

Bata[®]
Half Yearly Report

2017



Bata PAKISTAN LIMITED



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HALF YEAR REPORT

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

CORPORATE INFORMATION

Board of Directors

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

Audit Committee

Mr. Muhammad Maqbool	Chairman
Mr. Ijaz Ahmad Chaudhry	Member
Mr. Michael Middleton	Member

Human Resource and Remuneration Committee

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

Chief Financial Officer (CFO)

Mr. Cesar Panduro

Company Secretary

Mr. Amjad Farooq

Auditors

EY Ford Rhodes
Chartered Accountants
96 B-1, 4th Floor Pace Mall Building,
M.M. Alam Road, Gulberg II,
Lahore.

Legal Advisor

Surrige & 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 "Leather and Tanneries" sector.

Bankers

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

Registered Office

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

Share Registrar

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

Factories

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

Maraka,
26 - Km, Multan Road,
Lahore.

Liaison Office

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

DIRECTORS' REVIEW

It is my pleasure to present the un-audited Condensed Financial Information and brief review of the Company's operations for the 2nd Quarter ended 30 June 2017.

The Company's turnover in the period under review was Rs. 7.829 billion as compared to Rs. 7.424 billion for the corresponding period of last year showing a growth of 5%. This is as a result of increase in margins, profit after tax increased from Rs. 626.7 million to Rs. 707.3 million and earnings per share increased from Rs. 82.89 to Rs. 93.56.

Although non-retail division continue under stress during the period but retail division showed a good growth and was able to achieve 16% increase in turnover with respect to corresponding period. Our focus as a part of our strategy will remain on expansion of our retail chain and close 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 received very good response in the market.

The Company continued its Corporate Social Responsibilities activities during the period under review and planted more than 1,000 trees in both the factories. Arranged free Hepatitis screening camps in Government Girls High School Batapur and Bata Residential Colony No. 3 where our medical team screened more than 250 children, their parents and local community against Hepatitis B and C. In coordination with Pakistan Army, distributed 200 school bags, 1,000 sets of stationery and 1,500 pairs of shoes amongst poor and needy children of District Awaran (Balochistan). During the period, 12 trainees were awarded certificates & stipend on successful completion of three months Upper Stitching Training in Industrial School Batapur. 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 market environment especially in our non-retail division. We look forward to continue having support from all our stakeholders to achieve the objectives for the year 2017.

On behalf of the Board

Batapur:
Lahore: 24 August 2017

(MUHAMMAD QAYYUM)
Chief Executive

ڈائریکٹرز کا جائزہ

بانا پاکستان لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 30 جون 2017 دوسری سہ ماہی کی عبوری مالی معلومات اور ڈائریکٹرز رپورٹ پیش کرنے پر مسرت محسوس کرتے ہیں۔

زیر جائزہ مدت کے دوران کمپنی نے گزشتہ سال کی اسی مدت میں حاصل ہونے والی آمدنی 7.424 ارب کے مقابلے میں اس ششماہی مدت میں 7.829 ارب روپے آمدنی رپورٹ کی جو کہ 5% اضافہ پیش کرتی ہے۔ کمپنی کے بہترین مجموعی مارجن کی بدولت کمپنی کا مجموعی منافع بعد از ٹیکس 626.7 ملین روپے سے تجاوز کر کے 707.3 ملین روپے رہا۔ اور فی شیئر آمدن 82.89 روپے کے مقابلے میں 93.56 روپے ہوگی۔

اگرچہ نان ریٹیل ڈویژن زیر جائزہ مدت کے دوران کشیدگی میں رہی لیکن ریٹیل ڈویژن نے گزشتہ سال کی اسی مدت کی آمدنی کے مقابلے میں 16% کا اضافہ پیش کیا۔ ہماری توجہ کم منافع بخش ڈکانوں کو بند کر کے، بڑی ڈکانوں کی توسیع اور ریٹیل سنٹور کی توسیع پر برقرار ہے۔

