

***Bata***<sup>®</sup>

# Half-Yearly Report

# 2019





SURPRISINGLY  
*Bata*®

# CORPORATE INFORMATION

## Board of Directors

|                                 |                 |
|---------------------------------|-----------------|
| Mr. Roberto Longo               | Chairman        |
| Mr. Muhammad Imran Malik        | Chief Executive |
| Mr. Amjad Farooq                | Director        |
| Mr. Toh Guan Kiat               | Director        |
| Mr. Syed Asad Ali Zaidi         | Director        |
| Mr. Kamal Monnoo                | Director        |
| Mr. Muhammad Maqbool            | Director        |
| Ms. Fatima Asad Khan            | Director        |
| Mr. Aamir Amin (Nominee of NIT) | Director        |

## Audit Committee

|                      |          |
|----------------------|----------|
| Mr. Muhammad Maqbool | Chairman |
| Mr. Roberto Longo    | Member   |
| Mr. Toh Guan Kiat    | Member   |

## Human Resource and Remuneration Committee

|                          |          |
|--------------------------|----------|
| Mr. Muhammad Maqbool     | Chairman |
| Mr. Muhammad Imran Malik | Member   |
| Mr. Toh Guan Kiat        | Member   |

## Chief Financial Officer (CFO)

Mr. Amjad Farooq

## Company Secretary

Mr. Hafiz Mudassar Hassan Kamran

## Auditors

A.F. Ferguson & Co.  
(a member firm of PwC Network)  
23-C, Aziz Avenue, Canal Bank,  
Gulberg V, Lahore.

## Legal Advisor

Surridge & Beecheno  
60, Shahrah-e-Quaid-e-Azam,  
Ghulam Rasool Building,  
Lahore.

## Stock Exchange Listing

Bata Pakistan Limited is listed on Pakistan Stock Exchange.

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.

## 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 half year ended June 30, 2019.

Net turnover in the period under review was Rs. 8,794 billion as compared to Rs. 8,298 billion for the corresponding period of last year. Profit after tax reduced from Rs. 712.9 Million to Rs. 652.9 Million, as a result earning per share decreased to Rs. 86.4 as compared to Rs. 94.3 for the corresponding period of last year. During the period, the Company has adopted IFRS 16, 'Leases'. This standard replaces the current guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. It requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Earnings per share decreased by Rs. 14 for the half year period ended June 30, 2019 as a result of the adoption of IFRS 16.

Retail division showed a good growth during the period with current scenario and was able to achieve improvement of 9% in turnover with respect to corresponding period. Our non-retail division showed a slight decline in turnover during this period as compared to corresponding period due to highly competitive environment. They are striving to develop new products and customers base to achieve growth.

Our production facilities at Batapur and Maraka were kept fully loaded to meet the demand of our popular items. We are continually making investment in new moulds, the majority of which are proved very successful in the marketplace.

Our precedence remains to satisfy the demand of our valued customers and provide them with services exclusively and efficiently. In order to maintain our role as a leader in Footwear Industry, an amount of Rs. 74.158 million has been spent for opening new and renovation of existing stores. Our focus as a part of our strategy will remain on expansion of big format stores by closing low turnover and non-profitable stores which are under minimum benchmark.

The Company continued its Corporate Social Responsibilities (CSR) activities during the period under review. Total of 11 fresh graduates from different areas of Pakistan completed their two months internship in factory and sales departments under National Internship Program. A water filtration plant has been built to provide clean and safe drinking water to the community at Maraka. To impart our role for better environment, planted more than 1,700 trees / saplings at Batapur and Branch Factory Maraka. Donated 872 pairs of shoes to the underprivileged children studying in different schools. The Company organized annual sports for 500 children studying in Eisar Taleem-o-Tarbiat School Lahore, and also organized scientific model project show in a local school for underprivileged children where the students presented their projects made under the supervision of their mentors.

General condition in the market has impacted the purchasing power of the customers which has put our growth in turnover under tremendous pressure. At the same time, currency devaluation and increase in sales tax rate on our products from July 2019 has negative impact on margins. In spite of all these challenges, we remain confident as regards to our prospects for the remaining year. We look forward to continued support from all our stakeholders to achieve the objectives for the year 2019.

**On behalf of the Board**

**Batapur:**  
**Lahore: 26 August 2019**

**MUHAMMAD IMRAN MALIK**  
**Chief Executive**

## ڈائریکٹرز کا جائزہ

مورخہ 30 جون 2019 کو ختم ہوئے نصف سال کیلئے غیر آڈٹ شدہ جامع عبوری مالیاتی معلومات اور کمپنی کی کاروائیوں کا مختصر جائزہ پیش کرنے پر مجھے بے حد خوشی ہے۔

زیر جائزہ عرصہ کے دوران 8,794.3 روپے کا خالص کاروبار ہوا جو کہ گزشتہ سال اسی عرصہ کے دوران 8,298.1 روپے تھا۔ ٹیکس کے بعد منافع 712.9 ملین سے کم ہو کر 652.9 رہ گیا، اس کے نتیجے میں پچھلے سال اسی عرصہ کے دوران 94.3 روپے کے مقابلے میں فی شیئر کمائی کم ہو کر 86.4 روپے کی سطح پر آگئی۔ اس عرصہ کے دوران کمپنی نے آئی ایف آر ایس 16 'لیز' کو اپنایا۔ یہ سینڈرز موجودہ آئی ایف آر ایس 17 'لیز' میں دی گئی رہنمائی کے ساتھ تبدیل کیا گیا ہے اور یہ خصوصاً لیز کے لحاظ سے اکاؤنٹنگ میں بڑی دور رس تبدیلی ہے۔ اس میں لیز کرانے والوں کو مستقبل میں لیز کی ادائیگیوں کی عکاسی کرنے والی لیز کی ذمہ داری اور لیز کے تقریباً تمام معاہدوں کیلئے ایک رائٹ آف یوز ایسٹ قبول کرنے کی ضرورت ہوتی ہے۔ آئی ایف آر ایس 16 کو اپنانے کے نتیجے میں 30 جون 2019 کو ختم ہوئے نصف سال کی فی شیئر کمائی 14 روپے تک کم ہو گئی۔

ریشیل ڈویژن نے موجودہ حالات میں اس عرصہ کے دوران اچھی کارکردگی کا مظاہرہ کیا اور اسی مدت کے لحاظ سے کاروبار میں 9% بہتری لانے میں کامیاب رہا۔ ہمارے نان ریشیل ڈویژن نے انتہائی مسابقتی ماحول کے باعث اس عرصہ کے دوران اسی مدت کے لحاظ سے کاروبار میں معمولی کمی ظاہر کی۔ وہ ترقی کے حصول کیلئے نئی مصنوعات تیار کرنے اور نئے کسٹمر بنانے کی کوششیں کر رہے ہیں۔

