

*Bata*<sup>®</sup>

ANNUAL

REPORT 2015



*Bata* PAKISTAN LIMITED

LIVE OUTDOORS  
**WEINBRENNER**<sup>®</sup>  
• SINCE 1892 •



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FORM OF PROXY	



# Leena

by **Bata**



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The image features a central dark red circle containing the text "Corporate Social Responsibility" in white serif font. This circle is surrounded by a light green ring, which is itself set against a background of overlapping orange and red circles. In the lower-left corner, there are stylized orange icons of a family (a man, a woman, and a child) and a person sitting at a desk with a laptop. The overall aesthetic is warm and professional, with a focus on community and social impact.

Corporate  
Social  
Responsibility



Arranged a medical camp in Girls School Batapur in order to create awareness on health issues. ▶



To register our role towards good environment, planted more than 800 trees at Batapur and Maraka ▶



▶ Celebrated Earth Day with school children and arranged workshops to inculcate the importance of better environment to protect the earth.



▶ Provided stitching training to employees' families and people from nearby community.

Mentorship sessions were held in underprivileged schools by Bata employees (Volunteers) who inspired the children to become a beneficial and responsible citizen of society.

In the wake of morale boosting activities for Bata employees, organized Inter-departmental Cricket and volleyball tournaments.



Launched Polio Eradication campaign for providing maximum polio vaccination coverage to under-five year children of Bata employees and nearby community.

Donated shoes, books, clothing and sports kits amongst children studying in different schools.

# Bata®

Every Step, Everywhere



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# Vision

To make great  
shoes accessible to  
everyone





# Mission

**We help people look and feel good**

by continuously focusing on product quality, innovation and value.

**We become the customer's destination of choice**

by offering personal shopping experience to create long standing customer relationships.

**We attract and retain the best people**

by showing great leadership, a passion for high standards our respect for diversity and commitment to create exceptional opportunities for professional growth.

**We remain the most respected footwear company**

by being socially responsible and ethical in everything we do and a credit to every community in which we operate.

# Corporate Information

## Board of Directors

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

## Audit Committee

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

## Human Resource and Remuneration Committee

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

## Chief Financial Officer (CFO)

Mr. Cesar Panduro

## Company Secretary

Mr. S. M. Ismail

## Auditors

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants  
4th Floor Pace Mall Building, 96-B-1,  
Gulberg II, M. M. Alam Road,  
Lahore

## Legal Advisor

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

## Stock Exchange Listing

Bata Pakistan Limited is listed on Pakistan Stock Exchange.

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

## Bankers

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

## Registered Office

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

## Share Registrar

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

## Factories

Batapur,  
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.

# Notice of Meeting

**NOTICE IS HEREBY GIVEN** that the 64th Annual General Meeting of Bata Pakistan Limited will be held at the Registered Office of the Company at Batapur, District Lahore on 20th April, 2016 at 12.00 noon. to transact the following business:

1. To confirm the minutes of the Annual General Meeting held on 16th April, 2015.
2. To receive, consider, and adopt the Directors' Report, Audited Accounts of the Company and Auditors' Reports thereon, for the year ended 31st December, 2015.
3. To approve dividend as recommended by the Directors.
4. To appoint Auditors and fix their remuneration for the year ending 31st December, 2016.
5. To transact any ordinary business of the Company with the permission of the Chairman.

By order of the Board  
Bata Pakistan Limited

Batapur  
Lahore: 18.02.2016

Company Secretary

## NOTES:

1. A member entitled to attend and vote at the meeting may appoint any person as his proxy to attend the meeting and vote instead of him. The proxy shall have the right to attend, speak and vote in place of the member appointing him at the meeting. A proxy need not be a member of the Company. Proxy form must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting.
2. The members whose shares are maintained on Central Depository System with the Central Depository Company of Pakistan Limited should follow the guidelines for attending the General Meetings and appointment of proxies as laid down by the Securities and Exchange Commission of Pakistan.
3. Shareholders (non-CDC) are requested to promptly notify the Company of any change in their addresses. All the CDC shareholders are requested to please update their address with the CDC participants.
4. The Share Transfer Books of the Company will remain closed from 14th to 20th April, 2016 (both days inclusive).

**Mandatory Submission of CNIC :** With reference to the notification of Securities and Exchange Commission of Pakistan (SECP), SRO 779(1)2011 dated August 18, 2011, the Members/Shareholders who have not yet submitted photo copy of their valid CNIC to the Company are required to send the same at the earliest directly to the Company's Share Registrar M/s. Corplink (Pvt) Ltd. 1-K Commercial, Model Town, Lahore. Kindly comply with the request as the CNIC number would be printed at future dividend warrants. In case of non-receipt of the copy of valid CNIC and non-compliance of the above mentioned SRO of SECP, the Company may be constrained to withhold dispatch of dividend warrant in the future.

**Deduction of Withholding Tax on the amount of dividend (Mandatory):** The Government of Pakistan through Finance Act, 2015 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the Companies. Tax rates are as under:

- i) For filers of income tax returns : 12.5%
- ii) For non-filers of income tax returns : 17.5%

To enable the Company to make tax deduction on the amount of the cash dividend @ 12.5% instead of 17.5% all the shareholders whose names are not entered into the Active Tax Payers List (ATL) provided on the website of FBR despite the fact that they are filers, are advised to make sure that their names are entered into ATL. Otherwise tax on the cash dividend will be deducted @ 17.5% instead of 12.5%.

For shareholders holding their shares jointly as per the clarification issued by the Federal Board of Revenue withholding tax will be determined separately on 'Filer/Non-filer' status of Principle shareholder as well as joint-holder(s) based on their shareholding proportions. Therefore, all shareholders who hold shares jointly are required to provide shareholding proportions of Principle shareholder and joint-holder(s) in respect of shares held by them to our Share Registrar in writing as follows:

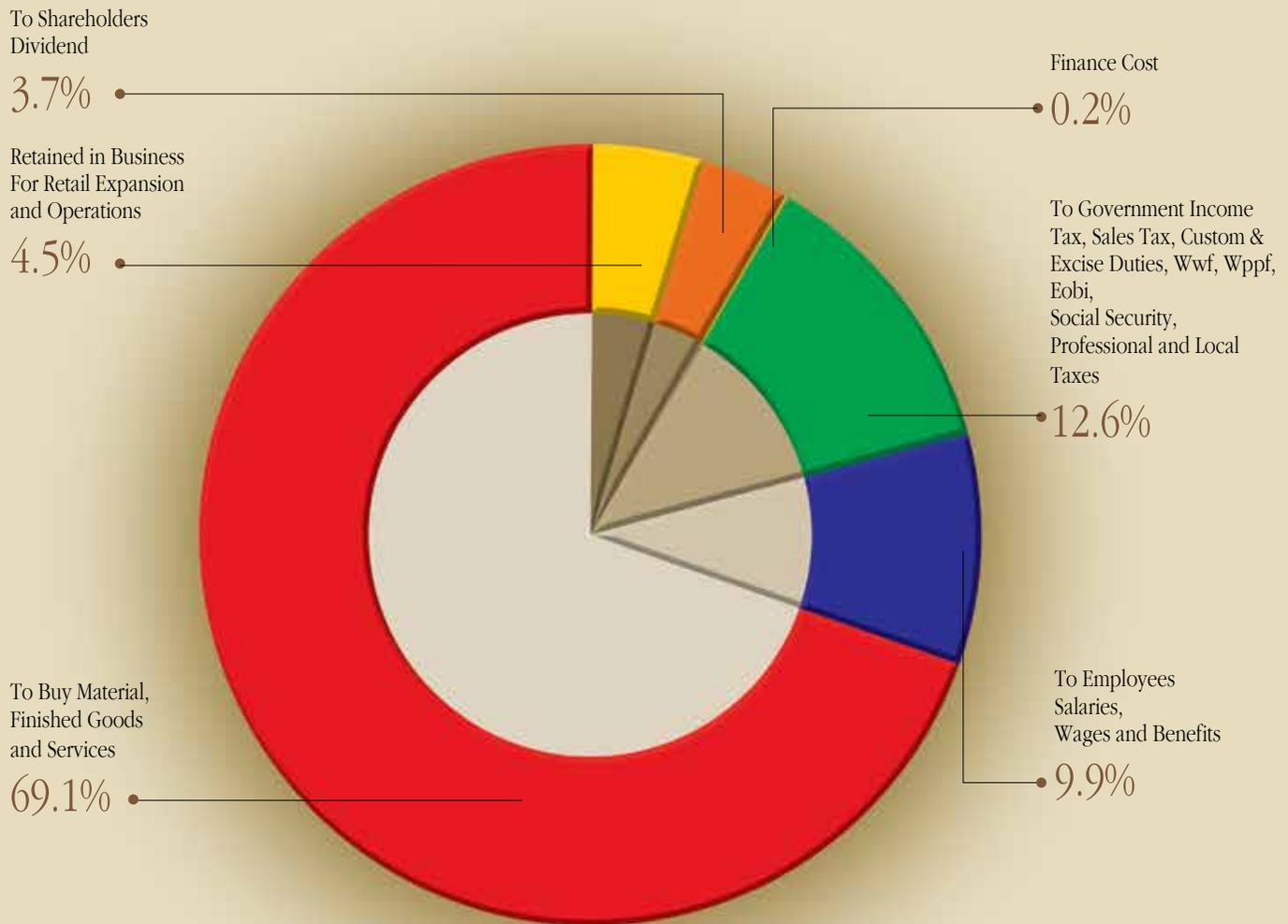
Company Name	Folio/CDC Account #	Total Shares	Principal Shareholder		Joint Shareholder	
			Name and CNIC #	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. of Shares)

# Key Operating Highlights

Year		2015	2014	2013	2012 (Restated)	2011	2010	2009
<b>Financial Position</b>								
Authorized capital	Rs. ' 000s	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Paid up capital	Rs. ' 000s	75,600	75,600	75,600	75,600	75,600	75,600	75,600
Shareholders' equity	Rs. ' 000s	6,051,192	5,255,391	4,500,647	3,933,505	3,277,790	2,741,300	1,960,727
Total assets	Rs. ' 000s	8,239,266	7,391,089	6,389,270	5,638,165	4,626,288	4,177,050	3,230,187
Property, plant and equipment	Rs. ' 000s	1,470,821	1,392,241	1,116,281	833,259	733,695	630,754	582,411
Provision for gratuity	Rs. ' 000s	68,805	53,135	54,424	72,096	79,262	74,211	69,196
Current assets	Rs. ' 000s	6,684,071	5,909,432	5,206,538	4,733,714	3,808,438	3,459,297	2,577,448
Current liabilities	Rs. ' 000s	2,025,534	1,977,587	1,746,343	1,554,782	1,198,488	1,300,867	1,147,336
<b>Trading Results</b>								
Sales	Rs. ' 000s	14,781,520	13,767,156	12,774,438	11,476,817	9,816,296	8,329,829	6,428,490
Gross profit	Rs. ' 000s	6,005,197	5,379,123	4,994,113	4,258,771	3,540,677	3,331,928	2,672,213
Operating profit	Rs. ' 000s	2,131,784	1,919,321	1,740,903	1,412,039	1,076,214	1,228,756	848,205
Profit before tax	Rs. ' 000s	2,101,280	1,887,916	1,714,388	1,385,586	1,025,008	1,189,021	813,022
Profit after tax	Rs. ' 000s	1,445,500	1,339,412	1,232,422	1,020,801	748,170	871,293	585,512
<b>Distribution</b>								
Interim cash dividend - paid	%	510.00	430.00	650.00	300.00	-	-	-
Final cash dividend - proposed/paid	%	450.00	340.00	350.00	230.00	200.00	280.00	120.00
<b>Financial Ratios and Values</b>								
Gross profit	%	40.63	39.07	39.09	37.11	36.07	40.00	41.57
Operating profit	%	14.42	13.94	13.63	12.30	10.96	14.75	13.19
Profit before tax	%	14.22	13.71	13.42	12.07	10.44	14.27	12.65
Profit after tax	%	9.78	9.73	9.65	8.89	7.62	10.46	9.11
Return on equity	%	23.89	25.49	27.38	25.95	22.83	31.78	29.86
Price earning ratio	Times	17.10	19.70	17.13	9.99	8.27	5.73	12.64
Dividend yield	%	2.69	2.23	3.15	3.71	2.44	4.24	1.23
Earnings per share	Rs.	191.20	177.17	163.02	135.03	98.96	115.25	77.45
Debt : equity ratio	Times	0.00 : 1	0.00 : 1	0.00 : 1	0.00 : 1	0.00:1	0.00 : 1	0.00 : 1
Current ratio	Times	3.30 : 1	2.99 : 1	2.98 : 1	3.04 : 1	3.18:1	2.66 : 1	2.25 : 1
Average stock turns - value	Times	3.08	3.29	3.40	3.24	3.33	3.56	2.94
Debtors turnover	Times	18.75	27.33	35.10	34.04	75.44	373.12	270.84
Average collection period	Days	19	13	10	11	5	1	1
Property, plant and equipment turnover	Times	10.05	9.89	11.44	13.77	13.38	13.21	11.04
Break up value per share	Rs.	800.42	695.16	595.32	520.30	433.57	362.61	259.36
Market price per share	Rs.	3,269.70	3,490.00	2,792.46	1,349.50	818.00	660.00	979.00
Market capitalization	Rs. ' 000s	24,718,932	26,384,400	21,110,998	10,202,220	6,184,080	4,989,600	7,401,240
<b>Other information</b>								
Permanent employees	Number	2,544	2,485	2,343	2,400	2,495	2,585	2,652
Retail outlets	Number	417	407	395	386	396	380	369
Wholesale depots	Number	13	13	13	13	13	13	12
Installed capacity	Pairs ' 000s	18,941	17,305	16,202	14,079	12,881	11,154	8,050
Actual production	Pairs ' 000s	16,123	17,117	16,491	11,837	11,204	11,540	10,394
Capacity utilization	%	85.12	98.91	101.78	84.08	86.98	103.46	129.12
Capital expenditure	Rs. ' 000s	340,725	505,102	332,942	217,054	209,712	142,222	119,255
<b>Contribution to the National Exchequer</b>	Rs. ' 000s	2,205,089	2,013,668	1,678,484	1,361,259	1,060,068	814,445	555,950



