



Bata

2021 HALF-YEARLY
REPORT

NEW
**SPRING
SUMMER**
COLLECTION 2021



Surprisingly
Bata.

CORPORATE INFORMATION

Board of Directors

Mr. Roberto Longo	Chairman	Non - Executive Director
Mr. Muhammad Imran Malik	Director/Chief Executive	Executive Director
Mr. Amjad Farooq	Director/Chief Financial Officer	Executive Director
Mr. Syed Asad Ali Zaidi	Director	Executive Director
Mr. Toh Guan Kiat	Director	Non - Executive Director
Mr. Aamir Amin	Director	Non - Executive Director
Mr. Kamal Monnoo	Director	Independent Director
Mr. Muhammad Maqbool	Director	Independent Director
Ms. Fatima Asad Khan	Director	Independent Director

Audit Committee

Mr. Muhammad Maqbool	Chairman
Mr. Roberto Longo	Member
Mr. Aamir Amin	Member
Mr. Toh Guan Kiat	Member

Human Resource and Remuneration Committee

Ms. Fatima Asad Khan	Chairperson
Mr. Muhammad Imran Malik	Member
Mr. Toh Guan Kiat	Member

Chief Financial Officer (CFO)

Mr. Amjad Farooq

Company Secretary

Ms. Mahnoor Ather

Auditors

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

Legal Advisor

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

Stock Exchange Listing

Bata Pakistan Limited is listed on Pakistan Stock Exchange under "Leather and Tanneries" sector.

Web Presence

<https://www.bata.com.pk/>

Bankers

Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Bank Al Habib Limited
National Bank of Pakistan Limited
United Bank Limited
Meezan Bank Limited
Allied Bank Limited

Registered Office

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

Share Registrar

Corplink (Pvt.) Ltd.
Wings Arcade, 1-K Commercial,
Model Town, Lahore.

Factories

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

Maraka,

26 - Km, Multan Road, Lahore.

Liaison Office Karachi

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 six month period ended 30 June 2021.

Net turnover in the period under review was Rs. 5.863 billion as compared to Rs. 4.682 billion for the corresponding period of last year. Although, challenges like Covid, high inflation and bleak market conditions still exist, the Company showed turnaround against last year. Profit before Tax during the current period was Rs. 224.2 million as compared to Loss after Tax in last year of Rs. 839.5 million. Profit after tax was Rs. 130.4 million against Loss after tax of Rs. 670.9 million. Earnings per share was Rs. 17.24 against Loss per share of Rs. 88.74 in last year.

Both retail and non-retail divisions remained under pressure due to inflation along with COVID-19 but showed remarkable results. Government announced 8 days Lockdown before Eid due to Delta wave of COVID-19, which had a significant impact on our sales. Nevertheless, turnovers of both the divisions increased by 24% and 30% respectively against the corresponding period of last year.

Our production facilities at Batapur and Maraka were remained operational 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 spite of prevailing circumstances due to COVID -19, we are preparing ourselves to grasp all opportunities that come our way this year. Our priority right now is to hit our target sales and stay connected with our customers through social media platforms and online campaigns.

The Company continued its Corporate Social Responsibilities (CSR) activities during the period under review. A Water Filtration Plant was built at Ghurki Teaching Hospital Lahore in order to provide clean & safe drinking water for the patients and their attendants. Donated 1,328 pairs of shoes to the underprivileged children studying in different schools. Distributed uniforms and books among 650 children studying in different schools. To impart our role for better environment, Go Green (Tree Plantation) campaign was launched and inspired our employees and their children. We planted more than 2,700 trees / saplings in Batapur & Maraka. In the wake of our initiatives towards employees' health care, we arranged Covid Vaccination camps at Batapur and Maraka where 727 employees and their family members got vaccinated. As part of Polio Eradication Campaign, we arranged an immunization camp at Bata Dispensary along with door-to-door polio vaccination drive in Bata residential colony where 224 children aged under 5 years were vaccinated against polio.

We are anticipating a tough year ahead but we are very much confident that with passion of our staff and unconditional support from our all stakeholders, we will not only achieve our goals for the year but also maintain a cohesion on national level by fulfilling our corporate responsibility to the society.

