

***Bata***<sup>®</sup>

2017

QUARTERLY REPORT

JANUARY - MARCH



***Bata*** PAKISTAN LIMITED

A man in a vibrant blue suit and brown leather shoes is leaning against a large stone column on a staircase. He is holding a black folder or tablet. The background shows the architectural details of a classical building.

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# **FIRST QUARTERLY REPORT**

**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017**



# CORPORATE INFORMATION

## Board of Directors

|   |                 |
|---|-----------------|
| Mr. F. Garcia                           | Chairman        |
| Mr. Muhammad Qayyum                     | Chief Executive |
| Mr. Michael 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. Michael 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  
4<sup>th</sup> Floor Pace Mall Building, 96 B-1  
Gulberg II, M.M. Alam Road,  
Lahore.

## Legal Advisor

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

## Stock Exchange Listing

Bata Pakistan Limited is listed on  
Pakistan Stock Exchange.

The Company's shares are quoted in leading  
Newspapers under "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 Financial Information and brief review of the Company's operations for the 1st Quarter ended 31 March 2017.

The Company witnessed decline in its turnover due to tough competition especially in non-retail business. Net turnover in the period under review was Rs. 3,064 billion as compared to Rs. 3,223 billion for the corresponding period of last year which resulted in operating profit to decline to Rs. 331.1 million from Rs. 390.7 million of last year and earning per share decreased from Rs. 35.34 to Rs. 29.46.

Retail division showed a good growth during the first quarter with current setup and was able to achieve improvement in turnover with respect to corresponding period. 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. Company has aggressive plans for the current year both in opening and renovation of retail stores which will help in achieving the overall targets of the year.

Our non-retail division showed a decline in turnover during this quarter as compared to corresponding period which was in line with the plan for the first quarter of 2017. They are striving to develop new products and customers base to achieve growth.

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 (CSR) activities during the period under review and planted more than 1,000 trees in Batapur and Branch factory Maraka. The Company is also investing a considerable time and money on human resource. 12 trainees were awarded Certificates and Stipend on successful completion of three months Upper Stitching Training in industrial School Batapur. 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.

Due to decline in non-retail business and profitability, profit after tax was Rs 222.7 million as compared to Rs. 267.2 million in the corresponding period of last year. As we have our major selling period still to come, it is thus, expected that the full year will reflect good sales and profits for the Company.

**On behalf of the Board**

**Batapur:**  
**Lahore: April 24, 2017**

**(MUHAMMAD QAYYUM)**  
**Chief Executive**

## ڈائریکٹرز کا جائزہ

بانا پاکستان لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے میں 31 مارچ، 2017 بجلی سہ ماہی کی عبوری مالی معلومات اور ڈائریکٹرز رپورٹ پیش کرنے پر مُسرت محسوس کرتا ہوں۔

مارکیٹ میں شدید مسابقت کے باعث کمپنی کی آمدنی بالخصوص نان ریٹیل میں کمی رہی۔ کمپنی کی کل آمدنی گزشتہ سال کی اسی مدت کی آمدنی 3.223 ارب روپے کے مقابلے میں 3.064 روپے میں رہی جس کے نتیجے میں آپریٹنگ منافع 390.7 ملین روپے سے کم ہو کر 331.1 ملین روپے ہو گیا۔ فی حصص آمدنی 35.34 روپے سے 29.46 روپے ہو گئی۔

ریٹیل ڈیوٹن نے گزشتہ سال کی اسی مدت کے مقابلے میں خاطر خواہ اضافہ پیش کیا۔ ہماری توجہ کم آمدنی اور کم منافع بخش دکانوں کو بند کر کے بڑی دکانوں کی توسیع پر برقرار رہی۔ کمپنی نے اس سال جارحانہ حکمت عملی تیار کی ہے جس کے تحت نئی دکانوں کا افتتاح اور پرانی دکانوں کی ترمیم و آرائش ہوگی جو کہ کمپنی کے سال کے اہداف کو حاصل کرنے میں مدد کرے گی۔

