

Bata[®]
2016
QUARTERLY REPORT
JANUARY-MARCH



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FIRST QUARTERLY REPORT

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

CORPORATE INFORMATION

Board of Directors

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

Audit Committee

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

Human Resource and Remuneration Committee

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

Chief Financial Officer (CFO)

Mr. Cesar Panduro

Company Secretary

Mr. 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
Paksitan Stock Exchange.

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

Bankers

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

Registered Office

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

Share Registrar

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

Factories

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

Maraka,
26 - Km, Multan Road,
Lahore.

Liaison Office

138 C-II Commercial Area,
P.E.C.H.S., Tariq Road,
Karachi.

DIRECTORS' REVIEW

It is my pleasure to present the un-audited Condensed Financial Information and brief review of the Company's operations for the 1st Quarter ended 31 March 2016.

The Company witnessed slight decline in its turnover due to tough competition especially in non-retail business. Net turnover in the period under review was Rs. 3,223 billion as compared to Rs. 3,277 billion for the corresponding period of last year. With the increase in margins and control on expenses, profit after tax increased from Rs. 229,805 million to Rs. 267,156 million and earnings per share increased from Rs. 30.40 to Rs. 35.34.

Although non-retail division remained under stress during the period but retail division showed a good growth and was able to achieve 8% increase in turnover with respect to corresponding period. Our focus as a part of our strategy will remain on expansion of our format stores by closing low turnover and non-profitable stores which are under minimum benchmark.

During the period under review, our manufacturing units at Batapur and Maraka were fully loaded to meet the demand for popular items. We are continually making investment in new moulds, the majority of which are proved very successful in the market.

The Company continued its Corporate Social Responsibilities (CSR) activities during the period under review and donated shoes to under privileged children studying in different schools, planted more than 2,000 trees in both the factories and arranged free eye camp for children and parents of local community schools. The Company is also investing a considerable time and money on human resource and training of employees has always been considered as an investment for the future with the objective to provide them with safe and healthy work place.

We remain confident as regards to our prospects for the remaining year, despite the highly competitive marketing environment. We look forward to continued support from all our stakeholders to achieve the objectives for the year 2016.

On behalf of the Board

Batapur:
Lahore: 20 April 2016

(MUHAMMAD QAYYUM)
Chief Executive

CONDENSED INTERIM BALANCE SHEET - UNAUDITED

AS AT 31 MARCH 2016

	Note	(UN - AUDITED) 31 March 2016	(AUDITED) 31 December 2015
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,432,713	1,470,821
Intangible assets		3,672	4,260
Long term investments		45,221	45,000
Long term deposits and prepayments		31,111	35,114
		1,512,717	1,555,195
CURRENT ASSETS			
Stores and spare parts		110	343
Stock in trade		3,525,321	2,967,199
Trade debts - unsecured		1,283,448	788,405
Advances - unsecured		39,708	42,990
Deposits, short term prepayments and other receivables		184,751	618,910
Interest accrued		6,002	2,293
Short term investment		1,050,000	1,300,000
Tax refunds due from Government	5	508,597	508,597
Cash and bank balances		518,660	455,334
		7,116,597	6,684,071
TOTAL ASSETS		8,629,314	8,239,266
SHARE CAPITAL AND RESERVES			
Authorized share capital		100,000	100,000
Issued, subscribed and paid up capital		75,600	75,600
Reserves			
Capital reserve		483	483
Revenue reserves		6,242,265	5,975,109
		6,242,748	5,975,592
		6,318,348	6,051,192
NON-CURRENT LIABILITIES			
Long term deposits		45,221	45,000
Deferred liability - employee benefits	6	69,115	68,805
Deferred taxation		43,578	48,735
		157,914	162,540
CURRENT LIABILITIES			
Trade and other payables		2,033,788	1,403,702
Provision for taxation		119,264	621,832
		2,153,052	2,025,534
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		8,629,314	8,239,266

The annexed notes from 1 to 16 form an integral part of this financial information.