ہمارے بانا پورا و مراکھ پیداواری مراکز اس عرصہ کے دوران ہماری مقبول عام آن لائن طلب کو پورا کرنے کی پوری طرح مصروف رہے۔ ہم نئے مولڈز پر مسلسل سرمایہ کاری کر رہے ہیں، جن میں سے اکثر مارکیٹ میں بہت کامیاب ثابت ہوئے ہیں۔

اپنے قابل قدر کسٹمر کی مانگ کو پورا کرنا اور انہیں خصوصی اور موثر طریقے سے خدمات فراہم کرنا ہماری اولین ترجیح رہی ہے۔ جو توں کی صنعت میں لیڈر کی حیثیت سے اپنے کردار کو برقرار رکھنے کیلئے 74,158 ملین روپے نئے سٹورز کھولے اور موجودہ سٹورز کی تزئین و آرائش پر خرچ کئے گئے۔ ہماری توجہ کم شرح فروخت اور غیر منافع بخش سٹورز کو بند کر کے، جو کم از کم معیار سے بھی نیچے ہیں، بڑے فارمیٹ سٹورز کو توسیع دینے پر مرکوز رہے گی جو کہ ہماری حکمت عملی کا حصہ ہے۔

کمپنی نے زیر نظر عرصہ کے دوران اپنی کارپوریٹ سماجی ذمہ داریوں (سی ایس آر) کی سرگرمیوں کو بھی جاری رکھا۔ پاکستان کے مختلف علاقوں سے کل 11 فریش گرینجیٹس نے نیشنل انٹرن شپ پروگرام کے تحت فیکٹری اور سٹورز ڈیپارٹمنٹس میں دو ماہ کی انٹرن شپ مکمل کی۔ مراکھ کے لوگوں کو پینے کا صاف اور محفوظ پانی فراہم کرنے کیلئے ایک واٹر فلٹریشن پلانٹ تعمیر کیا گیا۔ ماحول کو بہتر بنانے میں اپنا کردار ادا کرنے کیلئے بانا پورا و مراکھ پراچ فیکٹری مراکھ میں 1,700 پودے لگائے گئے۔ مختلف سکولوں میں زیر تعلیم کم مراعات یافتہ بچوں میں جو توں کے 872 جوڑے تقسیم کئے گئے۔ کمپنی نے اپنا تعلیم و تربیت سکول لاہور میں زیر تعلیم 500 بچوں کیلئے سالانہ کھیلوں کا اہتمام کیا، اور ایک مقامی سکول میں کم مراعات یافتہ بچوں کیلئے سائنٹفک ماڈل پروجیکٹ کا بھی اہتمام کیا جہاں بچوں نے اپنے مشیروں کی نگرانی میں بنائے گئے اپنے پروجیکٹس پیش کئے۔

معیشت میں عمومی سست روی اور تیز تر افراط زر نے صارفین کی قوت خرید کو بے حد متاثر کیا ہے جس سے ہماری شرح نمو بھی زبردست دباؤ میں آگئی ہے۔ بیک وقت، کرنسی کی قدر و قیمت میں کمی اور جولائی 2019ء سے ہماری مصنوعات پر سیلز ٹیکس کی شرح میں اضافے نے مل کر ہمارے مارجن پر منفی اثر ڈالا ہے۔ ان تمام چیلنجز کے باوجود ہم باقی ماندہ سال کیلئے اپنے امکانات کے بارے میں انتہائی پر اعتماد ہیں۔ ہم سال 2019ء کے مقاصد کے حصول کیلئے اپنے تمام سٹیک ہولڈرز کی طرف سے مسلسل معاونت کے طلبگار ہیں۔

حسب الحکم بورڈ

محمد عمران ملک

باناپور:

لاہور: 26 اگست 2019ء

چیف ایگزیکٹو

## **INDEPENDENT AUDITOR'S REVIEW REPORT**

**To the members of Bata Pakistan Limited**

### **Report on review of Interim Financial Statements**

#### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Bata Pakistan Limited as at June 30, 2019 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim statement of profit or loss and other comprehensive income for the three-month periods ended June 30, 2019 and June 30, 2018 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended June 30, 2019.

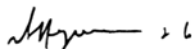
#### **Scope of Review**

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

#### **Conclusion**

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

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



**A.F. Ferguson & Co.**  
**Chartered Accountants**

**Lahore**

**Date: August 29, 2019**

# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION - UNAUDITED

AS AT JUNE 30, 2019

|  | Note | (UN - AUDITED)<br>June 30,<br>2019 | (AUDITED)<br>December 31<br>2018 |
|--|------|------------------------------------|----------------------------------|
| (Rupees in '000)                             |      |                                    |                                  |
| <b>ASSETS</b>                                |      |                                    |                                  |
| <b>NON-CURRENT ASSETS</b>                    |      |                                    |                                  |
| Property, plant and equipment                | 6    | 7,226,335                          | 1,643,028                        |
| Intangible assets                            |      | 283                                | 578                              |
| Long term investments                        | 7    | 45,009                             | 45,008                           |
| Long term deposits and prepayments           |      | 37,084                             | 34,061                           |
| Deferred tax asset                           |      | 51,169                             | –                                |
|  |      | 7,359,880                          | 1,722,675                        |
| <b>CURRENT ASSETS</b>                        |      |                                    |                                  |
| Stores and spare parts                       |      | –                                  | –                                |
| Stock in trade                               | 8    | 5,349,470                          | 3,970,853                        |
| Trade debts - unsecured                      |      | 2,376,714                          | 2,167,114                        |
| Advances - unsecured                         |      | 264,819                            | 84,860                           |
| Deposits and short term prepayments          |      | 439,014                            | 209,872                          |
| Other receivables                            |      | 303,572                            | 641,802                          |
| Interest accrued                             |      | 2,002                              | 752                              |
| Tax refunds due from Government              | 9    | 350,161                            | 350,161                          |
| Cash and bank balances                       | 10   | 403,030                            | 1,545,032                        |
|  |      | 9,488,782                          | 8,970,446                        |
| <b>TOTAL ASSETS</b>                          |      | <b>16,848,662</b>                  | <b>10,693,121</b>                |
| <b>SHARE CAPITAL AND RESERVES</b>            |      |                                    |                                  |
| Authorized share capital                     |      | 100,000                            | 100,000                          |
| Issued, subscribed and paid up capital       |      | 75,600                             | 75,600                           |
| Reserves                                     |      |                                    |                                  |
| Capital reserve                              |      | 483                                | 483                              |
| Revenue reserves                             |      | 7,614,494                          | 7,415,244                        |
|  |      | 7,614,977                          | 7,415,727                        |
|  |      | 7,690,577                          | 7,491,327                        |
| <b>NON-CURRENT LIABILITIES</b>               |      |                                    |                                  |
| Long term lease liability                    |      | 4,949,782                          | –                                |
| Long term deposits                           |      | 28,554                             | 24,171                           |
| Deferred liability - employee benefits       | 11   | 83,401                             | 81,421                           |
| Deferred taxation                            |      | –                                  | 44,339                           |
|  |      | 5,061,737                          | 149,931                          |
| <b>CURRENT LIABILITIES</b>                   |      |                                    |                                  |
| Current portion of long term lease liability |      | 2,921,757                          | 2,312,920                        |
| Trade and other payables                     |      | 771,428                            | –                                |
| Unclaimed Dividend                           |      | 51,581                             | 47,870                           |
| Short term borrowings                        | 12   | –                                  | –                                |
| Provision for taxation                       |      | 351,582                            | 691,073                          |
|  |      | 4,096,348                          | 3,051,863                        |
| <b>CONTINGENCIES AND COMMITMENTS</b>         | 13   |                                    |                                  |
| <b>TOTAL EQUITY AND LIABILITIES</b>          |      | <b>16,848,662</b>                  | <b>10,693,121</b>                |

