

Bata[®]

2016

QUARTERLY REPORT
JANUARY - SEPTEMBER



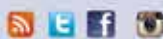
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QUARTERLY REPORT

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

CORPORATE INFORMATION

Board of Directors

Mr. Fernando Garcia	Chairman
Mr. Muhammad Qayyum	Chief Executive
Mr. M. G. Middleton	Director
Mr. Cesar Panduro	Director
Mr. Muhammad Ali Malik	Director
Mr. Muhammad Maqbool	Director
Mr. Ijaz Ahmad Chaudhry	Director
Mr. Shahid Anwar (Nominee of NIT)	Director
Mr. Syed Haroon Rashid (Nominee of NIT)	Director

Audit Committee

Mr. Muhammad Maqbool	Chairman
Mr. Ijaz Ahmad Chaudhry	Member
Mr. M. G. Middleton	Member

Human Resource and Remuneration Committee

Mr. Ijaz Ahmad Chaudhry	Chairman
Mr. Muhammad Qayyum	Member
Mr. Muhammad Maqbool	Member

Chief Financial Officer (CFO)

Mr. Cesar Panduro

Company Secretary

Mr. Amjad Farooq

Auditors

EY Ford Rhodes
Chartered Accountants
4th Floor Pace Mall Building, 96 B-1
Gulberg II, M.M. Alam Road,
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.

The Company's shares are quoted in leading
Newspapers under "Personal Goods" 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.

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 Financial Information and brief review of the Company's operations for the 3rd Quarter ended 30 September 2016.

The Company's turnover in the period under review for the nine month ended 30 September 2016 was Rs. 11.156 billion as compared to Rs. 11.102 billion for the corresponding period of last year. Due to intense competition, unfavourable market conditions and increase in expenses especially due to high rental costs, profit after tax decreased from Rs. 1,042 million to Rs. 981 million and earnings per share decreased from Rs. 137.88 to Rs. 129.81.

Although non-retail division remained under stress during the period but retail division showed a reasonable growth and was able to achieve 4% increase in turnover with respect to corresponding period. Our focus as a part of our strategy will remain on expansion of our big format stores by closing low turnover and non-profitable stores which are under minimum benchmark.

During the period under review, our manufacturing units at Batapur and Maraka were fully loaded to meet the demand for popular items. We are continually making investment in new moulds, the majority of which are proved very successful in the market.

The Company continued its Corporate Social Responsibilities activities during the period under review and donated shoes to under privileged children studying in different schools and SOS village, planted more than 2,000 trees in both the factories and arranged free eye check-up camp for children and parents of local community schools. Company also distributed shoes in the areas of Sialkot district amongst people affected by the floods in River Chenab. To encourage and promote healthy and active life style, football training academy was established in Batapur for people in community. Drawing Competition was arranged at Bata Club for children between 6-8 years age wherein families were also present to support these children. The Company is also investing a considerable time and money on human resource and 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.

We remain confident as regards to our prospects for the remaining year, despite the highly competitive marketing environment especially in NRSD. We look forward to continued support from all our stakeholders and to achieve the objectives for the year 2016.

On behalf of the Board

(MUHAMMAD QAYYUM)
Chief Executive

Batapur:
Lahore: 25 October 2016

ڈائریکٹرز کا جائزہ

بانا پاکستان لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 30 ستمبر، 2016 تیسری سہ ماہی کی عبوری مالی معلومات اور ڈائریکٹرز رپورٹ پیش کرنے پر مسرت محسوس کرتے ہیں۔

زیر جائزہ مدت کے دوران کمپنی نے گزشتہ سال کی اسی مدت میں حاصل ہونے والی آمدنی 11.156 ارب کے مقابلے اس نو ماہی مدت میں 11.102 ارب روپے آمدنی رپورٹ کی ہے۔

