Independent Auditor's Report
With
Financial Statements
Of
Bata Shoe Company (Bangladesh) Limited

Tongi, Gazipur-1710, Bangladesh

For the year ended 31 December 2023

HUSSAIN FARHAD & CO.
CHARTERED ACCOUNTANTS

Corporate Office:
: House # 15, Road # 12, Block # F, Niketon
Gulshan-1, Dhaka-1212, Bangladesh.
: +88 (02)8836015-7 : +88 01681126120
: hfc@hfc-bd.com : www.hfc-bd.com

Independent Auditor's Report
To the shareholders of Bata Shoe Company (Bangladesh) Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bata Shoe Company (Bangladesh) Limited ("the Company"), which comprise the statement of financial position as at 31 December 2023 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give true and fair view, in all material respects, the financial position of the Company as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the Companies Act, 1994 and other applicable laws and regulations.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and Bangladesh Securities and Exchange Commission (BSEC) together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Chattogram Office:
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Member of ASNAF INTERNATIONAL

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	Our response to the risk
Carrying value (CV) of Property, plant and equipment (PPE) and its impairment	
PPE includes the Company's Non-current assets, which flow economic benefits to the entities more than one year. PPE is measured at historical cost except Freehold land, which is carried at revalued amount, being fair values at the date of revaluation. PPE comprises major portion of total assets of the Company, which is amounting to Tk. 1,053,039,202 for Bata Shoe Company (Bangladesh) Limited at the reporting date. Apparently, the carrying value of PPE represents significant portion of the Company's assets which is a function of depreciation charges that involved estimation. Therefore, it has been considered as a significant area of auditor's judgment and requires special attention. There is also a risk that the impairment charges may not have been recognized.	We have tested the design and operating effectiveness of key controls over PPE. Our audit procedures included, among others, considering the impairment risk of the assets. Followings are our audit procedures on the carrying value and impairment risk of PPE: • Reviewed basis of recognition, measurement, and valuation of assets. • Observed procedures of assets acquisition, depreciation, and disposal. • Checked the ownership of major assets. • Checked the Capital-Work-in-Progress (CWIP) and its transfer to PPE. • Performed physical asset verification at the year-end. • Critically reviewed the Company's assumptions in relation to recoverable amounts of the major PPE to identify if there is any requirement of recognition of impairment; and • Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards. • Our testing did not identify any issues with regard to CV of PPE and any indicators that would trigger impairment.
See note no. 18 & 48 (E) to the financial statements	

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Key Audit Matter	Our response to the risk
Revenue Recognition	
For the year end the Company reported total revenue of Taka 9,877,691,058. Revenue is measured net of discounts, incentives, Value Added Tax (VAT) and loyalty points earned by customers on the Company's sales. The Company makes sales through retail, non-retail sales (NRS), and E-COM channel across the country along with export and sales made during the year is considered a material item due the nature of transaction. There is also a risk that revenue may be misstated due to fraud, through misstating of price declaration, unrecorded sales, maintaining accrual concept for invoicing, recognition within the Cut-off period, inaccurate sales figure, and unauthorized sales.	We have tested the design and operating effectiveness of key controls focusing on the following areas: • Assessed whether the revenue recognition policy is appropriate which is in line with IFRS 15 -Revenue from contracts with customers. • Performed walkthrough tests to understand the adequacy and the design of the revenue cycle. • Reconciled monthly sales data from POS system to GL. • Reviewed and reconciliation of money on way (Cash to Sales) account for 31 December 2023. • Tested the rebates & discounts for E-commerce sales. • Testing of sales transactions for all channel on sample basis and cross-matching them with source documents such as invoices, GRN and payment documents. • Obtained supporting documentation for sales transactions recorded at the beginning and end of the year to verify the revenue recognition at the cut-off time. • Obtained third-party confirmation on a sample basis for trade and other receivables. • Performed substantive analytical procedures to understand how revenue trends impacted over the year, among other parameters. • Finally, assessed the appropriateness and presentation of disclosures related to relevant accounting standards.
See note no. 7 & 48 (A) to the financial statements	