زیر جائزہ مدت کے دوران ہمارے بانا پورا اور مراکہ کے پیداواری یونٹ اور مقبول اشیاء کی مانگ کی ملحوظ خاطر رکھتے ہوئے پوری طرح سے مصروف رہے، ہم مولڈز کے اندر مسلسل سرمایہ کاری کر رہے ہیں جو زیادہ تر مارکیٹ میں بہت مقبول رہے ہیں۔

کمپنی نے اپنی کارپوریٹ، سماجی ذمہ داریوں کی سرگرمیاں زیر جائزہ مدت کے دوران جاری رکھتے ہوئے 1000 سے زائد درخت دونوں فیکٹریوں میں لگوائے۔ گورنمنٹ گریڈ ہائی سکول بانا پورا اور بانا کالونی نمبر 3، میں پمپ ٹائمنس سکریننگ کا انتظام کیا، یہاں ہماری میڈیکل ٹیم نے 250 سے زائد بچے ان کے والدین اور مقامی لوگوں کو پمپ ٹائمنس B اور C کے انجکشن لگوائے گئے۔ پاکستان آرمی کے تعاون سے صوبہ بلوچستان کے ضلع آواران کے غریب اور مستحق بچوں میں 200 سکول بیگز، 1500 جوتے اور 1000 شیشز کی سیٹ تقسیم کئے گئے۔ 12 ٹرینیز کو انڈسٹریل سکول بانا پورا سے اپرائیونٹنگ کی ٹریننگ مکمل کرنے پر سرٹیفکیٹ اور اعزاز دیا گیا۔ کمپنی نے ہمیشہ انسانی وسائل پر وقت اور پیسے کی سرمایہ کاری کو مستقبل کی سرمایہ کاری سمجھا ہے تاکہ ان کیلئے اک محفوظ اور صحت افزا کام کی جگہ میسر آسکے۔

ہم باقیہ سال کی کارکردگی کے بارے میں مارکیٹ کے انتہائی مسابقتی ماحول بالخصوص نان ریٹیل ہونے کے باوجود بے حد بڑا اعتماد ہے اور تمام حصے داروں کا ان کی حمایت اور اعتماد کیلئے شکرگزار ہیں۔ جو کہ رواں سال 2017ء کے مقاصد کے اصول کیلئے بہت اہم ہیں۔

منجانب بورڈ

محمد قیوم

چیف ایگزیکٹو

بانا پور:-

لاہور:- ۲۳ اگست ۲۰۱۷ء

AUDITORS REPORT TO MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Bata Pakistan Limited** as at **30 June 2017** and the related condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six-month period then ended (here-in-after referred to as the 'interim financial information'). Management is responsible for the preparation and presentation of this interim financial information in the accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

EY FORD RHODES

Chartered Accountants

Engagement Partner: Farooq Hameed

Lahore: 24 August 2017

CONDENSED INTERIM BALANCE SHEET

AS AT 30 JUNE 2017

	Note	(UN - AUDITED) 31 June 2017	(AUDITED) 31 December 2016
(Rupees in '000)			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,443,145	1,420,757
Intangible assets		2,405	2,079
Long term investments	6	45,011	45,000
Long term deposits and prepayments		41,788	31,588
		1,532,349	1,499,424
CURRENT ASSETS			
Stores and spare parts		4,286	248
Stock in trade	7	4,163,011	2,901,903
Trade debts - unsecured		1,861,877	1,336,061
Advances - unsecured		308,914	24,752
Deposits and short term prepayments		205,204	51,871
Other receivables		272,295	602,969
Interest accrued		230	1,790
Tax refunds due from Government	8	508,597	508,597
Short term investment		-	1,600,000
Cash and bank balances	9	993,561	556,941
		8,317,975	7,585,132
TOTAL ASSETS		9,850,324	9,084,556
EQUITY AND LIABILITIES			
Authorized share capital 10,000,000 ordinary shares of Rs. 10 each		100,000	100,000
Issued, subscribed and paid up capital		75,600	75,600
Reserves			
Capital reserve		483	483
Revenue reserves		6,840,255	6,586,511
		6,840,738	6,586,994
TOTAL EQUITY		6,916,338	6,662,594
NON-CURRENT LIABILITIES			
Long term deposits		45,011	45,000
Deferred liability - employee benefits	10	72,713	72,150
Deferred taxation		22,333	40,480
		140,057	157,630
CURRENT LIABILITIES			
Trade and other payables		2,473,041	1,656,060
Short term borrowings	11	-	-
Provision for taxation		320,888	608,272
		2,793,929	2,264,332
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES		9,850,324	9,084,556