مارکیٹ میں شدید مسابقت، منفی تجارتی ماحول اور کرایوں میں اضافے سے اخراجات کی زیادتی کے باعث کمپنی کا مجموعی منافع بعد از ٹیکس 1,042 ملین روپے سے کم ہو کر 981 ملین روپے رہا ہو گیا، اور فی شیئر آمدن 137.88 روپے کے مقابلے میں 129.81 روپے ہو گئی۔ اگرچہ نان ریٹیل ڈویژن زیر جائزہ مدت کے دوران کشیدگی میں رہی لیکن ریٹیل ڈویژن نے گزشتہ سال کی اسی مدت کے مقابلے میں مناسب اضافہ پیش کیا۔

زیر جائزہ مدت کے دوران ہمارے باناپور اور مراکہ 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 رہے ہیں۔

کمپنی نے اپنی کارپوریٹ سماجی ذمہ داریوں کی سرگرمیاں زیر جائزہ مدت کے دوران بھی جاری رکھیں اور مختلف سکولوں اور رفاہی ادارے (SOS ویلج) کے مستحق طلباء کو جو تہ عطیہ کئے۔ 2000 سے زائد درخت دونوں فیکٹریوں میں لگوائے اور مقامی لوگوں اور بچوں کا مفت آنکھوں کے علاج کا کیمپ بھی لگایا گیا۔ کمپنی نے دریائے چناب میں سلاب آنے کی وجہ سے ضلع سیالکوٹ اور اُس کے مضافات کے سیلاب زدگان میں بھی جو تہ تقسیم کیے۔ تندرست اور فعال طرز زندگی کے فروغ اور حوصلہ افزائی کیلئے باناپور کے مقامی لوگوں کیلئے فٹ بال کا تربیت سنٹر بنایا گیا۔ بانا کلب میں 6 سے 8 سال کی عمر کے بچوں کیلئے تصویریں مقابلہ منعقد کیا گیا۔ جہاں بچوں کی حوصلہ افزائی کیلئے اُن کے خاندان کے افراد بھی موجود تھے کمپنی نے ہمیشہ انسانی وسائل پر وقت اور پیسے کی سرمایہ کاری کو مستقبل کی سرمایہ کاری سمجھا ہے تاکہ ان کیلئے ایک محفوظ اور صحت افزاء کام کی جگہ میسر آ سکے۔

ہم بقیہ سال کی کارکردگی کے بارے میں مارکیٹ کے انتہائی مسابقتی ماحول بالخصوص نان ریٹیل کے ہونے کے باوجود بے حد پُر اعتماد ہیں اور تمام حصے داروں کا اُنکی حمایت اور اعتماد کیلئے شکر گزار ہیں جو کہ رواں سال 2016ء کے مقاصد کے حصول کیلئے بہت اہم ہیں۔

منجاب بورڈ

بانا پور:-

لاہور:- ۲۵ اکتوبر ۲۰۱۶ء

محمد قیوم

چیف ایگزیکٹو

CONDENSED INTERIM BALANCE SHEET - UNAUDITED

AS AT 30 SEPTEMBER 2016

	Note	(UN - AUDITED) 30 September 2016	(AUDITED) 31 December 2015
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,428,928	1,470,821
Intangible assets		2,552	4,260
Long term investments	6	45,000	45,000
Long term deposits and prepayments		34,096	35,114
		1,510,576	1,555,195
CURRENT ASSETS			
Stores and spare parts		371	343
Stock in trade	7	3,376,893	2,967,199
Trade debts - unsecured		1,693,866	788,405
Advances - unsecured		40,374	42,990
Trade deposits and short term prepayments		77,778	69,071
Other receivables		274,262	549,839
Interest accrued		6,652	2,293
Tax refunds due from Government	8	508,597	508,597
Short term investments	9	1,100,000	1,300,000
Cash and bank balances	10	596,847	455,334
		7,675,640	6,684,071
TOTAL ASSETS		9,186,216	8,239,266
EQUITY AND LIABILITIES			
Authorized share capital 10,000,000 ordinary shares of Rs. 10 each		100,000	100,000
Issued, subscribed and paid up capital		75,600	75,600
Reserves			
Capital reserve		483	483
Revenue reserve		6,616,277	5,975,109
		6,616,760	5,975,592
TOTAL EQUITY		6,692,360	6,051,192
NON CURRENT LIABILITIES			
Long term deposits		45,000	45,000
Deferred liability-employee benefits	11	71,147	68,805
Deferred taxation		16,203	48,735
		132,350	162,540
CURRENT LIABILITIES			
Trade and other payables		1,922,333	1,403,702
Short term borrowings	12	—	—
Provision for taxation		439,173	621,832
		2,361,506	2,025,534
CONTINGENCIES AND COMMITMENTS	13		
TOTAL EQUITY AND LIABILITIES		9,186,216	8,239,266

The annexed notes from 1 to 23 form an integral part of this interim financial information.

