

Bata[®]

2016

HALF YEARLY REPORT



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HALF YEARLY REPORT

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 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
Paksitan 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 2nd Quarter ended 30 June 2016.

The Company's turnover in the period under review was Rs. 7,424 billion as compared to Rs. 6,868 billion for the corresponding period of last year showing a growth of 8%. With the increase in margins and control on expenses, profit after tax increased from Rs. 508.8 million to Rs. 626.7 million and earnings per share increased from Rs. 67.31 to Rs. 82.89.

Although non-retail division remained under stress during the period but retail division showed a good growth and was able to achieve 15% 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. To encourage and promote healthy and active life style, football training academy was established in Batapur for people in community. Mentorship sessions were conducted in government schools for career counselling and personality building. 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.

In recognition of the excellent financial and managerial performance, Pakistan Stock Exchange Limited has named Bata Pakistan Limited in the top 25 companies of the country for the years 2014 and 2015.

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

Batapur:
Lahore: 24 August 2016

(MUHAMMAD QAYYUM)
Chief Executive

ڈائریکٹرز کا جائزہ

ہائپاکستان لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 30 جون 2016 دوسری 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 6.868 ارب کے مقابلے اس ششماہی مدت میں 7.424 ارب روپے آمدنی رپورٹ کی جو کہ 8% اضافہ پیش کرتی ہے۔ کمپنی کے بہتر مجموعی مارجن اور اخراجات کی کڑی نگرانی کی بدولت کمپنی کا مجموعی منافع بعد از ٹیکس 508.8 ملین روپے سے تجاوز کر کے 626.7 ملین روپے رہا۔ اور فی شیئر آمدن 67.31 روپے کے مقابلے میں 82.89 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 15% اضافہ پیش کیا۔

زیر جائزہ مدت کے دوران ہمارے ہائپاپور اور مراکہ کے پیداوری 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 جوتے عطیہ کئے۔ 2000 سے زائد درخت دونوں فیکٹریوں میں لگوائے اور مقامی لوگوں اور بچوں کا مفت آنکھوں کے علاج کا کیپ بھی لگایا گیا۔ تندرست اور فعال طرز زندگی کے فروغ اور حوصلہ افزائی کیلئے ہائپاپور کے مقامی لوگوں کیلئے فٹ بال کا تربیت سنٹر بنایا گیا اور گورنمنٹ سکولوں میں بچوں کے روشن مستقبل اور کردار سازی کیلئے اجلاس منعقد کئے گئے۔ 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 افزا کام کی جگہ میسر آ سکے۔

عمدہ مالی اور انتظامی کارکردگی کی بناء پر پاکستان اسٹاک ایکسچینج لمیٹڈ نے ہائپاکستان لمیٹڈ کو 2014ء اور 2015ء کی ملک کی 25 بہترین کمپنیوں کی فہرست میں شامل کیا ہے۔

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 انکی حمایت اور اعتماد کیلئے شکر گزار ہیں جو کہ رواں سال 2016ء کے مقاصد کے حصول کیلئے بہت اہم ہیں۔

ہائپاپور:-

منجانب بورڈ

لاہور:- ۲۴ اگست ۲۰۱۶ء

محمد قیوم
چیف ایگزیکٹو

AUDITORS REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Bata Pakistan Limited as at 30 June 2016 and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six-month period then ended (here-in-after referred to as the 'interim financial information'). Management is responsible for the preparation and presentation of this interim financial information in the accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

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 information 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 information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