On behalf of the Board

Batapur:
Lahore: 26 August 2021

MUHAMMAD IMRAN MALIK
Chief Executive

ڈائریکٹرز کا جائزہ

مورخہ 30 جون 2021ء کو ختم ہونے والی شش ماہی مدت کے لیے کمپنی کی کارروائیوں کا مختصر جائزہ اور غیر منتفیج شدہ جامع عبوری معلومات پیش کرنا میرے لیے باعث مسرت ہے۔

زیر جائزہ مدت کے دوران 5.863 ارب روپے کا مجموعی کاروبار ہوا جو کہ گزشتہ سال سال اسی مدت کے دوران 4.682 ارب روپے تھا۔ اگرچہ کووڈ 19 کی عالمی وباء، افراط زر کی بدستور برکتی شرح اور منڈی کے ابتر حالات جیسے چیلنجز سے ہم اب بھی نبرد آزما ہیں، پھر بھی کمپنی نے کاروبار میں کافی بہتری دکھائی ہے۔ گزشتہ سال اسی مدت کے دوران بعد از ٹیکس 839.5 ملین روپے خسارہ کے مقابلے میں دریں اثناء قبل از ٹیکس 224.2 ملین روپے کا منافع ہوا۔ ٹیکس کے بعد خسارہ 670.9 ملین روپے کے مقابلے میں ٹیکس کے بعد منافع 130.4 ملین روپے ہوا۔ اسی طرح گزشتہ سال فی شیئر 88.74 روپے خسارے کے مقابلے میں مذکورہ مدت کے دوران فی شیئر 17.24 روپے کی آمدنی ہوئی۔

اگرچہ کووڈ 19 کی عالمی وباء کے باعث کمپنی کے ریٹیل اور نان ریٹیل دونوں ڈویژن مسلسل دباؤ کا شکار رہے لیکن پھر بھی انھوں نے بہترین کارکردگی کا مظاہرہ کیا۔ ڈیلٹا نوع کے کووڈ 19 کی نئی لہر کے پیش نظر عید سے قبل 8 دن کے لیے لاک ڈاؤن کے حکومتی اعلان نے ہماری بیلز کو محدود درجہ متاثر کیا۔ ان نامساعد حالات کے باوجود دونوں ڈویژنوں کے کاروبار میں گزشتہ سال اسی مدت کی نسبت با ترتیب 24 فیصد اور 30 فیصد اضافہ ہوا۔

اس عرصہ کے دوران بانا پورا اور مراکہ میں موجود ہمارے پیداواری مراکز، ہماری مقبول زمانہ مصنوعات کی طلب کو پورا کرنے کے لیے، پوری طرح مصروف عمل رہے۔ ہم نئے مولڈز کے ضمن میں مسلسل سرمایہ کاری کر رہے ہیں اور ان میں سے بیشتر کو مارکیٹ میں اچھی خاصی کامیابی حاصل ہوئی ہے۔

اپنے قابل قدر صارفین کی خواہش/ضروریات کو پورا کرنا اور انہیں بطریق احسن مؤثر خدمات فراہم کرنا ہماری اولین ترجیح ہے۔ کووڈ 19 سے پیدا ہونے والے مشکل حالات کے باوجود ہم آنے والے سال میں موجود تمام کاروباری مواقع سے بھرپور فائدہ حاصل کرنے کے لیے خود کو تیار کر رہے ہیں۔ فی الحال ہماری ترجیح یہی ہے کہ فروخت کے مطلوبہ اہداف کو حاصل کرنے کے لیے ہم سوشل میڈیا اور آن لائن کمپینز کے ذریعے اپنے صارفین سے رابطہ استوار رکھیں۔

زیر جائزہ مدت کے دوران کمپنی نے کارپوریٹ سماجی ذمہ داریوں (سی ایس آر) سے متعلقہ اپنی سرگرمیوں کو بھی جاری رکھا۔ گھر کی ٹچنگ ہسپتال لاہور میں مریضوں اور ان کے لواحقین کو پینے کے صاف پانی کی سہولت فراہم کرنے کے لیے واٹر فلٹریشن پلانٹ نصب کیا گیا۔ علاوہ ازیں مختلف سکولوں میں زیر تعلیم نادار طلبہ میں جوتوں کے 1,328 جوڑے تقسیم کیے گئے۔ اسی طرح مختلف سکولوں کے 650 طلبہ کو یونیفارم اور کتابیں کا عطیہ دیا گیا۔ ماحول کی حفاظت کو یقینی بنانے کے لیے ’کو گرین‘ (شجر کاری مہم) کا آغاز کیا گیا جس میں کمپنی کے ملازمین اور بچوں نے بھرپور حصہ لیا۔ مذکورہ مہم کے دوران ہم نے بانا پورا اور مراکہ میں 2,700 سے زائد درخت اور پودے لگائے۔ ملازمین کی صحت کے تحفظ کی خاطر ہم نے بانا پورا اور مراکہ میں کووڈ 19 ویکسینیشن کیپس کا انعقاد کیا جہاں ادارہ ہذا کے 727 ملازمین اور ان کے اہل خانہ کو ویکسین لگائی گئی۔ پولیو کے خاتمے کی مہم کا حصہ بنتے ہوئے ہم نے بانا ڈیپسری میں ایونٹسزیشن کمپ کا انتظام کیا اور اس کے ساتھ ساتھ بانا کی رہائشی کالونی میں گھر گھر جا کر بچوں کو پولیو ویکسین پلانے میں بھرپور کردار ادا کیا اور اس طرح پانچ سال سے کم عمر کے 224 بچوں کی زندگی کو پولیو سے محفوظ فرمایا گیا۔

