



Bata PAKISTAN LIMITED



QUARTERLY
REPORT
JANUARY-SEPTEMBER 2018

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QUARTERLY REPORT

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018

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. Ijaz Ahmad Chaudhry	Director
Mr. Shahid Anwar (Nominee of NIT)	Director
Mr. Aamir Amin (Nominee of NIT)	Director

Audit Committee

Mr. Muhammad Maqbool	Chairman
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, Shahrāh-e-Quaid-e-Azam,
Ghulam Rasool Building,
Lahore.

Stock Exchange Listing

Bata Pakistan Limited is listed on
Pakistan Stock Exchange.

The Company's shares are quoted in leading
Newspapers 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 Area,
Model Town, Lahore.

Factories

Batapur,

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

Maraka,

26 - Km, Multan Road,
Lahore.

Liaison Office

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

DIRECTORS' REVIEW

It is my pleasure to present the un-audited Condensed Interim Financial Information and brief review of the Company's operations for the nine month period ending 30 September 2018.

The Company turnover in the period under review was Rs. 11.765 billion as compared to Rs. 11.060 billion for the corresponding period of last year showing a growth of 6%. Profit after tax decreased from Rs. 904.2 million to Rs. 792.2 million mainly due to cost push in imported purchases and increase in operating expenses. As a result earnings per share decreased from Rs. 119.61 to Rs. 104.79.

Retail division showed a significant growth of 8% during the period with current setup and was able to achieve improvement in turnover with respect to corresponding period. Our non-retail division also showed a slight improvement in turnover during this period as compared to corresponding period which was in line with the plan of 2018. They are striving to develop new products and customers base to achieve growth.

Our production facilities at Batapur and Maraka were remained fully loaded to meet the demand and to produce value added products for differentiation. 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. 142.748 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 and distributed uniform, books and shoes amongst 237 underprivileged children studying in various schools in Lahore. To support rehabilitation and educational process of Special Children, we furnished a classroom at Rising Sun Institute Lahore to accommodate 12 children at one time and celebrated Independence Day with the children of a local school and distributed gifts amongst them. Training of employees has always been considered as an investment for the future with the objective to provide them with safe and healthy work place.

The Company has signed an amended trade mark royalty agreement with Bata Brands S.A Switzerland (a related party) effective from July 01, 2018. As per the amended agreement, royalty payments remittable from the Company to Bata Brands S.A Switzerland will increase from 2% of net turnover which has to be paid net of any taxes to 5% of net turnover subject to deduction of withholding tax and any other taxes, levies or dues of all kinds imposed on the Annual Royalty by any authority. This amendment will provide the Company with exclusive trade mark rights with in our territory, access to enhance trade mark value and increase in term of the agreement to December 31, 2028 against previous expiry of December 31, 2024.

We remain confident as regards to our prospects for the remaining year, despite the uncertain economic conditions especially the unprecedented and sudden devaluations of Pak Rupee against US dollar. We look forward to continued support from all our stakeholders to achieve the objectives for the year 2018.

On behalf of the Board

Batapur:
Lahore: 29 October 2018

(Muhammad Imran Malik)
Chief Executive

ڈائریکٹرز کا جائزہ

ہم 30 ستمبر 2018 تک ختم ہونے والی نو ماہ کی مدت کیلئے غیر آڈٹ انٹیریم مالیاتی انفارمیشن اور کمپنی کے آپریشنز کا جائزہ لیتے ہوئے خوشی محسوس کرتے ہیں۔

کمپنی کی آمدنی جو کہ 11.060 بلین روپے کے مقابلے 11.765 بلین روپے جس میں 6% اضافہ ہوا ہے۔ منافع بعد از ٹیکس 904.3 بلین سے کم ہو کر 792.2 بلین اور منافع پر حصص 119.91 سے کم ہو کر 104.79 روپے رہا۔

ریٹیل ڈویژن میں موجودہ سیٹ اپ کیساتھ 8 فیصد کی نمایاں ترقی حاصل کی اور اسی مدت کے سلسلے میں تبدیلی میں برتری حاصل کرنے میں کامیاب رہا۔ ہمارے نان ریٹیل ڈویژن میں اسی مدت کے دوران مجموعی تبدیلی میں 2018 کی منصوبہ بندی کے مطابق اس مدت کے مقابلے میں تھوڑی سی برتری ظاہر کی۔ وہ ترقی حاصل کرنے کیلئے مصنوعات اور گاہکوں کی ترقی کیلئے کوشش کر رہے ہیں۔