نان ریٹیل ڈیوٹن نے آمدنی میں کمی دکھائی جو کہ پہلی سہ ماہی 2017 کی حکمت عملی کے عین مطابق ہے۔ نئی مصنوعات اور نئے خریدار بنانے کیلئے نان ریٹیل ڈیوٹن کو شام ہے۔

زیر جائزہ مدت کے دوران ہمارے بانا پورا اور مرا کہ 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 1000 سے زائد درخت بانا پورا اور مرا کہ فیکٹریوں میں لگائے۔ کمپنی کافی وقت اور پیسہ انسانی وسائل پر خرچ کر رہی ہے انڈسٹریل سکول بانا پورا میں 3 ماہ کے کورس کی تکمیل پر 12 تربیت لینے والوں کو سرٹیفکیٹ اور وظیفہ دینے گئے۔ کمپنی نے ہمیشہ انسانی وسائل پر وقت اور پیسے کی سرمایہ کاری کو مستقبل کی سرمایہ کاری سمجھا ہے تاکہ ان کے لئے ایک محفوظ اور صحت افزاء کام کی جگہ میسر آسکے۔

نان ریٹیل کاروبار اور منافع میں کمی کے باعث منافع بعد از ٹیکس پچھلے سال کی اسی مدت کے 267.2 ملین روپے کے مقابلے میں 222.7 ملین روپے رہا جیسا کہ ہماری اہم مدت برائے فروخت ابھی متوقع ہے اسی لیے ہم کمپنی کے بہتر سٹیز اور منافع کیلئے نہایت پز امید ہیں۔

منجانب بورڈ

محمد قیوم

چیف ایگزیکٹو

بانا پورا، لاہور۔

۱۲۳ اپریل ۲۰۱۷ء

# CONDENSED INTERIM BALANCE SHEET - UNAUDITED

AS AT 31 MARCH 2017

|   | Note | (UN - AUDITED)<br>31 March<br>2017 | (AUDITED)<br>31 December<br>2016 |
|---|------|------------------------------------|----------------------------------|
| <b>(Rupees in '000)</b>                   |      |                                    |                                  |
| <b>ASSETS</b>                             |      |                                    |                                  |
| <b>NON-CURRENT ASSETS</b>                 |      |                                    |                                  |
| Property, plant and equipment             | 5    | 1,409,199                          | 1,420,757                        |
| Intangible assets                         |      | 2,982                              | 2,079                            |
| Long term investments                     | 6    | 45,000                             | 45,000                           |
| Long term deposits and prepayments        |      | 36,737                             | 31,588                           |
|   |      | 1,493,918                          | 1,499,424                        |
| <b>CURRENT ASSETS</b>                     |      |                                    |                                  |
| Stores and spare parts                    |      | 1,006                              | 248                              |
| Stock in trade                            | 7    | 3,824,910                          | 2,901,903                        |
| Trade debts - unsecured                   |      | 1,601,634                          | 1,336,061                        |
| Advances - unsecured                      |      | 31,929                             | 24,752                           |
| Trade deposits and short term prepayments |      | 188,071                            | 51,871                           |
| Other receivables                         |      | 111,181                            | 602,969                          |
| Interest accrued                          |      | 5,400                              | 1,790                            |
| Short term investment                     | 8    | 900,000                            | 1,600,000                        |
| Tax refunds due from Government           | 9    | 508,597                            | 508,597                          |
| Cash and bank balances                    | 10   | 726,305                            | 556,941                          |
|   |      | 7,899,033                          | 7,585,132                        |
| <b>TOTAL ASSETS</b>                       |      | <b>9,392,951</b>                   | <b>9,084,556</b>                 |
| <b>EQUITY AND LIABILITY</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                          |      | 6,809,200                          | 6,586,511                        |
|   |      | 6,809,683                          | 6,586,994                        |
|   |      | 6,885,283                          | 6,662,594                        |
| <b>NON-CURRENT LIABILITIES</b>            |      |                                    |                                  |
| Long term deposits                        |      | 45,000                             | 45,000                           |
| Deferred liability - employee benefits    | 11   | 71,908                             | 72,150                           |
| Deferred taxation                         |      | 32,306                             | 40,480                           |
|   |      | 149,214                            | 157,630                          |
| <b>CURRENT LIABILITIES</b>                |      |                                    |                                  |
| Trade and other payables                  |      | 2,252,264                          | 1,656,060                        |
| Short term borrowings                     | 12   | -                                  | -                                |
| Provision for taxation                    |      | 106,190                            | 608,272                          |
|   |      | 2,358,454                          | 2,264,332                        |
| <b>CONTINGENCIES AND COMMITMENTS</b>      |      |                                    |                                  |
| <b>TOTAL EQUITY AND LIABILITIES</b>       |      | <b>9,392,951</b>                   | <b>9,084,556</b>                 |

