



Bata

Half Yearly Report

2018

Bata

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HALF YEAR REPORT

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018

CORPORATE INFORMATION

Board of Directors

Mr. Roberto Longo	Chairman
Mr. Muhammad Imran Malik	Chief Executive
Mr. Cesar Alex Panduro Arevalo	Director
Mr. Toh Guan Kiat	Director
Mr. Kamal Monnoo	Director
Mr. Muhammad Maqbool	Director
Mr. Ijaz Ahmad Chaudhry	Director
Mr. Shahid Anwar (Nominee of NIT)	Director
Mr. Aamir Amin (Nominee of NIT)	Director

Audit Committee

Mr. Muhammad Maqbool	Chairman
Mr. Mr. Roberto Longo	Member
Mr. Ijaz Ahmad Chaudhry	Member

Human Resource and Remuneration Committee

Mr. Ijaz Ahmad Chaudhry	Chairman
Mr. Muhammad Imran Malik	Member
Mr. Muhammad Maqbool	Member

Chief Financial Officer (CFO)

Mr. Cesar Alex Panduro Arevalo

Company Secretary

Mr. Amjad Farooq

Auditors

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

Legal Advisor

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

Stock Exchange Listing

Bata Pakistan Limited is listed on
Pakistan Stock Exchange.

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.
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 interim financial statements and brief review of the Company's operations for the half year ended 30 June 2018.

The Company turnover in the period under review was Rs. 8.298 billion as compared to Rs. 7.829 billion for the corresponding period of last year showing a growth of 6%. Profit after tax increased from Rs. 707.3 million to Rs. 712.9 million and earnings per share increased from Rs. 93.56 to Rs. 94.30.

Retail division showed a significant growth of 8% during the period with current setup and was able to achieve improvement in turnover with respect to corresponding period. Our non-retail division also showed a slight improvement in turnover during this period as compared to corresponding period which was in line with the plan of 2018. They are striving to develop new products and customers base to achieve growth.

Our production facilities at Batapur and Maraka remained fully loaded to meet the demand and to produce value added products for differentiation. We are continually making investment in new moulds, the majority of which proved very successful in the marketplace.

Our precedence remains to satisfy the demand of our valued customers and provide them with services exclusively and efficiently. In order to maintain our role as a leader in footwear industry, an amount of Rs. 118.535 million has been spent for opening new and renovation of existing stores. Our focus as a part of our strategy will remain on expansion of big format stores by closing low turnover and non-profitable stores which are under minimum benchmark.

The Company continued its Corporate Social Responsibilities (CSR) activities during the period under review and donated 511 pairs of shoes to underprivileged children studying in different schools. Arranged mentorship session in CDG Girls High School Nawab Pura Lahore with the help of our volunteers who inspired the students in career counselling and personality building. To promote a sense of belonging and caring, our volunteers spent quality time with orphans / abandoned children of SOS Hermann Gmeiner School Johar Town Lahore and presented them with gifts. 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 2018.

On behalf of the Board

(Muhammad Imran Malik)
Chief Executive

Batapur:
Lahore: 30 August 2018

ڈائریکٹرز کا جائزہ

بانا پاکستان لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 30 جون، 2018 دوسری سہ ماہی کی عبوری مالی اسٹیٹمنٹ 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 7.829 ارب کے مقابلے میں اس ششماہی مدت میں 8.298 ارب روپے آمدنی رپورٹ کی جو کہ 6% اضافہ پیش کرتی ہے۔ کمپنی کے بہترین مجموعی مارجن کی بدولت کمپنی کا مجموعی منافع بعد از ٹیکس 707.3 ملین روپے سے تجاوز کر کے 712.9 ملین روپے رہا۔ اور فی شیئر آمدن 93.56 روپے کے مقابلے میں 94.30 روپے ہو گئی۔

ریٹیل ڈویژن نے گزشتہ سال کی اسی مدت کی آمدنی کے مقابلے میں 8% کا اضافہ پیش کیا۔ ہماری نان ریٹیل ڈویژن نے اسی مدت کے دوران کاروبار میں پچھلے سال کی اسی مدت کے دوران تھوڑی بہتری پیش کی ہے جو کہ سال 2018 کی منصوبہ بندی کے مطابق ہے۔ کمپنی ترقی حاصل کرنے کے لیے نئی مصنوعات کا بکوں کی بنیاد پر تیار کرنے کی کوشش کر رہے ہیں۔