زیر جائزہ مدت کے دوران ہمارے بٹا پورا اور مراکے کے پیداواری یونٹس مقبول اشیاء کی مانگ کو ملحوظ خاطر رکھتے ہوئے پوری طرح سے مصروف رہے۔ ہم مولڈز کے اندر مسلسل سرمایہ کاری کر رہے ہیں جو زیادہ تر مارکیٹ میں بہت مقبول ہو رہے ہیں۔

ہماری مثال یہ ہے کہ ہمارے قابل قدر گاہکوں کی مانگ کو پورا کرنے اور انہیں خصوصی اور موثر طور پر خدمات فراہم کریں۔ جو تے کی صنعت میں رہنما کے طور پر ہمارے کردار کو برقرار رکھنے کیلئے پرانے سٹورز کی بحالی اور نئے سٹورز رکھنے کیلئے 142.748 بلین خرچ کئے گئے۔ ہماری حکمت عملی کے ایک حصے کے طور پر ہماری توجہ کم کاروبار اور غیر منافع بخش سٹورز بند کر کے بڑے فارمیٹ کے سٹورز کی توسیع کی طرف ہے۔

کمپنی نے اپنی کارپوریٹ سماجی ذمہ داریاں (سی ایس آر) کی سرگرمیوں کو جاری رکھنے کے دوران لاہور میں مختلف سکولوں میں تعلیم حاصل کرنے والے 237 غیر معمولی بچوں کے درمیان یونیفارم، کتاہیں اور جو تے تقسیم کئے۔ خصوصی بچوں کی بحالی اور تعلیمی عمل کی حمایت کرنے کیلئے ہم نے "رائزنگ سن انسٹیٹیوٹ" لاہور میں ایک کلاس روم تیار کروایا جس میں ایک وقت میں بارہ بچے پڑھ سکتے ہیں۔ آزادی کا دن بچوں کیساتھ منایا گیا اور بچوں کو تحائف بھی دیئے گئے۔ ملازموں کی تربیت ہمیشہ مستقبل کیلئے ایک سرمایہ کاری کے طور پر سمجھا جاتا ہے۔ جس سے انہیں محفوظ اور صحت مند کام کرنے کی جگہ فراہم کرتا ہے۔

کمپنی نے بٹا برانڈز ایس۔ اے سوزر لینڈ کے ساتھ ٹریڈ مارک رائٹس کی ترمیم پر دستخط کیے ہیں۔ جو کہ یکم جولائی 2018 سے منوثر ہے۔ اس ترمیم کے تحت رائٹس کی شرح 2% سے 5% ہو گئی ہے جو کہ کمپنی کسی بھی اتھارٹی کی جانب سے لگاتے گئے ٹیکسز۔ ڈیوٹی اور دیگر واجبات کی ادائیگی کے بعد ادا کرے گی اس ترمیم سے کمپنی کو اس خطے میں بٹا کے نام سے تجارت کے خصوصی حقوق ملیں گے اور معاہدے کی مدت دسمبر 31، 2028 تک ہوگی جو کہ پہلے دسمبر 31، 2024 تھی۔

انتہائی مسابقتی مارکیٹنگ کے ماحول اور خاص طور پر امریکی ڈالر کے مقابلے میں پاک روپے کی بے مثال اور اچانک کمی کے باوجود ہم باقی سال کیلئے اپنے امکانات کے بارے میں یقین رکھتے ہیں۔ ہم سال 2018ء کے مقاصد کو حاصل کرنے کیلئے اپنے تمام اسٹیک ہولڈرز کے مسلسل تعاون کے منتظر ہیں۔