Chief Executive

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT- UNAUDITED

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

	Note	Nine month period ended		Three month period ended	
		30 September 2016	30 September 2015	30 September 2016	30 September 2015
		(Rupees in '000)			
NET SALES	14	11,156,245	11,102,343	3,731,910	4,234,231
COST OF SALES	15	6,657,882	6,645,496	2,207,790	2,393,278
GROSS PROFIT		4,498,363	4,456,847	1,524,120	1,840,953
Distribution cost		2,282,797	2,167,262	801,257	824,175
Administrative expenses		708,412	694,560	231,382	232,958
Other expenses		116,391	126,422	40,252	58,917
		3,107,600	2,988,244	1,072,891	1,116,050
OTHER INCOME	16	84,558	74,412	25,681	21,478
OPERATING PROFIT		1,475,321	1,543,015	476,910	746,381
FINANCE COST	17	28,539	23,843	9,918	7,737
PROFIT BEFORE TAXATION		1,446,782	1,519,172	466,992	738,644
PROVISION FOR TAXATION					
Current		497,946	478,391	128,325	201,692
Deferred		(32,532)	(1,622)	(16,033)	3,391
		465,414	476,769	112,292	205,083
PROFIT AFTER TAXATION		981,368	1,042,403	354,700	533,561
Other comprehensive income		—	—	—	—
TOTAL COMPREHENSIVE INCOME		981,368	1,042,403	354,700	533,561
EARNINGS PER SHARE					
- BASIC AND DILUTED	20	Rs.129.81	Rs.137.88	Rs.46.92	Rs.70.58

The annexed notes from 1 to 23 form an integral part of this interim financial information.

Chief Executive

Director

CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

Note	Nine month period ended	
	30 September 2016	30 September 2015
	(Rupees in '000)	
CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,446,782	1,519,172
Non-cash adjustments to reconcile profit before tax to net cash flows		
Depreciation for property, plant & equipment	151,075	150,388
Amortization of intangible assets	1,848	2,341
Provision for gratuity	5,993	4,642
Loss on disposal of property, plant and equipment	3,857	11,778
Income from short term investments and bank deposits	(58,673)	(43,844)
Income from long term investments	(1,954)	(2,058)
Exchange loss	3,425	2,941
Finance cost	28,539	23,843
Income from discounting of supplier invoices	(17,760)	(22,180)
Provision for trade debts (net)	14,363	3,339
Provision for advances (net)	(480)	(391)
Provision for slow moving and obsolete stock (net)	108,753	85,070
Provision for obsolescence - stores & spare parts	1,886	7,249
	240,872	223,118
Operating profit before working capital changes	1,687,654	1,742,290
(Increase) / decrease in current assets:		
Stores & spare parts	(1,915)	(7,171)
Stock in trade	(517,969)	(1,129,338)
Trade debts - unsecured	(918,295)	(936,100)
Advances - unsecured	2,616	19,576
Trade deposits and short term prepayments	(8,707)	(62,038)
Other receivables	(3,769)	841
	(1,448,039)	(2,114,230)
Increase / (decrease) in current liabilities:		
Trade and other payables	505,923	935,279
Cash generated from operations	745,538	563,339
Finance costs paid	(21,177)	(15,471)
Tax paid	(402,787)	(492,156)
Gratuity paid	(3,651)	(2,742)
Interest income received	74,029	57,857
	(353,586)	(472,512)
Decrease in long term prepayments	1,018	-
Increase in long term deposits	-	6,447
Net cash generated from operating activities	A 392,970	97,274
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(111,871)	(307,099)
Decrease in capital work in process	(3,574)	26,380
Purchase of Intangible assets	(140)	-
Proceeds from sale of property, plant and equipment	2,408	2,851
Net cash used in investing activities	B (113,177)	(277,868)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(338,280)	(254,211)
Net cash used in financing activities	C (338,280)	(254,211)
NET DECREASE IN CASH AND CASH EQUIVALENTS	A+B+C (58,487)	(434,805)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,755,334	1,513,686
CASH AND CASH EQUIVALENTS AT END OF PERIOD	18 1,696,847	1,078,881

The annexed notes from 1 to 23 form an integral part of this interim financial information.