ہمارے بانا پورا اور مراکھ کے پیداوری پٹس مقبول اشیاء کی مانگ کو ملحوظ خاطر رکھتے ہوئے اور ویلیو ایڈڈ مصنوعات کی تفریق کے لیے پوری طرح سے مصروف رہے۔ ہم مولڈز کے اندر مسلسل سرمایہ کاری کر رہے ہیں جو زیادہ تر مارکیٹ میں بہت مقبول رہے ہیں۔

ہماری ترجیح یہ ہے کہ ہمارے قابل قدر گاہکوں کی مانگ کو پورا کرنے اور انہیں خصوصی اور موثر انداز میں خدمات فراہم کریں۔ جو تے کی صنعت میں رہنماء کے طور پر ہمارے کردار کو برقرار رکھنے کیلئے نئی دکانیں کھولنے اور موجودہ دکانوں کی بحالی کیلئے 118.535 ملین روپے خرچ کئے گئے۔ ہماری حکمت عملی کے ایک حصے کے طور پر ہماری توجہ کم کاروبار اور غیر منافع بخش دکانیں بند کرنے اور بڑی دکانوں کی توسیع پر رہے گی۔ جو کم از کم معیار کے تحت ہیں۔

کمپنی نے اپنی کارپوریٹ سماجی ذمہ داریوں کی سرگرمیاں زیر جائزہ مدت کے دوران بھی جاری رکھیں اور مختلف سکولوں میں پڑھنے والے مستحق بچوں کو 5111 جوڑوں کے جوڑے دیئے گئے۔ سی ڈی جی گزہائی سکول نواب پورہ لاہور میں رضا کاروں کی مدد سے طالب علموں کو کیریئر مشاورت اور شخصیت کی تعمیر میں حوصلہ افزائی کی گئی۔ دیکھ بھال کے احساس کو فروغ دینے کے لیے ہمارے رضا کاروں نے ایس او ایس ہرمن گیمینر سکول جوہر ٹاؤن لاہور کے ہیتیم / ترک کردہ بچوں کے ساتھ تفریحی وقت گزارا اور انہیں تحائف پیش کیے گئے۔ کمپنی نے ہمیشہ انسانی وسائل پر وقت اور پیسے کی سرمایہ کاری کو مستقبل کی سرمایہ کاری سمجھا ہے تاکہ ان کے لئے ایک محفوظ اور صحت افزاء کام کی جگہ میسر آسکے۔

انتہائی مسابقتی مارکیٹنگ کے ماحول کے باوجود ہم باقی سال کیلئے اپنے امکانات کے بارے میں یقین رکھتے ہیں۔ ہم سال 2018ء کے مقاصد کو حاصل کرنے کیلئے اپنے تمام اسٹیک ہولڈرز کے مسلسل تعاون کے منتظر ہیں۔

منجانب بورڈ

باناپور:-

لاہور:- ۱۳ اگست ۲۰۱۸ء

محمد عمران ملک

چیف ایگزیکٹو

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Bata Pakistan Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Bata Pakistan Limited as at June 30, 2018 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim profit and loss account for the quarters ended March 31, 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended June 30, 2018.

Scope of Review

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

Conclusion

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

The engagement partner on the audit resulting in this independent auditor's report is Amer Raza Mir.

Other Matter

These condensed interim financial statements of the Company for the six-months ended June 30, 2017 and the annual financial statements of the Company for the year ended December 31, 2017 were reviewed and audited by another firm of Chartered Accountants who vide their reports dated August 24, 2017 and March 15, 2018 expressed an unmodified conclusion and unmodified opinion thereon respectively.