منجانب بورڈ

محمد عمران ملک
چیف ایگزیکٹو

بٹا پور:-

لاہور:- ۱۲۹ اکتوبر ۲۰۱۸ء

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION - UNAUDITED

AS AT SEPTEMBER 30, 2018

	Note	(UN - AUDITED) September 30, 2018	(AUDITED) December 31, 2017
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	1,572,388	1,511,909
Intangible assets		731	1,713
Long term investments	7	45,002	45,000
Long term deposits and prepayments		32,519	35,557
		1,650,640	1,594,179
CURRENT ASSETS			
Stores and spare parts		–	–
Stock in trade	8	4,630,772	3,482,354
Trade debts - unsecured		2,263,202	1,563,635
Advances - unsecured		319,532	432,424
Deposits and short term prepayments		252,281	74,386
Other receivables		499,260	721,636
Interest accrued		2,719	1,751
Short term investment		–	550,000
Tax refunds due from Government		391,660	493,823
Cash and bank balances	9	431,718	610,138
		8,791,144	7,930,147
TOTAL ASSETS		10,441,784	9,524,326
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		7,389,264	7,050,641
		7,389,747	7,051,124
		7,465,347	7,126,724
NON-CURRENT LIABILITIES			
Long term deposits		45,002	45,000
Deferred liability - employee benefits	10	75,627	76,030
Deferred taxation		49,712	40,799
		170,341	161,829
CURRENT LIABILITIES			
Trade and other payables		2,415,376	1,640,756
Short term borrowings	11	–	–
Provision for taxation		390,720	595,017
		2,806,096	2,235,773
CONTINGENCIES AND COMMITMENTS			
	12		
TOTAL EQUITY AND LIABILITIES		10,441,784	9,524,326

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 NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

	Note	Nine month period ended		Three month period ended	
		September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
(Rupees in '000)					
NET SALES	13	11,764,772	11,059,871	3,466,645	3,230,942
COST OF SALES	14	6,734,640	6,397,509	2,057,448	1,858,376
GROSS PROFIT		5,030,132	4,662,362	1,409,197	1,372,566
Distribution Cost		2,854,490	2,513,177	1,019,521	838,759
Administrative Expenses		803,156	725,950	258,371	239,639
Other expenses		120,169	110,447	16,016	25,173
		3,777,815	3,349,574	1,293,908	1,103,571
OTHER INCOME		34,140	59,064	10,213	11,989
OPERATING PROFIT		1,286,457	1,371,852	125,502	280,984
FINANCE COST		34,899	31,018	11,052	9,574
PROFIT BEFORE TAXATION		1,251,558	1,340,834	114,450	271,410
PROVISION FOR TAXATION					
Current		450,422	458,350	36,824	78,124
Deferred		8,913	(21,747)	(1,670)	(3,599)
		459,335	436,603	35,154	74,525
PROFIT AFTER TAXATION		792,223	904,231	79,296	196,885
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME		792,223	904,231	79,296	196,885
EARNINGS PER SHARE					
- BASIC AND DILUTED	17	Rs.104.79	Rs.119.61	Rs.10.49	Rs.26.04

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

CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

	Note	Nine month period ended	
		September 30, 2018	September 30, 2017
		(Rupees in '000)	
CASH GENERATED FROM OPERATIONS			
Profit before taxation		1,251,558	1,340,834
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation for property, plant & equipment		164,386	151,389
Amortization of intangible assets		982	1,495
Provision for gratuity		4,926	4,148
Loss on disposal of property, plant and equipment		8,135	4,052
Income from short term investments		(21,358)	(41,399)
Income from long term investments		(1,964)	(1,862)
Exchange loss		13,969	4,876
Finance cost		34,899	31,018
Income from discounting of supplier invoices		(4,772)	(9,494)
Provision for trade debts and advances - (net)		15,851	64,891
Provision for slow moving and obsolete stock (net)		114,283	78,710
(Reversal)/Recognition of provision for obsolescence stores & spare parts		(2,723)	1,109
		326,614	288,933
Operating profit before working capital changes		1,578,172	1,629,767
(Increase) / decrease in current assets:			
Stores & spare parts		2,723	(886)
Stock in trade		(1,262,701)	(1,386,003)
Trade debts - unsecured		(715,418)	(528,073)
Advances - unsecured		112,892	(139,431)
Deposits and short term prepayments		(177,895)	(200,175)
Other receiveables		(7,903)	17,842
Sales tax refunds due from Government		102,163	14,774
		(1,946,139)	(2,221,950)
Increase / (decrease) in current liabilities:			
Trade and other payables		841,124	253,051
Cash generated from / (used in) operations		473,157	(339,132)
Finance costs paid		(34,899)	(23,422)
Tax paid		(424,440)	(636,145)
Gratuity paid		(5,329)	(4,460)
Interest income received		27,126	51,420
		(437,542)	(612,607)
Decrease/(Increase) in long term prepayments		3,038	(7,776)
Decrease in long term deposits		2	12
Net cash generated from / (used in) operating activities	A	38,655	(959,503)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(236,427)	(196,190)
Increase in capital work in process		(81,682)	(12,103)
Purchase of Intangible assets		-	(1,456)
Proceeds from sale of property, plant and equipment		5,863	6,419
Increase in long term investments		(2)	(12)
Net cash used in investing activities	B	(312,248)	(203,342)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(454,827)	(450,301)
Net cash used in financing activities	C	(454,827)	(450,301)
NET DECREASE IN CASH AND CASH EQUIVALENTS	A+B+C	(728,420)	(1,613,146)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		1,160,138	2,156,937
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15	431,718	543,791