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

Chief Executive

Director

# CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

|  | Note | Jan - Mar<br>2017 | Jan - Mar<br>2016 |
|--|------|-------------------|-------------------|
|  |      | (Rupees in '000)  |                   |
| SALES                                  | 14   | 3,063,513         | 3,223,196         |
| COST OF SALES                          | 15   | 1,762,007         | 1,917,396         |
| GROSS PROFIT                           |      | 1,301,506         | 1,305,800         |
| DISTRIBUTION COST                      |      | 738,978           | 684,142           |
| ADMINISTRATIVE EXPENSES                |      | 234,487           | 227,900           |
| OTHER EXPENSES                         |      | 28,008            | 32,270            |
| OTHER INCOME                           | 16   | 1,001,473         | 944,312           |
|  |      | 31,072            | 29,211            |
| OPERATING PROFIT                       |      | 331,105           | 390,699           |
| FINANCE COST                           | 17   | 10,400            | 9,436             |
| PROFIT BEFORE TAXATION                 |      | 320,705           | 381,263           |
| PROVISION FOR TAXATION                 |      |                   |                   |
| Current                                |      | 106,190           | 119,264           |
| Deferred                               |      | (8,174)           | (5,157)           |
|  |      | 98,016            | 114,107           |
| PROFIT AFTER TAXATION                  |      | 222,689           | 267,156           |
| OTHER COMPREHENSIVE INCOME             |      | -                 | -                 |
| TOTAL COMPREHENSIVE INCOME             |      | 222,689           | 267,156           |
| EARNINGS PER SHARE - BASIC AND DILUTED | 20   | Rs.29.46          | Rs.35.34          |