Chief Executive Officer

Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

	Note	Jan - Mar 2016	Jan - Mar 2015
(Rupees in '000)			
SALES	8	3,223,196	3,276,795
COST OF SALES	9	1,917,396	2,054,860
GROSS PROFIT		1,305,800	1,221,935
DISTRIBUTION COST		684,142	653,747
ADMINISTRATIVE EXPENSES		227,900	232,128
OTHER EXPENSES		32,270	28,064
OTHER INCOME		944,312	913,939
		29,211	30,821
OPERATING PROFIT		390,699	338,817
FINANCE COST		9,436	7,779
PROFIT BEFORE TAXATION		381,263	331,038
TAXATION	10	114,107	101,233
PROFIT AFTER TAXATION		267,156	229,805
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		267,156	229,805
EARNINGS PER SHARE - BASIC AND DILUTED		Rs.35.34	Rs.30.40

The annexed notes from 1 to 16 form an integral part of this financial information.

CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

Note	Jan - Mar 2016	Jan - Mar 2015
(Rupees in '000)		
CASH GENERATED FROM OPERATIONS		
Profit before taxation	381,263	331,038
Non-cash adjustment to reconcile profit before tax to net cash flows:		
Depreciation of property, plant & equipment	49,025	46,589
Amortization of intangible assets	728	853
Provision for gratuity	1,995	2,148
Loss on disposal of property, plant and equipment	2,769	1,767
Income from short term investments	(20,410)	(19,500)
Income from long term investments	(726)	(779)
Exchange loss	401	1,117
Finance cost	9,436	7,779
Income from discounting of supplier invoices	(5,996)	(8,520)
Provision for trade debts - net	1,180	-
Reversal of provision for advances - net	(480)	-
Provision for other debts - net	-	2,839
Provision for slow moving and obsolete stock - net	31,001	25,135
Provision for obsolescence - stores & spare parts	396	2,700
	69,319	62,128
Operating profit before working capital changes	450,582	393,166
(Increase) / decrease in current assets:		
Stores and spare parts	233	(3,071)
Stock in trade	(589,519)	(556,749)
Trade debts - unsecured	(494,213)	(753,180)
Advances - unsecured	3,282	9,327
Deposits, short term prepayments and other receivables	(28,396)	(53,046)
	(1,108,613)	(1,356,719)
Increase / (decrease) in current liabilities:		
Trade and other payables	626,592	557,520
Cash used in operations	(31,439)	(406,033)
Finance costs paid	(5,791)	(4,827)
Tax paid	(160,806)	(129,072)
Gratuity paid	(1,685)	(1,034)
Interest income received	23,424	29,290
	(144,858)	(105,643)
Decrease/(increase) in long term prepayments	4,002	(13,324)
Increase in long term deposits	221	-
Net cash used in operating activities	A (172,074)	(525,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of operating fixed assets	(14,142)	(66,195)
(Increase)/decrease in capital work in progress	(327)	10,608
Purchase of intangible assets	(140)	-
Proceeds from sale of property, plant and equipment	785	161
Increase in long term investments	(221)	-
Net cash used in investing activities	B (14,045)	(55,426)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(551)	(565)
Net cash used in financing activities	C (551)	(565)
NET DECREASE IN CASH AND CASH EQUIVALENTS	A+B+C (186,670)	(580,991)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,755,330	1,513,686
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12 1,568,660	932,695

The annexed notes from 1 to 16 form an integral part of this financial information.

Chief Executive Officer

Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

	Share capital	Capital reserve	General reserve	Unappropriated profits	Total
	Rupees in '000'				
Balance as at 01 January 2015	75,600	483	4,157,000	1,022,308	5,255,391
Total comprehensive income for the three months ended 31 March 2015	-	-	-	229,805	229,805
Balance as at 31 March 2015	75,600	483	4,157,000	1,252,113	5,485,196
Balance as at 01 January 2016	75,600	483	4,922,000	1,053,109	6,051,192
Total comprehensive income for the three months ended 31 March 2016	-	-	-	267,156	267,156
Balance as at 31 March 2016	75,600	483	4,922,000	1,320,265	6,318,348

The annexed notes from 1 to 16 form an integral part of this financial information.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

1. LEGAL STATUS AND OPERATIONS

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

2. STATEMENT OF COMPLIANCE

This condensed interim financial report of the Company for the three months ended 31 March 2016 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provision of or directives issued under the Companies Ordinance, 1984 have been followed.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation adopted in the preparation of this condensed interim financial report are the same as those applied in preparation of the annual audited and published financial statements of the Company for the year ended 31 December, 2015.

4. ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	(UN – AUDITED)			
	Three month period ended			
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	(Rupees in '000)			
	Additions	Disposals		
Buildings on free hold land - Factory	299	7,960	–	–
- Others	–	3,699	–	–
Plant and machinery	7,299	741	2,127	22
Office Equipments	63	126	–	178
Computers	3,050	2,044	207	–
Furniture, fixtures and fittings	3,431	51,625	10,803	4,189
	14,142	66,195	13,137	4,389

5. TAX REFUNDS DUE FROM GOVERNMENT

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

	(UN - AUDITED)	(AUDITED)
	31 March 2016	31 December 2015
	(Rupees in '000)	
6. PROVISION FOR GRATUITY - DEFINED BENEFITS PLAN		
Opening liability	68,805	53,135
Amount recognized during the period/year	1,995	8,951
Payment made by the Company during the period/year	(1,685)	(3,570)
Experience adjustment	–	10,289
Closing Liability	69,115	68,805

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

	Note	(UN - AUDITED)	(AUDITED)
		31 March 2016	31 December 2015
(Rupees in '000')			
7. CONTINGENCIES AND COMMITMENTS			
7.1 The Company is contingently liable for:			
Counter Guarantees given to banks		17,396	13,396
Indemnity Bonds given to Custom Authorities		31,279	35,674
Claims not acknowledged as debts - under appeal		13,687	13,687
Order by sales tax department		138,851	138,851
Order by sales tax department - under appeal		201,252	201,252
Order by sales tax department - under appeal		237,370	237,370
Order by sales tax department - under appeal		25,820	25,820
Order by income tax department - under appeal		954,859	954,859
Order by income tax department - under appeal		1,027,460	1,027,460
Order by sales tax department - under appeal	7.1.1	80,000	80,000
Order by sales tax department - under appeal		52,100	52,100
Order by sales tax department - under appeal		8,225	8,225
Show cause notice by sales tax department		85,000	85,000
		2,873,299	2,873,694

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

7.1.1 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.

7.2 Commitments

7.2.1 The Company has entered into rent agreements for retail shops. There are no restrictions placed upon the Company by entering into these agreements. Future minimum lease payable under these agreements are as follows:

	(UN - AUDITED)	(AUDITED)
	31 March 2016	31 December 2015
(Rupees in '000')		
With in one year	906,536	878,347
After one year but not more than five years	3,026,908	2,945,509
More than five years	1,479,756	1,420,389
	5,413,200	5,244,245
7.2.2 Commitments in respect of:		
- Capital expenditure	11,370	8,569
- Letters of credit and bank contracts	310,483	350,268
	321,853	358,837

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

	(UN - AUDITED)	
	Three month period ended	
	31 March 2016	31 March 2015
	(Rupees in '000')	
8. SALES		
Shoes and accessories		
Local	3,777,762	3,866,492
Export	20,482	27,734
	3,798,244	3,894,226
Sundry articles and scrap material	31,297	4,692
	3,829,541	3,898,918
Less: Sales tax paid	269,603	266,120
Discount to dealers and distributors	284,096	301,814
Commission to agents/business associates	52,646	54,189
	606,345	622,123
	3,223,196	3,276,795
9. COST OF SALES		
Raw material consumed	793,108	916,385
Store and spares consumed	3,151	4,255
Fuel and power	27,682	32,557
Salaries, wages and benefits	105,865	104,147
Repairs and maintenance	12,757	17,338
Insurance	3,005	2,910
Depreciation	12,014	11,518
	957,582	1,089,110
Add: Opening goods in process	25,199	14,779
	982,781	1,103,889
Less: Closing goods in process	64,981	38,586
Cost of goods manufactured	917,800	1,065,303
Add: Opening stock of finished goods	2,753,859	2,539,507
Finished goods purchased	1,460,925	1,435,431
	5,132,584	5,040,241
Less: Closing stock of finished goods	3,215,188	2,985,381
	1,917,396	2,054,860
10. TAXATION		
Current		
- For the period	119,264	104,687
Deferred	(5,157)	(3,454)
	114,107	101,233