توقع ہے کہ آنے والا سال ہمارے لیے مشکل رہے گا لیکن ہم پہلے زیادہ پر اعتماد ہیں کہ اپنے ملازمین کے جذبے اور اپنے تمام متعلقین کے غیر مشروط تعاون کی بدولت ہم نہ صرف اس سال کے تمام مطلوبہ اہداف حاصل کر لیں گے بلکہ معاشرے میں اپنی کارپوریٹ ذمہ داریوں کو نبھاتے ہوئے قومی سطح پر ہم آہنگی کو بھی برقرار رکھیں گے۔

منجاب بورڈ

محمد عمران ملک

چیف ایگزیکٹو

بانا پور:-

لاہور:- ۲۶ اگست ۲۰۲۱ء

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, 2021 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 period ended June 30, 2021 and June 30, 2020 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended June 30, 2021.

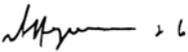
Scope of Review

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 30, 2021

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
23-C, Aziz Avenue, Canal Bank, Gulberg-V, P.O.Box 39, Lahore-54660, Pakistan
Tel: +92 (42) 3571 5868-71 / 3577 5747-50-37; Fax: +92 (42) 3577 5754 www.pwc.com/pk

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CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION - UNAUDITED

AS AT 30 JUNE 2021

	Note	(UN - AUDITED) 30 June 2021	(AUDITED) 31 December 2020
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	1,952,606	1,949,867
Right of use assets		3,770,416	3,685,232
Intangible assets		181,588	164,744
Long term investments	7	45,034	45,094
Long term deposits and prepayments		41,258	36,127
Deferred taxation		515,377	521,813
		6,506,279	6,402,877
CURRENT ASSETS			
Stores and spare parts		–	–
Stock in trade	8	4,179,198	2,812,812
Trade debts - unsecured		1,099,823	1,385,617
Advances - unsecured		219,399	116,006
Trade deposits and short term prepayments		361,110	167,995
Other receivables		250,355	266,933
Interest accrued		5,029	3,340
Short term investments		600,000	1,950,000
Tax refunds due from Government	9	350,161	350,161
Cash and bank balances	10	802,047	549,740
		7,867,122	7,602,604
TOTAL ASSETS		14,373,401	14,005,481
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital		100,000	100,000
Issued, subscribed and paid up capital		75,600	75,600
Reserves			
Capital reserve		483	483
Revenue reserves		6,426,869	6,296,516
		6,427,352	6,296,999
		6,502,952	6,372,599
NON-CURRENT LIABILITIES			
Long term lease liabilities		3,731,224	3,602,826
Long term deposits		40,960	24,788
Long term borrowing	11	50,370	53,516
Deferred liability - employee benefits	12	60,291	68,592
		3,882,845	3,749,722
CURRENT LIABILITIES			
Current portion of lease liabilities		950,100	871,711
Current portion of long term borrowing		6,297	6,743
Trade and other payables		2,889,307	2,774,550
Unclaimed dividend		54,460	54,494
Short term borrowings	13	–	–
Provision for taxation		87,440	175,662
		3,987,604	3,883,160
CONTINGENCIES AND COMMITMENTS			
	14		
TOTAL EQUITY AND LIABILITIES		14,373,401	14,005,481

The annexed notes from 1 to 25 form an integral part of these condensed interim 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, 2021