EY FORD RHODES

Chartered Accountants

Engagement Partner: Farooq Hameed

Lahore: 24 August 2016

CONDENSED INTERIM BALANCE SHEET - UNAUDITED

AS AT 30 JUNE 2016

	Note	(UN - AUDITED) 30 June 2016	(AUDITED) 31 December 2015
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,417,830	1,470,821
Intangible assets		3,025	4,260
Long term investments	6	45,005	45,000
Long term deposits and prepayments		32,775	35,114
		1,498,635	1,555,195
CURRENT ASSETS			
Stores and spare parts		794	343
Stock in trade	7	3,888,325	2,967,199
Trade debts - unsecured		1,715,343	788,405
Advances - unsecured		45,510	42,990
Trade deposits and short term prepayments		115,230	69,071
Other receivables		235,667	549,839
Interest accrued		528	2,293
Tax refunds due from Government	8	508,597	508,597
Short term investment	9	480,000	1,300,000
Cash and bank balances	10	757,992	455,334
		7,747,986	6,684,071
TOTAL ASSETS		9,246,621	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 reserves		6,261,578	5,975,109
		6,262,061	5,975,592
TOTAL EQUITY		6,337,661	6,051,192
NON-CURRENT LIABILITIES			
Long term deposits		45,005	45,000
Deferred liability - employee benefits	11	70,965	68,805
Deferred taxation		32,236	48,735
		148,206	162,540
CURRENT LIABILITIES			
Trade and other payables		2,449,906	1,403,702
Short term borrowings	12	—	—
Provision for taxation		310,848	621,832
		2,760,754	2,025,534
CONTINGENCIES AND COMMITMENTS	13		
TOTAL EQUITY AND LIABILITIES		9,246,621	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 SIX MONTH PERIOD ENDED 30 JUNE 2016

	Note	Six month period ended		Three month period ended	
		30 June 2016	30 June 2015	30 June 2016	30 June 2015
		(Rupees in '000)			
NET SALES	14	7,424,336	6,868,112	4,201,141	3,591,318
COST OF SALES	15	4,450,092	4,252,218	2,532,695	2,197,358
GROSS PROFIT		2,974,244	2,615,894	1,668,446	1,393,960
Distribution Cost		1,481,540	1,343,087	797,398	689,340
Administrative Expenses		477,030	461,603	249,130	229,475
Other expenses		76,139	67,505	43,869	39,441
		2,034,709	1,872,195	1,090,397	958,256
OTHER INCOME	16	58,877	52,934	29,666	22,113
OPERATING PROFIT		998,412	796,633	607,715	457,817
FINANCE COST	17	18,621	16,106	9,185	8,327
PROFIT BEFORE TAXATION		979,791	780,527	598,530	449,490
PROVISION FOR TAXATION					
Current		369,621	276,699	250,357	172,011
Deferred		(16,499)	(5,013)	(11,342)	(1,559)
		353,122	271,686	239,015	170,452
PROFIT AFTER TAXATION		626,669	508,841	359,515	279,038
Other comprehensive income		—	—	—	—
TOTAL COMPREHENSIVE INCOME		626,669	508,841	359,515	279,038
EARNINGS PER SHARE					
- BASIC AND DILUTED	20	Rs.82.89	Rs.67.31	Rs.47.55	Rs.36.91

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

CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

Note	Six month period ended	
	30 June 2016	30 June 2015
	(Rupees in '000)	
CASH GENERATED FROM OPERATIONS		
Profit before taxation	979,791	780,527
Non-cash adjustments to reconcile profit before tax to net cash flows		
Depreciation for property, plant & equipment	99,077	96,596
Amortization of intangible assets	1,376	1,706
Provision for gratuity	4,056	4,326
Loss on disposal of property, plant and equipment	3,894	8,463
Income from short term investments and bank deposits	(37,789)	(31,396)
Income from long term investments	(1,409)	(1,444)
Exchange loss	2,070	812
Finance cost	18,621	16,106
Income from discounting of supplier invoices	(15,531)	(15,909)
Provision for trade debts (net)	(1,264)	277
Provision for advances (net)	(480)	-
Provision for slow moving and obsolete stock (net)	61,180	62,689
Provision for obsolescence - stores & spare parts	3,974	7,125
	137,775	149,351
Operating profit before working capital changes	1,117,566	929,878
Working capital adjustment:		
(Increase) / decrease in current assets:		
Stores & spare parts	(4,425)	(8,749)
Stock in trade	(982,306)	(1,249,969)
Trade debts - unsecured	(925,674)	(776,080)
Advances - unsecured	(2,040)	12,062
Trade deposits and short term prepayments	(46,159)	(158,200)
Other receivables	798	(5,281)
	(1,959,806)	(2,186,217)
Increase / (decrease) in current liabilities:		
Trade and other payables	1,036,416	896,106
Cash generated from / (used in) operations	194,176	(360,233)
Finance costs paid	(13,136)	(10,397)
Tax paid	(367,231)	(250,622)
Gratuity paid	(1,896)	(1,611)
Interest income received	56,494	52,550
	(325,769)	(210,080)
Decrease in long term prepayments	2,339	1,985
Decrease in long term deposits	5	-
Net cash used in operating activities	A (129,249)	(568,328)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(53,820)	(190,154)
Decrease in capital work in process	1,520	38,562
Purchase of Intangible assets	(140)	-
Proceeds from sale of property, plant and equipment	2,320	2,851
Increase in long term investments	(5)	-
Net cash used in investing activities	B (50,125)	(148,741)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(337,968)	(254,008)
Net cash used in financing activities	C (337,968)	(254,008)
NET DECREASE IN CASH AND CASH EQUIVALENTS	A+B+C (517,342)	(971,077)
CASH AND CASH EQUIVALENTS AT BEGINNING THE YEAR	1,755,334	1,513,689
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	18 1,237,992	542,612