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

	(UN - AUDITED) Three month period ended									
	Retail		Wholesale		Export		Others		Total	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	Rupees in ('000)									
Net sales	2,107,383	1,950,203	1,066,034	1,294,885	20,482	27,734	29,297	3,973	3,223,196	3,270,795
Cost of sales	1,127,128	1,111,193	753,313	922,819	14,987	20,848	21,968	-	1,917,396	2,054,860
Gross profit	980,255	839,010	312,721	372,066	5,495	6,886	7,329	3,973	1,305,800	1,221,935
Distribution cost	564,149	533,652	59,917	60,386	1,908	2,948	-	-	625,974	596,986
Administrative expenses	8,706	12,392	6,636	6,138	468	528	-	-	15,810	19,058
Segment results	572,855	546,044	66,553	66,524	2,376	3,476	-	-	641,784	616,044
	407,400	292,966	246,168	305,542	3,119	3,410	7,329	3,973	664,016	605,891
Unallocated operating expenses									270,258	269,831
Other expenses									32,270	28,064
Other income									29,211	30,821
Operating profit									390,699	338,817
Finance cost									9,436	7,779
Profit before taxation									381,263	331,038
Taxation									114,107	101,233
Profit after taxation									267,156	229,805

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

11.1 SEGMENT ASSETS AND LIABILITIES

	(UN-AUDITED)	(AUDITED)	(UN-AUDITED)	(AUDITED)
	Segment assets		Segment Liabilities	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
	(Rupees in '000')			
Retail	3,400,383	2,856,135	89,578	85,456
Wholesale	2,182,135	1,775,236	73,570	25,081
Export	13,587	6,268	34	206
Others	—	—	—	—
Unallocated	3,033,209	3,601,627	2,147,784	2,077,331
	<u>8,629,314</u>	<u>8,239,266</u>	<u>2,310,966</u>	<u>2,188,074</u>

12. CASH AND CASH EQUIVALENTS

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

	(UN - AUDITED)	
	Three month period ended	
	31 March 2016	31 March 2015
	(Rupees in '000')	
Bank balances in		
- Current accounts	57,703	51,136
- Daily profit accounts	340,846	151,193
Short term investment	1,050,000	630,000
Cash in transit	118,761	99,322
Cash in hand	1,350	1,044
	<u>1,568,660</u>	<u>932,695</u>

13. TRANSACTIONS WITH RELATED PARTIES

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

		(UN - AUDITED)	
		Three month period ended	
		31 March 2016	31 March 2015
		(Rupees in '000')	
Relationship with the Company	Nature of transactions		
Common Control Companies	Purchase of goods and services	293,210	263,865
	Sale of goods and services	1,557	852
	Trade mark licence fee	81,183	72,799
	Management service fee and IT charges	46,692	46,990
Staff Retirement Benefits	Contribution to provident fund trusts	11,985	12,566
Staff Retirement Benefits	Gratuity paid	1,685	1,034
Key Management Personnel	Remuneration	26,669	24,285

The Company continues to have a policy whereby all transactions with related parties and common control companies are entered into at arm's length.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

	(UN - AUDITED)	
	Three month period ended	
	31 March 2016	31 March 2015
	(Rupees in '000')	
14. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit after taxation attributable to ordinary share holders (in '000)	267,156	229,805
Weighted average number of ordinary shares - Number (in '000)	7,560	7,560
Earnings per share - Basic (Rs.)	35.34	30.40

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

15. DATE OF AUTHORIZATION

This financial information was authorized for issue by the Board of Directors on 20 April 2016.

16. GENERAL

16.1 The figures in this financial information have been rounded off to the nearest thousand rupees unless otherwise stated.

16.2 Comparative figures have been re-arranged and reclassified wherever necessary.



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