	Note	Three month period ended		Six month period ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
(Rupees in '000)					
Sales - net	15	3,219,888	1,769,155	5,863,039	4,681,656
Cost of sales	16	(1,691,797)	(1,164,230)	(3,040,879)	(2,775,102)
Gross profit		1,528,091	604,925	2,822,160	1,906,554
Distribution cost		(941,121)	(773,292)	(1,814,118)	(1,822,665)
Administrative expenses		(286,737)	(238,911)	(554,538)	(521,852)
Other expenses		(15,446)	(15,850)	(22,412)	(17,842)
Other income		88,054	3,036	158,421	27,465
Finance cost	17	(194,517)	(203,995)	(365,284)	(411,152)
Profit / (loss) before taxation		178,324	(624,087)	224,229	(839,492)
Provision for taxation		(81,435)	203,503	(93,876)	168,630
Profit / (loss) after taxation		96,889	(420,584)	130,353	(670,862)
Other comprehensive income		-	-	-	-
Total comprehensive income / (loss)		<u>96,889</u>	<u>(420,584)</u>	<u>130,353</u>	<u>(670,862)</u>
Earning / (loss) per share					
- Basic and diluted	20	<u>Rs.12.82</u>	<u>(Rs.55.63)</u>	<u>Rs.17.24</u>	<u>(Rs.88.74)</u>

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

	Share capital	Capital reserve	Revenue reserves			Total
			General reserve	Unappropriated profit / (loss)	Total revenue reserves	
(Rupees in '000')						
Balance as at January 01, 2020	75,600	483	6,957,000	411,506	7,368,506	7,444,589
Total comprehensive loss for the six month period ended June 30, 2020	-	-	-	(670,862)	(670,862)	(670,862)
Transactions with owners in their capacity as owners:						
Final dividend for 2019 at the rate of Rs. 60 per share	-	-	-	(453,600)	(453,600)	(453,600)
Balance as at June 30, 2020	75,600	483	6,957,000	(712,956)	6,244,044	6,320,127
Balance as at January 01, 2021	75,600	483	6,957,000	(660,484)	6,296,516	6,372,599
Total comprehensive income for the six month period ended June 30, 2021	-	-	-	130,353	130,353	130,353
Balance as at June 30, 2021	75,600	483	6,957,000	(530,131)	6,426,869	6,502,952

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.

Chief Executive

Director

Chief Financial Officer

CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

	Note	Six month period ended	
		June 30, 2021	June 30, 2020
(Rupees in '000)			
CASH GENERATED FROM OPERATIONS			
Profit / (loss) before taxation		224,229	(839,492)
Adjustment for:			
Depreciation of property, plant and equipment		131,924	131,253
Depreciation of right of use assets		578,692	642,149
Amortization of intangible assets		14,592	41
Provision for gratuity		4,412	4,638
(Gain) / loss on disposal of property, plant and equipment		(1,318)	1,172
Income from short investments		(61,086)	(20,263)
Income from long term investments		(1,395)	(2,307)
Exchange (gain) / loss		(24,849)	13,915
Finance cost		365,284	411,152
Net (reversal) / provision for trade debts and advances		(3,657)	297,802
Net provision for slow moving and obsolete stock		63,826	337,948
Reversal of provision for obsolescence stores and spare parts		(756)	(1,667)
		1,065,689	1,815,833
Operating profit before working capital changes		1,289,918	976,341
(Increase) / decrease in current assets:			
Stores and spare parts		756	2,207
Stock in trade		(1,430,212)	(1,041,877)
Trade debts - unsecured		289,431	152,479
Advances - unsecured		(103,393)	203,724
Trade deposits and short term prepayments		(193,115)	(331,853)
Other receivables		(58,967)	(2,047)
		(1,495,500)	(1,017,367)
Increase in current liabilities:			
Trade and other payables		114,756	952,885
Cash (used in) / generated from operations		(90,826)	911,859
Finance cost paid		(365,284)	(411,152)
Taxes paid		(176,196)	(97,299)
Gratuity paid		(12,713)	(8,791)
Interest income received		60,792	23,529
		(493,401)	(493,713)
Increase in long term prepayments		(5,131)	(9,445)
Increase in long term deposits (liabilities)		16,172	39,160
Net cash (used in) / generated from operating activities		(573,186)	447,861
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(90,666)	(65,143)
Increase in capital work in process		(137,268)	(283,990)
Proceeds from sale of property, plant and equipment		915	123
Decrease in long term investments		60	30
Net cash used in investing activities		(226,959)	(348,980)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment) / proceeds from long term borrowings		(3,147)	44,041
Lease rentals paid		(294,401)	(465,212)
Dividend paid		-	(145,270)
Net cash used in financing activities		(297,548)	(566,441)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,097,693)	(467,560)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		2,499,740	1,273,248
CASH AND CASH EQUIVALENTS AT END OF PERIOD	18	1,402,047	805,688

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.