The annexed notes from 1 to 21 form an integral part of this interim financial information.

Chief Executive

Director

Chief Financial Officer

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

	Note	Six month period ended		Three month period ended	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016
(Rupees in '000)					
NET SALES	13	7,828,929	7,424,336	4,765,416	4,201,141
COST OF SALES	14	4,539,133	4,450,092	2,777,126	2,532,695
GROSS PROFIT		3,289,796	2,974,244	1,988,290	1,668,446
Distribution Cost		1,674,417	1,481,540	935,439	797,398
Administrative Expenses		486,312	477,030	251,824	249,130
Other expenses		85,273	76,139	57,265	43,869
		2,246,002	2,034,709	1,244,528	1,090,397
OTHER INCOME	15	47,073	58,877	16,001	29,666
OPERATING PROFIT		1,090,867	998,412	759,763	607,715
FINANCE COST	16	21,444	18,621	11,044	9,185
PROFIT BEFORE TAXATION		1,069,423	979,791	748,719	598,530
PROVISION FOR TAXATION					
Current		380,226	369,621	274,036	250,357
Deferred		(18,147)	(16,499)	(9,974)	(11,342)
		362,079	353,122	264,062	239,015
PROFIT AFTER TAXATION		707,344	626,669	484,657	359,515
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME		707,344	626,669	484,657	359,515
EARNINGS PER SHARE					
- BASIC AND DILUTED	19	Rs.93.56	Rs.82.89	Rs.64.11	Rs.47.55

The annexed notes from 1 to 21 form an integral part of this interim financial information.

CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

Note	Six month period ended	
	30 June 2017	30 June 2016
	(Rupees in '000)	
CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,069,423	979,791
Non-cash adjustments to reconcile profit before tax to net cash flows		
Depreciation for property, plant & equipment	97,715	99,077
Amortization of intangible assets	1,131	1,376
Provision for gratuity	3,175	4,056
Loss on disposal of property, plant and equipment	1,926	3,894
Income from short term investments and bank deposits	(33,253)	(37,789)
Income from long term investments	(1,186)	(1,409)
Exchange loss	2,509	2,070
Finance cost	21,444	18,621
Income from discounting of supplier invoices	(8,432)	(15,531)
Provision for trade debts (net)	5,994	(1,264)
Provision for trade deposits, prepayment (net)	-	(480)
Provision for slow moving and obsolete stock (net)	81,594	61,180
Provision for obsolescence - stores & spare parts	(239)	3,974
	172,378	137,775
Operating profit before working capital changes	1,241,801	1,117,566
(Increase) / decrease in current assets:		
Stores & spare parts	(3,799)	(4,425)
Stock in trade	(1,342,702)	(982,306)
Trade debts - unsecured	(531,810)	(925,674)
Advances - unsecured	(284,162)	(2,040)
Trade deposits and short term prepayments	(161,887)	(46,159)
Other receivables	-	798
	(2,324,360)	(1,959,806)
Increase in current liabilities:		
Trade and other payables	812,370	1,036,416
Cash (used in) / generated from operations	(270,189)	194,176
Finance costs paid	(15,734)	(13,136)
Tax paid	(328,381)	(367,231)
Gratuity paid	(2,612)	(1,896)
Interest income received	35,999	56,494
	(310,728)	(325,769)
Increase / (decrease) in long term prepayments	(10,200)	2,339
Increase in long term deposits	11	5
Net cash used in operating activities	A (591,106)	(129,249)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(100,503)	(53,820)
Increase / (decrease) in capital work in process	(26,258)	1,520
Purchase of Intangible assets	(1,456)	(140)
Proceeds from sale of property, plant and equipment	4,733	2,320
Increase in long term investments	(11)	(5)
Net cash used in investing activities	B (123,495)	(50,125)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(448,779)	(337,968)
Net cash used in financing activities	C (448,779)	(337,968)
NET DECREASE IN CASH AND CASH EQUIVALENTS	A+B+C (1,163,380)	(517,342)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	2,156,941	1,755,334
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	17 993,561	1,237,992