A.F. FERGUSON & CO

Chartered Accountants

Lahore: August 30, 2018

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION - UNAUDITED

AS AT JUNE 30, 2018

Note	(UN - AUDITED) June 30, 2018	(AUDITED) December 31, 2017
(Rupees in '000)		
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	6	1,603,543
Intangible assets	1,059	1,511,909
Long term investments	7	45,001
Long term deposits and prepayments	40,309	45,000
	1,689,912	1,594,179
CURRENT ASSETS		
Stores and spare parts	27	-
Stock in trade	8	4,434,163
Trade debts - unsecured	1,927,832	3,482,354
Advances - unsecured	236,462	1,563,635
Deposits and short term prepayments	254,637	432,424
Other receivables	457,992	74,386
Interest accrued	802	721,636
Short term investment	600,000	1,751
Sales tax refunds due from Government	391,660	550,000
Cash and bank balances	9	611,592
	8,915,167	493,823
	8,915,167	610,138
	8,915,167	7,930,147
TOTAL ASSETS	10,605,079	9,524,326
SHARE CAPITAL AND RESERVES		
Authorized share capital		
10,000,000 (December 31, 2017: 10,000,000) ordinary shares of Rs. 10 each	100,000	100,000
Issued, subscribed and paid up capital		
7,560,000 (December 31, 2017: 7,560,000) ordinary shares of Rs. 10 each	75,600	75,600
Reserves		
Capital reserve	483	483
Revenue reserves	7,309,968	7,050,641
	7,310,451	7,051,124
	7,386,051	7,126,724
NON-CURRENT LIABILITIES		
Long term deposits	45,001	45,000
Deferred liability - employee benefits	10	76,201
Deferred taxation	51,382	40,799
	172,584	161,829
CURRENT LIABILITIES		
Trade and other payables	2,692,548	1,640,756
Short term borrowings	11	-
Provision for taxation	353,896	595,017
	3,046,444	2,235,773
CONTINGENCIES AND COMMITMENTS		
	12	-
TOTAL EQUITY AND LIABILITIES	10,605,079	9,524,326

The annexed notes from 1 to 20 form an integral part of this interim financial statement.

Chief Executive

Director

Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2018

	Note	Six month period ended		Three month period ended	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
(Rupees in '000)					
NET SALES	13	8,298,127	7,828,929	5,240,759	4,765,416
COST OF SALES	14	4,677,192	4,539,133	2,941,763	2,777,126
GROSS PROFIT		3,620,935	3,289,796	2,298,996	1,988,290
Distribution Cost		1,834,969	1,674,417	1,049,684	935,439
Administrative Expenses		544,785	486,312	279,885	251,824
Other expenses		104,153	85,273	81,774	57,265
		2,483,907	2,246,002	1,411,343	1,244,528
OTHER INCOME		23,927	47,073	11,645	16,001
OPERATING PROFIT		1,160,955	1,090,867	899,298	759,763
FINANCE COST		23,847	21,444	12,715	11,044
PROFIT BEFORE TAXATION		1,137,108	1,069,423	886,583	748,719
PROVISION FOR TAXATION					
Current		413,598	380,226	320,559	274,036
Deferred		10,583	(18,147)	24,423	(9,974)
		424,181	362,079	344,982	264,062
PROFIT AFTER TAXATION		712,927	707,344	541,601	484,657
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME		712,927	707,344	541,601	484,657
EARNINGS PER SHARE					
- BASIC AND DILUTED	17	Rs. 94.30	Rs. 93.56	Rs. 71.64	Rs. 64.11

The annexed notes from 1 to 20 form an integral part of this interim financial statement.

CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2018

	Note	Six month period ended	
		June 30, 2018	June 30, 2017
		(Rupees in '000)	
CASH GENERATED FROM OPERATIONS			
Profit before taxation		1,137,108	1,069,423
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation for property, plant & equipment		105,539	97,715
Amortization of intangible assets		655	1,131
Provision for gratuity		3,276	3,175
Loss on disposal of property, plant and equipment		3,700	1,926
Income from short term investments		(14,441)	(33,253)
Income from long term investments		(1,290)	(1,186)
Exchange loss		12,487	2,509
Finance cost		23,847	21,444
Income from discounting of supplier invoices		(4,141)	(8,432)
Provision for trade debts and advances - (net)		4,705	5,994
Provision for slow moving and obsolete stock (net)		94,732	81,594
Reversal of provision for obsolescence stores & spare parts		(125)	(239)
		228,944	172,378
Operating profit before working capital changes		1,366,052	1,241,801
(Increase) / decrease in current assets:			
Stores & spare parts		98	(3,799)
Stock in trade		(1,046,541)	(1,342,702)
Trade debts - unsecured		(368,902)	(531,810)
Advances - unsecured		195,962	(284,162)
Deposits and short term prepayments		(180,251)	(153,333)
Other receivables		(22,760)	(8,554)
Sales tax refunds due from Government		102,163	-
		(1,320,232)	(2,324,360)
Increase / (decrease) in current liabilities:			
Trade and other payables		1,043,706	812,370
Cash generated from / (used in) operations		1,089,527	(270,189)
Finance costs paid		(23,847)	(15,734)
Tax paid		(368,315)	(328,381)
Gratuity paid		(3,105)	(2,612)
Interest income received		16,680	35,999
		(378,587)	(310,728)
Increase in long term prepayments		(4,752)	(10,200)
Decrease in long term deposits		-	11
Net cash generated from / (used in) operating activities	A	706,188	(591,106)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(130,384)	(100,503)
Increase in capital work in process		(73,575)	(26,258)
Purchase of Intangible assets		-	(1,456)
Proceeds from sale of property, plant and equipment		3,084	4,733
Increase in long term investments		-	(11)
Net cash used in investing activities	B	(200,875)	(123,495)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(453,859)	(448,779)
Net cash used in financing activities	C	(453,859)	(448,779)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	A+B+C	51,454	(1,163,380)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		1,160,138	2,156,941
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15	1,211,592	993,561

The annexed notes from 1 to 20 form an integral part of this interim financial statement.

Chief Executive

Director

Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2018

	Share capital	Capital reserve	General reserve	Unappropriated profits	Total
(Rupees in 000)					
Balance as at January 01, 2017	75,600	483	5,634,000	952,511	6,662,594
Final dividend for the year ended December 31, 2016 at the rate of Rs. 60 per share	-	-	-	(453,600)	(453,600)
Transfer to general reserve for the year ended December 31, 2016	-	-	498,000	(498,000)	-
Total comprehensive income for the six month period ended June 30, 2017	-	-	-	707,344	707,344
Balance as at June 30, 2017	75,600	483	6,132,000	708,255	6,916,338
Balance as at January 01, 2018	75,600	483	6,132,000	918,641	7,126,724
Final dividend for the year ended December 31, 2017 at the rate of Rs. 60 per share	-	-	-	(453,600)	(453,600)
Transfer to general reserve for the year ended December 31, 2017	-	-	465,000	(465,000)	-
Total comprehensive income for the six month period ended June 30, 2018	-	-	-	712,927	712,927
Balance as at June 30, 2018	75,600	483	6,597,000	712,968	7,386,051

The annexed notes from 1 to 20 form an integral part of this interim financial statement.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2018

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

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

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provision of and directives issued under the Companies Act, 2017 have been followed.

3 BASIS OF PRESENTATION AND MEASUREMENT

These condensed interim financial statements of the Company for the six month period ended June 30, 2018 are unaudited but subject to limited scope review. These condensed interim financial statements do not include all the statements required for annual financial statements including financial risk management statements and therefore should be read in conjunction with annual financial statements for the year ended December 31, 2017.

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

4 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED ACCOUNTING STANDARDS

4.1 Standards, amendments and interpretations to existing standards effective in current period

Certain standards, amendments and interpretations to approved accounting standards are effective for the annual period beginning on or after July 01, 2017 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

Certain standards, amendments and interpretations to approved accounting standards are mandatory for the annual periods beginning on or after July 01, 2018, but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements; except for the following:

- IFRS 15, 'Revenue from contracts with customers': This standard has been notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This standard deals with revenue recognition and establishes principles for reporting useful statements to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue' and IAS 11, 'Construction contracts', and related interpretations. The Company is yet to assess the full impact of the standard.
- IFRS 16, 'Leases'; (effective for periods beginning on or after January 1, 2019). However, this standard is yet to be notified by the SECP. This standard replaces the current guidance in IAS 17. Leases and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a "right - of - use" asset for virtually all lease contracts. The IASB has included an optional exemption for certain short term leases and leases of low value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. The Company is yet to assess the full impact of the standard.