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 SIX MONTH PERIOD ENDED 30 JUNE 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 six month period ended 30 June 2015	–	–	–	508,841	508,841
Balance as at 30 June 2015	75,600	483	4,922,000	509,109	5,507,192
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 six month period ended 30 June 2016	–	–	–	626,669	626,669
Balance as at 30 June 2016	75,600	483	5,634,000	627,578	6,337,661

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

1 LEGAL STATUS AND OPERATIONS

Bata Pakistan Limited (the Company) is a public limited company incorporated in Pakistan and is 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

This condensed interim financial information of the Company for the six month period ended 30 June 2016 has 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 interim financial information of the Company for the six month period ended 30 June 2016 is unaudited but subject to limited scope review by the independent auditors of the Company. It should be read in conjunction with the financial statements of the Company for the year ended 31 December 2015.

The figures of the condensed interim profit and loss account for the three month period ended 30 June 2016 and 2015 and the respective notes forming part thereof have not been reviewed by the auditors of the Company as they have reviewed the cumulative figures for the six month period ended 30 June 2016 and 2015.

The financial information has 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 statements are the same as those applied in preparation of 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 SIX MONTH PERIOD ENDED 30 JUNE 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 June 2016	30 June 2015	30 June 2016	30 June 2015
	Additions	Disposal (cost)	Additions	Disposal (cost)
	(Rupees in '000)			
Buildings				
- Factory	1,018	–	14,708	–
- Others	–	–	3,698	–
Plant & Machinery	10,244	10,024	18,964	6,094
Gas Installations	–	–	–	60
Office Equipment	150	–	126	253
Furniture, Fixture and Fittings	33,902	14,757	142,238	16,761
Computers	8,506	4,712	10,420	4,304
	53,820	29,493	190,154	27,472

6 LONG TERM INVESTMENTS

Held to maturity at cost

	Note	(UN - AUDITED) 30 JUNE 2016	(AUDITED) 31 December 2015
PLS Term Deposit Receipts	6.1	45,005	45,000

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 6.15% (2015: 7.33%) per annum.

7 STOCK IN TRADE

This represents net amount after adjustment for provision against slow moving and obsolete stock amounting to Rs. 61,180 ('000) (2015: Rs. 23,553 ('000))

8 TAX REFUNDS DUE FROM GOVERNMENT

This represents sales tax paid on raw materials used in zero-rated taxable footwear for which refund claims have been lodged with the Sales Tax Department.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

			(UN-AUDITED)	(AUDITED)
			30 June 2016	31 December 2015
			(Rupees in '000)	
9	SHORT TERM INVESTMENTS			
	Held to maturity at cost			
	This includes the following term deposit receipts:			
	Rate of return	Period of deposit		
	United Bank Limited	6.33% 1 month	300,000	–
	Habib Metropolitan Bank Limited	6.90% 1 month	180,000	–
	Habib Bank Limited	7.30% 1 month	–	550,000
	United Bank Limited	7.36% 1 month	–	300,000
	Habib Metropolitan Bank Limited	7.33% 1 month	–	200,000
	Habib Metropolitan Bank Limited	7.07% 1 month	–	150,000
	Habib Metropolitan Bank Limited	7.17% 1 month	–	100,000
			<u>480,000</u>	<u>1,300,000</u>

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

		(UN - AUDITED)	(AUDITED)
		30 June 2016	31 December 2015
		(Rupees in '000)	
10	CASH AND BANK BALANCES		
	Bank balances in		
	Current accounts	83,767	97,710
	Daily profit accounts	537,949	267,744
		621,716	365,454
	Cash in transit	134,346	88,499
	Cash in hand	1,930	1,381
		<u>757,992</u>	<u>455,334</u>

10.1 The rate of mark-up on these accounts ranges from 3.95% to 5.50% (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 June 2016	31 December 2015
		(Rupees in '000)	
11	DEFERRED LIABILITY- EMPLOYEE BENEFITS		
	Opening liability	68,805	53,135
	Amount recognized during the period/year	4,056	8,951
	Payment made by the Company during the period/year	(1,896)	(3,570)
	Experience Adjustment	–	10,289
	Closing liability	<u>70,965</u>	<u>68,805</u>