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

	Share capital	Capital reserve	General reserve	Unappropriated profits	Total
	(Rupees in '000')				
Balance as at 01 January 2015	75,600	483	4,157,000	1,022,308	5,255,391
Final dividend for 2014 at the rate of Rs. 34 per share	–	–	–	(257,040)	(257,040)
Transfer to general reserve for 2014	–	–	765,000	(765,000)	–
Total comprehensive income for the nine month period ended 30 September 2015	–	–	–	1,042,403	1,042,403
Balance as at 30 September 2015	75,600	483	4,922,000	1,042,671	6,040,754
Balance as at 01 January 2016	75,600	483	4,922,000	1,053,109	6,051,192
Final dividend for 2015 at the rate of Rs. 45 per share	–	–	–	(340,200)	(340,200)
Transfer to general reserve for 2015	–	–	712,000	(712,000)	–
Total comprehensive income for the nine month period ended 30 September 2016	–	–	–	981,368	981,368
Balance as at 30 September 2016	75,600	483	5,634,000	982,277	6,692,360

The annexed notes from 1 to 23 form an integral part of this interim financial information.

Chief Executive

Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

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 information of the Company for the nine month period ended 30 September 2016 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 Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

3 BASIS OF PRESENTATION AND MEASUREMENT

This condensed interim financial information of the Company for the nine month period ended 30 September 2016 are unaudited and these should be read in conjunction with the financial statements of the Company for the year ended 31 December 2015.

The financial information have been prepared under the historic cost convention. The financial information are prepared in Pak Rupees, which is the functional currency of the Company. Figures have been rounded off to the nearest thousand rupee unless otherwise specified.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation adopted in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the year ended 31 December, 2015 except as described below:

New and amended standards and interpretations

The Company has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current period:

IFRS 10	-	Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates – Investment Entities: Applying the Consolidation Exception (Amendment)
IFRS 11	-	Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)
IAS 1	-	Presentation of Financial Statements - Disclosure Initiative (Amendment)
IAS 16	-	Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)
IAS 16	-	Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)
IAS 27	-	Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)
		Improvements to Accounting Standards Issued by the IASB
IFRS 5	-	Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
IFRS 7	-	Financial Instruments: Disclosures - Servicing contracts
IFRS 7	-	Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

IAS 19 - Employee Benefits - Discount rate: regional market issue

IAS 34 - Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above amendment to accounting standards did not have any material effect on the condensed interim financial information.

5 ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	(UN - AUDITED)			
	30 September 2016	30 September 2016	30 September 2015	30 September 2015
	Additions	Disposal (cost)	Additions	Disposal (cost)
	(Rupees in '000)			
Buildings				
- Factory	1,468	—	16,146	—
- Others	—	—	3,699	—
Plant & Machinery	17,604	10,074	48,937	6,154
Office Equipment	150	—	189	253
Furniture, Fixture and Fittings	82,537	14,756	223,388	25,536
Computers	10,112	4,938	14,740	4,303
	111,871	29,768	307,099	36,246

	(UN - AUDITED)	(AUDITED)
Note	30 September 2016	31 December 2015
	(Rupees in '000)	
6.1	45,000	45,000

6 LONG TERM INVESTMENTS

Held to maturity at cost

PLS Term Deposit Receipts

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 6.10% (2015: 7.33%) per annum.