The annexed notes from 1 to 23 form an integral part of these financial statements

Chief Executive

Director

Chief Financial Officer

# CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - UNAUDITED

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2019

|                               | Note | Three month period ended |                  | Six month period ended |                  |
|-------------------------------|------|--------------------------|------------------|------------------------|------------------|
|                               |      | June 30,<br>2019         | June 30,<br>2018 | June 30,<br>2019       | June 30,<br>2018 |
|                               |      | (Rupees in '000)         |                  |                        |                  |
| Sales - Net                   | 14   | 5,717,138                | 5,240,759        | 8,793,713              | 8,298,127        |
| Cost of Sales                 | 15   | (3,075,940)              | (2,941,763)      | (4,734,318)            | (4,677,192)      |
| <b>Gross Profit</b>           |      | 2,641,198                | 2,298,996        | 4,059,395              | 3,620,935        |
| Distribution cost             |      | (1,239,469)              | (1,049,684)      | (2,142,778)            | (1,834,969)      |
| Administrative expenses       |      | (289,717)                | (279,885)        | (566,066)              | (544,785)        |
| Other expenses                |      | (81,966)                 | (81,774)         | (97,693)               | (104,153)        |
| Other income                  |      | 6,500                    | 11,645           | 15,090                 | 23,927           |
| Finance cost                  | 16   | (220,916)                | (12,715)         | (359,024)              | (23,847)         |
| <b>Profit before taxation</b> |      | 815,630                  | 886,583          | 908,924                | 1,137,108        |
| Provision for taxation        |      | (206,965)                | (344,982)        | (256,074)              | (424,181)        |
| <b>Profit after taxation</b>  |      | 608,665                  | 541,601          | 652,850                | 712,927          |
| Other comprehensive income    |      | —                        | —                | —                      | —                |
| Total comprehensive income    |      | 608,665                  | 541,601          | 652,850                | 712,927          |
| <b>Earnings per share</b>     |      |                          |                  |                        |                  |
| - Basic and diluted           | 19   | Rs. 80.51                | Rs.71.64         | Rs.86.36               | Rs.94.30         |

The annexed notes from 1 to 23 form an integral part of these financial statements



# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED

## FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019

|   | Share<br>capital | Capital<br>reserve | General<br>reserve | Unappropriated<br>profit | Total     |
|---|------------------|--------------------|--------------------|--------------------------|-----------|
|   | Rupees in '000'  |                    |                    |                          |           |
| <b>Balance as at January 01, 2018</b>                                   | 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 2017                                    | –                | –                  | 465,000            | (465,000)                | –         |
| Total comprehensive income for the six month period ended June 30, 2018 | –                | –                  | –                  | 712,927                  | 712,927   |
| <b>Balance as at June 30, 2018</b>                                      | 75,600           | 483                | 6,597,000          | 712,968                  | 7,386,051 |
| <b>Balance as at January 01, 2019</b>                                   | 75,600           | 483                | 6,597,000          | 818,244                  | 7,491,327 |
| Final dividend for 2018 at the rate of Rs. 60 per share                 | –                | –                  | –                  | (453,600)                | (453,600) |
| Transfer to general reserve for 2018                                    | –                | –                  | 360,000            | (360,000)                | –         |
| Total comprehensive income for the six month period ended June 30, 2019 | –                | –                  | –                  | 652,850                  | 652,850   |
| <b>Balance as at June 30, 2019</b>                                      | 75,600           | 483                | 6,957,000          | 657,494                  | 7,690,577 |

The annexed notes from 1 to 23 form an integral part of these financial statements