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 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 5.50% (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. 42 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)
	Note	30 June 2016	31 December 2015
		(Rupees in '000)	
13 CONTINGENCIES AND COMMITMENTS			
13.1 The company is contingently liable for:			
Counter Guarantees given to banks		17,396	13,396
Indemnity Bonds given to Custom Authorities		40,069	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	–
		3,245,850	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 has filed an appeal with the Commissioner (CIR) which is pending adjudication 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. 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 SIX MONTH PERIOD ENDED 30 JUNE 2016

	(UN - AUDITED) 30 June 2016	(AUDITED) 31 December 2015
	(Rupees in '000)	
With in one year	925,294	878,347
After one year but not more than five years	3,523,485	2,945,509
More than five years	1,030,179	1,420,389
	5,478,958	5,244,245
13.2.2 Commitments in respect of:		
- Capital expenditure	54,148	8,569
- Letters of credit and bank contracts	521,008	350,268
	575,156	358,837

	(UN - AUDITED)			
	Six month period ended		Three month period ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	(Rupees in '000)			
14 NET SALES				
Shoes and accessories				
- Local	8,702,979	8,103,514	4,925,217	4,237,022
- Export	50,800	66,863	30,318	39,130
	8,753,779	8,170,377	4,955,535	4,276,152
Sundry articles and scrap material	76,423	10,617	45,126	5,925
	8,830,202	8,180,994	5,000,661	4,282,077
Less: Sales tax	603,258	554,304	333,655	288,185
Discount to dealers and distributors	682,390	645,380	398,293	343,565
Commission to agents/business associates	120,218	113,198	67,572	59,009
	1,405,866	1,312,882	799,520	690,759
	7,424,336	6,868,112	4,201,141	3,591,318
15 COST OF SALES				
Raw material consumed	1,739,302	1,948,227	946,194	1,031,843
Salaries, wages and benefits	225,719	218,465	119,854	114,318
Fuel and power	57,572	68,317	29,890	35,760
Stores and spares consumed	6,955	8,631	3,803	4,376
Repairs and maintenance	28,646	37,507	15,889	20,169
Insurance	6,012	4,269	3,007	1,359
Depreciation	24,180	23,474	12,166	11,955
	2,088,386	2,308,890	1,130,803	1,219,780
Add: Opening goods in process	25,199	14,779	64,981	38,586
	2,113,585	2,323,669	1,195,784	1,258,366
Less: Closing goods in process	63,859	12,701	63,859	12,701
Cost of goods manufactured	2,049,726	2,310,968	1,131,925	1,245,665
Add: Opening stock of finished goods	2,753,859	2,539,507	3,215,188	2,985,381
Finished goods purchased	3,216,307	3,091,558	1,755,382	1,656,127
	8,019,892	7,942,033	6,102,495	5,887,173
Less: Closing stock of finished goods	3,569,800	3,689,815	3,569,800	3,689,815
	4,450,092	4,252,218	2,532,695	2,197,358

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

		(UN - AUDITED)	
		30 June 2016	30 June 2015
Note		(Rupees in '000')	
16 OTHER INCOME			
	Income from financial assets		
	Profit on long term investments	1,409	1,444
	Profit on short term investment	29,992	23,944
	Profit on bank deposits	7,797	7,452
		39,198	32,840
16.1	Income from non - financial assets		
	Rental Income	4,148	4,185
	Income from discounting of supplier invoices	15,531	15,909
		19,679	20,094
		58,877	52,934

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

		(UN - AUDITED)	
		30 June 2016	30 June 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)	3,989	4,911
		5,484	5,709
	Bank charges and commission (Note 10)	13,137	10,397
		18,621	16,106
18 CASH AND CASH EQUIVALENTS			
	Bank balances in		
	-Current accounts	83,767	67,121
	-Daily profit accounts	537,949	324,916
	Short term investment	480,000	100,000
	Cash in transit	134,346	49,741
	Cash in hand	1,930	834
		1,237,992	542,612

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 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)			
		Six month period ended		Three month period ended	
		30 June 2016	30 June 2015	30 June 2016	30 June 2015
Relationship with the Company	Nature of transactions	(Rupees in '000)			
Common Control Companies	Purchase of goods and services	548,491	518,816	255,281	254,951
	Sale of goods and services	2,475	5,435	918	4,583
	Dividend paid	255,864	193,319	255,864	193,319
	Brand royalty	187,085	152,504	105,902	79,705
	Management service fee	70,968	70,468	36,001	35,591
	IT charges	12,349	12,113	624	–
Staff Retirement Benefits	Contribution to provident fund trusts	28,334	24,409	16,349	11,843
Staff Retirement Benefits	Gratuity paid	1,896	1,611	211	577
Key management personnel	Remuneration	52,534	54,129	25,865	29,844

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.