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 CHANGES IN EQUITY - UNAUDITED

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

	Share capital	Capital reserve	General reserve	Unappropriated profits	Total
(Rupees in 000)					
Balance as at January 01, 2017	75,600	483	5,634,000	952,511	6,662,594
Final dividend for 2016 at the rate of Rs. 60 per share	-	-	-	(453,600)	(453,600)
Transfer to general reserve for 2016	-	-	498,000	(498,000)	-
Total comprehensive income for the nine month period ended September 30, 2017	-	-	-	904,231	904,231
Balance as at September 30, 2017	75,600	483	6,132,000	905,142	7,113,225
Balance as at January 01, 2018	75,600	483	6,132,000	918,641	7,126,724
Final dividend for 2017 at the rate of Rs. 60 per share	-	-	-	(453,600)	(453,600)
Transfer to general reserve for 2018	-	-	465,000	(465,000)	-
Total comprehensive income for the nine month period ended September 30, 2018	-	-	-	792,223	792,223
Balance as at September 30, 2018	75,600	483	6,597,000	792,264	7,465,347

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

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.

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 and directives issued under the Companies Act, 2017.

Where the provision of and directives under the Companies Act, 2017 differ with the requirements of IAS 34, the provision of and directives issued under the Companies Act, 2017 have been followed.

3 BASIS OF PRESENTATION AND MEASUREMENT

These condensed interim financial statements of the Company for the nine month period ended September 30, 2018 are unaudited. These condensed interim financial statements do not include all the statements required for annual financial statements including financial risk management statements and therefore should be read in conjunction with annual financial statements for the year ended December 31, 2017.

The financial statements have been prepared under the historic cost convention. 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 APPROVED ACCOUNTING STANDARDS

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

Certain standards, amendments and interpretations to approved accounting standards are effective for the annual period beginning on or after July 01, 2017 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in this condensed interim financial statements.

4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

Certain standards, amendments and interpretations to approved accounting standards are mandatory for the annual periods beginning on or after July 01, 2018, but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in this condensed interim financial information.

- IFRS 15, 'Revenue from contracts with customers': This standard has been notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This standard deals with revenue recognition and establishes principles for reporting useful statements to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from an entity contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue' and IAS 11, 'Construction contracts', and related interpretations. The Company is yet to assess the full impact of the standard.
- IFRS 16, 'Leases'; (effective for periods beginning on or after January 1, 2019) however this standard is yet to be notified by the SECP. This standard replaces the current guidance in IAS 17. Leases and is a far reaching change in accounting by leases in particular Under IAS 17, leases were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position) IFRS 16 now requires leases to recognize a lease liability reflecting future lease payments and a "right - of - use" asset for virtually all lease contracts. The IASB has included an option exemption for certain short term leases and leases of low value assets, however, this exemption can only be applied by leases. For lessors, the accounting stays almost the same. However as the IASB has updated the guidance on the definition of a lease (as well the guidance on the combination and separation of contracts), lessors will also be affected by the new standard At the very least, the new accounting model for leases is expected to impact negotiation between lessors and lessees. The Company is yet to assess the full impact of the standard.

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in preparation of the annual audited and published financial statements for the year ended December 31, 2017 except as described below:

The nomenclature of primary statements has been changed to align it with the requirements of the Companies Act, 2017.