7 STOCK IN TRADE

This includes provision against slow moving and obsolete stock amounting to Rs. 105,065 ('000) [2015: Rs. 89,022 ('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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

			(UN-AUDITED)	(AUDITED)
			30 September 2016	31 December 2015
			(Rupees in '000)	
9	SHORT TERM INVESTMENTS			
	Held to maturity at cost			
	This includes the following term deposit receipts:			
</				

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

		(UN - AUDITED)	(AUDITED)
		30 September 2016	31 December 2015
		(Rupees in '000)	
10	CASH AND BANK BALANCES		
	Bank balances in		
	Current accounts	174,180	97,710
	Daily profit accounts	356,431	267,744
		530,611	365,454
	Cash in transit	65,405	88,499
	Cash in hand	831	1,381
		596,847	455,334

10.1 The rate of mark-up on these accounts ranges from 3.75% to 5.00% (2015: 4.03% to 5.75%) per annum.

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

		(UN - AUDITED)	(AUDITED)
		30 September 2016	31 December 2015
		(Rupees in '000)	
11	DEFERRED LIABILITY- EMPLOYEE BENEFITS		
	Opening liability	68,805	53,135
	Amount recognized during the period/year	5,993	8,951
	Payment made by the Company during the period/year	(3,651)	(3,570)
	Experience adjustment	-	10,289
	Closing liability	71,147	68,805

The latest actuarial valuation was carried out as at 31 December 2015.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

12 SHORT TERM BORROWINGS

The credit facilities available to the Company from various commercial banks aggregate to Rs.665 million (2015: Rs. 669 million). These include cash finance facilities of Rs 630 million (2015: Rs 634 million) and export finance facility of Rs. 35 million (2015: Rs. 35 million).

Mark up on cash finance ranges from 3 months KIBOR plus 0.50% to 1.0% (2015: 3 months KIBOR plus 0.50% to 1.0%) as per agreements with banks. While mark up on export finance is charged at 4% (2015: 7.00%) per annum.

In addition, non funded facilities of letters of guarantee and letters of credit amounting to Rs. 475 million (2015: Rs. 471 million) were also provided by these banks. The un-utilized facility for letter of credits and guarantees at year end amounts to Rs. 406 million (2015: Rs. 400 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 (2015: Rs. 1,194 million).

		(UN - AUDITED)	(AUDITED)
		30 September 2016	31 December 2015
	Note	(Rupees in '000)	
13 CONTINGENCIES AND COMMITMENTS			
13.1 The company is contingently liable for:			
Counter Guarantees given to banks		15,171	13,396
Indemnity Bonds given to Custom Authorities		38,657	35,674
Claims not acknowledged as debts - under appeal		13,765	13,687
Order by sales tax department		138,851	138,851
Order by sales tax department - under appeal		201,252	201,252
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		52,100	52,100
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	13.1.1	363,683	-
		3,242,213	2,873,694

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

- 13.1.1** On 27 June 2016, Company received an assessment order from Additional Commissioner Inland Revenue (ACIR) for the tax year 2010 in which demand of Rs. 363.68 million was created on the basis that expenses have been wrongly prorated among normal business, trading activity and exports, interest on WPPF and Provident Fund has been wrongly claimed, provisions for WPPF and WWF are not admissible expenses and proper withholding tax deduction has not been made on payment of rent. Company filed an appeal with the Commissioner (CIR) and also has filed rectification application for rectification of order on account of proportion of expenses, as total purchases of finished goods (local as well as imported) have been charged to finished goods import activity only, this error resulted in tax demand of Rs. 309 million out of total demand of Rs. 363.68 million. Commissioner (CIR) vide order dated 24 August 2016 deleted all the add backs except proportion of expenses which was remanded back to ACIR with the direction to dispose of the rectification application as per law. However, at the period end the Company is not aware if any leave for appeal has been made by the department; if such an appeal is filed the Company, based on the opinion of the tax advisor, expects a favorable outcome of the matter including the amount not covered by the erroneous calculation.