5 SIGNIFICANT ACCOUNTING POLICIES

These accounting policies and method of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in preparation of the annual audited and published financial statements for the year ended December 31, 2017 except as described below:

- The nomenclature of primary statements has been changed to align it with the requirements of the Companies Act, 2017.
- Income tax expense is recognized based on management's best estimate of the weighted average income tax rate expected for the full financial year.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2018

	Note	(UN - AUDITED)	(AUDITED)
		June 30, 2018	December 31, 2017
(Rupees in '000)			
6			
PROPERTY, PLANT AND EQUIPMENT			
Property, plant and equipment	6.1	1,535,967	1,502,756
Capital work in progress	6.2	67,576	9,153
		<u>1,603,543</u>	<u>1,511,909</u>
6.1			
Opening Net Book Value (NBV)		1,502,756	1,415,822
Add: Additions/transfers during the period	6.1.1	145,535	311,326
		<u>1,648,291</u>	<u>1,727,148</u>
Less: Disposals during the period (at NBV)	6.1.1	6,785	17,143
Depreciation charged during the period		105,539	207,249
		<u>112,324</u>	<u>224,392</u>
		<u>1,535,967</u>	<u>1,502,756</u>

6.1.1

	(UN - AUDITED)		(AUDITED)	
	June 30, 2018	June 30, 2018	December 31, 2017	December 31, 2017
(Rupees in '000)				
	Additions	Disposal (NBV)	Additions	Disposal (NBV)
Buildings				
- Factory	6,051	-	7,722	-
- Others	-	8	-	-
Plant & Machinery	1,400	261	41,609	3,380
Boiler	-	-	4,010	82
Gas Installations	23	-	-	-
Office Equipment	-	-	153	-
Furniture, Fixture and Fittings	120,012	6,338	238,214	12,991
Computers	18,049	52	19,618	437
Vehicles	-	126	-	253
	<u>145,535</u>	<u>6,785</u>	<u>311,326</u>	<u>17,143</u>

	(UN - AUDITED)	(AUDITED)
	June 30, 2018	December 31, 2017
(Rupees in '000)		
6.2		
Opening balance	9,153	4,935
Add: Additions during the period	73,575	44,830
	<u>82,728</u>	<u>49,765</u>
Less: Transfers during the period	15,152	40,612
	<u>67,576</u>	<u>9,153</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2018

	Note	(UN - AUDITED)	(AUDITED)
		June 30, 2018	December 31, 2017
(Rupees in '000)			
7 LONG TERM INVESTMENTS			
Held to maturity at cost			
PLS Term Deposit Receipts	7.1	45,001	45,000

7.1 These deposits are earmarked against the balances due to employees held as securities and personal accounts maintained with commercial banks undertaking conventional banking services. These carry mark-up at the rate of 6.00% (2017: 6.00%) per annum.

8 STOCK IN TRADE

This represents net amount after adjustment for provision against slow moving and obsolete stock amounting to Rs. 134.739 million (2017: Rs. 81.594 million).

	Note	(UN - AUDITED)	(AUDITED)
		June 30, 2018	December 31, 2017
(Rupees in '000)			
9 CASH AND BANK BALANCES			
Bank balances in			
Current accounts			
- Foreign currency		17,764	16,163
- Local currency		14,802	53,579
Daily profit accounts	9.1	32,566	69,742
		488,043	434,311
Cash in transit	9.2	520,609	504,053
Cash in hand		87,488	104,902
- Foreign currency		2,258	366
- Local currency		1,237	817
		3,495	1,183
		611,592	610,138

9.1 The rate of mark-up on these accounts ranges from 3.90% to 5.50% (2017: 3.88% to 5.50%) per annum.

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

	(UN - AUDITED)	(AUDITED)
	June 30, 2018	December 31, 2017
(Rupees in '000)		
10 DEFERRED LIABILITY- EMPLOYEE BENEFITS		
Opening liability	76,030	72,150
Amount recognized during the period/year	3,276	6,024
Payment made by the Company during the period/year	(3,105)	(4,796)
Experience Adjustment	-	2,652
Closing liability	76,201	76,030

The latest actuarial valuation was carried out as at December 31, 2017.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2018

11 SHORT TERM BORROWINGS

The credit facilities available to the Company from various commercial banks aggregate to Rs. 710 million (2017: Rs. 700 million). These include cash finance facilities of Rs. 675 million (2017: Rs. 665 million) and export finance facility of Rs. 35 million (2017: Rs. 35 million).