## Value Added and its Distribution

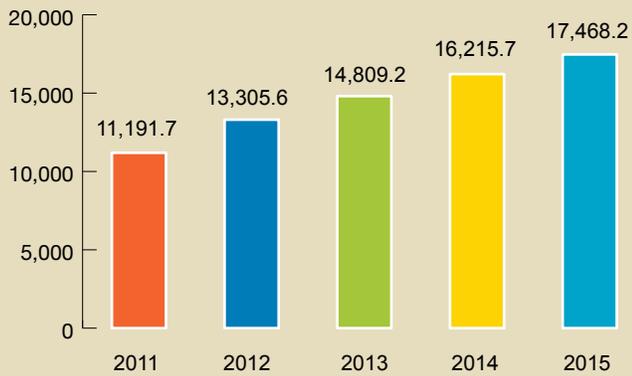


Revenue Generated	2015		2014	
	Rs. '000s	%	Rs. '000s	%
Sales	17,468,167		16,215,650	
Other Income	91,348		163,316	
	<b>17,559,515</b>	<b>100%</b>	<b>16,378,966</b>	<b>100%</b>
<b>Revenue Distributed</b>				
To Buy Material, Finished Goods and Services	12,146,341	69.1%	11,424,083	69.7%
To Employees - Salaries, Wages and Benefits	1,739,180	9.9%	1,565,386	9.6%
To Government - Income Tax, Sales Tax, Custom & Excise Duties, WWF, WPPF, EOBI, Social Security, Professional and Local Taxes	2,205,089	12.6%	2,013,668	12.3%
Finance Cost	30,504	0.2%	31,405	0.2%
To Shareholders - Dividend	642,600	3.7%	589,680	3.6%
Retained in Business - For Retail Expansion and Operations	795,801	4.5%	754,744	4.6%
	<b>17,559,515</b>	<b>100.0%</b>	<b>16,378,966</b>	<b>100.0%</b>

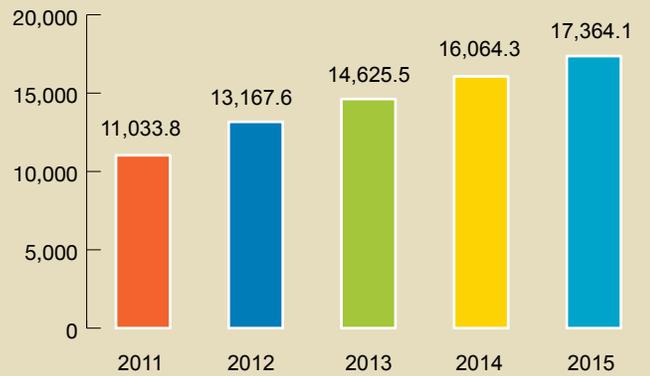
# Operational Statistics

(Rupees in million)

### Total Turnover (Gross)



### Domestic Turnover (Gross)



### Export Turnover (Gross)



### Profit After Tax





# Chairman's Review

On behalf of the Board, I welcome you all to the 64th Annual General Meeting of the Company and feel pleased to present the annual review of the Company's performance and the audited financial statements for the year ended 31 December, 2015.

The year 2015 showed good results and good operational performance, in terms of sales and profitability were achieved under the guidance of our management team despite, constant power crises and tough market competition especially in Non retail sales business.

The Company business witnessed its record level with net turnover of Rs. 14.782 billion representing a growth of 7% over last year. The gross profit was recorded at Rs. 6.005 billion against last year of Rs. 5.379 billion. Operating profit increased from Rs. 1.919 billion to Rs. 2.132 billion showing a healthy increase of 11.10% as compared to previous year. Profit after taxation was Rs. 1.446 billion compared to Rs. 1.339 billion of last year. It is also worth mentioning here that our Company achieved earnings per share of Rs. 191.20 (Rs. 177.17 in 2014).

The Company has during 2015, an effective cash flow management system in place whereby cash inflows and outflows are projected on regular basis. The profit on short term investment and bank deposits along with income from discounting of supplier invoices was Rs. 80.225 million. The Board is satisfied that there are no short or long term financial constraints at the close of the year.

Based on the performance and progress made by the Company, your Directors have decided to recommend a final dividend of Rs. 45 per share which in addition to an interim dividend of Rs. 51 per share totalize Rs. 96 of total dividend for the year 2015 and also proposed that Rs.712 million to be transferred to general reserve to utilize for further growth of the business in the coming years.

Our Retail division continues to grow with the current setup along with the new stores having achieved a growth of 9%. In order to sustain this growth and to provide friendly and modern atmosphere in the stores, an amount of Rs. 165 million has been spent to open new stores and renovate existing stores at key business locations. Much of the expansion was focused on our modern format of stores concept. During 2015, we closed 14 stores which were under minimum benchmark of sales and profitability.

The non-retail sale division played a vital role during 2015 to support our production facilities despite the tight market and economic conditions. This division showed a growth of 5% during the year under review as compared to previous year. We will continue with our strategy to grow by implementing new strategies and good products to improve the business and profitability of this division.

In our manufacturing operations we undertook some further restructuring in line with Company objectives. As a result, our production facilities at Batapur and Maraka remained fully loaded throughout the period to meet the demand of higher value products particularly in PU and DIP footwear. The Company continued to be a significant contributor to the National Exchequer and during 2015, paid Rs. 2.204 billion in Corporate Tax, Sales Tax, Custom Duty and other levies.



The growth of our business is highly dependent on the skills imparted to our personnel through sound training. The Company has invested a considerable time and money on human resource during the period to acquire latest development in the field of technology and business administration. This would be the ongoing process for future periods. Training of our employees has always been considered as an investment for the future with the objective to provide them with safe and healthy working environment.

The Company along with Bata Children Foundation (BCF) continued its Corporate Social Responsibility (CSR) activities during this year also. We provided furniture, donated shoes and gave books, clothing, sports kits etc. to underprivileged children in various schools. Arranged a general medical camp in Govt. Girls High School, Batapur, and Measles vaccination camp at Bata Dispensary. We also launched Polio Eradication campaign in Bata Colony for providing maximum polio vaccination coverage to under-five year children of Bata employees and nearby community.

We provided stitching training to employees' families and people from nearby community. Mentorship sessions were held in underprivileged schools by Bata employees (Volunteers) who inspired the children in career counseling and personality building. To mark our role for good environment, we have planted trees at Batapur and Maraka. We also celebrated Earth Day with the children of a government school and conducted workshops to inculcate the importance of better environment to protect the earth.

Our (Bata) Environmental Mission Statement is "To protect our people, customers and communities and to protect our natural environment in order to help sustain human development globally". For accomplishing our mission we are committed to provide a safe and healthy working environment to our employees and the nearby community. For this, Company took a lot of initiatives in the past which includes complete elimination of solvent based adhesives



and primers from the factories. Strict use of PPE's (personal protective environment) on hazardous operations, recycling of waste, water conservation projects, fire safety and general safety measures etc. in addition to above, for workers' health and safety, factory atmosphere tests regarding chemical dust, noise and heat were introduced. For conservation of water, it has been now made mandatory to install cooling tower for water recycling in operations where water is used as cooling agent.

For sport activities, the Company this year did two events, where the employees were involved. The sports played during this year were volleyball and cricket at our own premises.

As we move forward, we are certain to face competitions and challenges due to ever changing economic and marketing conditions. Based on our strengths we are confident to successfully overcome all the challenges in future.

On behalf of your Board, I take this opportunity to express my gratitude and appreciation to our customers for their confidence in our products, our employees for their efforts and all other stakeholders for their continued support.

**Fernando Garcia**  
Chairman



elegance personified

# ambassador

by Bata

High quality leather | Hand crafted | Masterpiece designs



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The background of the slide is a warm, orange-toned photograph of a microphone on a stage. A circular inset in the center shows a group of people, possibly a band or a group of performers, in a dark setting. The text is centered within this inset.

Directors'  
Report to the  
Members



## DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in submitting their report and financial statements of the Company for the year ended 31 December 2015.

- The Chairman's Review which is an integral part of this report deals with the year's activities, financial affairs and future prospects of the Company, the contents of which are endorsed by the directors.

- Financial results

The financial results of the Company are as under:

	Rs. ('000)
Profit before taxation	2,101,280
Less: Provision for taxation	
Current	621,832
Prior years	48,997
Deferred	(15,049)
	655,780
Profit after tax	1,445,500
To this must be added	
Unappropriated profit brought forward from last year	1,022,308
Experience Adjustments - Employee Benefits	(7,099)
Profit available for appropriations	2,460,709
To this the following must be deducted:	
Final dividend 2014 @ Rs. 34.00 per share	257,040
Interim dividend 2015 @ Rs. 51.00 per share	385,560
Transfer to general reserve	765,000
	1,407,600
Leaving an unappropriated profit to be carried forward to next year	1,053,109

The directors in their meeting held on 18 February 2016 have also proposed a final cash dividend @ Rs. 45 per share (In addition to interim dividend of Rs. 51 per share). (2014: Final @ Rs. 34.00 per share) and transfer to general reserve amounting to Rs. 712 million for approval of members in the Annual General Meeting to be held on 20th April, 2016.

- Earning per share -Basic and diluted

Earning per share for the year ended 31 December, 2015 was Rs. 191.20 as against Rs. 177.17 of preceding year.

- The pattern of shareholding

The pattern of shareholding as on 31 December 2015 and its disclosure according to the requirement of Code of Corporate Governance is annexed to this report.

- Auditors

The present Auditors, Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and offer themselves for re-appointment. The Board of Directors, on recommendation of Audit Committee, proposes the re-appointment of Messrs Ernst & Yong Ford Rhodes Sidat Hyder, Chartered Accountants, for the year ending 31 December 2016.

- Statement pursuant to clause XIX of Corporate Governance

The Company had complied with all the requirements of the Code of Corporate Governance as required by the listing regulations.

Accordingly, the Directors are pleased to confirm the following:

- The financial statements together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984. These statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accordingly estimates are based on reasonable and prudent judgment. Change in accounting policy, if any has been adequately disclosed.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from, if any, has been adequately disclosed.

- e) The system of internal controls is sound in design and has been effectively implemented and is being consistently reviewed by the internal audit department.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance as detailed in listing regulations of Stock Exchanges in Pakistan.
- h) Key operating and financial data of last six years is annexed to this report.
- i) Statement of compliance with the Code of Corporate Governance is annexed.
- j) Value of assets of Provident Fund Trusts was Rupees ('000) 1,697,385 as on 31 December 2015 as per its audited accounts. The value of assets includes accrued interest.
- k) Attendance at four meetings of the Board of Directors held during the year under review was as under:

<u>Name of Director</u>	<u>Meetings Attended</u>
Mr. Fernando Garcia	-
Mr. Muhammad Qayyum	4
Mr. M. G. Middleton	4
Mr. Cesar Panduro	4
Mr. Muhammad Ali Malik	4
Mr. Ijaz Ahmad Chaudry	4
Mr. Muhammad Maqbool	4
Mr. Shahid Anwar	4
Mr. Syed Haroon Rashid	4

- l) No trading in the shares of the Company was carried out by the Directors, CEO, CFO and Company Secretary, their spouses and minor children.
- m) The Audit Committee met four times during the year under reference. The Audit Committee reviewed the quarterly, half yearly and annual financial statements before submission to the Board and their publication. CFO, Head of Internal Audit and a representative of external auditors attended the meetings where issues relating to accounts and audit were discussed. The Audit Committee also reviewed internal audit findings and held separate meetings with internal and external auditors as required under the Code of Corporate Governance. The Audit Committee also discussed with the external auditors their letter to the management. Related Parties Transactions were also placed before the Audit Committee prior to approval of the Board.
- n) Outstanding taxes and levies are given in the relevant notes to the audited financial statements.
- o) An orientation course was arranged for the Directors to acquaint them with their duties & responsibilities and enable them to manage affairs of the Company on behalf of the shareholders.
- p) The directors of the Company having 15 years of experience on the board of directors of a listed company are exempt from the requirements of directors training programme.
- q) No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which these financial statements relate and the date of directors' report.

#### 7. Related party transactions

The transactions with the related parties and associated undertakings were made at arm's length prices.

On behalf of the  
BOARD OF DIRECTORS

**MUHAMMAD QAYYUM**  
CHIEF EXECUTIVE

Batapur  
LAHORE: 18 February 2016

The image features a central dark brown circle containing the text 'Corporate Governance' in white serif font. This circle is surrounded by a light blue ring, which is itself within a larger orange ring. The background is a warm, reddish-orange gradient. On the left, a hand holds a yellow string that forms a loop around the central circle. On the right, a hand holds a wireframe cup. In the center, a faint white line drawing of a plant with leaves and a stem is visible, with a small golden bell-like object at its top. The overall composition is symmetrical and uses a color palette of warm oranges, reds, and blues.