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

Chief Executive

Director

# CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

| Note  | Jan - Mar<br>2017      | Jan - Mar<br>2016 |
|---|------------------------|-------------------|
| (Rupees in '000)  |                        |                   |
| <b>CASH GENERATED FROM OPERATIONS</b>                                 |                        |                   |
| Profit before taxation  | 320,705                | 381,263           |
| Non-cash adjustment to reconcile profit before tax to net cash flows: |                        |                   |
| Depreciation of property, plant & equipment                           | 47,805                 | 49,025            |
| Amortization of intangible assets                                     | 553                    | 728               |
| Provision for gratuity  | 1,585                  | 1,995             |
| Loss on disposal of property, plant and equipment                     | 1,499                  | 2,769             |
| Income from short term investments and bank deposits                  | (21,965)               | (20,410)          |
| Income from long term investments                                     | (451)                  | (726)             |
| Exchange loss   | 903                    | 401               |
| Finance cost  | 10,400                 | 9,436             |
| Income from discounting of supplier invoices                          | (6,567)                | (5,996)           |
| Provision for trade debts - net                                       | 3,312                  | 1,180             |
| Reversal of provision for advances - net                              | -                      | (480)             |
| Provision for slow moving and obsolete stock - net                    | 21,787                 | 31,001            |
| (Reversal)/provision for obsolescence - stores & spare parts          | (1,064)                | 396               |
|   | 57,797                 | 69,319            |
| <b>Operating profit before working capital changes</b>                | <b>378,502</b>         | <b>450,582</b>    |
| <b>(Increase) / decrease in current assets:</b>                       |                        |                   |
| Stores and spare parts  | 306                    | 233               |
| Stock in trade  | (944,794)              | (589,519)         |
| Trade debts - unsecured   | (268,885)              | (494,213)         |
| Advances - unsecured  | (7,177)                | 3,282             |
| Deposits, short term prepayments                                      | (136,201)              | (29,140)          |
| Other receivables   | (1,302)                | 744               |
|   | (1,358,053)            | (1,108,613)       |
| <b>Increase / (decrease) in current liabilities:</b>                  |                        |                   |
| Trade and other payables  | 599,447                | 626,592           |
| <b>Cash used in operations</b>  | <b>(380,104)</b>       | <b>(31,439)</b>   |
| Finance costs paid  | (6,278)                | (5,791)           |
| Tax paid  | (115,180)              | (160,806)         |
| Gratuity paid   | (1,827)                | (1,685)           |
| Interest income received  | 18,806                 | 23,424            |
|   | (104,479)              | (144,858)         |
| (Increase)/decrease in long term prepayments                          | (5,149)                | 4,002             |
| Increase in long term deposits  | -                      | 221               |
| <b>Net cash used in operating activities</b>                          | <b>A (489,732)</b>     | <b>(172,074)</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                           |                        |                   |
| Purchase of operating fixed assets                                    | (39,969)               | (14,142)          |
| Increase in capital work in progress                                  | (577)                  | (327)             |
| Purchase of intangible assets   | (1,456)                | (140)             |
| Proceeds from sale of property, plant and equipment                   | 2,800                  | 785               |
| Increase in long term investments                                     | -                      | (221)             |
| <b>Net cash used in investing activities</b>                          | <b>B (39,202)</b>      | <b>(14,045)</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                           |                        |                   |
| Dividends paid  | (1,702)                | (551)             |
| <b>Net cash used in financing activities</b>                          | <b>C (1,702)</b>       | <b>(551)</b>      |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                      | <b>A+B+C (530,636)</b> | <b>(186,670)</b>  |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>             | <b>2,156,941</b>       | <b>1,755,330</b>  |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>                   | <b>18 1,626,305</b>    | <b>1,568,660</b>  |

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

Chief Executive

Director

# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

|   | Share capital   | Capital reserve | General reserve | Unappropriated profits | Total     |
|---|-----------------|-----------------|-----------------|------------------------|-----------|
|   | Rupees in '000' |                 |                 |                        |           |
| <b>Balance as at 01 January 2016</b>                                      | 75,600          | 483             | 4,922,000       | 1,053,109              | 6,051,192 |
| Total comprehensive income for the three month period ended 31 March 2016 | -               | -               | -               | 267,156                | 267,156   |
| <b>Balance as at 31 March 2016</b>  | 75,600          | 483             | 4,922,000       | 1,320,265              | 6,318,348 |
| <b>Balance as at 01 January 2017</b>                                      | 75,600          | 483             | 5,634,000       | 952,511                | 6,662,594 |
| Total comprehensive income for the three month period ended 31 March 2017 | -               | -               | -               | 222,689                | 222,689   |
| <b>Balance as at 31 March 2017</b>  | 75,600          | 483             | 5,634,000       | 1,175,200              | 6,885,283 |

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

Chief Executive

Director

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

## 1 LEGAL STATUS AND OPERATIONS

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

## 2 STATEMENT OF COMPLIANCE

This condensed interim financial report of the Company for the three month period ended 31 March 2017 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 condensed interim financial information of the Company for the three month period ended 31 March 2017 is unaudited and these should be read in conjunction with the financial statements of the Company for the year ended 31 December 2016.

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

## 4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation adopted in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the year ended 31 December, 2016.