The annexed notes from 1 to 21 form an integral part of this interim financial information.

Chief Executive

Director

Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

	Share capital	Capital reserve	General reserve	Unappropriated profits	Total
Rupees in '000'					
Balance as at 01 January 2016	75,600	483	4,922,000	1,053,109	6,051,192
Final dividend for 2015 at the rate of Rs. 45 per share	-	-	-	(340,200)	(340,200)
Transfer to general reserve for 2015	-	-	712,000	(712,000)	-
Total comprehensive income for the six month period ended 30 June 2016	-	-	-	626,669	626,669
Balance as at 30 June 2016	75,600	483	5,634,000	627,578	6,337,661
Balance as at 01 January 2017	75,600	483	5,634,000	952,511	6,662,594
Final dividend for 2016 at the rate of Rs. 60 per share	-	-	-	(453,600)	(453,600)
Transfer to general reserve for 2016	-	-	498,000	(498,000)	-
Total comprehensive income for the six month period ended 30 June 2017	-	-	-	707,344	707,344
Balance as at 30 June 2017	75,600	483	6,132,000	708,255	6,916,338

The annexed notes from 1 to 21 form an integral part of this interim financial information.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

1 LEGAL STATUS AND OPERATIONS

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

2 STATEMENT OF COMPLIANCE

These condensed interim financial information of the Company for the six month period ended 30 June 2017 have 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 (repealed-note 2.1). In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.1 The Companies Ordinance, 1984 has been repealed after enactment of Companies Act, 2017. However as allowed by the SECP vide its Circular No. 17 dated July 20, 2017 read with the related press release this condensed interim financial information has been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

3 BASIS OF PRESENTATION AND MEASUREMENT

This condensed interim financial information of the Company for the six month period ended 30 June 2017 are unaudited but subject to limited scope review by the independent auditors of the Company. It should be read in conjunction with the financial statements of the Company for the year ended 31 December 2016.

The figures of the condensed interim profit and loss account for the three month period ended 30 June 2017 and 2016 and the respective notes forming part thereof have not been reviewed by the auditors of the Company as they have reviewed the cumulative figures for the six month period ended 30 June 2017 and 2016.

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

4 SIGNIFICANT ACCOUNTING POLICIES

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

New and amended standards and interpretations

The Company has adopted the following revised standard and amendments which became effective for the current period:

- IAS 7 – Disclosure Initiative-Amendments to IAS 7
- IAS 12 – Recognition of deferred Tax Assets for Unrealized Losses-Amendments to IAS 12
- IFRS 12 – Disclosure of Interests in Other Entities Clarification of the scope of the disclosure requirements in IFRS 12

Improvements to Accounting Standards Issued by the IASB

- IFRS 1 – First-time Adoption of International Financial Reporting Standards
- IAS 28 – Investments in Associates and Joint Ventures

The adoption of the above amendment and improvement to accounting standards did not have any material effect on the condensed interim financial information.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