# Corporate Governance



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER, 2015

This statement is being presented to comply with the Code of Corporate Governance (Code) contained in Regulation No. 35 Chapter XI of Karachi and Lahore Stock Exchanges (now Listing Regulation No. 5.19 Chapter 5 of the Pakistan Stock Exchange Limited) for the purpose of establishing a frame work of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

- The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	Mr. Muhammad Maqbool Mr. Shahid Anwar Mr. Syed Haroon Rashid
Executive Directors	Mr. Muhammad Qayyum Mr. Cesar Panduro
Non-Executive Directors	Mr. Fernando Garcia Mr. M. G. Middleton Mr. Muhammad Ali Malik Mr. Ijaz Ahmad Chaudhry

The independent directors meet the criteria of independence under clause i(b) of the CCG.

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
- All the resident directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
- The meetings of the Board were presided over by the Chairman and, in his absence, by the Chief Executive. The Board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- The Company arranges orientation course for its directors as and when needed to apprise them of their duties and responsibilities.

9. The Board has approved all the transactions entered into by the Company with related parties during the year. A complete party wise record of related party transactions has been maintained by the Company.
10. There were no new appointments of the Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit during the year.
11. The Director's Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The system of internal controls is sound in design and has been effectively implemented and is being consistently reviewed by the Internal Audit Department.
16. There has been no material departure from the best practices of Corporate Governance as detailed in listing regulations of Pakistan Stock Exchange.
17. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors and the chairman of the committee is an independent director.
18. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the Committee for compliance.
19. The Board has formed an HR and Remuneration Committee. It comprises of three members, of whom one is an independent director, the other is an executive director and the Chairman of the Committee is a non-executive director.
20. The Board has set up an effective internal audit function with suitably qualified and experienced staff for the purpose and are conversant with the policies and procedures of the Company.
21. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
22. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
23. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
24. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
25. We confirm that all other material principles enshrined in the CCG have been complied with.

Batapur:  
LAHORE: 18 February 2016

**MUHAMMAD QAYYUM**  
CHIEF EXECUTIVE

The background of the slide features a warm, orange-toned image. A hand is shown in the upper right, holding a coin. Below the hand, there are several stacks of coins of varying heights. The overall aesthetic is professional and financial. A large, semi-transparent orange circle is centered on the page, containing a smaller, solid dark red circle. The text is centered within this dark red circle.

Review  
Report to the  
Members



## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Bata Pakistan Limited (the Company) for the year ended 31 December 2015 to comply with the Listing Regulation No. 35 Chapter XI of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited (now Rulebook Regulation No. 5.19 of Chapter 5 of the Pakistan Stock Exchange Limited), where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether or not the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Company for the year ended 31 December 2015.

LAHORE: 18 February 2016

ERNST & YOUNG FORD RHODES SIDAT HYDER  
CHARTERED ACCOUNTANTS  
Audit Engagement Partner's Name: Farooq Hameed

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Auditors'  
Report to the  
Members



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Bata Pakistan Limited (the Company) as at 31 December 2015 and the related statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and statement of comprehensive income together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as stated in note 2.2 with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of the total comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

LAHORE: 18 February 2016

ERNST & YOUNG FORD RHODES SIDAT HYDER  
CHARTERED ACCOUNTANTS  
Audit Engagement Partner's Name: Farooq Hameed





Financial  
Statements

# BALANCE SHEET

AS AT 31 DECEMBER 2015

	Note	2015	2014
(Rupees in '000)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	1,470,821	1,392,241
Intangibles	7	4,260	4,929
Long term investments	8	45,000	38,000
Long term deposits and prepayments	9	35,114	46,487
		1,555,195	1,481,657
<b>CURRENT ASSETS</b>			
Stores and spare parts	10	343	77
Stock in trade	11	2,967,199	2,729,707
Trade debts - unsecured	12	788,405	503,726
Advances - unsecured	13	42,990	60,596
Deposits, short term prepayments and other receivables	14	618,910	589,113
Interest accrued		2,293	3,927
Short term investment	15	1,300,000	1,130,000
Tax refunds due from the Government	16	508,597	508,597
Cash and bank balances	17	455,334	383,689
		6,684,071	5,909,432
<b>TOTAL ASSETS</b>		<b>8,239,266</b>	<b>7,391,089</b>
<b>EQUITY AND LIABILITY</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital	18.1	100,000	100,000
Issued, subscribed and paid up share capital	18.2	75,600	75,600
Reserves			
Capital reserve	19	483	483
Revenue reserves	20	5,975,109	5,179,308
		5,975,592	5,179,791
		6,051,192	5,255,391
<b>NON-CURRENT LIABILITIES</b>			
Long term deposits	21	45,000	38,000
Deferred liability - employee benefits	22	68,805	53,135
Deferred taxation	23	48,735	66,976
		162,540	158,111
<b>CURRENT LIABILITIES</b>			
Trade and other payables	24	1,403,702	1,454,707
Short term borrowings	25	-	-
Provision for taxation		621,832	522,880
		2,025,534	1,977,587
<b>CONTINGENCIES AND COMMITMENTS</b>	26		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,239,266</b>	<b>7,391,089</b>

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chief Executive

Director

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	2014
(Rupees in '000)			
SALES	27	14,781,520	13,767,156
COST OF SALES	28	8,776,323	8,388,033
<b>GROSS PROFIT</b>		6,005,197	5,379,123
DISTRIBUTION COST	29	2,852,455	2,604,190
ADMINISTRATIVE EXPENSES	30	936,629	877,256
OTHER EXPENSES	31	175,677	141,672
		3,964,761	3,623,118
OTHER INCOME	32	91,348	163,316
<b>OPERATING PROFIT</b>		2,131,784	1,919,321
FINANCE COST	33	30,504	31,405
PROFIT BEFORE TAXATION		2,101,280	1,887,916
TAXATION	34	655,780	548,504
<b>PROFIT AFTER TAXATION</b>		1,445,500	1,339,412
OTHER COMPREHENSIVE INCOME (not to be reclassified to profit & loss)			
Experience Adjustment - Employee Benefits (net of tax)	22	(7,099)	5,012
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		1,438,401	1,344,424
EARNINGS PER SHARE - BASIC AND DILUTED	36	Rs. 191.20	Rs. 177.17

The annexed notes from 1 to 46 form an integral part of these financial statements.

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	2014
(Rupees in '000)			
<b>CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		2,101,280	1,887,916
<b>Non-cash adjustment to reconcile profit before tax to net cash flows:</b>			
Depreciation of property, plant & equipment		206,342	168,974
Impairment		–	2,352
Amortization of intangible assets		3,000	3,211
Provision for gratuity		8,951	9,347
Loss/(Gain) on disposal of property, plant and equipment		13,199	(51,931)
Income from short term investments		(41,536)	(42,187)
Income from long term investments		(2,713)	(3,614)
Exchange loss		5,034	1,550
Finance cost		5,083	6,303
Income from discounting of supplier invoices		(22,731)	(28,676)
Provision for trade debts - net		6,347	2,851
Provision for advances - net		(592)	(113)
Provision for other debts - net		–	(355)
Provision for/(reversal of provision for) slow moving and obsolete stock - net		19,961	(1,066)
Provision for obsolescence - stores & spare parts		6,773	4,790
		207,118	71,436
<b>Operating profit before working capital changes</b>		2,308,398	1,959,352
Working capital adjustments:			
(Increase) / decrease in current assets:			
Stores and spare parts		(7,039)	(4,867)
Stock in trade		(257,453)	(360,339)
Trade debts - unsecured		(291,026)	(142,602)
Advances - unsecured		18,198	(32,504)
Deposits, short term prepayments and other receivables		1,002	16,318
		(536,318)	(523,994)
<b>Increase / (decrease) in current liabilities:</b>			
Trade and other payables		(36,663)	203,433
Cash generated from operations		1,735,417	1,638,791
Finance costs paid		(5,083)	(6,303)
Tax paid		(607,491)	(564,707)
Gratuity paid		(3,570)	(3,156)
Interest income received		45,883	49,489
		(570,261)	(524,677)
Decrease/(Increase) in long term prepayments		11,373	(22,978)
Increase/(Decrease) in long term deposits		7,000	(1)
<b>Net cash generated from operating activities</b>	A	1,183,529	1,091,135
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of operating fixed assets	6.1	(253,731)	(195,145)
Decrease / (increase) in Capital work in progress	6.2	(47,789)	(259,431)
Purchase of intangible assets	7	(2,331)	(3,199)
Proceeds from sale of property, plant and equipment	6.4	3,399	59,221
Decrease/(Increase) in long term investments		(7,000)	1
<b>Net cash used in investing activities</b>	B	(307,452)	(398,553)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(634,432)	(586,832)
<b>Net cash used in financing activities</b>	C	(634,432)	(586,832)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	A+B+C	241,645	105,750
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		1,513,689	1,407,939
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	37	1,755,334	1,513,689

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chief Executive

Director

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital	Capital reserve	General reserve	Unappropriated profits	Total
	(Rupees in '000)				
<b>Balance as at 1 January 2014</b>	75,600	483	3,667,000	757,564	4,500,647
Final dividend for 2013 @ Rs. 35.00 per share	-	-	-	(264,600)	(264,600)
Transfer to general reserve for 2013	-	-	490,000	(490,000)	-
Interim dividend for 2014 @ Rs. 43.00 per share	-	-	-	(325,080)	(325,080)
Total comprehensive income for the year	-	-	-	1,344,424	1,344,424
<b>Balance as at 31 December 2014</b>	75,600	483	4,157,000	1,022,308	5,255,391
Final dividend for 2014 @ Rs. 34.00 per share	-	-	-	(257,040)	(257,040)
Transfer to general reserve for 2014	-	-	765,000	(765,000)	-
Interim dividend for 2015 @ Rs. 51.00 per share	-	-	-	(385,560)	(385,560)
Total comprehensive income for the year	-	-	-	1,438,401	1,438,401
<b>Balance as at 31 December 2015</b>	75,600	483	4,922,000	1,053,109	6,051,192

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chief Executive

Director

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 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 (formerly Karachi Stock Exchange and Lahore 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

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

### 2.2 Standards, interpretations and amendments to published approved accounting standards effective in 2015

The Company has adopted the following new and amended IFRS interpretations which became effective during the year.

	<u>Standard or Interpretation</u>
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19	Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions

### Improvements to Accounting Standards Issued by the IASB in December 2013

IFRS 2	Share-based Payment - Definitions of vesting conditions
IFRS 3	Business Combinations – Accounting for contingent consideration in a business combination
IFRS 3	Business Combinations - Scope exceptions for joint ventures
IFRS 8	Operating Segments – Aggregation of operating segments
IFRS 8	Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets
IFRS 13	Fair Value Measurement - Scope of paragraph 52 (portfolio exception)
IAS16	Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method – proportionate restatement of accumulated depreciation / amortisation
IAS 24	Related Party Disclosures - Key management personnel
IAS 40	Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016 . The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

### 2.3 Standards issued but not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Standards or Interpretation	Effective date (Periods beginning on or)
IFRS 10	Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	01 January 2016
IFRS 11	Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IAS 1	Presentation of Financial Statements - Disclosure Initiative (Amendment)	01 January 2016
IAS 16	Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01 January 2016
IAS 16	Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 27	Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01 January 2016

The Company expects that the adoption of the above revisions and amendments of the standards will not materially affect the Company's financial statements in the period of initial application or later period.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

	Standards	IASB effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14	Regulatory Deferral Accounts	01 January 2016
IFRS 15	Revenue from Contracts with Customers	01 January 2018
IFRS 16	Leases	01 January 2019

### 3. BASIS OF PREPARATION

#### 3.1 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that certain employee benefits are recognized on the basis mentioned in note 5.1. In these financial statements, except for cash flow statement, all the transactions have been accounted for on accrual basis.

#### 3.2 PRESENTATION CURRENCY

These financial statements are presented in Pak Rupee, which is the Company's functional currency. Figures have been rounded off to nearest thousand of Rupees, unless otherwise stated

### 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors involving a higher degree of expectations of future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if revision affects both current and future periods. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2015

### 4.1 Employee Benefits

The cost of defined benefit retirement plan (gratuity) is determined using actuarial valuations (projected unit credit method) performed by an independent actuary. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. All assumptions are reviewed at each reporting date and take into account factors such as prevailing interest rates, increments and promotions awarded by the Company in the recent past and projected for the future, health and age profile of employees.

### 4.2 Taxation

In making the estimate for income tax payable, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past. The Company consult its tax advisor and takes into account factors including industry practice and recent judgments by tax authorities and/or courts of law.

### 4.3 Useful Lives, residual values, pattern of flow of economic benefits and impairment

Estimates with respect to depreciable lives, residual values and pattern of flow of economic benefits are based on the analysis of the management of the Company based on historical pattern of use, economic utility, technological advancement, expected re-sale values and expected usual wear and tear. Further, as explained in Note 5.4, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

### 4.4 Provision for obsolescence of stores, spare parts and stock in trade

Provision for obsolescence of stores, spare parts and stock in trade is made on the basis of management's estimate of net realizable value and ageing analysis prepared on an item-by-item basis. Net realizable value calculations are estimated based on last recently held transactions and values expected to be recovered for sale in normal course of business.