13.2 Commitments

- 13.2.1** The Company has entered into rent agreements for retail shops. There are no restrictions placed upon the Company by entering into these agreements. Future minimum lease payable under these agreements are as follows:

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

	(UN - AUDITED)	(AUDITED)
	30 September 2016	31 December 2015
	(Rupees in '000)	
With in one year	1,002,317	878,347
After one year but not more than five years	3,910,232	2,945,509
More than five years	1,569,655	1,420,389
	6,482,204	5,244,245
13.2.2 Commitments in respect of:		
- Capital expenditure	28,052	8,569
- Letters of credit and bank contracts	300,907	350,268
	328,959	358,837

	(UN - AUDITED)			
	Nine month period ended		Three month period ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	(Rupees in '000)			
14 NET SALES				
Shoes and accessories				
- Local	13,068,067	13,025,658	4,365,088	4,920,426
- Export	67,310	78,803	16,510	11,939
	13,135,377	13,104,461	4,381,598	4,932,365
Sundry articles and scrap material	87,940	14,816	11,517	4,199
	13,223,317	13,119,277	4,393,115	4,936,564
Less: Sales tax	921,720	904,807	318,461	348,784
Discount to dealers and distributors	957,128	921,822	274,738	276,442
Commission to agents/business associates	188,224	190,305	68,006	77,107
	2,067,072	2,016,934	661,205	702,333
	11,156,245	11,102,343	3,731,910	4,234,231
15 COST OF SALES				
Raw material consumed	2,370,274	2,729,124	630,972	780,897
Salaries, wages and benefits	327,618	312,160	101,899	93,695
Fuel and power	81,072	98,011	23,500	29,694
Stores and spares consumed	9,481	10,567	2,526	1,936
Repairs and maintenance	39,252	47,268	10,606	9,761
Insurance	9,020	7,179	3,008	2,910
Depreciation	36,581	36,159	12,401	12,685
	2,873,298	3,240,468	784,912	931,578
Add: Opening goods in process	25,199	14,779	63,859	12,701
	2,898,497	3,255,247	848,771	944,279
Less: Closing goods in process	88,170	74,155	88,170	74,155
Cost of goods manufactured	2,810,327	3,181,092	760,601	870,124
Add: Opening stock of finished goods	2,753,859	2,539,507	3,569,800	3,689,815
Finished goods purchased	4,074,012	4,315,013	857,705	1,223,455
	9,638,198	10,035,612	5,188,106	5,783,394
Less: Closing stock of finished goods	2,980,316	3,390,116	2,980,316	3,390,116
	6,657,882	6,645,496	2,207,790	2,393,278

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

		(UN - AUDITED)	
		Nine Month period ended	
		30 September 2016	30 September 2015
Note			
		(Rupees in '000')	
16 OTHER INCOME			
	Income from financial assets		
	Profit on long term investments	1,954	2,058
	Profit on short term investment	43,213	32,164
	Profit on bank deposits	15,460	11,680
		60,627	45,902
16.1	Income from non - financial assets		
	Rental Income	6,171	6,330
	Income from discounting of supplier invoices	17,760	22,180
		23,931	28,510
		84,558	74,412

16.1 This represents profit earned on funds maintained with commercial banks undertaking conventional banking services.

		(UN - AUDITED)	
		Nine Month period ended	
		30 September 2016	30 September 2015
		(Rupees in '000')	
17 FINANCE COSTS			
	Interest / mark-up on:		
	Workers' profit participation fund	1,495	798
	Employees / agents' securities and personal accounts (Note 6)	5,866	7,573
		7,361	8,371
	Bank charges and commission (Note 10)	21,178	15,472
		28,539	23,843
18 CASH AND CASH EQUIVALENTS			
	Bank balances in		
	-Current accounts	174,180	33,834
	-Daily profit accounts	356,431	426,114
	Short term investment	1,100,000	600,000
	Cash in transit	65,405	17,844
	Cash in hand	831	1,089
		1,696,847	1,078,881

18.1 These balances are maintained with commercial banks.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

19 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	
		30 September 2016	30 September 2015	30 September 2016	30 September 2015
Relationship with the Company	Nature of transactions	(Rupees in '000)			
Common Control Companies	Purchase of goods and services	792,229	850,751	243,738	331,935
	Sale of goods and services	3,272	8,841	797	3,406
	Dividend paid	255,864	193,319	-	-
	Brand royalty	281,016	246,522	93,931	94,018
	Management service fee	107,138	105,018	36,170	35,373
	IT charges	12,349	12,113	-	-
Staff Retirement Benefits	Contribution to provident fund trusts	44,215	39,776	15,881	15,367
Staff Retirement Benefits	Gratuity paid	3,651	2,742	1,755	1,131
Key management personnel	Remuneration	76,756	79,783	24,222	25,654

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.