5 ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	(UN - AUDITED)			
	30 June 2017		30 June 2016	
	Additions	Disposal (cost)	Additions	Disposal (cost)
	(Rupees in '000)			
Buildings				
- Factory	2,117	–	1,018	–
- Others	–	–	–	–
Plant & Machinery	1,724	10,494	10,244	10,024
Boiler	–	1,402	–	–
Office Equipment	153	–	150	–
Furniture, Fixture and Fittings	92,476	14,071	33,902	14,757
Computers	4,033	148	8,506	4,712
	<u>100,503</u>	<u>26,115</u>	<u>53,820</u>	<u>29,493</u>

	Note	(UN - AUDITED)	(AUDITED)
		30 JUNE 2017	31 December 2016
		(Rupees in '000)	
6 LONG TERM INVESTMENTS			
Held to maturity at cost			
PLS Term Deposit Receipts	6.1	<u>45,011</u>	<u>45,000</u>

6.1 These deposits are earmarked against the balances due to employees held as securities and personal accounts maintained with commercial banks undertaking conventional banking services. These carry mark-up at the rate of 6.00% (2016: 5.50%) per annum.

7 STOCK IN TRADE

This represents net amount after adjustment for provision against slow moving and obsolete stock amounting to Rs. 81,594 ('000) (2016: Rs. 22,530 ('000))

8 TAX REFUNDS DUE FROM GOVERNMENT

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

	Note	(UN - AUDITED)	(AUDITED)
		30 JUNE 2017	31 December 2016
		(Rupees in '000)	
9 CASH AND BANK BALANCES			
Bank balances in			
Current accounts		115,153	85,400
Daily profit accounts	9.1	844,387	413,442
		959,540	498,842
Cash in transit	9.2	32,635	57,030
Cash in hand		1,386	1,069
		993,561	556,941

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

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

	(UN - AUDITED)	(AUDITED)
	30 JUNE 2017	31 December 2016
		(Rupees in '000)
10 DEFERRED LIABILITY- EMPLOYEE BENEFITS		
Opening liability	72,150	68,805
Amount recognized during the period/year	3,175	8,469
Benefits paid during the period/year	(2,612)	(3,773)
Remeasurement adjustment	–	(1,351)
Closing liability	72,713	72,150

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

11 SHORT TERM BORROWINGS

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

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

In addition, non funded facilities of letters of guarantee and letters of credit amounting to Rs. 475 million (2016: Rs. 495 million) were also provided by these banks. The un-utilized facility for letter of credits and guarantees at year end amounts to Rs. 145 million (2016: Rs. 338 million).

These finances are secured against hypothecation of stock in trade, store and spares and receivables of the Company amounting to Rs. 1,194 million (2016: Rs. 1,194 million).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

	(UN - AUDITED)	(AUDITED)
	30 JUNE 2017	31 December 2016
(Rupees in '000)		
12 CONTINGENCIES AND COMMITMENTS		
12.1 The Company is contingently liable for:		
Counter Guarantees given to banks	16,068	16,068
Indemnity Bonds given to Custom Authorities	88,730	46,209
Claims not acknowledged as debts - under appeal	13,053	13,053
Order by sales tax department	138,851	138,851
Order by sales tax department - under appeal	201,252	201,252
Order by sales tax department - under appeal	237,370	237,370
Order by sales tax department - under appeal	25,820	25,820
Order by income tax department - under appeal	954,859	954,859
Order by income tax department - under appeal	1,027,460	1,027,460
Order by sales tax department - under appeal	80,000	80,000
Order by sales tax department - under appeal	52,100	52,100
Order by sales tax department - under appeal	8,225	8,225
Show cause notice by sales tax department	85,000	85,000
Order by income tax department	363,683	363,683
Order by sales tax department - under appeal	60,732	60,732
	<u>3,353,203</u>	<u>3,310,682</u>