		(UN - AUDITED)			
		Six month period ended		Three month period ended	
		30 June 2016	30 June 2015	30 June 2016	30 June 2015
20 EARNINGS PER SHARE - BASIC AND DILUTED	Profit after taxation attributable to ordinary share holders (Rupees. in '000)	626,669	508,841	359,515	279,038
	Weighted average number of ordinary shares - Number (in '000)	7,560	7,560	7,560	7,560
	Earnings per share - Basic (Rs.)	82.89	67.31	47.55	36.91

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 SIX MONTH PERIOD ENDED 30 JUNE 2016

(UN - AUDITED) Six month period ended

	Retail		Wholesale		Export		Others		Total	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Rupees in ('000)										
Net sales	4,779,020	4,141,675	2,522,750	2,650,674	50,800	66,864	71,766	8,899	7,424,336	6,868,112
Cost of sales	2,547,191	2,308,821	1,806,275	1,890,825	38,119	52,572	58,507	-	4,450,092	4,252,218
Gross profit	2,231,829	1,832,854	716,475	759,849	12,681	14,292	13,259	8,899	2,974,244	2,615,894
Distribution cost	1,183,841	1,103,708	127,616	131,827	4,401	6,333	-	-	1,315,858	1,241,588
Administrative expenses	23,144	23,234	13,642	12,439	1,015	842	-	-	37,801	36,315
Segment results	1,206,985	1,126,912	141,258	144,266	5,416	7,175	-	-	1,353,659	1,278,381
Unallocated operating expenses	1,024,844	705,912	575,217	615,583	7,265	7,117	13,259	8,899	1,620,585	1,337,311
Other expenses									604,911	526,307
Other income									76,139	67,505
Operating profit									58,877	52,594
Finance cost									998,412	796,633
Profit before taxation									18,621	16,106
Taxation									979,791	780,527
Profit after taxation									353,122	271,686
									626,669	508,841

(UN - AUDITED) Three month period ended

	Retail		Wholesale		Export		Others		Total	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Rupees in ('000)										
Net sales	2,671,638	2,191,474	1,456,716	1,355,789	30,318	39,130	42,469	4,925	4,201,141	3,591,318
Cost of sales	1,420,062	1,197,628	1,052,962	998,006	23,132	31,724	36,539	-	2,532,695	2,197,558
Gross profit	1,251,576	993,846	403,754	367,783	7,186	7,406	5,930	4,925	1,668,446	1,393,960
Distribution cost	619,602	570,056	67,699	71,441	2,493	3,385	-	-	689,884	644,882
Administrative expenses	14,338	10,812	7,006	6,301	517	314	-	-	21,991	17,577
Segment results	654,130	580,898	74,705	77,742	3,040	3,699	-	-	711,875	662,539
Unallocated operating expenses	617,446	412,948	329,049	310,041	4,146	3,707	5,930	4,925	956,571	751,621
Other expenses									334,653	256,576
Other income									43,869	39,441
Operating profit									29,666	22,113
Finance cost									607,715	457,817
Profit before taxation									9,185	8,327
Taxation									598,530	449,490
Profit after taxation									239,015	170,452
									359,515	279,098

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

	(UN-AUDITED)	(AUDITED)	(UN-AUDITED)	(AUDITED)
	Segment assets		Segment liabilities	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
	(Rupees in '000)			
21.1 SEGMENT ASSETS AND LIABILITIES				
Retail	3,815,313	2,856,135	92,102	85,456
Wholesale	2,567,053	1,775,236	93,944	25,081
Export	8,836	6,268	4,023	206
Unallocated	2,855,419	3,601,627	2,718,891	2,077,331
	<u>9,246,621</u>	<u>8,239,266</u>	<u>2,908,960</u>	<u>2,188,074</u>

22 DATE OF AUTHORIZATION

This interim financial information was authorized for issue by the Board of Directors on 24 August 2016.

23 GENERAL

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

NOTES

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