20 EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation attributable to
ordinary share holders (Rupees in '000)

Weighted average number of ordinary
shares - Number (in '000)

Earnings per share - Basic (Rs.)

(UN - AUDITED)			
Nine month period ended		Three month period ended	
30 September 2016	30 September 2015	30 September 2016	30 September 2015
981,368	1,042,403	354,700	533,561
7,560	7,560	7,560	7,560
129.81	137.88	46.92	70.58

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 INFORMATION - UNAUDITED
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

(UN - AUDITED)
Nine month period ended

	Retail		Wholesale		Export		Others		Total	
	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
	Rupees in ('000)									
Net sales	7,496,639	7,207,248	3,509,401	3,803,812	67,310	78,803	82,895	12,480	11,156,245	11,102,433
Cost of sales	3,956,802	3,731,449	2,585,702	2,855,343	51,790	58,704	63,588	-	6,657,882	6,615,096
Gross profit	3,539,837	3,475,799	923,699	948,469	15,520	20,099	19,307	12,480	4,498,363	4,486,817
Distribution cost	1,882,115	1,759,997	208,660	207,318	5,961	8,164	-	-	2,096,736	1,975,479
Administrative expenses	26,488	30,717	14,171	17,991	1,129	994	-	-	41,788	49,702
	1,908,603	1,790,714	222,831	225,309	7,090	9,158	-	-	2,138,524	2,025,181
Segment results	1,631,234	1,685,085	700,868	723,160	8,430	10,941	19,307	12,480	2,431,666	2,431,666
Unallocated operating expenses									852,685	856,641
Other expenses									116,391	126,422
Other income									84,558	74,412
Operating profit									1,475,321	1,533,015
Finance cost									28,539	23,843
Profit before taxation									1,446,782	1,519,172
Taxation									465,414	476,769
Profit after taxation									981,368	1,042,403

(UN - AUDITED)
Three month period ended

	Retail		Wholesale		Export		Others		Total	
	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
	Rupees in ('000)									
Net sales	2,717,619	3,065,573	986,651	1,153,138	16,510	11,939	111,129	3,581	3,731,909	4,234,231
Cost of sales	1,409,611	1,622,638	779,427	964,518	13,671	6,132	5,081	-	2,207,790	2,493,278
Gross profit	1,308,008	1,642,945	207,224	188,620	2,839	5,807	6,048	3,581	1,524,119	1,840,953
Distribution cost	698,274	656,289	81,044	75,491	1,560	1,831	-	-	780,878	733,611
Administrative expenses	3,344	7,483	529	5,552	114	152	-	-	3,987	13,187
	701,618	663,772	81,573	81,043	1,674	1,983	-	-	784,865	786,798
Segment results	606,390	979,173	125,651	107,577	1,165	3,824	6,048	3,581	739,254	1,094,155
Unallocated operating expenses									247,774	310,335
Other expenses									40,252	58,917
Other income									25,681	21,478
Operating profit									476,999	746,381
Finance cost									9,918	9,918
Profit before taxation									466,991	738,644
Taxation									112,292	205,083
Profit after taxation									354,699	533,561

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

	(UN-AUDITED)	(AUDITED)	(UN-AUDITED)	(AUDITED)
	Segment assets		Segment liabilities	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	(Rupees in '000)			
21.1 SEGMENT ASSETS AND LIABILITIES				
Retail	3,280,936	2,856,135	91,606	85,456
Wholesale	2,429,672	1,775,236	77,774	25,081
Export	13,602	6,268	237	206
Unallocated	3,462,006	3,601,627	2,324,239	2,077,331
	<u>9,186,216</u>	<u>8,239,266</u>	<u>2,493,856</u>	<u>2,188,074</u>

22 DATE OF AUTHORIZATION

This financial information was authorized for issue by the Board of Directors on 25 October 2016.

23 GENERAL

Comparative figures have been re-arranged and reclassified for better presentation, wherever necessary.

NOTES

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