## 5 ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

(UN - AUDITED)

|                                 | 31 March<br>2017 | 31 March<br>2016 | 31 March<br>2017 | 31 March<br>2016 |
|---------------------------------|------------------|------------------|------------------|------------------|
|                                 | Additions        | Additions        | Disposal (cost)  | Disposal (cost)  |
|                                 | (Rupees in '000) |                  |                  |                  |
| Buildings                       |                  |                  |                  |                  |
| - Factory                       | 2,117            | 299              | -                | -                |
| Plant & Machinery               | 25               | 7,299            | 11,262           | 2,127            |
| Office Equipment                | 153              | 63               | -                | -                |
| Furniture, Fixture and Fittings | 36,193           | 3,431            | 9,423            | 10,803           |
| Computers                       | 1,481            | 3,050            | -                | 207              |
|                                 | <u>39,969</u>    | <u>14,142</u>    | <u>20,685</u>    | <u>13,137</u>    |

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

|                                 | Note | (UN - AUDITED)   | (AUDITED)           |
|---------------------------------|------|------------------|---------------------|
|                                 |      | 31 March<br>2017 | 31 December<br>2016 |
| <b>(Rupees in '000)</b>         |      |                  |                     |
| <b>6 LONG TERM INVESTMENTS</b>  |      |                  |                     |
| <b>Held to maturity at cost</b> |      |                  |                     |
| PLS Term Deposit Receipts       | 6.1  | 45,000           | 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 5.50% (2016: 6.37%) per annum.

## 7 STOCK IN TRADE

This includes provision against slow moving and obsolete stock amounting to Rs. 51,822 ('000) [2016: Rs. 30,035 ('000)]

|  | Rate<br>of return | Period<br>of deposit | (UN - AUDITED)   | (AUDITED)           |
|--|-------------------|----------------------|------------------|---------------------|
|  |                   |                      | 31 March<br>2017 | 31 December<br>2016 |
| <b>(Rupees in '000)</b>                            |                   |                      |                  |                     |
| <b>8 SHORT TERM INVESTMENTS</b>                    |                   |                      |                  |                     |
| <b>Held to maturity at cost</b>                    |                   |                      |                  |                     |
| This includes the following term deposit receipts: |                   |                      |                  |                     |
| United Bank Limited                                | 6.10%             | 1 month              | 900,000          | -                   |
| United Bank Limited                                | 6.35%             | 1 month              | -                | 700,000             |
| Habib Metropolitan Bank Limited                    | 6.50%             | 1 month              | -                | 900,000             |
|  |                   |                      | <u>900,000</u>   | <u>1,600,000</u>    |

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

## 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.

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

|                                  | Note | (UN - AUDITED)   | (AUDITED)           |
|----------------------------------|------|------------------|---------------------|
|                                  |      | 31 March<br>2017 | 31 December<br>2016 |
| <b>(Rupees in '000)</b>          |      |                  |                     |
| <b>10 CASH AND BANK BALANCES</b> |      |                  |                     |
| Bank balances in                 |      |                  |                     |
| Current accounts                 |      |                  |                     |
| - Foreign currency               |      | 15,285           | 15,300              |
| - Local currency                 |      | 43,852           | 70,100              |
| Daily profit accounts            | 10.1 | 59,137           | 85,400              |
| Cash in transit                  |      | 555,302          | 413,442             |
| Cash in hand                     |      | 111,079          | 57,030              |
| - Foreign currency               |      | 46               | 426                 |
| - Local currency                 |      | 741              | 643                 |
|                                  |      | 787              | 1,069               |
|                                  |      | 726,305          | 556,941             |

10.1 The rate of mark-up on these accounts ranges from 3.75% to 5.00% (2016: 3.90% to 5.50%) per annum.

|  | (UN - AUDITED)   | (AUDITED)           |
|--|------------------|---------------------|
|  | 31 March<br>2017 | 31 December<br>2016 |
| <b>(Rupees in '000)</b>                            |                  |                     |
| <b>11 DEFERRED LIABILITY- EMPLOYEE BENEFITS</b>    |                  |                     |
| Opening liability                                  | 72,150           | 68,805              |
| Amount recognized during the period/year           | 1,585            | 8,469               |
| Payment made by the Company during the period/year | (1,827)          | (3,773)             |
| Experience adjustment                              | -                | (1,351)             |
| Closing liability                                  | 71,908           | 72,150              |

The latest actuarial valuation was carried out as at 31 December 2016.