Chief Executive

Director

Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2021

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 Factory	G.T. Road, P.O. Batapur, Lahore
2	Maraka Factory	26 - km, Multan Road, Lahore

The Company operates through retail outlets spread across the country with 9 outlets situated in Azad Kashmir, 6 in Balochistan, 15 in Islamabad Capital Territory, 1 in Gilgit Baltistan, 43 in Khyber Pakhtunkhwa, 319 in Punjab and 67 retail outlets in Sindh.

2 STATEMENT OF COMPLIANCE

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

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

3 BASIS OF PRESENTATION AND MEASUREMENT

These condensed interim financial statements are un-audited but subject to limited scope review. These condensed interim financial statements do not include all the information and disclosures required in audited financial statements and therefore should be read in conjunction with the Company's annual audited financial statements for the year ended December 31, 2020.

These condensed interim financial statements have been prepared under the historic cost convention except certain employee benefits which are recognized on present value. These condensed interim financial statements are prepared in Pak Rupees, which is the functional currency of the Company. Figures have been rounded off to the nearest thousand rupee unless otherwise specified.

4 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED ACCOUNTING STANDARDS

4.1 Standards, amendments and interpretations to published 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 01, 2021 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 condensed interim financial statements.

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 January 01, 2022 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 condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2021

5 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these condensed interim financial statements in conformity with the approved accounting and reporting standards as applicable in Pakistan. Interim reporting requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on the historical experience and other factors, including reasonable expectations of future events. Revision to accounting estimates are recognized prospectively commencing from the period of revision.

Accounting policies, judgements and estimates made by the management in the preparation of these condensed interim financial statements are the same as those applied to the audited financial statements as at and for the year ended December 31, 2020.

The Company's financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended December 31, 2020.

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

	Note	(UN - AUDITED) June 30, 2021	(AUDITED) December 31, 2020
(Rupees in '000)			
6 PROPERTY, PLANT AND EQUIPMENT			
Property, plant and equipment	6.1	1,860,861	1,904,351
Capital work in progress	6.2	91,745	45,516
		<u>1,952,606</u>	<u>1,949,867</u>
6.1 Opening net book value (NBV)		1,904,351	1,823,444
Add: additions / transfers during the period / year	6.1.1	90,666	417,237
		<u>1,995,017</u>	<u>2,240,681</u>
Less: disposals during the period / year (NBV)	6.1.1	(2,232)	(62,739)
Depreciation charged during the period / year		(131,924)	(273,591)
		<u>(134,156)</u>	<u>(336,330)</u>
		<u>1,860,861</u>	<u>1,904,351</u>

	(UN-AUDITED)		(AUDITED)	
	30 June 2021	30 June 2021	31 December 2020	31 December 2020
	Additions	Disposal (NBV)	Additions	Disposal (NBV)
(Rupees in '000)				
6.1.1				
Buildings				
- Factory	105	-	61,518	-
- Others	331	-	2,823	-
Plant & machinery	1,834	20	134,353	436
Gas installations	26	-	2,535	-
Office equipments	-	-	-	318
Furniture, fixture and fittings	33,322	1,298	202,611	59,876
Computers	55,048	914	13,397	2,109
	<u>90,666</u>	<u>2,232</u>	<u>417,237</u>	<u>62,739</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2021

	Note	(UN - AUDITED)	(AUDITED)
		30 June 2021	31 December 2020
(Rupees in '000)			
6.2	Opening balance	45,516	43,453
	Add: additions during the period	114,648	346,011
	Less: transfers during the period	160,164 (68,419)	389,464 (343,948)
		91,745	45,516
7	LONG TERM INVESTMENTS		
	PLS Term Deposit Receipts	7.1 45,034	45,094

7.1 These deposits are earmarked against the balances due to employees held as securities and personal accounts maintained with commercial banks undertaking conventional banking services. These carry mark-up at the rate of 6.75% (2020: 6.5%) per annum.