### 4.5 Provision for doubtful debts

The Company reviews its trade and other receivables at each reporting date to assess whether provision should be recorded in profit and loss account for any doubtful receivables. Especially, judgment by management is required in the estimation of the amount and timing of future cash flows while determining the extent of provision required. Such estimates are based on assumption about a number of factors including credit history of counter party. Actual cash flows may differ resulting in subsequent changes to the provisions.

Other areas where estimates and judgments are involved have been disclosed in respective notes to the financial statements.

## 5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with prior year except as stated in note 2.2.

### 5.1 Employee Benefits

#### Defined Benefit Plan

A defined benefit involves a defined amount of gratuity that an employee will receive on retirement, which is usually dependent on one or more factors such as age, years of service and compensation.

The Company operates an un-funded gratuity scheme covering all employees, excluding managerial staff. The entitlement to gratuity is determined as follows:

- a) For employees, who are members of the provident fund scheme, the provision is calculated with reference to 3 weeks' basic salary for each completed year of service.
- b) For employees, who are not members of the provident fund scheme, provision is based on 30 days gross highest salaries/wages drawn during the year for each completed year of service.  
Actuarial valuation of defined benefit scheme is conducted annually and the most recent valuation was carried out as of 31 December 2015 using projected unit credit method.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2015

Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The defined benefit liability comprises the present value of defined benefit obligation which is disclosed in note 22.

### **Defined Contribution Plan**

The Company operates a recognized provident fund schemes for its employees. Equal monthly contributions by the Company and employees at the rates of 8% and 10% of the basic salary are made to Employees' Provident Fund and Managerial Staff Provident Fund, respectively.

## **5.2 Taxation**

### **Current**

The charge for current taxation is provided on taxable income relatable to local sales at current rate of tax after recognizing tax credit, rebates and exemptions available, if any. In case of import and export of shoes, the current taxation is provided on the basis of presumptive tax regime in accordance with the provisions of the Income Tax Ordinance, 2001.

### **Deferred**

Deferred income tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liability is recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, if any, to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference, carry-forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled based on tax rates that have been enacted or substantially enacted at the balance sheet date.

### **Sales tax**

Revenues, expenses, assets and liabilities are recognized net of the amount of sales tax except:

- Where the sales tax incurred on purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of expense as applicable.
- Receivables and payable that are stated with the amount of sales tax included.

The net amount of sales tax receivable from, or payable to, the taxation authority is included as part of receivable or payable in the financial statements.

## **5.3 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any, except land which is stated at cost.

Depreciation is charged to income applying reducing balance method at the rates prescribed in note 6.1 of these financial statements to write off the cost over the useful lives of these assets. Depreciation on additions to property, plant and equipment is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is disposed off.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other expenditure in the form of normal repair and maintenance is charged to profit and loss account as and when incurred.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2015

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

### Capital work in progress

Capital work in progress represents expenditure on property, plant and equipment in course of construction, installation and/or in transit. Transfers are made to relevant category of property, plant and equipment as and when assets become available for use. Capital work in progress is stated at cost, less any identified impairment loss.

### 5.4 Impairment of non-financial assets

At each balance sheet date, the carrying amount of assets is reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account as incurred. The recoverable amount is higher of an asset's fair value less cost to sell and value in use.

When conditions giving rise to impairment loss subsequently reverse, impairment loss is reversed and carrying amount of the asset is increased to the revised recoverable amount. Revised carrying amount is limited to carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of impairment loss is recognized in profit and loss account.

### 5.5 Intangible asset

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the profit and loss account in the expense category consistent with the function of the intangible asset.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit and loss account when the asset is derecognized.

### 5.6 Investments

These represent investments with fixed maturity in respect of which Company has the positive intent and ability to hold till maturity. These are initially recognized at cost including transaction costs and are subsequently carried at amortized cost.

### 5.7 Stores and spare parts

These have been valued on the following basis subject to an estimated obsolescence reserve for net realizable value.

Purchased - at weighted average cost.  
In transit - at actual cost.

### 5.8 Stock in trade

These are stated at lower of cost and net realizable value. The methods used for calculation of cost are as follows:

#### Raw material

Own production - at weighted average cost.  
Purchased - at weighted average cost.  
In transit - at actual cost.

**Goods in process** - at production cost

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## Finished goods

Own production	- at production cost on first in first out (FIFO) basis.
Purchased	- at actual cost on first in first out (FIFO) basis.
In transit	- at actual cost

Cost is calculated as the cost of materials, direct labor and appropriate production overheads estimation based on normal capacity levels. Net realizable value is based on estimated selling price in the ordinary course of business less estimated cost to completion and estimated cost necessary to make the sale.

## 5.9 Provision for doubtful debts

A provision for doubtful debts / other receivables is based on management's assessment of customers' outstanding balances and credit worthiness. The amount of the provision is recognized in the profit and loss account. Trade debts and other receivables are written off when considered irrecoverable.

## 5.10 Contingencies and commitments

Contingent liabilities are disclosed when:

- There is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.
- There is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

## 5.11 Foreign currency transactions and translations

Foreign currency transactions are recorded at the rate of exchange approximating those prevailing on the date of transactions. Monetary assets and liabilities in foreign currency are reported in Pak rupees at the rate of exchange approximating those prevailing at the balance sheet date. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

Foreign exchange gains and losses are presented in the profit and loss account within 'other income' and 'other expenses' respectively.

## 5.12 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of borrowings using the effective interest method.

## 5.13 Provisions

Provisions are recognized when the company has a present obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is made using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## 5.14 Revenue recognition

### (i) Sale of goods - Wholesale

The Company manufactures, imports and sells a range of footwear products in the wholesale market. Sales of goods are recognized when the Company has delivered products to the wholesaler.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2015

**(ii) Sale of goods - Retail**

The Company operates a chain of retail outlets for selling shoes and other products. Sales are recognized when product is sold to the customer. Sales are usually in cash or by credit card.

**(iii) Loyalty Programmes**

IFRIC 13 requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognized as revenue over the period that the award credits are redeemed.

**(iv) Profit on investments**

Profit on investments is accounted for on accrual basis using effective interest method.

**(v) Profit on bank deposits**

Profit on bank deposits is accounted for on accrual basis.

**(vi) Operating lease arrangement**

Rental income is recognized on accrual basis over the period of lease agreement.

### 5.15 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits with banks, other short term investments with original maturities of three months or less and bank overdrafts.

For the purposes of cash flow statement, cash and cash equivalents comprise of cash in hand, cash in transit, bank balances and short term investments.

### 5.16 Financial Instrument

#### Recognition and measurement

All the financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All the financial assets and liabilities are initially measured at fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be.

Major categories of financial assets represent investments, deposits, trade debts, other receivables and cash and bank balances.

Financial liabilities are classified according to substance of the contractual arrangements entered into and mainly comprise of creditors, accrued expenses and other payables.

The Company derecognizes financial assets or a portion of financial assets when, and only when, the Company loses control of the contractual rights that comprise the financial asset or portion of financial asset. A financial liability or part of financial liability is derecognized from the balance sheet when, and only when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

Any gain / (loss) on the recognition and de-recognition of the financial assets and liabilities is included in the profit and loss for the period in which they arise.

Held-to-maturity investments represent financial instruments which the Company has the positive intent and ability to hold to maturity. These are measured at amortized cost using the effective interest method, less any impairment.

### 5.17 Offsetting of financial assets and financial liabilities

A financial asset and liability is offset against each other and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the asset and settle the liability simultaneously. Corresponding income from the financial asset and charge on the financial liability is also off set.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 5.18 Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of the impairment may include indicators that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the profit and loss account. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in profit and loss account.

## 5.19 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Parties are said to be related if they are able to influence the operating and financial decisions of the Company and vice versa.

## 5.20 Dividend and appropriation to reserves

Dividend and other appropriation to reserves are recognized in the financial statements in the period in which these are approved.

## 5.21 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments.

Management has determined the operating segments based on the information that is presented to the chief operating decision-maker of the Company for allocation of resources and assessment of performance. Based on internal management reporting structure the company is organized into four operating segments:

- Retail
- Wholesale
- Export
- Others

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and for assessing performance.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	Note	2015	2014
<b>(Rupees in '000)</b>			
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	6.1	1,454,728	1,336,943
Capital work-in-progress	6.2	16,093	55,298
		<u>1,470,821</u>	<u>1,392,241</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 6.3 Allocation of depreciation expense

The depreciation charge for the year has been allocated as follows:

	Note	2015 (Rupees in '000)	2014 (Rupees in '000)
Cost of sales	28.1	49,205	39,604
Distribution cost	29	144,149	117,220
Administrative expenses	30	12,988	12,150
		206,342	168,974

## 6.4 Disposal of property, plant and equipment

Description of assets	Note	Name of Buyer	Original cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss)	Mode of disposal
<b>Plant and machinery</b>								
Embroidery machine, Sewing machine, AC & generators		M/S Somi Enterprises	4,895	3,729	1,166	472	(694)	Negotiation
AC, Heaters, Television and VCRs		M/S Zulfikar Ali & Co.	440	387	53	50	(3)	Negotiation
Sewing machine, Lasting machine & press		M/S Haji Azim, Batapur	4,118	3,886	232	369	137	Negotiation
Photocopier, Projector & Fax machine		Mr. Mian Khalid Waheed, Lahore	174	153	21	2	(19)	Negotiation
Transformer		M/S A. Hameed, Batapur	3	3	-	-	-	Negotiation
			9,650	8,158	1,472	893	(579)	
<b>Computers</b>								
CPUs, UPS & printers		M/S Somi Enterprises	3,906	3,205	701	153	(58)	Negotiation
UPS		M/S Akram Afrah Goods Transport	34	8	26	34	8	Negotiation
CPUs, Printers & Scanners		M/S Jubilee Insurance Company	364	291	73	283	210	Insurance Claim
Laptop	6.4.1	Rescue 1122	63	55	8	-	(8)	Management decision
			4,367	3,559	808	470	(338)	
<b>Furniture, fixtures and fittings</b>								
Different shop furniture		Scrapped	17,881	9,435	8,408	-	(8,008)	Scrapped
Shop furniture & fittings		M/S Jubilee Insurance Company	2,954	1,064	1,890	1,282	(608)	Insurance Claim
Shop ACS, Fans & generators		M/S Somi Enterprises	5,557	4,027	1,510	618	(892)	Negotiation
ACS, fans & tape recorder		M/S A. Hameed, Batapur	1,185	740	445	38	(407)	Negotiation
Shop furniture, carpet & vacuum Cleaner		M/S Zulfikar Ali & Co.	2,990	925	2,065	98	(1,967)	Negotiation
			30,507	16,189	14,318	2,056	(12,282)	
			44,504	27,906	16,598	3,399	(13,199)	
			42,138	34,868	7,289	59,221	51,932	

6.4.1 The Company's Directors have no interest in the donee.

## 7. INTANGIBLE ASSETS

Software Licences	COST		ACCUMULATED AMORTIZATION		BOOK VALUE As at 31 Dec.	Amortization Rate %
	As at 01 Jan	Additions / Transfers	As at 01 Jan	Charge for the year		
	27,727	2,331	22,798	3,000	25,798	33
2015	27,727	2,331	22,798	3,000	25,798	33
2014	24,528	3,199	19,587	3,211	22,798	33
	27,727	2,331	19,587	3,211	22,798	33

7.1 The amortization charge for the year has been allocated to administrative expenses as referred to in note 30.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	2014
(Rupees in '000)			
<b>8. LONG TERM INVESTMENTS</b>			
<b>Held to maturity at cost</b>			
PLS Term Deposit Receipts	8.1	45,000	38,000
<b>8.1</b>			
These deposits are earmarked against the balances due to employees held as securities and personal accounts as stated in note 21. These carry mark-up at the rate of 7.33% (2014: 9.30%) per annum.			
<b>9. LONG TERM DEPOSITS AND PREPAYMENTS</b>			
Security deposits	9.1	26,397	24,127
Prepaid rent	9.2	48,336	63,357
Less: Adjustable within one year	14	39,619	40,997
		8,717	22,360
		35,114	46,487
<b>9.1</b>			
This includes amounts given as security to landlords in respect of operating leases of shops.			
<b>9.2</b>			
Prepaid rent is amortized as rent expense is incurred, in accordance with the terms of rent agreements.			
<b>10. STORES AND SPARE PARTS</b>			
Stores		3,317	3,248
Spare parts		37,675	30,971
		40,992	34,219
Less: obsolescence reserve	10.1	40,992	34,219
		-	-
Spare parts in transit		343	77
		343	77
<b>10.1</b>			
Opening reserve			
Charge for the year		34,219	29,429
Closing reserve		6,773	4,790
		40,992	34,219
<b>11. STOCK IN TRADE</b>			
<b>Raw material</b>			
In hand		140,884	146,447
In transit		47,257	28,974
		188,141	175,421
<b>Goods in process</b>	11.1	25,199	14,779
<b>Finished goods</b>			
Own production		1,113,885	1,030,755
Purchased		1,663,527	1,509,769
		2,777,412	2,540,524
Less: Provision for slow moving and obsolete items	11.2	(23,553)	(3,592)
		2,753,859	2,536,932
In transit		-	2,575
		2,967,199	2,729,707
<b>11.1</b>			
This includes amounts aggregating to Rs. ('000) 14,194 (2014: Rs. ('000) 12,153) representing stock held by third parties.			
<b>11.2</b>			
Opening provision			
Charge for the year		3,592	4,658
Reversals during the year		23,553	3,592
Closing provision		(3,592)	(4,658)
		23,553	3,592

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	2014
(Rupees in '000)			
<b>12. TRADE DEBTS - UNSECURED</b>			
<b>Considered good</b>			
Due from customers	12.1	782,627	500,974
Due from associated undertakings	12.2	5,778	2,752
		788,405	503,726
<b>Considered doubtful</b>			
Due from customers		25,359	19,012
Less: Provision for doubtful debts	12.3	(25,359)	(19,012)
		-	-
		788,405	503,726
<b>12.1</b> These customers have no recent history of default. For age analysis of these trade debts, referred to Note 39.2.3.			
<b>12.2 Due from associated undertakings - unsecured</b>			
Bata Shoe Company (Sri Lanka)		137	2,359
Bata Shoe Company (Zimbabwe)		328	-
Bata Shoe Company (Kenya)		5,313	-
Bata Shoe Company (South Africa)		-	393
		5,778	2,752
<b>12.2.1</b> Maximum aggregate amount due from associated undertakings at the end of any month in the year was Rs. ('000) 6,395 (2014: Rs. ('000) 6,239). No interest has been charged on the amounts due from associated undertakings.			
<b>12.3</b> Movement in the provision for doubtful debts is as follows:			
At 1 January		19,012	16,161
Charge for the year		9,251	3,405
Reversals during the year		(2,904)	(554)
At 31 December		25,359	19,012
<b>12.4</b> Aggregate amount due from Directors, Chief Executives and Executives of the Company is Rs. ('000) Nil (2014: Rs. ('000) Nil).			