Chief Executive

Director

Chief Financial Officer

# CONDENSED INTERIM STATEMENT OF CASH FLOWS - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019

|  |       | Six month period ended |                  |
|--|-------|------------------------|------------------|
|  | Note  | June 30,<br>2019       | June 30,<br>2018 |
|  |       | (Rupees in '000)       |                  |
| <b>CASH GENERATED FROM OPERATIONS</b>  |       |                        |                  |
| Profit before taxation   |       | 908,924                | 1,137,108        |
| <b>Non-cash adjustments to reconcile profit before tax to net cash flows</b> |       |                        |                  |
| Depreciation for property, plant & equipment                                 |       | 695,498                | 105,539          |
| Amortization of intangible assets  |       | 295                    | 655              |
| Provision for gratuity   |       | 5,295                  | 3,276            |
| Loss on disposal of property, plant and equipment                            |       | 2,784                  | 3,700            |
| Income from short term investments   |       | (8,227)                | (14,441)         |
| Income from long term investments  |       | (1,944)                | (1,290)          |
| Exchange loss  |       | 24,515                 | 12,487           |
| Finance cost   |       | 359,024                | 23,847           |
| Income from discounting of supplier invoices                                 |       | (213)                  | (4,141)          |
| Provision for trade debts and advances - (net)                               |       | 9,653                  | 4,705            |
| Provision for slow moving and obsolete stock (net)                           |       | 88,963                 | 94,732           |
| Recognition/(reversal) of provision for obsolescence stores & spare parts    |       | 765                    | (125)            |
|  |       | 1,176,408              | 228,944          |
| <b>Operating profit before working capital changes</b>                       |       | 2,085,332              | 1,366,052        |
| <b>(Increase) / decrease in current assets:</b>                              |       |                        |                  |
| Stores & spare parts   |       | (765)                  | 98               |
| Stock in trade   |       | (1,467,581)            | (1,046,541)      |
| Trade debts - unsecured  |       | (219,253)              | (368,902)        |
| Advances - unsecured   |       | (179,959)              | 195,962          |
| Deposits and short term prepayments  |       | (255,217)              | (180,251)        |
| Other Receivables  |       | (885)                  | (22,760)         |
| Tax refunds due from Government  |       | —                      | 102,163          |
|  |       | (2,123,660)            | (1,320,231)      |
| <b>Increase / (decrease) in current liabilities:</b>                         |       |                        |                  |
| Trade and other payables   |       | 588,917                | 1,043,706        |
| <b>Cash used in operations</b>   |       | 550,589                | 1,089,527        |
| Finance costs paid   |       | (359,024)              | (23,847)         |
| Tax paid   |       | (351,958)              | (368,315)        |
| Gratuity paid  |       | (3,315)                | (3,105)          |
| Interest income received   |       | 8,921                  | 16,680           |
|  |       | (705,376)              | (378,587)        |
| Decrease in long term prepayments  |       | (5,226)                | (4,752)          |
| <b>Net cash used in operating activities</b>                                 | A     | (160,013)              | 706,188          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                  |       |                        |                  |
| Purchase of property, plant and equipment                                    |       | (119,302)              | (130,384)        |
| Decrease/(Increase) in capital work in process                               |       | (108,655)              | (73,575)         |
| Proceeds from sale of property, plant and equipment                          |       | 1,974                  | 3,084            |
| <b>Net cash used in investing activities</b>                                 | B     | (225,983)              | (200,875)        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                  |       |                        |                  |
| Payment of lease liabilities   |       | (306,117)              | —                |
| Dividend paid  |       | (449,889)              | (453,859)        |
| <b>Net cash used in financing activities</b>                                 | C     | (756,006)              | (453,859)        |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                             | A+B+C | (1,142,002)            | 51,454           |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>                      |       | 1,545,032              | 1,160,138        |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                            | 17    | 403,030                | 1,211,592        |

The annexed notes from 1 to 23 form an integral part of these financial statements

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

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2019

## 1 LEGAL STATUS AND OPERATIONS

Bata Pakistan Limited (the Company) was incorporated in Pakistan as a public limited Company and its shares are quoted on Pakistan Stock Exchange. The registered office of the Company is situated at Batapur, Lahore. The principal activity of the Company is manufacturing and sale of footwear of all kinds along with sale of accessories and hosiery items. The parent company of Bata Pakistan Limited is Bafin B.V. (Nederland), whereas the ultimate parent is Compass Limited, Bermuda. Furthermore, the Company has the following production facilities:

| Sr. No | Business Units | Geographical Location           |
|--------|----------------|---------------------------------|
| 1      | Batapur        | G.T. Road, P.O. Batapur, Lahore |
| 2      | Maraka         | 26 - km, Multan Road, Lahore    |

The Company operates through retail outlets spread across the country with 3 outlets situated in Azad Kashmir, 5 in Baluchistan, 15 in Islamabad Capital Territory, 1 in Gilgit Baltistan, 38 in Khyber Pakhtun Khwa, 296 in Punjab and 88 outlets in Sindh. The Company also has 8 wholesale depots in Punjab, 3 in Sindh and 1 in Khyber Pakhtun Khwa.

## 2 STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standard as applicable in Pakistan for interim financial reporting comprise of :

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 ; and
- Provisions of and directives issued under the Companies Act, 2017.

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

## 3 BASIS OF PRESENTATION AND MEASUREMENT

This condensed interim financial information is un-audited but subject to limited scope review. The condensed interim financial information does not include all the information required for annual financial statements including financial risk management information and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2018.

The financial information has been prepared under the historic cost convention. The financial information is 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.

### 3.1 New and amended standards adopted by the company

A number of new or amended standards became applicable for the current reporting period, and the Company had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- IFRS 16 Leases
- IFRS 9 Financial Instruments
- IFRS 15 Revenue from contracts with customers

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

## 4 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED ACCOUNTING STANDARDS

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

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

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2019

## 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 January 1, 2019 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in this condensed interim financial information, except for the following.

- IFRS 9, 'Financial Instruments': this standard has been notified by the SECP to be effective for annual periods ending on or after June 30, 2019. This standard replaces the guidance in International Accounting Standard ('IAS') 39, 'Financial Instruments: Recognition and Measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Company has adopted this standard for the current annual period beginning January 1, 2019 and the impact of its adoption has been specified in note 5.1.1.
- 'IFRS 15, Revenue from Contracts with Customers'. This standard was notified by the Securities and Exchange Commission of Pakistan ('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 information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised 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 has adopted this standard for the current annual period beginning January 1, 2019 and the impact of its adoption has been specified in note 5.1.2.
- 'IFRS 16, 'Leases': this standard has been notified by the SECP to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the current guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees 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 lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as 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 lessees is expected to impact negotiations between lessors and lessees. The Company has adopted this standard for the current annual period beginning January 1, 2019 and the impact of its adoption has been specified in note 5.1.3.

Amendments to IAS 19, 'Employee Benefits' on plan amendment, curtailment or settlement, (effective for periods beginning on or after January 1, 2019). These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. This amendment does not have any material impact on the financial of the Company.

IFRIC 23, 'Uncertainty over Income Tax Treatments': (effective for periods beginning on or after January 1, 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. This amendment does not have any material impact on the financial of the Company.

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

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2019

## 4.2 Standards, amendments and interpretations to existing standards not yet effective and not applicable/relevant to the Company

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 1, 2020 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

## 4.3 Summary of significant events and transactions

The Company's financial position and performance was particularly affected by the implementation of IFRS 16. The impact of the same has been detailed in note 5.1.3 of this condensed interim financial information.

## 5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended December 31, 2018 except for the application of , IFRS 9 'Financial Instruments', IFRS 15 'Revenue from contracts with customers', IFRS 16 'Leases'. The Impact of the change in accounting policy has been specified in Note 5.1.

Furthermore, the basis of significant estimates are same as those that were applied to the financial statements for the year ended December 31, 2018.