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

12.2 Commitments

12.2.1 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)
	30 JUNE 2017	31 December 2016
(Rupees in '000)		
With in one year	1,173,637	1,078,092
After one year but not more than five years	4,375,385	3,546,688
More than five years	1,744,802	2,223,580
	<u>7,293,824</u>	<u>6,848,360</u>
12.2.2 Commitments in respect of:		
- Capital expenditure	30,584	3,183
- Letters of credit and bank contracts	224,872	383,604
	<u>255,456</u>	<u>386,787</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

	Six month period ended		Three month period ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	(Rupees in '000)			
13 NET SALES				
Shoes and accessories				
Local	9,128,159	8,702,979	5,584,574	4,925,217
Export	46,041	50,800	28,295	30,318
	9,174,200	8,753,779	5,612,869	4,955,535
Sundry articles and scrap material	57,970	76,423	31,018	45,126
	9,232,170	8,830,202	5,643,887	5,000,661
Less: Sales tax	639,557	603,258	390,892	333,655
Discount to dealers and distributors	615,073	682,390	397,960	398,293
Commission to agents/business associates	148,611	120,218	89,619	67,572
	1,403,241	1,405,866	878,471	799,520
	7,828,929	7,424,336	4,765,416	4,201,141
14 COST OF SALES				
Raw material consumed	1,948,431	1,739,302	1,005,479	946,194
Salaries, wages and benefits	258,385	225,719	130,859	119,854
Fuel and power	59,012	57,572	28,323	29,890
Stores and spares consumed	6,371	6,955	2,966	3,803
Repairs and maintenance	25,779	28,646	14,055	15,889
Insurance	5,520	6,012	1,786	3,007
Depreciation	23,950	24,180	12,004	12,166
	2,327,448	2,088,386	1,195,472	1,130,803
Add: Opening goods in process	40,996	25,199	63,601	64,981
	2,368,444	2,113,585	1,259,073	1,195,784
Less: Closing goods in process	63,575	63,859	63,575	63,859
	2,304,869	2,049,726	1,195,498	1,131,925
Cost of goods manufactured	2,304,869	2,049,726	1,195,498	1,131,925
Add: Opening stock of finished goods	2,698,754	2,753,859	3,515,518	3,215,188
Finished goods purchased	3,375,308	3,216,307	1,905,908	1,755,382
	8,378,931	8,019,892	6,616,924	6,102,495
Less: Closing stock of finished goods	3,839,798	3,569,800	3,839,798	3,569,800
	4,539,133	4,450,092	2,777,126	2,532,695

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

	Note	(UN - AUDITED)	(UN - AUDITED)
		30 JUNE 2017	30 JUNE 2016
(Rupees in '000)			
15 OTHER INCOME			
Income from financial assets			
Profit on long term investments		1,186	1,409
Profit on short term investment		26,607	29,992
Profit on bank deposits		6,646	7,797
	15.1	34,439	39,198
Income from non - financial assets			
Rental Income		4,202	4,148
Income from financial liability			
Income from discounting of supplier invoices		8,432	15,531
		47,073	58,877

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

	Note	(UN - AUDITED)	(UN - AUDITED)
		30 JUNE 2017	30 JUNE 2016
(Rupees in '000)			
16 FINANCE COSTS			
Interest / mark-up on:			
Workers' profit participation fund		2,779	1,495
Employees / agents' securities and personal accounts	6	2,931	3,989
		5,710	5,484
Bank charges and commission		15,734	13,137
		21,444	18,621
17 CASH AND CASH EQUIVALENTS			
Bank balances in			
- Current accounts		115,153	83,767
- Daily profit accounts		844,387	537,949
Short term investment		-	480,000
Cash in transit		32,635	134,346
Cash in hand		1,386	1,930
		993,561	1,237,992