8 STOCK IN TRADE

This represents net amount after adjustment for provision against slow moving and obsolete stock amounting to Rs. 39.100 million (2020: Rs. 102.927 million)

	Note	(UN - AUDITED)	(AUDITED)
		30 June 2021	31 December 2020
(Rupees in '000)			
9	TAX REFUNDS DUE FROM GOVERNMENT		
	Tax refunds due from Government	9.1 350,161	350,161

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

	Note	(UN - AUDITED)	(AUDITED)
		30 June 2021	31 December 2020
(Rupees in '000)			
10	CASH AND BANK BALANCES		
	Bank balances in		
	Current accounts		
	- Foreign currency	23,514	23,958
	- Local currency	33,089	25,843
	Daily profit accounts	10.1 56,603 697,070	49,801 430,858
	Cash in transit	10.2 753,673	480,659
	Cash in hand	44,948	66,688
	- Foreign currency	1,670	428
	- Local currency	1,756	1,965
		3,426	2,393
		802,047	549,740

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2021

10.1 The rate of mark-up on these accounts ranges from 2.76% to 5.76% (2020: 2.84% to 5.50%) per annum.

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

	Note	(UN - AUDITED)	(AUDITED)
		30 June 2021	31 December 2020
(Rupees in '000)			
11 LONG TERM BORROWING			
Long term borrowing	11.1	50,370	53,516

11.1 The long term borrowing has been obtained from Habib Bank Limited for capital expenditure. Under the arrangement, principal amount up to Rs. 80 million is repayable in 39 equal quarterly instalments beginning on November 15, 2020. Interest is payable quarterly at the rate of 3.5% per annum.

	(UN - AUDITED)	(AUDITED)
	30 June 2021	31 December 2020
(Rupees in '000)		
12 DEFERRED LIABILITY- EMPLOYEE BENEFITS		
Opening liability	68,592	83,476
Amount recognized during the period / year	4,412	15,088
Payments made by the Company during the period / year	(12,713)	(17,360)
Experience adjustment	-	(12,612)
Closing liability	60,291	68,592

The latest actuarial valuation was carried out as at December 31, 2020.

13 SHORT TERM BORROWINGS

The credit facilities available to the Company from various commercial banks aggregate to Rs. 2,235 million (2020: Rs. 2,235 million). These include:

- Non funded facilities of letters of guarantee and letters of credit amounting to Rs. 455 million (2020: Rs. 455 million); and
- Cash finance facilities of Rs. 1,780 million (2020: Rs. 1,780 million).

Moreover, the Company can avail further cash finance facilities out of un-utilized unfunded facilities of Rs. 365.000 million (2020: Rs. 365.000 million) which also includes Rs. 35.000 million (2020: Rs. 35.000 million) of export finance facilities.

The un-utilized facility for letter of credits and guarantees at year end amounts to Rs. 400.005 million (2020: Rs. 553.041 million).

Mark up on cash finance ranges from 3 months KIBOR plus 0.50% to 1.0% (2020: 3 months KIBOR plus 0.50% to 1.0%) as per agreements with banks.

Mark up on export finance is charged at SBP rate plus 1.00% (2020: 1.00%) per annum.

These finances are secured against hypothecation of stock in trade, stores and spares and receivables of the Company amounting to Rs. 2,687 million (2020: Rs. 2,654 million).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2021

14 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, 2020 except the following:

- 14.1.1** 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 favour 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). ATIR vide order dated April 11, 2019 decided the appeal in favour of the Company. The Department filed a reference petition before Honorable Lahore High Court against the order ATIR on June 22, 2021 which is pending adjudication. Based on the tax advisor's opinion, the Company's management expects a favourable outcome due to which no provision has been recorded in these condensed interim financial statements.
- 14.1.2** The Additional Commissioner Inland Revenue (ACIR) raised demand vide order dated June 27, 2016 pertaining to tax year 2010 amounting to Rs. 363.683 million on account of certain issues which primarily include proration of expenses and disallowance of certain expenses. Being aggrieved, the Company preferred an appeal before the Commissioner Inland Revenue (Appeals) and also filed a rectification application of the said order. The Commissioner Inland Revenue (Appeals) vide order dated September 16, 2016 decided the appeal in favour of the Company by deleting majority of the add backs with certain exceptions and remanded back the order with the direction to give consideration to the rectification application filed by the Company in respect of the proration of expenses made by the Department. Based on the appeal disposed off by Commissioner Inland Revenue (Appeals), the ACIR issued revised demand amounting to Rs. 254.034 million vide order dated June 30, 2019. Being aggrieved, the Company again filed an appeal against the order with Commissioner Inland Revenue (Appeals) along with rectification application against the revised assessment order which was decided in favour of the Company vide order dated November 27, 2020. The Department has filed an appeal before the ATIR against the said order which is pending adjudication. Based on the tax advisor's opinion, the Company's management expects a favourable outcome due to which no provision has been recorded in these condensed interim financial statements.
- 14.1.3** The ACIR raised demand vide order dated April 16, 2021 pertaining to tax year 2015 amounting to Rs. 153.974 million on account of certain issues which primarily include proration of expenses and disallowance of certain expenses. Being aggrieved, the Company preferred an appeal before the Commissioner Inland Revenue (Appeals) which is pending adjudication. The Company has also filed a rectification application against the order. Based on the tax advisor's opinion, the Company's management expects a favourable outcome due to which no provision has been recorded in these condensed interim financial statements.