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

### 5.1 Changes in accounting policies

The company has adopted IFRS 9, IFRS 15 and IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions of the relevant standards. The reclassifications and the adjustments arising from the new rules are therefore recognised in the opening balance sheet on January 1, 2019.

#### 5.1.1 Impact on adoption of IFRS 9

IFRS 9 replaces the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of the financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

##### 5.1.1.1 Classification and measurement of financial assets and financial liabilities

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from June 30, 2019 resulted in changes in accounting policies as described below. However, the change does not have a material impact on the amounts recognized in these interim financial statements. In accordance with the transitional provisions in IFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale: Under IFRS 9, on initial recognition, the Company classifies its financial assets in the following measurement categories:

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

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2019

- those to be measured subsequently at fair value (either through Other Comprehensive Income (OCI), or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

## Reclassification from held-to-maturity to amortised cost

Loans and receivables and long term investments that would have previously been classified as held-to maturity are now classified at amortised cost. The Company intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these financial assets at January 1, 2019 to be recognised in opening retained earnings. Furthermore, there was also no difference between the previous carrying amount and the revised carrying amount of these financial assets at June 30, 2019 to be recognised in statement of profit or loss and other comprehensive income.

### 5.1.1.2 Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss. Trade receivables are written off when there is no reasonable expectation of recovery. Based on the management's ECL workings under IFRS 9 and given the Company's experience with customers having good collection history with no significant historical loss rates / bad debts and normal receivable ageing, the move from an incurred loss model to an expected loss model has not had an impact on the financial position and / or financial performance of the Company since the receivables are primarily recovered within a period of six months from dispatch of goods.

### 5.1.2 Impact on adoption of IFRS 15

The Company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entities to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of un-appropriated profit in the period of initial application. Comparative prior year periods would not be adjusted. The application of IFRS 15 does not have any material impact on the revenue recognition policy of the Company and therefore, there is no cumulative effect of initially applying this standard as an adjustment to the opening balance of un-appropriated profit in the period of initial application.

Had these financial statements been prepared using IAS - 18, IAS - 11 and related interpretations ('previous revenue standards'), the effect on the financial statements would have been as follows:

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

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2019

2019  
(Rs '000)

|                                      |         |
|--------------------------------------|---------|
| Decrease in trade and other payables | 4,100   |
| Increase in sales                    | (4,100) |

The Company operates a chain of retail stores selling shoes and accessories. Revenue from the sale of goods is recognised when a Company sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the product.

The Company operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. Revenue from the award points is recognised when the points are redeemed. A contract liability is recognised in trade and other payables until the points are redeemed or expire.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the company does not adjust any of the transaction prices for the time value of money.

The above is generally consistent with the timing and amounts of revenue the Company recognised in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15 did not have an impact on the timing and amounts of revenue recognition of the company.

Apart from providing more extensive disclosures, the application of IFRS 15 does not have any significant impact on the financial position and/or the financial performance of the Company for the reasons described above. Accordingly there was no adjustment to retained earnings on application of IFRS 15 at January 1, 2019.

## 5.1.3 Impact on adoption of IFRS 16

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

(Rupees in '000)

|   |           |
|---|-----------|
| Lease liability discounted using the lessee's incremental borrowing rate at the date of initial application | 5,817,081 |
| Lease liability recognised as at January 1, 2019  | 5,817,081 |
| Of which are:   |           |
| Current lease liabilities   | 771,428   |
| Non-current lease liabilities   | 5,045,653 |

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

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

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

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2019

|           | (UN - AUDITED)   |                    |
|-----------|------------------|--------------------|
|           | June 30,<br>2019 | January 1,<br>2019 |
|           | (Rupees in '000) |                    |
| Buildings | 5,479,796        | 5,845,360          |
| Total     | 5,479,796        | 5,845,360          |

The change in accounting policy affected the following items in the balance sheet on January 1, 2019 is as follows:

|   | (UN - AUDITED)   |  |
|---|------------------|--|
|   | January 1, 2019  |  |
|   | (Rupees in '000) |  |
| Increase in property plant and equipment              | 5,845,360        |  |
| Increase in lease liabilities                         | (5,817,081)      |  |
| Decrease in trade deposits and short term prepayments | (26,076)         |  |
| Decrease in long term deposits and prepayments        | (2,203)          |  |
| Impact on retained earnings                           | -                |  |

## i) Impact on segment disclosures and earnings per share

Segment assets and segment liabilities for June 30, 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segments were affected by the change in policy:

|           | Segment          | Segment   |
|-----------|------------------|-----------|
|           | (Rupees in '000) |           |
| Retail    | 5,318,571        | 5,559,986 |
| Wholesale | 161,225          | 161,225   |

Earnings per share decreased by Rs. 14 per share for the six months to June 30, 2019 as a result of the adoption of IFRS 16.

## ii) Practical expedients applied

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.



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

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2019

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

## 5.1.3.1 The Company's leasing activities and how these are accounted for

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

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

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

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

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

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

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

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

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2019

|   |                                      | (UN - AUDITED)   | (AUDITED)            |           |
|---|--------------------------------------|------------------|----------------------|-----------|
|   | Note                                 | June 30,<br>2019 | December 31,<br>2018 |           |
|   |                                      | (Rupees in '000) |                      |           |
| <b>6</b>  | <b>PROPERTY, PLANT AND EQUIPMENT</b> |                  |                      |           |
| Property, plant and equipment                   | 6.1                                  | 7,176,502        | 1,642,903            |           |
| Capital work in progress                        | 6.2                                  | 49,833           | 125                  |           |
|   |                                      | 7,226,335        | 1,643,028            |           |
| <b>6.1</b>                                      | Opening Net Book Value               | 6.1.1            | 7,488,263            | 1,502,756 |
| Add: Additions/transfers during the period/year | 6.1.2                                | 388,495          | 387,501              |           |
|   |                                      | 7,876,758        | 1,890,257            |           |
| Less: Disposals during the period (at NBV)      | 6.1.2                                | (4,758)          | (20,492)             |           |
| Depreciation charged during the period/year     |                                      | (695,498)        | (226,862)            |           |
|   |                                      | (700,256)        | (247,354)            |           |
|   |                                      | 7,176,502        | 1,642,903            |           |

**6.1.1** This includes Rs. 5,818 million as Right-of-use asset due to first time application of IFRS 16 as explained in Note 5.1.3.