Mark up on cash finance ranges from 3 months KIBOR plus 0.50% to 1.0% (2017: 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% (2017: 4.00%) per annum.

In addition, non funded facilities of letters of guarantee and letters of credit amounting to Rs. 495 million (2017: 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. 479 million (2017: Rs. 261 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 (2017: Rs. 1,194 million).

Note	(UN - AUDITED)	(AUDITED)
	June 30, 2018	December 31, 2017
	(Rupees in '000)	
12 CONTINGENCIES AND COMMITMENTS		
12.1 The Company is contingently liable for:		
Counter Guarantees given to banks	15,960	16,512
Indemnity Bonds given to Custom Authorities	32,459	9,800
Claims not acknowledged as debts - under appeal	14,183	13,183
Order by sales tax department	138,851	138,851
Order by sales tax department - under appeal	265,252	265,252
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	52,134	52,134
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-under appeal	617,721	363,683
Order by sales tax department - under appeal	60,732	60,732
	<u>3,616,026</u>	<u>3,338,881</u>

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

12.1.1 Subsequent to the closing period, on July 18, 2018, the Company received an assessment order from Additional Commissioner Inland Revenue (ACIR) for the tax year 2010, in addition to Order dated June 27, 2016 amounting to Rs. 363.6 million. Based on proration of expenses and adding back provision/liabilities, the ACIR created a demand of Rs. 254.038 million. The Company is in process of filing an appeal with Commissioner (Appeals). The Company, based on the opinion of the tax advisor, expects a favorable outcome.

	(UN - AUDITED)	(AUDITED)
	June 30, 2018	December 31, 2017
	(Rupees in '000)	
12.2 Commitments in respect of:		
- Capital expenditure	11,522	14,801
- Letters of credit and bank contracts	176,575	513,632
	<u>188,097</u>	<u>528,433</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2018

(UN - AUDITED)

	Six month period ended		Three month period ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	(Rupees in '000)			
13 NET SALES				
Shoes and accessories				
Local	9,635,931	9,128,159	6,102,455	5,584,574
Export	43,436	46,041	26,146	28,295
	9,679,367	9,174,200	6,128,601	5,612,869
Sundry articles and scrap material	50,349	57,970	36,166	31,018
	9,729,716	9,232,170	6,164,767	5,643,887
Less: Sales tax	616,269	639,557	386,889	390,892
Discount to dealers and distributors	648,854	615,073	436,580	397,960
Commission to agents/business associates	166,466	148,611	100,539	89,619
	1,431,589	1,403,241	924,008	878,471
	8,298,127	7,828,929	5,240,759	4,765,416
14 COST OF SALES				
Raw material consumed	1,743,736	1,948,431	1,000,819	1,005,479
Stores and spares consumed	3,888	6,371	1,678	2,966
Fuel and power	54,928	59,012	28,466	28,323
Salaries, wages and benefits	244,973	258,385	130,030	130,859
Repairs and maintenance	34,303	25,779	24,583	14,055
Insurance	7,573	5,520	3,677	1,786
Depreciation	24,160	23,950	12,140	12,004
	2,113,561	2,327,448	1,201,393	1,195,472
Add: Opening goods in process	49,498	40,996	56,259	63,601
	2,163,059	2,368,444	1,257,652	1,259,073
Less: Closing goods in process	39,364	63,575	39,364	63,575
Cost of goods manufactured	2,123,695	2,304,869	1,218,288	1,195,498
Add: Opening stock of finished goods	3,269,167	2,698,754	4,076,530	3,515,518
Finished goods purchased	3,426,003	3,375,308	1,788,618	1,905,908
	8,818,865	8,378,931	7,083,436	6,616,924
Less: Closing stock of finished goods	4,141,673	3,839,798	4,141,673	3,839,798
	4,677,192	4,539,133	2,941,763	2,777,126

(UN - AUDITED)