	(UN - AUDITED)	(AUDITED)
	30 June 2021	31 December 2020
	(Rupees in '000)	
14.2 Commitments in respect of:		
- Capital expenditure	14,831	112,030
- Letters of credit and bank contracts	85,703	159,931
	100,534	271,961

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2021

	(UN-AUDITED)		(UN-AUDITED)	
	Three month period ended		Six month period ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
(Rupees in '000)				
15 SALES - NET				
Shoes and accessories				
Local	4,078,554	2,157,587	7,384,206	5,798,053
Export	12,204	8,576	30,304	18,994
	4,090,758	2,166,163	7,414,510	5,817,047
Sundry articles and scrap material	13,950	981	33,693	14,671
	4,104,708	2,167,144	7,448,203	5,831,718
Less: Sales tax	(490,326)	(262,658)	(906,094)	(765,812)
Discount to dealers and distributors	(301,611)	(71,006)	(510,059)	(245,975)
Commission to agents/business associates	(92,883)	(64,325)	(169,011)	(138,275)
	(884,820)	(397,989)	(1,585,164)	(1,150,062)
	3,219,888	1,769,155	5,863,039	4,681,656
16 COST OF SALES				
Raw material consumed	833,191	31,824	1,794,436	1,173,806
Stores and spares consumed	2,383	394	5,221	2,945
Fuel and power	25,762	8,762	67,951	53,367
Salaries, wages and benefits	127,704	91,232	305,389	257,511
Repairs and maintenance	32,816	10,777	56,904	25,824
Insurance	5,373	5,831	10,747	10,734
Depreciation on property, plant and equipment	16,409	12,952	32,798	25,849
	1,043,639	161,772	2,273,446	1,550,036
Add: Opening goods in process	83,166	80,840	40,540	46,908
	1,126,805	242,612	2,313,986	1,596,944
Less: Closing goods in process	(78,931)	(79,928)	(78,931)	(79,928)
Cost of goods manufactured	1,047,874	162,684	2,235,055	1,517,016
Add: Opening stock of finished goods	3,624,540	5,002,993	2,521,326	3,828,968
Finished goods purchased	676,260	115,229	1,941,375	1,545,794
	5,348,674	5,280,906	6,697,756	6,891,778
Less: Closing stock of finished goods	(3,656,877)	(4,116,676)	(3,656,877)	(4,116,676)
	1,691,797	1,164,230	3,040,879	2,775,102
17 FINANCE COST				
Interest / mark-up on:				
Long term borrowing	502	1,962	1,122	1,962
Employees / agents' securities and personal accounts	1,060	504	1,705	2,116
Lease liabilities	183,004	177,031	343,724	372,295
Short term borrowing	-	19,776	-	19,776
	184,566	199,273	346,551	396,149
Bank charges and commission	9,951	4,722	18,733	15,003
	194,517	203,995	365,284	411,152

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2021

	(UN - AUDITED)	
	30 June 2021	30 June 2020
	(Rupees in '000)	
18 CASH AND CASH EQUIVALENTS		
Cash and bank balances	802,047	805,688
Short term investment	600,000	-
	1,402,047	805,688

19 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of parent company, related group companies, provident fund trusts, directors and key management personnel. Transactions with related parties during the period are as follows:

Relationship with the Company	Nature of transactions	(UN-AUDITED) Three month period ended		(UN-AUDITED) Six month period ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
		(Rupees in '000)			
Common control companies	Purchase of goods and services	7,515	17,589	62,217	40,397
	Sale of goods and services	1,396	-	3,637	1,451
	Dividend paid	-	341,152	-	341,152
	Trade mark license fee	155,335	82,396	284,215	227,893
	Management service fee	54,127	53,969	109,875	106,241
Staff Retirement Benefits	Contribution to provident fund trusts	16,522	21,658	32,695	38,292
Staff Retirement Benefits	Gratuity paid	7,104	17	12,713	8,791
Key management personnel	Remuneration	32,110	34,935	67,921	69,955

All transactions with related parties have been carried out on mutually agreed terms and conditions except for sale and purchase of goods, which are arm's length transactions.