	Note	2015	2014
(Rupees in '000)			
<b>13. ADVANCES - UNSECURED</b>			
<b>Considered good, non-interest bearing</b>			
Advances to employees		8,997	9,111
Advances to suppliers		33,993	51,485
		42,990	60,596
<b>Considered doubtful, non-interest bearing</b>			
Advances to suppliers		637	1,229
Less: Provision for doubtful debts	13.3	(637)	(1,229)
		42,990	60,596
<b>13.1</b> Aggregate amount due from Directors, Chief Executives and Executives of the Company is Rs. ('000) Nil (2014: Rs. ('000) Nil)			
<b>13.2</b> Aggregate amount due from related parties is Rs. ('000) Nil (2014: Rs. ('000) Nil)			
<b>13.3</b> Opening provision			
Charge for the year		1,229	1,342
Reversals during the year		-	-
		(592)	(113)
Closing provision		637	1,229

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	2014
(Rupees in '000)			
<b>14. DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES</b>			
<b>Deposits - Considered good, unsecured</b>			
Custom duty and taxes		5,765	7,154
Letters of guarantee - Margin		3,234	3,234
Others		4,919	5,256
		13,918	15,644
<b>Short term prepayments</b>			
Prepaid rent	9	39,619	40,997
Prepaid sales tax		7,111	5,699
Other prepaid expenses		8,423	9,046
		55,153	55,742
<b>Other receivables</b>			
<b>Considered good - unsecured</b>			
Export rebates		5,388	4,465
Insurance claims		4,575	7,613
Advance tax	14.1	534,932	504,133
Others	14.2	4,944	1,516
		549,839	517,727
<b>Considered doubtful</b>			
Advance rent		1,584	1,584
Others		3,838	3,838
		5,422	5,422
Less: Provision for doubtful balances	14.3	(5,422)	(5,422)
		-	-
		618,910	589,113
<b>14.1 Advance tax</b>			
Balance as at 01 January		504,133	421,188
Advance tax paid during the year		602,676	564,706
		1,106,809	985,894
Adjustment against:			
Provision for tax		(522,880)	(470,791)
Prior year		(48,997)	(10,970)
		(571,877)	(481,761)
Balance as at 31 December		534,932	504,133
<b>14.2 Other receivables do not include any amounts receivable from Directors, Chief Executives, Executives and related parties (2014: Rs. ('000) Nil).</b>			
<b>14.3 Opening provision</b>			
Charge for the year		5,422	5,777
Reversals during the year		-	887
		-	(1,242)
Closing provision		5,422	5,422
<b>15. SHORT TERM INVESTMENTS</b>			
<b>Held to maturity at cost</b>			
This includes the following term deposit receipts:			
	<b>Rate of return</b>	<b>Period of deposit</b>	
Habib Bank Limited	7.30%	1 month	550,000
United Bank Limited	7.36%	1 month	300,000
Habib Metropolitan Bank Ltd.	7.33%	1 month	200,000
Habib Metropolitan Bank Ltd.	7.07%	1 month	150,000
Habib Metropolitan Bank Ltd.	7.17%	1 month	100,000
Habib Metropolitan Bank Ltd.	9.30%	1 month	-
Bank Al-Habib Limited	9.50%	1 month	-
Bank Al-Habib Limited	9.45%	1 month	-
			530,000
			450,000
			150,000
			1,300,000
			1,130,000
<b>15.1 The short term investments do not include any investment in related parties (2014: Nil).</b>			

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	2014
(Rupees in '000)			
<b>16. TAX REFUNDS DUE FROM GOVERNMENT</b>			
This represents sales tax paid on raw materials used in zero-rated taxable footwear for which refund claims have been lodged with the Sales Tax Department.			
<b>17. CASH AND BANK BALANCES</b>			
Bank balances in			
Current accounts		97,710	69,923
Daily profit accounts	17.1	267,744	274,823
Cash in transit		88,499	37,774
Cash in hand		1,381	1,169
		455,334	383,689
<b>17.1</b>	The rate of mark-up on these accounts ranges from 4.03% to 5.75% (2014: 6.80% to 7.50%) per annum.		
<b>18. SHARE CAPITAL</b>			
<b>18.1 Authorized share capital</b>			
		2015	2014
		(Number of shares in '000)	
		10,000	10,000
	Ordinary shares of Rs. 10/- each	100,000	100,000
		10,000	10,000
		100,000	100,000
<b>18.2 Issued, subscribed and paid up capital</b>			
		2015	2014
		(Number of shares in '000)	
		1,890	1,890
	Ordinary shares of Rs. 10/- each fully paid in cash	18,900	18,900
	Ordinary shares of Rs. 10/- each issued for consideration other than cash	3,000	3,000
	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	53,700	53,700
		75,600	75,600
<b>18.2.1</b>	Bafin B.V. (Nederland) (the parent company) held 5,685,866 (2014: 5,685,866) ordinary shares of Rs. 10 each fully paid up which represents 75.21% (2014: 75.21%) of total paid up capital.		
<b>19. CAPITAL RESERVE</b>			
This represents the balance of foreign shareholders' equity in Globe Commercial Enterprises Limited (an associated undertaking) gifted to the Company on its winding up, and is not available for distribution.			
<b>20. REVENUE RESERVES</b>			
<b>General Reserve</b>			
Balance as at 01 January		4,157,000	3,667,000
Transfer from Profit and loss account		765,000	490,000
		4,922,000	4,157,000
Unappropriated profit		1,053,109	1,022,308
		5,975,109	5,179,308

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014			
	(Rupees in '000)				
<b>21. LONG TERM DEPOSITS</b>					
Employees' securities and personal accounts	45,000	38,000			
<b>21.1</b> This represents securities deposited by the employees in accordance with the terms of employment and the amounts credited on account of commission etc. to the sales staff. Interest at the rate of 6.42% (2014: 8.50%) per annum is being paid on the monthly outstanding balances.					
<b>21.2</b> In accordance with provisions of Section 226 of the Companies Ordinance, 1984, this amount has been invested in PLS Term Deposit Receipts and is shown separately as long term investments in Note 8.					
<b>22. DEFERRED LIABILITY - EMPLOYEE BENEFITS</b>					
<b>22.1 Provision for gratuity - un-funded defined benefit plan</b>	68,805	53,135			
<b>22.2 Changes in present value of defined benefit obligations / net liability</b>					
Present value of defined benefit obligations as at 1 January	53,135	54,424			
Expense chargeable to Profit and Loss	8,951	9,347			
Benefits paid during the year	(3,570)	(3,156)			
Experience adjustments	10,289	(7,480)			
Present value of defined benefit obligations as at 31 December	68,805	53,135			
<b>22.3 The amount recognized in the profit and loss account is as follows:</b>					
Current service cost	2,641	2,922			
Interest cost	6,310	6,425			
Actuarial gains recognized during the year	-	-			
Expense chargeable to Profit and loss	8,951	9,347			
<b>22.4 Principal actuarial assumptions</b>					
The principal actuarial assumptions used in the actuarial valuation of this scheme by applying projected unit credit method as on 31 December are as follows:					
Expected rate of salary increase in future years	8%	12.25%			
Discount rate	9%	13.25%			
Expected mortality rate	SLIC 2001-2005 Mortality table	SLIC 2001-2005 Mortality table			
<b>22.5 Historical information</b>					
As at 31 December	2015	2014	2013	2012	2011
	(Rupees in '000)				
Present value of defined benefit obligation	68,805	53,135	54,424	72,096	66,655
Experience adjustments on plan liabilities	10,289	(7,480)	-	-	-
Experience adjustments on plan liabilities as a percentage of defined benefit obligation	15%	14%	0%	0%	0%

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Rupees in '000)

## 22.6 Estimated expense to be charged to Profit and Loss in 2016

Current service cost	3,773
Interest cost on define benefit obligation	5,907
Amount chargeable to profit and loss	9,680

## 22.7 Year and sensitivity analysis (± 50 bps) on defined benefit obligation

Discount rate + 50 bps	(2,499)	(1,442)
Discount rate - 50 bps	2,678	1,518
Salary increase + 50 bps	1,071	772
Salary increase - 50 bps	(1,035)	(748)

The Average duration of the defined benefit obligation is 8 years.

## 23. DEFERRED TAXATION

### Deferred tax liabilities

Accelerated tax depreciation	99,813	104,272
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### Deferred tax assets

Provision for:

Deferred Liability - Employee Benefits	(21,330)	(17,535)
Stores and spare parts	(12,708)	(11,292)
Stock-in-trade	(7,301)	-
Trade debts	(7,861)	(6,274)
Other debts	(1,878)	(2,195)
	(51,078)	(37,296)
Net deferred tax liability	48,735	66,976

## 24. TRADE AND OTHER PAYABLES

Creditors	24.1	686,575	850,587
Accrued liabilities		336,548	256,265
Deferred revenue		9,379	1,341
Advances from customers		601	7,479
Due to provident fund trust		15,432	13,301
Deposits	24.2	64,541	71,871
Workers' profit participation fund	24.3	112,584	100,946
Workers' welfare fund		37,025	29,402
Sales tax payable		81,651	65,207
Income taxes deducted at source payable to Government		10,946	15,759
Unclaimed dividend		23,423	15,255
Other liabilities	24.4	24,997	27,294
		1,403,702	1,454,707

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	(Rupees in '000)	
<b>24.1 This includes amounts due to the following related parties:</b>		
Bata Brand (Switzerland)	73,442	71,691
Bata Shoe Singapore Pte Limited	14,649	25,387
Global Footwear Services (Singapore)	10,408	10,739
Bata Malaysia	629	1,366
	99,128	109,183
<b>24.1.1</b> No interest has been paid / accrued on the amounts due to associated undertakings as they are in normal course of business.		
<b>24.2</b> These represent the security money received from the registered wholesale dealers, agency holders and other customers in accordance with the terms of the contract with them. Deposits from agency holders carry interest at the rate of 6.42% (2014: 8.50%) per annum. These are repayable on termination / completion of the contract and on returning the Company's property already provided to them. The Company has a right to utilize these deposits in accordance with the terms of the agreements entered with agency holders.		
<b>24.3 Workers' profit participation fund</b>		
Balance as at 01 January	100,946	90,509
Allocation for the year	112,584	100,946
Interest on funds utilized in Company's business	798	651
	214,328	192,106
Less: Amount adjusted / paid to fund's trustees	101,744	91,160
Balance as at 31 December	112,584	100,946
<b>24.4 Other Liabilities</b>		
Money On-way	13,791	12,995
Group Insurance Claims	2,900	3,909
Personal Account Ex-employees	2,764	2,627
Bata Mosque	1,491	1,228
Others	4,051	6,535
	24,997	27,294

## 25. SHORT TERM BORROWINGS

The credit facilities available to the Company from various commercial banks aggregate to Rs.669 million (2014: Rs. 535 million). These include cash finance facilities of Rs 634 million (2014: Rs 500 million) and export finance facility of Rs 35 million (2014: Rs. 35 million).

Mark up on cash finance ranges from 3 months KIBOR plus 0.50% to 1.0% (2014: 3 months KIBOR plus 1.0%) as per agreements with banks. Mark up on export finance is charged at 7.00% (2014: 8.50%) per annum.