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

18 TRANSACTIONS WITH RELATED PARTIES

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

		(UN - AUDITED)			
		Six month period ended		Three month period ended	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016
Relationship with the Company	Nature of transactions	(Rupees in '000)			
Common Control Companies	Purchase of goods and services	575,113	548,491	339,451	255,281
	Sale of goods and services	908	2,475	516	918
	Trade mark license fee	196,485	187,085	119,494	105,902
	Management service fee and IT charges	84,800	83,317	38,424	36,001
	Dividend paid	307,037	255,864	307,037	255,864
	Staff Retirement Benefits	Contribution to provident fund trusts	31,012	28,334	18,277
Staff Retirement Benefits	Gratuity paid	2,613	1,896	786	211
Key management personnel	Remuneration	48,294	52,534	26,129	25,865

The Company continues to have a policy whereby all transactions with related parties and common control companies are entered into at arm's length price on the same terms and conditions as third party transactions using comparable uncontrolled price methods.

		(UN - AUDITED)			
		Six month period ended		Three month period ended	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016
19 EARNINGS PER SHARE - BASIC AND DILUTED					
	Profit after taxation attributable to ordinary share holders (Rupees. in '000)	707,344	626,669	485,657	359,515
	Weighted average number of ordinary shares - Number (in '000)	7,560	7,560	7,560	7,560
	Earnings per share - Basic (Rs.)	93.56	82.89	64.11	47.55

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

20. SEGMENT REPORTING

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

(UN - AUDITED)
 Six month period ended

	Retail		Wholesale		Export		Others		Total	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	Rupees in ('000)									
Net sales	5,526,818	4,779,020	2,199,862	2,522,750	46,041	50,800	56,208	71,766	7,828,929	7,424,336
Inter - segment sales	-	-	-	-	-	-	-	-	-	-
Total Sales	5,526,818	4,779,020	2,199,862	2,522,750	46,041	50,800	56,208	71,766	7,828,929	7,424,336
Segment result before unallocated expenses	1,313,002	1,024,844	375,008	575,817	5,140	7,205	10,229	13,259	1,708,379	1,620,585
Unallocated operating expenses									574,312	604,911
Other expenses									85,273	76,139
Other income									47,073	58,877
Operating profit									1,090,867	988,412
Finance cost									21,444	18,621
Profit before taxation									1,069,423	979,791
Taxation									362,079	553,122
Profit after taxation									707,344	626,669

(UN - AUDITED)
 Three month period ended

	Retail		Wholesale		Export		Others		Total	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	Rupees in ('000)									
Net sales	3,314,896	2,671,638	1,391,777	1,456,716	28,295	30,318	30,448	42,469	4,765,416	4,201,141
Inter - segment sales	-	-	-	-	-	-	-	-	-	-
Total Sales	3,314,896	2,671,638	1,391,777	1,456,716	28,295	30,318	30,448	42,469	4,765,416	4,201,141
Segment result before unallocated expenses	858,697	617,446	244,674	329,049	2,913	4,146	4,121	5,930	1,110,205	956,571
Unallocated operating expenses									309,178	334,653
Other expenses									57,265	43,869
Other income									16,001	29,666
Operating profit									759,763	607,715
Finance cost									11,044	9,185
Profit before taxation									748,719	598,530
Taxation									264,062	239,015
Profit after taxation									484,657	359,515

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

	(UN-AUDITED)	(AUDITED)	(UN-AUDITED)	(AUDITED)
	Segment assets		Segment liabilities	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	(Rupees in '000)			
20.1 SEGMENT ASSETS AND LIABILITIES				
Retail	3,815,270	2,992,231	104,257	98,078
Wholesale	2,916,655	2,049,961	26,017	24,977
Export	9,703	8,340	141	3,699
Unallocated	3,108,696	4,034,024	2,803,571	2,295,208
	<u>9,850,324</u>	<u>9,084,556</u>	<u>2,933,986</u>	<u>2,421,962</u>

21 DATE OF AUTHORIZATION

This interim financial information was authorized for issue by the Board of Directors on 24th August, 2017.

Chief Executive

Director

Chief Financial Officer

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