## 12 SHORT TERM BORROWINGS

The credit facilities available to the Company from various commercial banks aggregate to Rs.700 million (2016: Rs. 700 million). These include cash finance facilities of Rs 665 million ( 2016: Rs 665 million) and export finance facility of Rs 35 million (2016: Rs. 35 million).

Mark up on cash finance ranges from 3 months KIBOR plus 0.50% to 1.0% (2016: 3 months KIBOR plus 0.50% to 1.0%) as per agreements with banks. While mark up on export finance is charged at 4.00% (2016: 4.00%) per annum.

In addition, non funded facilities of letters of guarantee and letters of credit amounting to Rs. 495 million (2016: Rs. 495 million) were also provided by these banks. The un-utilized facility for letter of credits and guarantees at period end amounts to Rs. 273 million (2016: Rs. 338 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 ( 2016: Rs. 1,194 million).

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

|   | (UN - AUDITED)   | (AUDITED)           |
|---|------------------|---------------------|
|   | 31 March<br>2017 | 31 December<br>2016 |
|   | (Rupees in '000) |                     |
| <b>13 CONTINGENCIES AND COMMITMENTS</b>             |                  |                     |
| <b>13.1 The company is contingently liable for:</b> |                  |                     |
| Counter Guarantees given to banks                   | 16,068           | 16,068              |
| Indemnity Bonds given to Custom Authorities         | 77,204           | 46,209              |
| Claims not acknowledged as debts - under appeal     | 13,053           | 13,053              |
| 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                      | 363,683          | 363,683             |
| Order by sales tax department - under appeal        | 60,732           | 60,732              |
|   | <u>3,341,677</u> | <u>3,310,682</u>    |

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

## 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:

|   | (UN - AUDITED)   | (AUDITED)           |
|---|------------------|---------------------|
|   | 31 March<br>2017 | 31 December<br>2016 |
|   | (Rupees in '000) |                     |
| With in one year                            | 1,116,824        | 1,078,092           |
| After one year but not more than five years | 4,138,034        | 3,546,688           |
| More than five years                        | 1,727,739        | 2,223,580           |
|   | <u>6,982,597</u> | <u>6,848,360</u>    |
| <b>13.2.2 Commitments in respect of:</b>    |                  |                     |
| - Capital expenditure                       | 25,733           | 3,183               |
| - Letters of credit and bank contracts      | 299,695          | 383,604             |
|   | <u>325,428</u>   | <u>386,787</u>      |

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

|  | (UN - AUDITED)           |                  |
|--|--------------------------|------------------|
|  | Three month period ended |                  |
|  | 31 March<br>2017         | 31 March<br>2016 |
|  | (Rupees in '000)         |                  |
| <b>14 NET SALES</b>                      |                          |                  |
| Shoes and accessories                    |                          |                  |
| Local                                    | 3,543,585                | 3,777,762        |
| Export                                   | 17,746                   | 20,482           |
|  | 3,561,331                | 3,798,244        |
| Sundry articles and scrap material       | 26,952                   | 31,297           |
|  | 3,588,283                | 3,829,541        |
| Less: Sales tax                          | 248,665                  | 269,603          |
| Discount to dealers and distributors     | 217,113                  | 284,096          |
| Commission to agents/business associates | 58,992                   | 52,646           |
|  | 524,770                  | 606,345          |
|  | 3,063,513                | 3,223,196        |
| <b>15 COST OF SALES</b>                  |                          |                  |
| Raw material consumed                    | 942,952                  | 793,108          |
| Stores and spares consumed               | 3,405                    | 3,151            |
| Fuel and power                           | 30,689                   | 27,682           |
| Salaries, wages and benefits             | 127,526                  | 105,865          |
| Repairs and maintenance                  | 11,724                   | 12,757           |
| Insurance                                | 3,734                    | 3,005            |
| Depreciation                             | 11,946                   | 12,014           |
|  | 1,131,976                | 957,582          |
| Add: Opening goods in process            | 40,996                   | 25,199           |
|  | 1,172,972                | 982,781          |
| Less: Closing goods in process           | 63,601                   | 64,981           |
| Cost of goods manufactured               | 1,109,371                | 917,800          |
| Add: Opening stock of finished goods     | 2,698,754                | 2,753,859        |
| Finished goods purchased                 | 1,469,400                | 1,460,925        |
|  | 5,277,525                | 5,132,584        |
| Less: Closing stock of finished goods    | 3,515,518                | 3,215,188        |
|  | 1,762,007                | 1,917,396        |