Income tax expense is recognized based on management's best estimate of the weighted average income tax rate expected for the full financial year.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

	Note	(UN - AUDITED)	(AUDITED)
		September 30, 2018	December 31, 2017
(Rupees in '000)			
6 PROPERTY, PLANT AND EQUIPMENT			
Property, plant and equipment	6.1	1,560,800	1,502,756
Capital work in progress	6.2	11,588	9,153
		<u>1,572,388</u>	<u>1,511,909</u>
6.1 Opening Net Book Value (NBV)		1,502,756	1,415,822
Add: Additions/transfers during the period	6.1.1	236,427	311,326
		<u>1,739,183</u>	<u>1,727,148</u>
Less: Disposals during the period (at NBV)	6.1.1	13,997	17,143
Depreciation charged during the period		164,386	207,249
		<u>178,383</u>	<u>224,392</u>
		<u>1,560,800</u>	<u>1,502,756</u>

6.1.1

	(UN - AUDITED)		(AUDITED)	
	September 30, 2018	September 30, 2018	December 31, 2017	December 31, 2017
	Additions	Disposal (NBV)	Additions	Disposal (NBV)
(Rupees in '000)				
Buildings				
- Factory	6,787	-	7,722	-
- Others	356	8	-	-
Plant & Machinery	9,879	832	41,609	3,380
Boiler	-	-	4,010	82
Gas Installations	23	-	-	-
Office Equipment	475	-	153	-
Furniture, Fixture and Fittings	196,970	12,947	238,214	12,991
Computers	21,937	85	19,618	437
Vehicles	-	125	-	253
	<u>236,427</u>	<u>13,997</u>	<u>311,326</u>	<u>17,143</u>

6.2

	(UN - AUDITED)	(AUDITED)
	September 30, 2018	December 31, 2017
(Rupees in '000)		
Opening balance	9,153	4,935
Add: Additions during the period	81,682	44,830
	<u>90,835</u>	<u>49,765</u>
Less: Transfers during the period	79,247	40,612
	<u>11,588</u>	<u>9,153</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

	Note	(UN - AUDITED)	(AUDITED)
		September 30, 2018	December 31, 2017
(Rupees in '000)			
7 LONG TERM INVESTMENTS			
Held to maturity at cost			
PLS Term Deposit Receipts	7.1	45,002	45,000

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 6.00% (2017: 6.00%) per annum.

8 STOCK IN TRADE

This represents net amount after adjustment for provision against slow moving and obsolete stock amounting to Rs. 141.883 million (2017: Rs. 78.710 million).

	Note	(UN - AUDITED)	(AUDITED)
		September 30, 2018	December 31, 2017
(Rupees in '000)			
9 CASH AND BANK BALANCES			
Bank balances in			
Current accounts			
- Foreign currency		18,151	16,163
- Local currency		11,714	53,579
Daily profit accounts	9.1	29,865	69,742
		305,541	434,311
	9.2	335,406	504,053
Cash in transit		93,975	104,902
Cash in hand			
- Foreign currency		1,466	366
- Local currency		871	817
		2,337	1,183
		431,718	610,138

9.1 The rate of mark-up on these accounts ranges from 3.90% to 5.68% (2017: 3.88% to 5.50%) per annum.

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

	(UN - AUDITED)	(AUDITED)
	September 30, 2018	December 31, 2017
(Rupees in '000)		
10 DEFERRED LIABILITY- EMPLOYEE BENEFITS		
Opening liability	76,030	72,150
Amount recognized during the period/year	4,926	6,024
Payment made by the Company during the period/year	(5,329)	(4,796)
Experience Adjustment	-	2,652
Closing liability	75,627	76,030

The latest actuarial valuation was carried out as at December 31, 2017.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

11 SHORT TERM BORROWINGS

The credit facilities available to the Company from various commercial banks aggregate to Rs.645 million (2017: Rs. 700 million). These include cash finance facilities of Rs 610 million (2017: Rs 665 million) and export finance facility of Rs. 35 million (2017: Rs. 35 million).

Mark up on cash finance ranges from 3 months KIBOR plus 0.50% to 1.0% (2017: 3 months KIBOR plus 0.50% to 1.0%) as per agreements with banks. While mark up on export finance is charged at 4.00% (2017: 4.00%) per annum.