Period / year end balances	(UN - AUDITED)	(AUDITED)
	June 30, 2021	December 31, 2020
	(Rupees in '000)	
Receivable from related parties	1,424	6,769
Payable to related parties	1,224,368	1,239,936

	(UN-AUDITED) Three month period ended		(UN-AUDITED) Six month period ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	(Rupees in '000)			
20 EARNINGS PER SHARE - BASIC AND DILUTED				
Profit after taxation attributable to ordinary share holders (Rupees in '000)	96,889	(420,584)	130,353	(670,862)
Weighted average number of ordinary shares - Number (in '000)	7,560	7,560	7,560	7,560
Earnings / (loss) per share - Basic (Rs.)	12.82	(55.63)	17.24	(88.74)

20.1 No figure for diluted earnings / (loss) per share has been disclosed as the Company has not issued any instrument which would have a dilutive impact on earnings / (loss) per share, when exercised.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2021

(UN - AUDITED)
Six month period ended

	Retail		Wholesale		Export		Others		Total	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	(Rupees in '000)									
Net sales	4,920,092	3,979,118	872,093	669,728	30,304	18,994	31,550	13,816	5,863,039	4,681,656
Inter - segment sales	-	-	-	-	-	-	-	-	-	-
Total Sales	4,920,092	3,979,118	872,093	669,728	30,304	18,994	31,550	13,816	5,863,039	4,681,656
Segment result before unallocated expenses	1,055,255	260,673	61,222	(289,763)	2,963	1,660	8,595	6,056	1,108,015	(21,374)
Unallocated operating expenses									(654,589)	(416,589)
Other expenses									(17,812)	(17,812)
Other income									158,421	27,465
Operating profit / (loss)									589,513	(428,340)
Finance cost									(665,284)	(411,152)
Profit / (loss) before taxation									224,229	(839,032)
Taxation									(95,876)	(168,630)
Profit / (loss) after taxation									130,353	(670,862)

(UN - AUDITED)
Three month period ended

	Retail		Wholesale		Export		Others		Total	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	(Rupees in '000)									
Net sales	2,692,456	1,553,220	502,485	205,424	12,205	8,576	12,742	1,935	3,219,888	1,769,155
Inter - segment sales	-	-	-	-	-	-	-	-	-	-
Total Sales	2,692,456	1,553,220	502,485	205,424	12,205	8,576	12,742	1,935	3,219,888	1,769,155
Segment result before unallocated expenses	617,052	7,264	21,175	(321,318)	312	(126)	4,142	1,935	672,681	(312,215)
Unallocated operating expenses									(372,448)	(95,033)
Other expenses									(15,466)	(15,850)
Other income									88,054	3,036
Operating profit / (loss)									372,841	(420,092)
Finance cost									(194,517)	(203,595)
Profit / (loss) before taxation									178,324	(624,087)
Taxation									(81,485)	(203,503)
Profit / (loss) after taxation									96,839	(420,584)

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2021

	(UN-AUDITED)	(AUDITED)	(UN-AUDITED)	(AUDITED)
	Segment assets		Segment liabilities	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
(Rupees in '000)				
22 SEGMENT ASSETS AND LIABILITIES				
Retail	8,455,399	7,480,169	4,747,513	4,549,856
Wholesale	1,796,732	1,691,100	46,443	44,690
Export	8,729	11,407	–	–
Unallocated	4,112,541	4,822,805	3,076,493	3,038,336
	<u>14,373,401</u>	<u>14,005,481</u>	<u>7,870,449</u>	<u>7,632,882</u>

23 EVENTS AFTER THE REPORTING DATE

No material events have occurred subsequent to the period ended June 30, 2021.

24 DATE OF AUTHORIZATION

These condensed interim financial statements were authorized for issue by the Board of Directors on August 26, 2021.

25 CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of financial position and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of the preceding financial year, whereas, the condensed interim statement of profit or loss and other comprehensive income and condensed interim statement of cashflows have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.

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