	June 30, 2020		December 31, 2019
	(Rupees in '000)		
Period end balances			
Receivable from related party		6,769	6,375
Payable to related party		1,239,936	1,037,546

	(UN-AUDITED)		(UN-AUDITED)	
	Three month period ended		Six month period ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
(Rupees in '000)				
20 FINANCE COST				
(Loss) / Profit after taxation attributable to ordinary share holders (Rupees in '000)	(420,584)	608,665	(670,862)	652,850
Weighted average number of ordinary shares - Number (in '000)	7,560	7,560	7,560	7,560
(Loss) / Earnings per share - Basic (Rs.)	(55.63)	80.51	(88.74)	86.36

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 SIX-MONTH PERIOD ENDED JUNE 30, 2020

(UN-AUDITED) Six month period ended

	Retail		Wholesale		Export		Others		Total	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Net sales	3,979,118	6,497,180	669,728	2,205,665	18,994	47,441	13,816	43,579	4,681,656	8,793,713
Inter - segment sales	-	-	-	-	-	-	-	-	-	-
Total Sales	3,979,118	6,497,180	669,728	2,205,665	18,994	47,441	13,816	43,579	4,681,656	8,793,713
Segment result before unallocated expenses	260,673	1,722,616	(289,763)	382,369	1,660	9,360	6,056	16,154	(21,370)	2,130,499
Unallocated operating expenses									(416,589)	(779,948)
Other expenses									(17,842)	(97,693)
Other income									27,465	15,090
Finance cost									(411,152)	(359,024)
Profit/(Loss) before taxation									(839,492)	908,924
Taxation									168,630	(256,074)
Profit/(Loss) after taxation									(670,862)	652,850

(UN-AUDITED) Three month period ended

	Retail		Wholesale		Export		Others		Total	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Rupees in ('000)										
Net sales	1,553,220	3,969,316	205,424	1,695,770	8,576	32,207	1,935	19,845	1,769,155	5,717,138
Inter - segment sales	-	-	-	-	-	-	-	-	-	-
Total Sales	1,553,220	3,969,316	205,424	1,695,770	8,576	32,207	1,935	19,845	1,769,155	5,717,138
Segment result before unallocated expenses	7,264	1,296,327	(321,318)	325,280	(126)	6,799	1,935	8,401	(312,245)	1,666,807
Unallocated operating expenses									(95,033)	(400,349)
Other expenses									(15,850)	(81,966)
Other income									3,036	6,500
Finance cost									(203,995)	(345,362)
(Loss) / profit before taxation									(624,087)	815,630
Taxation									203,503	(206,965)
(Loss) / profit after taxation									(420,584)	608,665

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2020

	(UN-AUDITED)	(AUDITED)	(UN-AUDITED)	(AUDITED)
	Segment assets		Segment liabilities	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
	(Rupees in '000)			
21.1 SEGMENT ASSETS AND LIABILITIES				
Retail	9,835,943	9,018,951	4,993,287	4,951,423
Wholesale	2,734,146	3,488,814	71,302	190,183
Export	5,740	12,949	-	-
Unallocated	3,070,813	3,357,655	4,261,926	3,292,174
	<u>15,646,642</u>	<u>15,878,369</u>	<u>9,326,515</u>	<u>8,433,780</u>

22 EVENTS AFTER THE REPORTING DATE

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

23 DATE OF AUTHORIZATION

This interim financial statements were authorized for issue by the Board of Directors on 26 August, 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.



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