|   | (UN-AUDITED)     |                  | (AUDITED)            |                      |
|---|------------------|------------------|----------------------|----------------------|
|   | June 30,<br>2019 | June 30,<br>2019 | December 31,<br>2018 | December 31,<br>2018 |
|   | Additions        | Disposal (NBV)   | Additions            | Disposal (NBV)       |
| (Rupees in '000)  |                  |                  |                      |                      |
| <b>6.1.2 During the period additions and deletions are given below:</b> |                  |                  |                      |                      |
| Buildings   |                  |                  |                      |                      |
| - Factory   | 2,689            | —                | 8,550                | —                    |
| - Others  | 210,445          | —                | 1,938                | 8                    |
| Plant & Machinery   | 20,302           | 1,240            | 33,476               | 963                  |
| Gas Installations   | 24               | —                | 23                   | —                    |
| Office Equipment  | —                | 3                | 475                  | —                    |
| Furniture, Fixture and Fittings   | 130,826          | 3,487            | 33,376               | 18,294               |
| Computers   | 11,059           | 28               | 307,314              | 1,102                |
| Vehicles  | 13,150           | —                | 2,349                | 125                  |
|   | <u>388,495</u>   | <u>4,758</u>     | <u>387,501</u>       | <u>20,492</u>        |

|                                   | (UN - AUDITED)   | (AUDITED)            |
|-----------------------------------|------------------|----------------------|
|                                   | June 30,<br>2019 | December 31,<br>2018 |
| (Rupees in '000)                  |                  |                      |
| <b>6.2 Opening balance</b>        | <b>125</b>       | <b>9,153</b>         |
| Add: Additions during the period  | 108,655          | 92,469               |
|                                   | <u>108,780</u>   | <u>101,622</u>       |
| Less: Transfers during the period | (58,947)         | (101,497)            |
|                                   | <u>49,833</u>    | <u>125</u>           |

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

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2019

|                                |      | (UN - AUDITED)          | (AUDITED)            |
|--------------------------------|------|-------------------------|----------------------|
|                                | Note | June 30,<br>2019        | December 31,<br>2018 |
| <b>7 LONG TERM INVESTMENTS</b> |      | <b>(Rupees in '000)</b> |                      |
| <b>At amortised cost</b>       |      |                         |                      |
| PLS Term Deposit Receipts      | 7.1  | 45,009                  | 45,008               |

**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 11.00% (2018: 8.60%) per annum.

## 8 STOCK IN TRADE

This represents net amount after adjustment for provision against slow moving and obsolete stock amounting to Rs. 129.057 million (2018: Rs. 40.093 million).

## 9 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.

|                                  |      | (UN - AUDITED)          | (AUDITED)            |
|----------------------------------|------|-------------------------|----------------------|
|                                  | Note | June 30,<br>2019        | December 31,<br>2018 |
| <b>10 CASH AND BANK BALANCES</b> |      | <b>(Rupees in '000)</b> |                      |
| Bank balances in                 |      |                         |                      |
| Current accounts                 |      |                         |                      |
| - Foreign currency               |      | 24,110                  | 19,614               |
| - Local currency                 |      | 32,527                  | 20,796               |
|                                  |      | 56,637                  | 40,410               |
| Daily profit accounts            | 10.1 | 215,530                 | 1,360,562            |
|                                  | 10.2 | 272,167                 | 1,400,972            |
| Cash in transit                  |      | 124,455                 | 137,432              |
| Cash in hand                     |      |                         |                      |
| - Foreign currency               |      | 5,153                   | 5,737                |
| - Local currency                 |      | 1,255                   | 891                  |
|                                  |      | 6,408                   | 6,628                |
|                                  |      | 403,030                 | 1,545,032            |

**10.1** The rate of mark-up on these accounts ranges from 8.03% to 10.48% (2018: 3.88% to 8.25%) per annum.

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

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

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2019

|  | (UN - AUDITED)   | (AUDITED)            |
|--|------------------|----------------------|
|  | June 30,<br>2019 | December 31,<br>2018 |
|  | (Rupees in '000) |                      |
| <b>11 DEFERRED LIABILITY- EMPLOYEE BENEFITS</b>    |                  |                      |
| Opening liability                                  | 81,421           | 76,030               |
| Amount recognized during the period                | 5,295            | 6,857                |
| Payment made by the Company during the period/year | (3,315)          | (5,363)              |
| Experience Adjustment                              | –                | 3,897                |
| Closing liability                                  | 83,401           | 81,421               |

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

## 12 SHORT TERM BORROWINGS

The credit facilities available to the Company from various commercial banks aggregate to Rs. 1,140.000 million (2018: Rs. 1,140.000 million).

These  
include:

- Non funded facilities of letters of guarantee and letters of credit amounting to Rs. 740.000 million (2018: Rs. 740.000 million); and

The un-utilized facility for letter of credits and guarantees at year end amounts to Rs. 455.473 million (2018: Rs. 558.661 million).

Mark up on cash finance ranges from 3 months KIBOR plus 0.50% to 1.0% (2018: 3 months KIBOR plus 0.50% to 1.0%) as per agreements with banks.

While mark up on export finance is charged at SBP rate plus 1.00% (2018: 4.00%) per annum.

These finances are secured against hypothecation of stock in trade, stores and spares and receivables of the Company amounting to Rs. 1,194 million (2018: Rs. 1,194 million).

## 13 CONTINGENCIES AND COMMITMENTS

There is no significant change in contingencies since the date of preceding published annual financial statements for the year ended December 31, 2018 except the following:

- 13.1** The Additional Commissioner Inland Revenue (ACIR) raised demand of Rs. 954.859 million vide order dated June 28, 2013 to the Company for the tax year 2011, whereby, the assessing officer added back certain expenses, disallowed certain amount of tax credit and also assessed that the Company has suppressed turnover amounting to Rs. 1,427.436 million. Being aggrieved, the Company preferred an appeal with Commissioner Inland Revenue (Appeals), which was decided in favor of the Company vide order dated October 2, 2013, by deleting all the add backs with the exception of the difference in the amount of tax credit which has been calculated under Section 65(b) of the Income Tax Ordinance, 2001. Being aggrieved, the Tax department filed an appeal against the order of Commissioner Inland Revenue (Appeals) with the Appellate Tribunal Inland Revenue (ATIR) which is decided in favor of the company on April 11, 2019. The Tax department has the right to file an appeal against the order. However, no such proceedings have yet been initiated by the Tax department.