	June 30, 2018	June 30, 2017
	(Rupees in '000)	
	15 CASH AND CASH EQUIVALENTS	
Bank balances in		
- Current accounts	32,566	115,153
- Daily profit accounts	488,043	844,387
Short term investment	600,000	-
Cash in transit	87,488	32,635
Cash in hand	3,495	1,386
	1,211,592	993,561

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2018

16 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	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Relationship with the Company	Nature of transactions	(Rupees in '000)			
Common control companies	Purchase of goods and services	505,601	575,113	124,029	339,451
	Sale of goods and services	5,287	908	1,983	516
	Dividend paid	307,037	307,037	307,037	307,037
	Trade mark license fee	203,667	196,485	127,280	119,494
	Management service fee	80,874	69,995	41,022	35,263
	IT charges	15,319	14,805	380	3,161
Staff Retirement Benefits	Contribution to provident fund trusts	34,622	31,012	17,587	18,277
	Staff Retirement Benefits	3,105	2,613	(11)	786
Key management personnel	Remuneration	96,835	48,294	62,706	26,129

All transactions with related parties have been carried out on mutually agreed terms and conditions.

	(UN - AUDITED)	(AUDITED)
	June 30, 2018	December 31, 2017
	(Rupees in '000)	
Period end balances		
Receivable from related party	607	1,967
Payable to related party	142,802	98,610

These are in the normal course of business and are interest free.

		(UN - AUDITED)			
		Six month period ended		Three month period ended	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
17 EARNINGS PER SHARE - BASIC AND DILUTED					
Profit after taxation attributable to ordinary share holders (Rupees in '000)		712,927	707,344	541,601	484,657
Weighted average number of ordinary shares - Number (in '000)		7,560	7,560	7,560	7,560
Earnings per share - Basic (Rs.)		94.30	93.56	71.64	64.11

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2018

18. SEGMENT REPORTING

(UN - AUDITED) Six month period ended									
Rupees in ('000)									
	Retail		Wholesale		Export		Others		Total
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018
Net sales	5,959,979	5,526,818	2,245,895	2,199,862	43,435	46,041	48,818	56,208	8,298,127
Inter - segment sales	-	-	-	-	-	-	-	-	-
Total Sales	5,959,979	5,526,818	2,245,895	2,199,862	43,435	46,041	48,818	56,208	8,298,127
Segment result before unallocated expenses	1,480,874	1,313,002	379,075	373,088	5,040	5,130	6,732	10,229	1,871,721
Unallocated operating expenses									690,540
Other expenses									574,312
Other income									104,153
Operating profit									85,273
Finance cost									23,927
Profit before taxation									1,160,955
Taxation									23,847
Profit after taxation									1,137,108
									424,181
									362,079
									712,927
									707,344

(UN - AUDITED) Three month period ended									
Rupees in ('000)									
	Retail		Wholesale		Export		Others		Total
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018
Net sales	3,607,929	3,314,896	1,571,895	1,391,777	26,145	28,295	35,380	30,448	5,240,759
Inter - segment sales	-	-	-	-	-	-	-	-	-
Total Sales	3,607,929	3,314,896	1,571,895	1,391,777	26,145	28,295	35,380	30,448	5,240,759
Segment result before unallocated expenses	1,005,609	858,497	301,543	244,674	3,272	2,913	3,449	4,121	1,313,873
Unallocated operating expenses									344,446
Other expenses									81,774
Other income									11,645
Operating profit									16,001
Finance cost									899,298
Profit before taxation									12,715
Taxation									11,044
Profit after taxation									886,583
									344,982
									264,062
									541,601
									498,657

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2018

	(UN - AUDITED)		(AUDITED)	
	Segment assets		Segment liabilities	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
(Rupees in '000)				
18.1 SEGMENT ASSETS AND LIABILITIES				
Retail	4,480,872	3,570,415	122,140	85,826
Wholesale	2,869,568	2,412,037	35,428	19,253
Export	9,376	8,738	—	—
Unallocated	3,245,263	3,533,136	3,061,460	2,292,523
	<u>10,605,079</u>	<u>9,524,326</u>	<u>3,219,028</u>	<u>2,397,602</u>

19 DATE OF AUTHORIZATION

These interim financial statements were authorized for issue by the Board of Directors on August 30, 2018.

20 CORRESPONDING FIGURES

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

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

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