In addition, non funded facilities of letters of guarantee and letters of credit amounting to Rs. 495 million (2017: Rs. 495 million) were also provided by these banks. The un-utilized facility for letter of credits and guarantees at year end amounts to Rs. 248 million (2017: Rs. 261 million).

These finances are secured against hypothecation of stock in trade, store and spares and receivables of the Company amounting to Rs. 1,194 million (2017: Rs. 1,194 million).

Note	(UN - AUDITED)	(AUDITED)
	September 30, 2018	December 31, 2017
	(Rupees in '000)	
12 CONTINGENCIES AND COMMITMENTS		
12.1 The Company is contingently liable for:		
Counter Guarantees given to banks	15,960	16,512
Indemnity Bonds given to Custom Authorities	83,859	9,800
Claims not acknowledged as debts - under appeal	14,183	13,183
Order by sales tax department	138,851	138,851
Order by sales tax department - under appeal	265,252	265,252
Order by sales tax department - under appeal	237,370	237,370
Order by sales tax department - under appeal	25,820	25,820
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	80,000	80,000
Order by sales tax department - under appeal	52,134	52,134
Order by sales tax department - under appeal	8,225	8,225
Show cause notice by sales tax department	85,000	85,000
Order by income tax department-under appeal	617,721	363,683
Order by sales tax department - under appeal	60,732	60,732
	<u>3,667,426</u>	<u>3,338,881</u>

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

12.1.1 On July 18, 2018, Company received an assessment order from Additional Commissioner Inland Revenue (ACIR) for the tax year 2010, in addition to Order dated June 27, 2016 amounting to Rs 363.6 million. Based on proration of expenses and adding back provision/liabilities, the ACIR created a demand of Rs. 254.038 million. The Company has filed an appeal with Commissioner (Appeals). The Company, based on the opinion of the tax advisor, expects a favorable outcome.

	(UN - AUDITED)	(AUDITED)
	September 30, 2018	December 31, 2017
	(Rupees in '000)	
12.2 Commitments in respect of:		
- Capital expenditure	59,235	14,801
- Letters of credit and bank contracts	310,919	513,632
	<u>370,154</u>	<u>528,433</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

(UN - AUDITED)

	Nine month period ended		Three month period ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
(Rupees in '000)				
13 NET SALES				
Shoes and accessories				
Local	13,727,135	12,938,673	4,091,204	3,810,514
Export	51,310	54,718	7,874	8,677
	13,778,445	12,993,391	4,099,078	3,819,191
Sundry articles and scrap material	61,152	69,743	10,803	11,773
	13,839,597	13,063,134	4,109,881	3,830,964
Less: Sales tax	901,296	938,523	285,027	298,966
Discount to dealers and distributors	939,461	852,783	290,607	237,710
Commission to agents/business associates	234,068	211,957	67,602	63,346
	2,074,825	2,003,263	643,236	600,022
	11,764,772	11,059,871	3,466,645	3,230,942
14 COST OF SALES				
Raw material consumed	2,508,082	2,599,655	764,346	651,223
Stores and spares consumed	6,025	8,685	2,138	2,314
Fuel and power	81,641	81,671	26,713	22,659
Salaries, wages and benefits	360,966	365,812	115,994	107,427
Repairs and maintenance	48,450	37,293	14,147	11,514
Insurance	11,635	9,253	4,062	3,733
Depreciation	36,469	36,579	12,308	12,629
	3,053,268	3,138,948	939,708	811,499
Add: Opening goods in process	49,498	40,996	39,364	63,575
	3,102,766	3,179,944	979,072	875,074
Less: Closing goods in process	46,895	52,245	46,895	52,245
Cost of goods manufactured	3,055,871	3,127,699	932,177	822,829
Add: Opening stock of finished goods	3,269,167	2,698,754	4,141,672	3,839,799
Finished goods purchased	4,683,626	4,459,808	1,257,623	1,084,500
	11,008,664	10,286,261	6,331,472	5,747,128
Less: Closing stock of finished goods	4,274,024	3,888,752	4,274,024	3,888,752
	6,734,640	6,397,509	2,057,448	1,858,376

(UN - AUDITED)

	September 30, 2018	September 30, 2017
	(Rupees in '000)	
15 CASH AND CASH EQUIVALENTS		
Bank balances in		
- Current accounts	29,865	46,671
- Daily profit accounts	305,541	175,955
Short term investment	-	250,000
Cash in transit	93,975	70,190
Cash in hand	2,337	975
	431,718	543,791