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

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2019

|  | (UN - AUDITED)   | (AUDITED)            |
|--|------------------|----------------------|
|  | June 30,<br>2019 | December 31,<br>2018 |
|  | (Rupees in '000) |                      |
| <b>13.2 Commitments in respect of:</b> |                  |                      |
| - Capital expenditure                  | 113,485          | 19,881               |
| - Letters of credit and bank contracts | 268,567          | 181,339              |
|  | 382,052          | 201,220              |

|  | (UN-AUDITED)             |                  | (UN-AUDITED)           |                  |
|--|--------------------------|------------------|------------------------|------------------|
|  | Three month period ended |                  | Six month period ended |                  |
|  | June 30,<br>2019         | June 30,<br>2018 | June 30,<br>2019       | June 30,<br>2018 |
|  | (Rupees in '000)         |                  |                        |                  |
| <b>14 SALES - NET</b>                    |                          |                  |                        |                  |
| Shoes and accessories                    |                          |                  |                        |                  |
| Local                                    | 6,881,245                | 6,102,455        | 10,397,173             | 9,635,931        |
| Export                                   | 32,208                   | 26,146           | 47,442                 | 43,436           |
|  | 6,913,453                | 6,128,601        | 10,444,615             | 9,679,367        |
| Sundry articles and scrap material       | 22,861                   | 36,166           | 46,595                 | 50,349           |
|  | 6,936,314                | 6,164,767        | 10,491,210             | 9,729,716        |
| Less: Sales tax                          | (443,579)                | (386,889)        | (668,502)              | (616,269)        |
| Discount to dealers and distributors     | (664,165)                | (436,580)        | (847,418)              | (648,854)        |
| Commission to agents/business associates | (111,432)                | (100,539)        | (181,577)              | (166,466)        |
|  | (1,219,176)              | (924,008)        | (1,697,497)            | (1,431,589)      |
|  | 5,717,138                | 5,240,759        | 8,793,713              | 8,298,127        |
| <b>15 COST OF SALES</b>                  |                          |                  |                        |                  |
| Raw material consumed                    | 775,779                  | 1,000,819        | 1,799,793              | 1,743,736        |
| Stores and spares consumed               | 2,536                    | 1,678            | 5,013                  | 3,888            |
| Fuel and power                           | 31,455                   | 28,466           | 69,701                 | 54,928           |
| Salaries, wages and benefits             | 129,368                  | 130,030          | 265,158                | 244,973          |
| Repairs and maintenance                  | 15,460                   | 24,583           | 31,104                 | 34,303           |
| Insurance                                | 4,488                    | 3,677            | 8,840                  | 7,573            |
| Depreciation                             | 12,288                   | 12,140           | 24,055                 | 24,160           |
|  | 971,374                  | 1,201,393        | 2,203,664              | 2,113,561        |
| Add: Opening goods in process            | 57,634                   | 56,259           | 43,965                 | 49,498           |
|  | 1,029,008                | 1,257,652        | 2,247,629              | 2,163,059        |
| Less: Closing goods in process           | (62,453)                 | (39,364)         | (62,453)               | (39,364)         |
| Cost of goods manufactured               | 966,555                  | 1,218,288        | 2,185,176              | 2,123,695        |
| Add: Opening stock of finished goods     | 5,407,003                | 4,076,530        | 3,743,958              | 3,269,167        |
| Finished goods purchased                 | 1,648,459                | 1,788,618        | 3,751,261              | 3,426,003        |
|  | 8,022,017                | 7,083,436        | 9,680,395              | 8,818,865        |
| Less: Closing stock of finished goods    | (4,946,077)              | (4,141,673)      | (4,946,077)            | (4,141,673)      |
|  | 3,075,940                | 2,941,763        | 4,734,318              | 4,677,192        |

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

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2019

## 16 FINANCE COSTS

Interest / mark-up on:

Workers' profit participation fund

Employees / agents' securities and  
personal accounts

Lease Liability

Bank charges and commission

| (UN-AUDITED)<br>Three month period ended |                  | (UN-AUDITED)<br>Six month period ended |                  |
|--|------------------|--|------------------|
| June 30,<br>2019                         | June 30,<br>2018 | June 30,<br>2019                       | June 30,<br>2018 |
| (Rupees in '000)                         |                  |  |                  |
|  |                  |  |                  |
| –  | –                | 1,962                                  | 1,440            |
| 10,699                                   | 2,059            | 12,542                                 | 3,969            |
| 197,806                                  | –                | 322,253                                | –                |
| 208,505                                  | 2,059            | 336,757                                | 5,409            |
| 12,411                                   | 10,656           | 22,267                                 | 18,438           |
| 220,916                                  | 12,715           | 359,024                                | 23,847           |

(UN - AUDITED)  
Six month period ended

| June 30,<br>2019 | June 30,<br>2018 |
|------------------|------------------|
| (Rupees in '000) |                  |
|                  |                  |
| 56,637           | 32,566           |
| 215,530          | 488,043          |
| –                | 600,000          |
| 124,455          | 87,488           |
| 6,408            | 3,495            |
| 403,030          | 1,211,592        |

## 17 CASH AND CASH EQUIVALENTS

Bank balances in

– Current accounts

– Daily profit accounts

Short term investment

Cash in transit

Cash in hand

| June 30,<br>2019 | June 30,<br>2018 |
|------------------|------------------|
| (Rupees in '000) |                  |
|                  |                  |
| 56,637           | 32,566           |
| 215,530          | 488,043          |
| –                | 600,000          |
| 124,455          | 87,488           |
| 6,408            | 3,495            |
| 403,030          | 1,211,592        |

## 18 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)<br>Three month period ended |                  | (UN-AUDITED)<br>Six month period ended |                  |
|-------------------------------|---------------------------------------|--|------------------|--|------------------|
|                               |                                       | June 30,<br>2019                         | June 30,<br>2018 | June 30,<br>2019                       | June 30,<br>2018 |
| Relationship with the Company | Nature of transactions                | (Rupees in '000)                         |                  |  |                  |
| Common control companies      | Purchase of goods and services        | 95,088                                   | 124,029          | 426,214                                | 505,601          |
|                               | Sale of goods and services            | 1,788                                    | 1,983            | 4,803                                  | 5,287            |
|                               | Dividend paid                         | 341,152                                  | 307,037          | 341,152                                | 307,037          |
|                               | Trade mark license fee                | 268,581                                  | 127,280          | 422,259                                | 203,667          |
|                               | Management service fee                | 50,575                                   | 41,022           | 98,717                                 | 80,874           |
|                               | IT charges                            | –  | 380              | –                                      | 15,319           |
| Staff Retirement Benefits     | Contribution to provident fund trusts | 86,569                                   | 17,587           | 103,999                                | 34,622           |
| Staff Retirement Benefits     | Gratuity paid                         | –  | –                | 3,315                                  | 3,105            |
| Key management personnel      | Remuneration                          | 47,340                                   | 62,706           | 83,489                                 | 96,835           |