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

|  |                  | (UN - AUDITED)           |  |
|--|------------------|--------------------------|--|
|  |                  | Three month period ended |  |
| Note   | 31 March<br>2017 | 31 March<br>2016         |  |
| (Rupees in '000)                             |                  |                          |  |
| <b>16 OTHER INCOME</b>                       |                  |                          |  |
| <b>Income from financial assets</b>          |                  |                          |  |
| Profit on long term investments              | 451              | 727                      |  |
| Profit on short term investment              | 18,805           | 16,602                   |  |
| Profit on bank deposits                      | 3,160            | 3,807                    |  |
| 16.1   | 22,416           | 21,136                   |  |
| <b>Income from non - financial assets</b>    |                  |                          |  |
| Rental Income                                | 2,089            | 2,079                    |  |
| Income from discounting of supplier invoices | 6,567            | 5,996                    |  |
|  | 8,656            | 8,075                    |  |
|  | 31,072           | 29,211                   |  |

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

|  |                  | (UN - AUDITED)           |  |
|--|------------------|--------------------------|--|
|  |                  | Three month period ended |  |
| Note   | 31 March<br>2017 | 31 March<br>2016         |  |
| (Rupees in '000)                                     |                  |                          |  |
| <b>17 FINANCE COSTS</b>                              |                  |                          |  |
| Interest / mark-up on:                               |                  |                          |  |
| Workers' profit participation fund                   | 2,779            | 1,495                    |  |
| Employees / agents' securities and personal accounts | 1,343            | 2,150                    |  |
|  | 4,122            | 3,645                    |  |
| Bank charges and commission                          | 6,278            | 5,791                    |  |
|  | 10,400           | 9,436                    |  |
| <b>18 CASH AND CASH EQUIVALENTS</b>                  |                  |                          |  |
| Bank balances in                                     |                  |                          |  |
| - Current accounts                                   | 59,137           | 57,703                   |  |
| - Daily profit accounts                              | 555,302          | 340,846                  |  |
| Short term investment                                | 900,000          | 1,050,000                |  |
| Cash in transit                                      | 111,079          | 118,761                  |  |
| Cash in hand   | 787              | 1,350                    |  |
|  | 1,626,305        | 1,568,660                |  |

**18.1** These balances are maintained with commercial banks.

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

## 19 TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings 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)           |                  |
|-------------------------------|---------------------------------------|--------------------------|------------------|
|                               |                                       | Three month period ended |                  |
|                               |                                       | 31 March<br>2017         | 31 March<br>2016 |
|                               |                                       | (Rupees in '000)         |                  |
| Relationship with the Company | Nature of transactions                |                          |                  |
| Common Control Companies      | Purchase of goods and services        | 235,662                  | 293,210          |
|                               | Sale of goods and services            | 392                      | 1,557            |
|                               | Trade mark licence fee                | 76,991                   | 81,183           |
|                               | Management service fee and IT charges | 46,376                   | 46,692           |
| Staff retirement benefits     | Contribution to provident fund trusts | 12,735                   | 11,985           |
| Staff retirement benefits     | Gratuity paid                         | 1,827                    | 1,685            |
| Key management personnel      | Remuneration                          | 22,165                   | 26,669           |

The Company in normal course of business conducts transactions with its related parties. Balances of related parties at the reporting date have been shown under payables and receivables. The Company continues to have a policy, whereby, all transactions with related parties and common control companies are conducted at arm's length price on the same terms and conditions as third party transactions using comparable uncontrolled price and cost plus methods.