In addition, non funded facilities of letters of guarantee and letters of credit amounting to Rs. 472 million (2014: Rs. 305 million) were also provided by these banks. The un-utilized facility for letter of credits and guarantees at year end amounts to Rs. 400 million (2014: Rs. 154 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 (2014: Rs. 1,194 million).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	2014
(Rupees in '000)			
<b>26. CONTINGENCIES AND COMMITMENTS</b>			
<b>26.1 The Company is contingently liable for:</b>			
Counter Guarantees given to banks		13,396	5,847
Indemnity Bonds given to Custom Authorities		35,674	17,373
Claims not acknowledged as debts - under appeal		13,687	9,583
Order by sales tax department	26.1.1	138,851	138,851
Order by sales tax department-under appeal	26.1.2	201,252	201,252
Order by sales tax department-under appeal	26.1.3	237,370	237,370
Order by sales tax department-under appeal	26.1.4	25,820	25,820
Order by income tax department-under appeal	26.1.5	954,859	954,859
Order by income tax department-under appeal	26.1.6	1,027,460	1,027,460
Order by sales tax department-under appeal	26.1.7	80,000	80,000
Order by sales tax department-under appeal	26.1.8	52,100	52,100
Order by sales tax department-under appeal	26.1.9	8,225	8,225
Show cause notice by sales tax department	26.1.10	85,000	-
		2,873,694	2,758,740

**26.1.1** The Sales Tax Department has issued show-cause notice followed by an order amounting to Rs. 138.8 million in respect of the period from July 2005 to June 2007 for non payment of sales tax on certain items including disposal of property, plant and equipment inadmissible input tax claimed on electricity bills of retail outlets, inadmissible input tax adjustment claimed against zero rated retail supplies and less declaration of output sales tax in returns when compared with final accounts. The Company filed an appeal against the order before Commissioner Sales Tax (Appeals) who has dismissed the appeal vide order dated 31 January 2009. Thereafter, the Company filed an appeal against the stated order before Appellate Tribunal Inland Revenue (ATIR) who has decided the appeal in favor of the Company. The Sales Tax Department filed a reference application in Honorable Lahore High Court (LHC). LHC vide its order dated 16 May 2012 disposed off the reference application. However at the year end, the Company is not aware if any leave for appeal has been made by the Sales Tax Department. Moreover on 08 July 2013, Company received a letter from sales tax department asking for documentary evidence/record that no input tax has been claimed against retail sales during above mentioned period. The Company has given a comprehensive reply to this letter and, based on the opinion of the tax advisor, is of the opinion that this matter has already been decided by ATIR in favor of the Company and has attained finality as has been quoted by Commissioner (Appeals) in one of his orders.

**26.1.2** The Company has received an order from sales tax department amounting to Rs. 201 million for non-payment of retail tax on sales made through retail outlets and inadmissible input tax adjustment claimed against zero-rated retail supplies for the period from July 2007 to December 2008. The Company filed an appeal against the order before the Commissioner Sales Tax (Appeals) which was not decided in favor of the Company. The Company has filed an appeal with the Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication. Moreover on 25 June 2012, Company received an additional order from Deputy Commissioner Inland Revenue (DCIR) amounting to Rs. 64 million pertaining to period from July 2007 to December 2008 of the sales tax previously refunded to the Company. The case has been referred to concerned ACIR/DCIR enforcement against the order. Company has filed an appeal with CIR(Appeals) which is pending adjudication. Based on legal advisor's opinion, the Company expects a favorable outcome of the matter.

**26.1.3** The Company has received 22 separate orders dated 17 October 2012 and 14 November 2012 in which sales tax refunds for the periods from November 2008 to December 2010 amounting to Rs. 237.37 million have been rejected on the grounds that input sales tax relating to retail turnover is not admissible. Company filed separate appeals against these orders with Commissioner (Appeals). The Commissioner (Appeals) decided 19 appeals against while 3 appeals in favor of the Company. The Company filed 19 separate appeals while tax department filed 3 separate appeals with Appellate Tribunal Inland Revenue (ATIR). The ATIR decided all 22 appeals in favour of the Company on 15 May 2014. The sales tax department filed a reference application with Lahore High Court which is pending for adjudication. Based on legal advisor's opinion, the Company expects a favourable outcome of the matter.

**26.1.4** The Company has received an order dated 18-10-2012 from Sales tax department demanding Rs. 25.820 million on the basis that Company has wrongly adjusted input sales tax against output sales tax for the month of April 2011. Company filed an appeal with Commissioner (Appeals) who decided the appeal in favor of the Company. However the Department filed appeal with Appellate Tribunal Inland Revenue (ATIR) who on 19 May 2014 rejected the department's appeal. However at the period end, the Company is not aware if any leave for appeal has been made by the Sales Tax Department; if such an appeal is filed, the Company based on the opinion of the tax advisor, expects a favourable outcome.

**26.1.5** On 21 August 2013, Company received an assessment order from Deputy Commissioner Inland Revenue (DCIR) for the tax year 2011, adding back different provisions and liabilities and also assessing that Company has suppressed turnover to the tune of Rs. 1.427 billion. Based on these add backs the DCIR created a demand of PKR. 954.859 million. The Company filed an appeal with Commissioner (Appeals), who deleted almost all the add backs and there is no liability against the Company against this order. However Department filed an appeal against the order of Commissioner with ATIR which is pending for adjudication. Company, based on the opinion of the tax advisor, expects a favourable outcome.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2015

- 26.1.6** On 31-10-2014, Company received an assessment order from income tax authorities for the tax year 2012. In the order, the assessing officer added back different provisions and liabilities and also assessed that Company has suppressed turnover to the tune of Rs. 1.77 billion. Based on these add backs, he created the demand of Rs. 1.027 billion. The Company filed an appeal with Commissioner (Appeals). On 14 January 2015, Commissioner (Appeals) deleted almost all the addbacks and there is no liability against the Company against this order. The Tax Department filed an appeal against the order of Commissioner with ATIR which is pending for adjudication. Based on legal advisor's opinion, the Company expects a favourable outcome of the matter.
- 26.1.7** The Company has received two separate orders from Deputy Commissioner Inland Revenue dated 25 June 2014 and 30 September 2014 creating a demand amounting to Rs. 46.7 million and Rs. 33.3 million on the basis that Company has adjusted 100% input tax in violation of Section 8-B of Sales Tax Act for the periods from January 2012 to June 2013 and from October 2013 to March 2014. Company filed appeals with Commissioner Inland Revenue Appeals (CIR). CIR (Appeals) in his orders dated 9 September 2014 and 10 December 2014 decided against the Company. The Company filed appeals with Appellate Tribunal Inland Revenue (ATIR). The ATIR in its orders dated 10 December 2014 and 13 January 2015 decided both the cases in favour of the Company. However at the period end, the Company is not aware if any leave for appeal has been made by the Sales Tax Department; if such an appeal is filed, the Company based on the opinion of the tax advisor, expects a favourable outcome.
- 26.1.8** The Company has received two separate orders from Deputy Commissioner Inland Revenue dated 6 December 2014 each and created a demand amounting to Rs.43.8 million and Rs. 8.3 million on the basis that Company has not charged further sales tax of 1% on unregistered customers. The Company filed appeals with Commissioner Inland Revenue (CIR) (Appeals) who remanded back both the cases to adjudicating officer for fresh decision after allowing the appellant to produce relevant record. The Company based on the advice of its tax advisor is confident that the case will be decided in the favour of the Company.
- 26.1.9** The Company has received a demand notice of Rs. 8.225 million stating that the input tax claimed by the Company did not match with sales tax return of suppliers. The demand notice was however subsequently suspended by the decision of the Lahore High Court through writ petition No. 15721/2013. The Company based on the advice of its tax advisor is confident that the writ petition will be decided in the favor of the Company
- 26.1.10** The Company received a show cause notice from sales tax department stating that input sales tax of Rs. 85 million on Trade Mark Licence (TML) fee and Management Service Fee claimed by the Company should be recovered from it. The Company filed a writ petition with Lahore High Court (LHC) against show cause notice and LHC granted stay against the notice. The Company based on the advice of its tax advisor is confident that the case will be decided in the favour of the Company.

### 26.2 Commitments

- 26.2.1** 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 as at 31 December are as follows:

	2015	2014
	(Rupees in '000)	
Within one year	878,347	792,183
After one year but not more than five years	2,945,509	2,940,827
More than five years	1,420,389	1,089,687
	<u>5,244,245</u>	<u>4,822,697</u>
<b>26.2.2 Commitments in respect of:</b>		
Capital expenditure	8,569	62,485
Letters of credit and bank contracts	350,268	410,302
	<u>358,837</u>	<u>472,787</u>

### 27. SALES

Shoes and accessories		
Local	17,324,029	16,041,009
Export	104,108	151,326
	<u>17,428,137</u>	<u>16,192,335</u>
Sundry articles and scrap material	40,030	23,315
	<u>17,468,167</u>	<u>16,215,650</u>
Less: Sales tax	1,216,412	1,073,028
Discounts to dealers and distributors	1,220,990	1,128,149
Commission to agents / business associates	249,245	247,317
	<u>2,686,647</u>	<u>2,448,494</u>
	<u>14,781,520</u>	<u>13,767,156</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	2014
(Rupees in '000)			
<b>28. COST OF SALES</b>			
Cost of goods manufactured	28.1	4,184,510	4,202,548
Finished goods purchased		4,806,165	4,611,773
Add: Opening stock of finished goods		2,539,507	2,113,219
		11,530,182	10,927,540
Less: Closing stock of finished goods	28.2	2,753,859	2,539,507
		8,776,323	8,388,033
<b>28.1 Cost of goods manufactured</b>			
Raw material consumed			
Opening stock		175,421	181,572
Add: Purchases		3,529,460	3,463,545
		3,704,881	3,645,117
Less: Closing stock		188,141	175,421
		3,516,740	3,469,696
Store and spares consumed		13,702	8,999
Fuel and power		118,091	176,137
Salaries, wages and benefits	28.3	437,112	381,136
Repairs and maintenance	28.4	48,011	57,296
Insurance		12,069	10,949
Depreciation	6.3	49,205	39,604
		4,194,930	4,143,817
Add: Opening goods in process		14,779	73,510
		4,209,709	4,217,327
Less: Closing goods in process		25,199	14,779
		4,184,510	4,202,548

**28.2** This includes provision of Rs. ('000) 19,961 (2014: ('000) 1,066) in respect of slow moving and obsolete stock.

**28.3** These include Rs. ('000) 12,783 (2014: Rs. ('000) 11,137) and Rs. ('000) 3,136 (2014: Rs. ('000) 3,465) in respect of contribution to provident fund trust and provision for gratuity respectively.

**28.4** This includes provision for obsolescence of stores and spares amounting to Rs. ('000) 6,773 (2014: Rs. ('000) 4,790).

	Note	2015	2014
(Rupees in '000)			
<b>29. DISTRIBUTION COST</b>			
Salaries and benefits	29.1	752,371	703,366
Freight		224,062	238,700
Advertising and sales promotion		158,086	170,121
Rent		956,558	783,105
Insurance		20,542	18,972
Trade mark license fee	29.2	328,143	286,244
Fuel and power		206,788	221,250
Repairs and maintenance		41,490	47,506
Entertainment		10,814	11,216
Business and property taxes		3,211	3,715
Depreciation	6.3	144,149	117,220
Provision for trade and other debts		5,755	2,383
Miscellaneous		486	392
		2,852,455	2,604,190

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2015

**29.1** These include Rs. ('000) 26,854 (2014: Rs. ('000) 24,368) and Rs. ('000) 1,273 (2014: Rs. ('000) 2,276) in respect of contribution to provident fund trust and provision for gratuity respectively.

**29.2** This represents trade mark license fee of Bata Brands S.A.R.L. (Switzerland), a related party.

	Note	2015	2014
(Rupees in '000)			
<b>30. ADMINISTRATIVE EXPENSES</b>			
Salaries and benefits	30.1	517,228	452,383
Management service fee	30.2	152,056	165,085
Employee welfare		32,469	28,501
Fuel and power		15,990	22,474
Telephone and postage		20,500	20,554
Insurance		6,292	6,646
Travelling		86,324	93,884
Repairs and maintenance		22,573	19,257
Printing and stationery		17,559	20,455
Donations and subscription	30.3	1,871	2,075
Legal and professional charges		8,102	7,260
Business and property taxes		3,094	1,145
Depreciation	6.3	12,988	12,150
Amortization on intangible assets	7.1	3,000	3,211
Miscellaneous		36,583	22,176
		936,629	877,256

**30.1** These include Rs. ('000) 13,315 (2014: Rs. ('000) 11,591) and Rs. ('000) 4,542 (2014: Rs. ('000) 3,606) in respect of contribution to provident fund trust and provision for gratuity respectively.

**30.2** This represents the fee paid/payable to Global Footwear Services Pte Limited and Euro Footwear Holding, related parties, in respect of Management and Information Technology services, respectively.