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

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

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2019

|                               | (UN - AUDITED)   | (AUDITED)            |
|-------------------------------|------------------|----------------------|
|                               | June 30,<br>2019 | December 31,<br>2018 |
|                               | (Rupees in '000) |                      |
| <b>Period end balances</b>    |                  |                      |
| Receivable from related party | 1,788            | 2,021                |
| Payable to related party      | 844,689          | 396,009              |

|  | (UN-AUDITED)             |                  | (UN-AUDITED)           |                  |
|--|--------------------------|------------------|------------------------|------------------|
|  | Three month period ended |                  | Six month period ended |                  |
|  | June 30,<br>2019         | June 30,<br>2018 | June 30,<br>2019       | June 30,<br>2018 |
|  | (Rupees in '000)         |                  |                        |                  |
| <b>19 EARNINGS PER SHARE -<br/>BASIC AND DILUTED</b>                             |                          |                  |                        |                  |
| Profit after taxation attributable to ordinary<br>share holders (Rupees in '000) | 608,665                  | 541,601          | 652,850                | 712,927          |
| Weighted average number of ordinary<br>shares - Number (in '000)                 | 7,560                    | 7,560            | 7,560                  | 7,560            |
| Earnings per share - Basic (Rs.)   | 80.51                    | 71.64            | 86.36                  | 94.30            |

**19.1** 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 AND FORMING PART OF THE CONDENSED  
INTERIM FINANCIAL INFORMATION - UNAUDITED

**FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2019**

|  | (UN - AUDITED)<br>Six month period ended |               |               |               |               |               |               |               |               |               |
|--|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | Retail                                   |               | Wholesale     |               | Export        |               | Others        |               | Total         |               |
|  | June 30, 2019                            | June 30, 2018 | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 |
| Net sales                                  | 6,497,030                                | 5,959,979     | 2,205,663     | 2,215,895     | 47,441        | 43,435        | 43,579        | 48,818        | 8,793,713     | 8,288,127     |
| Inter - segment sales                      | —  | —             | —             | —             | —             | —             | —             | —             | —             | —             |
| Total Sales                                | 6,497,030                                | 5,959,979     | 2,205,663     | 2,215,895     | 47,441        | 43,435        | 43,579        | 48,818        | 8,793,713     | 8,288,127     |
| Segment result before unallocated expenses | 1,722,616                                | 1,480,874     | 382,369       | 379,075       | 9,360         | 5,040         | 16,151        | 6,732         | 2,130,499     | 1,871,721     |
| Unallocated operating expenses             |  |               |               |               |               |               |               |               | (779,948)     | (650,540)     |
| Other expenses                             |  |               |               |               |               |               |               |               | (97,693)      | (104,153)     |
| Other income                               |  |               |               |               |               |               |               |               | 15,090        | 23,927        |
| Operating profit                           |  |               |               |               |               |               |               |               | 1,267,948     | 1,160,955     |
| Finance cost                               |  |               |               |               |               |               |               |               | (359,024)     | (23,847)      |
| Profit before taxation                     |  |               |               |               |               |               |               |               | 908,924       | 1,137,108     |
| Taxation                                   |  |               |               |               |               |               |               |               | (256,074)     | (424,181)     |
| Profit after taxation                      |  |               |               |               |               |               |               |               | 652,850       | 712,927       |

| (UN - AUDITED)                              |               |               |               |               |               |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Three month period ended                    |               |               |               |               |               |               |               |               |               |               |
|   | Retail        |               | Wholesale     |               | Export        |               | Others        |               | Total         |               |
|   | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 |
| Rupees in ('000)                            |               |               |               |               |               |               |               |               |               |               |
| Net sales                                   | 3,969,316     | 3,607,929     | 1,695,770     | 1,571,305     | 32,207        | 26,145        | 19,845        | 35,580        | 5,717,138     | 5,240,759     |
| Inter - segment sales                       | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Total Sales                                 | 3,969,316     | 3,607,929     | 1,695,770     | 1,571,305     | 32,207        | 26,145        | 19,845        | 35,580        | 5,717,138     | 5,240,759     |
| Segment result: before unallocated expenses | 1,296,327     | 1,005,609     | 325,280       | 301,545       | 6,799         | 3,272         | 8,401         | 3,449         | 1,656,807     | 1,313,873     |
| Unallocated operating expenses              |               |               |               |               |               |               |               |               | (400,349)     | (344,446)     |
| Other expenses                              |               |               |               |               |               |               |               |               | (81,966)      | (81,774)      |
| Other income                                |               |               |               |               |               |               |               |               | 6,500         | 11,645        |
| Operating profit                            |               |               |               |               |               |               |               |               | 1,160,992     | 899,298       |
| Finance cost                                |               |               |               |               |               |               |               |               | (345,362)     | (127,115)     |
| Profit before taxation                      |               |               |               |               |               |               |               |               | 815,630       | 886,583       |
| Taxation                                    |               |               |               |               |               |               |               |               | (206,965)     | (344,982)     |
| Profit after taxation                       |               |               |               |               |               |               |               |               | 608,665       | 541,601       |



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

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2019

|  | (UN - AUDITED)    | (AUDITED)            | (UN - AUDITED)      | (AUDITED)            |
|--|-------------------|----------------------|---------------------|----------------------|
|  | Segment assets    |                      | Segment liabilities |                      |
|  | June 30,<br>2019  | December 31,<br>2018 | June 30,<br>2019    | December 31,<br>2018 |
|  | (Rupees in '000)  |                      |                     |                      |
| <b>20.1 SEGMENT ASSETS AND LIABILITIES</b> |                   |                      |                     |                      |
| Retail                                     | 10,805,239        | 4,221,022            | 5,819,202           | 129,306              |
| Wholesale                                  | 3,389,729         | 3,015,461            | 27,320              | 24,231               |
| Export                                     | 8,725             | 9,924                | —                   | —                    |
| Unallocated                                | 2,644,968         | 3,446,714            | 3,311,562           | 3,048,257            |
|  | <u>16,848,662</u> | <u>10,693,121</u>    | <u>9,158,084</u>    | <u>3,201,794</u>     |

## 21 EVENTS AFTER THE REPORTING DATE

No material events have occurred subsequent to period ended June 30, 2019.

## 22 DATE OF AUTHORIZATION

This interim financial information was authorized for issue by the Board of Directors on August 26, 2019.

## 23 CORRESPONDING FIGURES

"In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of financial position has 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, condensed interim statement of changes in equity and condensed interim cashflow 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.

SPRING SUMMER '19

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