|  |   | (UN - AUDITED)           |                  |
|--|---|--------------------------|------------------|
|  |   | Three month period ended |                  |
|  |   | 31 March<br>2017         | 31 March<br>2016 |
|  |   | (Rupees in '000)         |                  |
| <b>20 EARNINGS PER SHARE - BASIC AND DILUTED</b> |   |                          |                  |
|  | Profit after taxation attributable to ordinary share holders (Rupees in '000) | 222,689                  | 267,156          |
|  | Weighted average number of ordinary shares - Number (in '000)                 | 7,560                    | 7,560            |
|  | Earnings per share - Basic (Rs.)  | 29.46                    | 35.34            |

**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.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

### 21. SEGMENT REPORTING

(UN - AUDITED)  
Three month period ended

|  | Retail      |             | Wholesale   |             | Export      |             | Others      |             | Total       |             |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  | 31 Mar 2017 | 31 Mar 2016 |
| <b>Rupees in ('000)</b>                    |             |             |             |             |             |             |             |             |             |             |
| Net sales                                  | 2,211,922   | 2,107,383   | 808,085     | 1,066,034   | 17,766      | 20,482      | 25,760      | 29,297      | 3,063,513   | 3,223,196   |
| Inter - segment sales                      | -           | -           | -           | -           | -           | -           | -           | -           | -           | -           |
| Total Sales                                | 2,211,922   | 2,107,383   | 808,085     | 1,066,034   | 17,766      | 20,482      | 25,760      | 29,297      | 3,063,513   | 3,223,196   |
| Segment result before unallocated expenses | 454,305     | 407,400     | 1,30,334    | 2,46,168    | 2,217       | 3,119       | 6,118       | 7,329       | 593,174     | 664,016     |
| Unallocated operating expenses             |             |             |             |             |             |             |             |             | 265,133     | 270,258     |
| Other expenses                             |             |             |             |             |             |             |             |             | 28,008      | 32,270      |
| Other income                               |             |             |             |             |             |             |             |             | 31,072      | 29,211      |
| Operating profit                           |             |             |             |             |             |             |             |             | 331,105     | 390,699     |
| Finance cost                               |             |             |             |             |             |             |             |             | 10,400      | 9,436       |
| Profit before taxation                     |             |             |             |             |             |             |             |             | 320,705     | 381,263     |
| Taxation                                   |             |             |             |             |             |             |             |             | 98,016      | 114,107     |
| Profit after taxation                      |             |             |             |             |             |             |             |             | 222,689     | 267,156     |

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

|  | (UN-AUDITED)     | (AUDITED)           | (UN-AUDITED)        | (AUDITED)           |
|--|------------------|---------------------|---------------------|---------------------|
|  | Segment assets   |                     | Segment liabilities |                     |
|  | 31 March<br>2017 | 31 December<br>2016 | 31 March<br>2017    | 31 December<br>2016 |
|  | (Rupees in '000) |                     |                     |                     |
| <b>21.1 SEGMENT ASSETS AND LIABILITIES</b> |                  |                     |                     |                     |
| Retail                                     | 3,703,806        | 2,992,231           | 103,024             | 98,078              |
| Wholesale                                  | 2,474,847        | 2,049,961           | 27,745              | 24,977              |
| Export                                     | 20,702           | 8,340               | 139                 | 3,699               |
| Unallocated                                | 3,193,596        | 4,034,024           | 2,376,760           | 2,295,208           |
|  | <u>9,392,951</u> | <u>9,084,556</u>    | <u>2,507,668</u>    | <u>2,421,962</u>    |

## 22 DATE OF AUTHORIZATION

This financial information was authorized for issue by the Board of Directors on 24 April 2017.

## 23 GENERAL

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





# INVESTORS' EDUCATION

In compliance with the Securities and Exchange Commission of Pakistan's SRO 924(1)/2015 dated September 9, 2015, Investors' attention is invited to the following information message:

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