**30.3** None of the directors of the Company or any of their spouses have any interest in the donees.

	Note	2015	2014
(Rupees in '000)			
<b>31. OTHER EXPENSES</b>			
Workers' profit participation fund	24.3	112,584	100,946
Workers' welfare fund		37,025	29,402
Auditors' remuneration	31.1	7,835	7,422
Exchange loss		5,034	1,550
Loss on disposal of property, plant and equipment	6.4	13,199	-
Impairment loss		-	2,352
		175,677	141,672
<b>31.1 Auditors' remuneration</b>			
Statutory audit		3,345	3,186
Review of six monthly accounts		1,115	1,062
Audit of US GAAP reporting package		1,115	1,062
Other reviews and certifications		960	917
Out of pocket expenses		1,300	1,195
		7,835	7,422

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	2014
(Rupees in '000)			
<b>32. OTHER INCOME</b>			
<b>Income from financial assets</b>			
Profit on long term investments		2,713	3,614
Profit on short term investment		41,536	42,187
Profit on bank deposits		15,958	19,861
		60,207	65,662
<b>Income from non - financial assets</b>			
Rental Income		8,410	7,547
Gain on disposal of property, plant & equipment	6.4	-	51,931
Reversal of property tax provision		-	9,500
Income from discounting of supplier invoices		22,731	28,676
		31,141	97,654
		91,348	163,316
<b>33. FINANCE COSTS</b>			
<b>Interest / mark-up on:</b>			
Workers' profit participation fund	24.4	798	651
Employees / agents' securities and personal accounts	33.1	4,285	5,652
		5,083	6,303
Bank charges and commission		25,421	25,102
		30,504	31,405
<b>33.1</b> These do not include any amounts on account of related parties (2014: Rs. ('000) Nil)			
<b>34. TAXATION</b>			
<b>For the year</b>			
Current year		621,832	522,880
Prior years		48,997	10,970
		670,829	533,850
<b>Deferred</b>			
Relating to origination and reversal of temporary difference		(10,990)	16,120
Income resulting from change of rate of tax		(4,059)	(1,466)
		655,780	548,504
<b>Relationship between tax expenses and accounting profit</b>			
Accounting profit before taxation		2,101,280	1,887,916
Tax at applicable tax rate of 32% (2014: 33%)		672,410	623,012
Tax effect of expenses not allowed for tax		288	303
Effect of tax on export sales, imported finished goods and rental income under Final Tax Regime		(65,915)	(85,781)
Effect of prior years tax		48,997	10,970
Tax expense for the year		655,780	548,504

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 35 SEGMENT REPORTING

	Retail			Wholesale			Export			Others			Total		
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	
	(Rupees in '000)														
<b>Segment result and profit reconciliation</b>															
Net sales	9,660,596	8,824,912	5,000,578	4,771,918	104,107	151,326	36,239	19,000	14,781,520	13,767,156					
Cost of sales	5,163,413	4,591,169	3,515,605	3,682,342	79,392	114,522	17,913	-	8,776,323	8,388,033					
Gross profit	4,477,183	4,233,743	1,484,973	1,089,576	24,715	36,804	18,326	19,000	6,005,197	5,379,123					
Distribution cost	2,342,157	2,105,095	269,229	246,462	9,985	12,877	-	-	2,621,371	2,364,434					
Administrative expenses	44,971	46,518	24,525	24,847	1,522	2,577	-	-	71,016	73,942					
Segment results	2,387,128	2,151,613	293,752	271,309	11,507	15,454	-	-	2,692,387	2,438,376					
	2,090,055	2,082,130	1,191,221	818,267	13,208	21,350	18,326	19,000	3,312,810	2,940,747					
Unallocated operating expenses									1,096,697	1,043,070					
Other operating expenses									175,677	141,672					
Other operating income									91,348	163,316					
Operating profit									2,131,784	1,919,321					
Finance cost									30,504	31,405					
Profit before taxation									2,101,280	1,887,916					
Taxation									655,780	548,504					
Profit after taxation									1,445,500	1,339,412					
Other disclosures															
Segment assets	2,856,135	2,600,300	1,775,236	1,296,027	6,268	1,803	-	-	4,637,639	3,898,130					
Unallocated assets									3,601,627	3,492,959					
Segment liabilities	85,456	31,453	25,081	11,855	206	-	-	-	8,239,266	7,391,089					
Unallocated liabilities									110,743	43,308					
Capital expenditures	244,402	268,006	14,343	12,444	-	-	-	-	2,077,331	2,092,390					
Unallocated									2,188,074	2,135,698					
Depreciation of property, plant and equipment	137,665	111,799	6,484	4,978	-	15	-	-	258,745	280,450					
Unallocated									81,980	224,652					
Amortization of intangible assets	2,226	2,101	-	39	-	-	-	-	340,725	505,102					
Unallocated									144,149	116,792					
									62,193	52,182					
									206,342	168,974					
									2,226	2,140					
									774	1,071					
									3,000	3,211					

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 36. EARNINGS PER SHARE - BASIC AND DILUTED

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by weighted average number of ordinary shares outstanding during the year. The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Note	2015	2014
(Rupees in '000)			
Profit after taxation - (Rupees in '000)		1,445,500	1,339,412
Weighted average number of ordinary shares (in thousands)	18.2	7,560	7,560
Earnings per share - basic and diluted (Rupees per share)		191.20	177.17
There is no dilutive effect on the basic earnings per share of the Company.			

## 37. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

	2015	2014
Short term investment	1,300,000	1,130,000
Bank balances in		
Current accounts	97,710	69,923
Daily profit accounts	267,744	274,823
Cash in transit	88,499	37,774
Cash in hand	1,381	1,169
	1,755,334	1,513,689

## 38. REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for the year in respect of remuneration, including all benefits to Chief Executive, Directors and Executives of the Company are as follows:

	Chief Executive		Directors		Executives	
	2015	2014	2015	2014	2015	2014
(Rupees in '000)						
Managerial remuneration	27,449	20,957	21,167	16,894	131,013	114,084
Company's contribution to provident fund	-	-	-	-	11,218	8,656
Perquisites and allowances						
Housing	-	-	-	-	32,627	27,992
Leave passage	729	1,270	2,000	1,600	-	-
Conveyance	-	-	-	-	8,750	8,435
Medical expenses reimbursed	241	117	288	1,146	7,307	5,631
Utilities	-	-	-	-	8,750	8,435
Others	3,581	3,505	9,293	9,003	35,707	23,315
	32,000	25,849	32,748	28,643	235,372	196,548
Number of persons	1	1	1	1	97	85

**38.1** In addition to the above, 6 (2014: 9) non executive directors were paid aggregated fee of Rs. ('000) 1,425 (2014: Rs. ('000) 1,726) for attending meetings.

**38.2** The Chief Executive and one of the directors of the Company are provided with company-maintained cars.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise long term deposits and trade and other payables. The main purpose of these financial liabilities is to raise finances for the Company's operations. The Company's financial assets mainly comprise long term investments, security deposits, trade and other receivables, and cash and cash equivalent that arrive directly from its operations. The Company is exposed to market risk, credit risk and liquidity risk. The Company's Board of Directors (the Board) reviews and agrees policies for the management of these risks. The Board has the overall responsibility for the establishment of a financial risk governance frame work. They provide assurance that the financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's risk management policies.

### 39.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risks: interest rate risk, currency risk and other price risk such as equity risk. The objective of market risk management is to manage and control market risk exposures within an acceptable range.

#### 39.1.1 Interest rate risk exposure

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term debt obligations, which are borrowed at floating interest rates. The Company's policy is to keep its short term running finances at the lowest level by effectively utilizing positive cash and bank balances. Further, the Company also minimizes the interest rate risk by investing in fixed rate investments like term deposit-receipts.

The Company's exposure to interest rate risk on its financial assets and liabilities is summarized below:

	Fixed or variable	Effective rates		Rupees in ('000)	
		2015	2014	2015	2014
<b>Financial Assets</b>					
Long term investments	Fixed	7.33%	9.30%	45,000	38,000
Short term investments	Fixed	7.17 to 7.30%	9.30 to 9.50%	1,300,000	1,130,000
Bank balance in Daily profit account	Fixed	4.03 to 5.75%	6.55 to 7.45%	267,744	274,823
				<u>1,612,744</u>	<u>1,442,823</u>
<b>Financial Liabilities</b>					
Long term deposits - employees' securities	Fixed	6.42%	8.50%	45,000	38,000
Deposits - agents	Fixed	6.42%	8.50%	64,541	71,871
				<u>109,541</u>	<u>109,871</u>

#### Sensitivity analysis for variable rate instruments

The Company has all its investments in fixed rate instruments hence it is not subject to any fluctuation in market interest rates.

#### 39.1.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The management has assessed that hedging its foreign currency payables will be more expensive than self assuming the risk. The foreign exchange risk management policy is reviewed each year on the basis of market conditions. The Company is mainly exposed to fluctuations in US Dollar, Euro and Singapore Dollar against Pak Rupee.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2015

The assets / liabilities subject to currency risk are detailed below:

	2015	2014
	(Rupees in '000)	
<b>Financial assets</b>		
Trade debts - Export customers		
US Dollar	5,778	2,359
Euro	4,670	-
	10,448	2,359
<b>Financial liabilities</b>		
Trade and other Payables - Foreign suppliers		
US Dollar	15,278	25,342
Euro	73,442	71,691
Singapore Dollar	10,408	10,690
	99,128	107,723

### Foreign Currency Sensitivity analysis

The following table demonstrates the sensitivity of the Company's profit before tax to a reasonably possible change in exchange rates of the major currencies involved in transactions with the foreign parties, keeping all other variables constant. Range of variation has been taken after considering the variation in year 2015 in the currencies involved.

	2015	2014	2015	2014
	Percentage Change in Exchange Rate	Percentage Change in Exchange Rate	(Rupees in '000)	
			Effect on Profit Before Tax	Effect on Profit Before Tax
			+ / -	+ / -
Variation in USD to PKR	4%	4%	380	919
Variation in EURO to PKR	-7%	16%	(4,814)	11,471
Variation in Singapore Dollar to PKR	-3%	8%	(312)	855

### 39.1.3 Equity price risk

Equity price risk is the risk of loss due to susceptibility of equity instruments towards market price risk arising from uncertainties about future values of the investment securities. The Company is not exposed to any equity price risk as the Company does not have any investment in equity shares at the balance sheet date.

### 39.2 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date, if counter parties fail to perform their contractual obligations. The Company's maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Investments are allowed only in liquid securities and only with banks. Given their high credit ratings, management does not expect any counter party to fail to meet its obligation.

The management has a credit policy in place and exposure to credit risk is monitored on a continuous basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Company does not require collateral in respect of financial assets. The Company, however, mitigates any possible exposure to credit risk by taking security deposits from its dealers and distributors as well as by executing formal agreements with them. Out of total financial assets of Rs.(000) 2,641,678 (2014: Rs. (000) 2,104,175) following are subject to credit risk:

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

Following are subject to credit risk:

	2015	2014
	(Rupees in '000)	
<b>Financial assets</b>		
Long term investments	45,000	38,000
Long term deposits	26,397	24,127
Trade debts - unsecured	788,405	503,726
Deposits and other receivables	28,825	29,238
Interest accrued	2,293	3,927
Short term investment	1,300,000	1,130,000
Cash at bank	365,454	344,746
	<u>2,556,374</u>	<u>2,073,764</u>

## 39.2.1 Long term investments Financial institution

	Ratings			Carrying Values	
	Agency	Long Term	Short term	2015	2014
				(Rupees in '000)	
Habib Metropolitan Bank Limited	PACRA	AA+	A1+	45,000	38,000

39.2.2 Out of the total trade receivables, 35.56% is concentrated in ten customers (2014: 28.81% in ten customers)

## 39.2.3 Trade debts - other than related parties

	Carrying Values	
	2015	2014
	(Rupees in '000)	
<b>Neither past due nor impaired</b>	578,477	440,317
<b>Past due but not impaired</b>		
1-30 days	-	-
31-60 days	32,287	31,027
61-90 days	105,865	2,307
Over 90 days	65,998	27,323
	<u>204,150</u>	<u>60,657</u>
<b>Past due and impaired</b>		
1-30 days	-	-
31-60 days	-	-
61-90 days	-	-
Over 90 days	25,359	19,012
	<u>25,359</u>	<u>19,012</u>
<b>39.2.4 Trade debts - receivable from related parties</b>		
<b>Neither past due nor impaired</b>	1,568	1,473
<b>Past due but not impaired</b>		
1-30 days	-	-
31-60 days	-	493
61-90 days	4,129	786
Over 90 days	81	-
	<u>4,210</u>	<u>1,279</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 39.2.5 Short term investments

Financial institution	Ratings			2015	2014
	Agency	Long Term	Short term	(Rupees in '000)	
Habib Metropolitan Bank Limited	PACRA	AA+	A1+	450,000	530,000
United Bank Limited	JCR-VIS	AA+	A-1+	300,000	–
Habib Bank Limited	JCR-VIS	AAA	A-1+	550,000	–
Bank Al-Habib Limited	PACRA	AA+	A1+	–	600,000
				<u>1,300,000</u>	<u>1,130,000</u>

## 39.2.6 Cash at bank

Financial institution	Ratings			2015	2014
	Agency	Long Term	Short term	(Rupees in '000)	
Habib Bank Limited	JCR-VIS	AAA	A-1+	195,178	217,942
MCB Bank Limited	PACRA	AA+	A1+	22,923	28,076
Habib Metropolitan Bank Limited	PACRA	AA+	A1+	4,989	2,276
Bank Al-Habib Limited	PACRA	AA+	A1+	70,011	29,194
National Bank of Pakistan	JCR-VIS	AAA	A-1+	900	140
United Bank Limited	JCR-VIS	AA+	A-1+	71,453	48,280
Barclays Bank PLC	Standard & Poor's	A+	A-1	–	18,838
				<u>365,454</u>	<u>344,746</u>

## 39.3 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet its commitments associated with financial liabilities as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions. The Company follows a cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. The Company had un-utilized short term borrowing facilities available from various Commercial banks aggregating to Rs. 669 million at 31 December, 2015 (2014: Rs. 535 million).

The following table shows the maturity profile of the Company's financial liabilities:

	2015				
	(Rupees in '000)				
	On demand	Less than 1 year	1 to 5 years	Over 5 years	Total
Long term deposits	45,000	–	–	–	45,000
Trade and other payables	–	1,136,084	–	–	1,136,084
	2014				
	(Rupees in '000)				
	On demand	Less than 1 year	1 to 5 years	Over 5 years	Total
Long term deposits	38,000	–	–	–	38,000
Trade and other payables	–	1,221,272	–	–	1,221,272

## 39.4 Fair value of the financial instruments

Fair value is measured on the basis of objective evidence at each reporting date. The carrying value of all the financial instruments reflected in the financial statements approximates their fair value and accordingly, detailed disclosures of fair value are not being presented in these financial statements.