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

16 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of 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)			
		Nine month period ended		Three month period ended	
		September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Relationship with the Company	Nature of transactions	(Rupees in '000)			
Common control companies	Purchase of goods and services	783,373	866,666	277,772	291,553
	Sale of goods and services	5,850	2,361	563	1,453
	Dividend paid	307,037	307,037	–	–
	Trade mark license fee	384,310	277,259	180,643	80,414
	Management service fee	123,820	106,379	42,946	36,384
	IT charges	15,319	14,805	–	–
Staff Retirement Benefits	Contribution to provident fund trusts	50,572	49,797	15,950	18,785
	Gratuity paid	5,329	4,460	2,224	1,847
Key management personnel	Remuneration	125,236	73,007	28,401	24,713

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

	(UN - AUDITED)	(AUDITED)
	September 30, 2018	December 31, 2017
	(Rupees in '000)	
Period end balances		
Receivable from related party	6,189	1,967
Payable to related party	257,306	98,610

These are in the normal course of business and are interest free.

		(UN - AUDITED)			
		Six month period ended		Three month period ended	
		September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
17 EARNINGS PER SHARE - BASIC AND DILUTED					
Profit after taxation attributable to ordinary share holders (Rupees in '000)		792,223	904,231	79,296	196,885
Weighted average number of ordinary shares - Number (in '000)		7,560	7,560	7,560	7,560
Earnings per share - Basic (Rs.)		104.79	119.61	10.49	26.04

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 STATEMENTS - UNAUDITED

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

18. SEGMENT REPORTING

(UN - AUDITED) Nine month period ended

	Retail		Wholesale		Export		Others		Total	
	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017
Rupees in ('000)										
Net sales	8,523,956	7,893,574	3,130,839	3,094,160	48,846	54,620	61,151	67,317	11,764,772	11,059,871
Inter - segment sales	-	-	-	-	-	-	-	-	-	-
Total Sales	8,523,956	7,893,574	3,130,839	3,094,160	48,846	54,620	61,151	67,317	11,764,772	11,059,871
Segment result before unallocated expenses	1,880,159	1,830,458	491,248	457,522	3,893	4,995	9,949	12,075	2,385,249	2,305,050
Unallocated operating expenses									1,012,753	881,815
Other expenses									120,169	110,417
Other income									54,130	50,661
Operating profit									1,286,457	1,371,852
Finance cost									34,899	31,018
Profit before taxation									1,251,558	1,340,834
Taxation									459,335	486,603
Profit after taxation									792,223	904,231

(UN - AUDITED) Three month period ended

	Retail		Wholesale		Export		Others		Total	
	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017
Rupees in ('000)										
Net sales	2,563,957	2,366,756	884,944	844,298	5,411	8,579	12,333	11,209	3,466,645	3,280,942
Inter - segment sales	-	-	-	-	-	-	-	-	-	-
Total Sales	2,563,957	2,366,756	884,944	844,298	5,411	8,579	12,333	11,209	3,466,645	3,280,942
Segment result before unallocated expenses	398,070	456,868	112,175	92,881	68	87	3,217	1,835	513,528	551,671
Unallocated operating expenses									382,223	257,505
Other expenses									16,016	25,174
Other income									10,213	11,991
Operating profit									125,502	280,983
Finance cost									11,052	9,574
Profit before taxation									114,450	271,409
Taxation									35,154	74,524
Profit after taxation									79,296	196,885

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

	(UN - AUDITED)		(AUDITED)	
	Segment assets		Segment liabilities	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
(Rupees in '000)				
18.1 SEGMENT ASSETS AND LIABILITIES				
Retail	4,456,008	3,570,415	111,917	85,826
Wholesale	3,305,719	2,412,037	27,984	19,253
Export	13,844	8,738	—	—
Unallocated	2,666,213	3,533,136	2,836,537	2,292,523
	<u>10,441,784</u>	<u>9,524,326</u>	<u>2,976,438</u>	<u>2,397,602</u>

19 DATE OF AUTHORIZATION

This interim financial information was authorized for issue by the Board of Directors on October 29, 2018.

20 CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet 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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