## 40. CAPITAL RISK MANAGEMENT

The Company's policy is to safeguard the Company's ability to remain as a going concern and ensure a strong capital base in order to maintain investors', creditors' and market's confidence and to sustain future development of the business. The Board of Directors monitors the returns on capital, which the Company defines as net operating income divided by total shareholders' equity.

The Company's objectives when managing:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2015

b) to provide an adequate return to shareholders by pricing products

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistent with the industry norms, the Company monitors its capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the balance sheet less cash and cash equivalent. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt (as defined above).

The debt - to- equity ratio as to 31 December is as follows:

	2015	2014
	(Rupees in '000)	
Net debt	-	-
Total equity	6,051,192	5,255,391
Capital gearing ratio	-	-

The Company is not subject to any externally-imposed capital requirements.

### 41. TRANSACTIONS WITH RELATED PARTIES

41.1 The related parties and associated undertakings comprise parent company, related group companies, provident fund trust, directors and key management personnel. Remuneration of Chief Executive and directors is also shown in Note 37. Transactions with related parties during the year are as follows;

Relationship with the Company	Nature of transactions	2015	2014
		(Rupees in '000)	
Common Control Companies	Purchase of goods and services	919,278	1,279,161
	Sale of goods and services	15,077	12,343
	Trade mark license fee	328,143	323,643
	Management service fee & IT charges	152,056	165,084
	Dividend paid	483,298	443,497
Holding company	Contribution to provident fund trusts	52,952	47,096
Staff Retirement Benefits	Gratuity Paid	3,570	3,292
Key Management Personnel	Remuneration	116,591	98,621

41.2 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, where by, 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 method.

### 42. CAPACITY AND ACTUAL PRODUCTION

	No. of shifts worked		Installed capacity based on actual shifts worked		Actual production	
	2015	2014	Pairs in '000		Pairs in '000	
	2015	2014	2015	2014	2015	2014
Footwear in pairs						
Cemented	1 to 3	1 to 3	2,691	2,659	2,568	2,535
Polyurethane	1 to 3	1 to 3	5,578	4,171	4,349	4,617
Thongs	1 to 3	1 to 3	4,200	4,500	2,696	3,757
Directly injected plastic	3	3	3,445	3,407	4,003	3,562
Sandak	3	3	3,027	2,568	2,507	2,646
			18,941	17,305	16,123	17,117

42.1 The deviation in actual production from installed capacity is due to rapidly growing trends as the Company has to change major shoe lines in accordance with the market trends. This involves change in manufacturing operations and product mix which causes variances not only between the installed capacity and actual production but also between the actual production of any two years.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	(Rupees in '000)	
<b>43. NUMBER OF PERSONS EMPLOYED</b>		
Number of persons employed as at year end	2,544	2,485
Average number of persons employed during the year	2,543	2,418
<b>44. PROVIDENT FUND</b>		
Size of the fund (total equity)	1,649,215	1,607,559
Percentage of investments made	94%	94%
Fair value of investments	1,545,370	1,518,920
Cost of investments made	1,545,370	1,518,920

44.1 Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

	2015		2014	
	(Rupees in '000)			
	Investments (Rs. 000)	Investments % of size of the fund	Investments (Rs. 000)	Investments % of size of the fund
Pakistan Investment Bond	20,000	1%	20,000	1%
Term deposit receipts	1,525,370	92.5%	1,498,920	93%
	1,545,370		1,518,920	

44.2 Investments out of provident fund have been made in accordance with the provision of the section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

44.3 The above information is based on audited financial statements of the provident fund.

## 45. POST BALANCE SHEET EVENTS

The Board of Directors at its meeting held on 18 February 2016 has approved a final dividend @ Rs. 45 per share for the year ended 31 December 2015 (2014: Rs. 34 per share) amounting to Rs. ('000) 340,200 (2014: Rs. ('000) 257,040) and transfer to general reserve amounting to Rs. ('000) 712,000 (2014: Rs. ('000) 765,000) for approval of the members at the Annual General Meeting to be held on 20 April 2016. The financial statements do not reflect the effect of the above events.

## 46. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on 18 February 2016.

Chief Executive

Director



# Pattern of Shareholding

## PATTERN OF SHAREHOLDING

AS AT 31 DECEMBER 2015

No. of Shareholders	From	Shareholding	To	Total Shares held
625	1		100	25,714
366	101		500	89,075
66	501		1,000	47,728
48	1,001		5,000	87,513
4	5,001		10,000	34,710
1	10,001		15,000	11,392
1	20,001		25,000	21,000
2	25,001		30,000	57,318
1	95,001		100,000	99,674
1	305,001		310,000	309,776
1	1,090,001		1,095,000	1,090,234
1	5,685,001		5,690,000	5,685,866
1,117				7,560,000

## CATEGORIES OF SHAREHOLDERS

	Number of Shareholders	Total Shares held	Percentage
<b>FOREIGN SHAREHOLDERS</b>			
Bafin (Nederland) B.V.	1	5,685,866	75.21
<b>LOCAL SHAREHOLDERS</b>			
Individuals	1,049	234,872	3.11
National Investment Trust Ltd.	2	49,076	0.65
Trustee National Investment (Unit) Trust	1	1,090,234	14.42
National Bank of Pakistan	1	611	0.01
Industrial Development Bank of Pakistan	1	125	0.01
Pension Funds	10	106,614	1.41
Insurance Companies	6	327,688	4.34
Investment/Joint Stock Companies	17	39,144	0.52
Modarabas and Mutual Funds	6	14,497	0.19
Other Companies	23	11,273	0.15
	1,117	7,560,000	100.00

# PATTERN OF SHAREHOLDING

AS AT 31 DECEMBER 2015

Categories of Shareholders		Number of shares held
1.	<b>Directors, Chief Executive Officer, their spouses and minor children</b> <b>Chief Executive</b> <b>Directors</b> Mr. Ijaz Ahmad Chaudhry Mr. Muhammad Ali Malik	-  1 1
2.	<b>Directors' spouses and their minor children</b> <b>Associated companies, undertakings and related parties</b> Bafin (Netherlands) B.V.	-  5,685,866
3.	<b>NIT and ICP</b> Industrial Development Bank CDC - Trustee National Investment (Unit) Trust National Investment Trust Ltd. National Investment Trust Ltd. Admn. Fund	125 1,090,234 28,076 21,000
4.	<b>Banks, DFI's and NBFIs</b> National Bank of Pakistan	611
5.	<b>Insurance companies</b> Alfalsh Insurance Company Limited (CDC) EFU General Insurance Limited (CDC) Habib Insurance Company Limited (CDC) Habib Insurance Company Limited (CDC) Pak Qatar Individual Family Participant Invest Fund (CDC) State Life Insurance Corporation of Pakistan (CDC)	360 309,776 4,500 1,500 160 11,392
6.	<b>Investment Companies</b> AFC Umbrella Fund (CDC) Tundra Pakistan Fond (CDC)	680 29,242
7.	<b>Modarbas and Mutual Funds</b> CDC-Trustee AKD Index Tracker Fund CDC-Trustee MCB Pakistan Stock Market Fund CDC-Trustee NIT Islamic Equity Fund CDC-Trustee NIT-Equity Market Opportunity Fund CDC-Trustee Pakistan Capital Market Fund CDC-Trustee Pak. Int. Element Islamic Asset Allocation Fund	377 3,360 3,620 640 2,880 3,620
8.	<b>Pension Fund</b> Trustee National Bank of Pakistan Employment Pension Fund (CDC) Pfizer Pakistan DC Pension Fund (CDC) Wyeth Pakistan DC Pension Fund (CDC) CDC-Trustee NAFSA Islamic Pension Fund Equity Account CDC-Trustee NAFSA Pension Fund Equity Sub-Fund Account Trustee - IBM Italia S.P.A. Pakistan Employee Pen Fund (CDC) Trustee - Engro Corp Ltd. MPT EMP Defined Contribution Pen Fund (CDC) Trustee - Shell Pakistan Staff Pension Fund - Equity (CDC) CDC-Trustee Pakistan Pension Fund Equity Sub-Fund CDC-Trustee Pakistan Islamic Pension Fund Equity Sub-Fund	99,674 800 200 140 300 20 1,100 20 2,100 2,260
9.	<b>Joint Stock Companies</b> Fateh Industries Limited Naeem's Securities (Pvt.) Limited Service Sales Corp. Securities (Pvt.) Limited Moosani Securities (Pvt.) Ltd. (CDC) Paradigm Factors (Private) Limited (CDC) Foundation Securities (Private) Limited (CDC) IGI Finex Securities Limited (CDC) Irfan Mazhar Securities (Pvt.) Ltd. (CDC) Maple Leaf Capital Limited (CDC) Muhammad Shahi Tanneries (Pvt.) Limited (CDC) NH Securities (Pvt.) Limited (CDC) Sao Capital (Pvt.) Limited (CDC) Sarfraz Mahmood Securities (Pvt.) Limited (CDC) Stock Master securities (Pvt.) Ltd (CDC) Haral Sons (SMC-Pvt) Limited (CDC)	160 50 100 700 60 260 1 540 6,341 80 135 20 25 50 700
10.	<b>Other companies</b> Trustee National Bank of Pakistan Emp Benevolent Fund Trust (CDC) Pfizer Pakistan Provident Fund (CDC) Trustees Lotte Chemical Pakistan Non Mgn Staff G. Fund (CDC) Descon Chemicals Limited Gratuity Fund (CDC) Trustee - IBM Italia S.P.A. Pakistan Employees Gratuity Fund (CDC) Trustee Engro Corp. Ltd. Mpt. Emp. Defined Cont Gratuity Fund (CDC) Trustee Engro Corporation Ltd. Gratuity Fund (CDC) Trustee International Indust. Ltd. Employees Gratuity Fund (CDC) Trustee International Steels Ltd. Employees Gratuity Fund (CDC) Trustees Lotte Chemical Pakistan Mhgt. Staff Gratuity Fund (CDC) Trustee-Shell Pakistan Management Staff Gratuity Fund (CDC) Descon Oxychem Limited Employees Provident Fund Trust (CDC) Inspectest Pvt. Limited Employees Provident Fund Trust (CDC) Trustee - IBM Semea Employees Provident Fund (CDC) Trustee International Indust. Ltd. Employees Provident Fund (CDC) Trustee Of Feroze 1888 Mills Ltd. Employee Provident Fund Trust (CDC) Trustee Shezzan International Ltd. Employees Provident Fund (CDC) Trustee-Ghani Gases Employee'S Provident Fund (CDC) Trustees International Steels Ltd. Employees Provident Fund (CDC) Trustees Lotte Chemical Pakistan Mng Staff Provident Fund (CDC) Trustees Of Ali Gohar & Co. (Pvt.) Ltd-Staff Provident Fund (CDC) Descon Power Solutions Pvt Ltd Emp Provident Fund Trust (CDC) Trustees Lotte Chemical Pakistan Mgt. Staff Def. Cont. S. Fund (CDC)	3,498 1,000 7 20 50 1,900 400 700 100 310 40 40 20 548 400 860 20 40 120 530 140 100 450
8.	<b>General public</b>	234,870
9.	<b>Executives, their spouses and minor children</b>	-
		7,560,000
<b>Shareholders holding more than 10 % voting interest in the company</b>		
Bafin (Nederland) B.V.		5,685,866
CDC - Trustee National Investment (Unit) Trust		1,090,234
National Investment Trust Limited (CDC)		28,076
National Investment Trust Ltd Administration Find (CDC)		21,000
National Bank Of Pakistan (CDC)		611
		1,139,921
		6,825,787

During the financial year the trading in shares of the Company by the Directors, CEO, CFO, Company Secretary and their Spouses and minor children is NIL.

# FORM OF PROXY

## 64<sup>th</sup> ANNUAL GENERAL MEETING

The Secretary  
Bata Pakistan Limited  
P.O. Batapur,  
Lahore.

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member of Bata Pakistan Limited and holder of \_\_\_\_\_  
\_\_\_\_\_ Ordinary Shares as per Share Register Folio  
(No. of Shares)  
No. \_\_\_\_\_ and / or CDC Participant I.D. No. \_\_\_\_\_  
and Sub Account No. \_\_\_\_\_ hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him \_\_\_\_\_ of \_\_\_\_\_  
as my/our proxy to vote for me/us and on my/our behalf at the 64<sup>th</sup> Annual General Meeting of the Company to be held on April 20, 2016 and at any  
adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2016.

### WITNESSES:

**1. Signature** \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_  
NIC or \_\_\_\_\_  
Passport No. \_\_\_\_\_

Signature on  
Rs. 5/-  
Revenue stamp

**2. Signature** \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_  
NIC or \_\_\_\_\_  
Passport No. \_\_\_\_\_

(Signature should agree with the specimen  
signature registered with the Company)

### Note:

1. A member entitled to be present and vote at the Meeting may appoint a proxy to attend and vote for him/her. A proxy need not be a member of the Company.
2. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the meeting.
3. CDC Shareholders and their Proxies must each attach an attested photocopy of their National Identity Card or passport with this proxy form.

The Company Secretary  
**BATA PAKISTAN LIMITED**  
P.O. BATAPUR,  
LAHROE.

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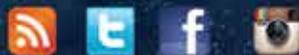


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