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Key Audit Matter	Our response to the risk
Implementation of IFRS 16 Leases	
IFRS 16: Leases modifies the accounting treatment of operating leases at inception, with the recognition of a right of use (ROU) on the leased assets and liability for the lease payments over the lease contract term. With respect to operating leases of premises, in exchange for a lease debt, using an implicit discount rate. The company has made all leasing arrangements within the scope of IFRS 16, which have been identified and appropriately included in the calculation and specific assumptions have been applied to determine the discount rates for leases.	We have reviewed the appropriateness of the management's approach for IFRS 16 and its impact on the financial statements. Our following audit procedure included a test of classification and measurement of right-of-use assets and lease liabilities in accordance with IFRS 16. • Checked the present value calculation for lease assets and liabilities. • Reviewed lease agreements and made a calculation to ascertain the appropriateness of the incremental borrowing rate used. • Examined the accuracy and appropriateness of accounting adjustments in the financial statements as well as verified the adequacy and appropriateness of disclosures in the financial statements. • Tested roll forward for right-of-use assets and lease liability and also for the material movement of the additional leases during the year to check the completeness. • Assessed the amortization, lease interest expense and current & non-current portion of lease liability.
See Note no. 19, 30 & 48 (L) to the financial statements	
Deferred tax Assets	
Company reported net deferred tax assets Tk. 117,672,583 as at 31 December 2023. Significant judgment is required about deferred tax assets as it impacts forecast of future profitability over a number of years. There is significant measurement uncertainty involved in this valuation and therefore, it was significant to our audit.	We have carried out the following substantive tests to address the related risk: • Developed an understanding, evaluated the design and tested the operational effectiveness of the Company's key controls over the recognition and measurement of deferred tax assets and deferred tax liabilities and the assumptions used in estimating the future taxable income of the Company. • Assessed the completeness and accuracy

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Key Audit Matter	Our response to the risk
	of the data used for the estimations of future taxable income. • Tested the mathematical accuracy in calculation of deferred tax. • We assessed key assumptions including carry forward of losses, controls, recognition, and measurement of Deferred Tax Assets. • Assessed the adequacy of the Company's disclosures setting out the basis of deferred tax assets balances and the level of estimation involved. • We also reviewed the tax implications, the reasonableness of estimations and calculations determined by management. • Finally assessed the appropriateness and presentation of disclosures against IAS 12 Income Taxes.
See note no 29 & 48 (D) to the financial statements.	
Valuation of Inventories	
The Company had inventories of Tk. 3,395,007,400 at 31 December 2023 held in factories and ABUs, outlets. Inventories are carried at the lower of cost and net realizable value. As a result, the Management applies judgement in determining the appropriate values for slow moving or obsolete items. Since the value of inventory is significant to the financial statements and there is significant measurement uncertainty involved in this valuation, the valuation of inventory was significant to our audit.	We verified the appropriateness of the management's assumptions applied in calculation the value of the inventory by: • Evaluated the design and implementation of key inventory controls operating across the factory, ABUs and outlets. • Attended inventory counts of outlets, factories, and ABUs during the month of December and reconciled the count results to the inventory listings to test the completeness of data. • Evaluated, on a sample basis, whether inventories were stated at the lower of cost and net realizable value at the reporting date by comparing the sales prices of inventories subsequent to the reporting date; and

Key Audit Matter	Our response to the risk
	• Evaluated the adequacy of financial statement disclosure as per IAS-2
See note no 21 & 48 (J) to the financial statements	

Other Information

Management is responsible for the other information. The other information comprises all of the information in the Annual Report but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

After going through the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the board of directors of the company. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), the Companies Act, 1994, the Securities and Exchange Rules, 2020 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material

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uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994 and the Securities and Exchange Rules, 2020 and relevant notification issued by Bangladesh Securities and Exchange Commission, we also report the following:

a) 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;

b) in our opinion, proper books of accounts as required by law have been kept by the Company so far as it appeared from our examination of these books;

c) the Company's statements of financial position and statement of profit or loss and other comprehensive income along with the annexed notes 1 to 48 dealt with by the report are in agreement with the books of accounts; and

d) the expenditure incurred was for the purposes of the Company's business.

Firm Name	: Hussain Farhad & Co., Chartered Accountants
Registration no	: 4/452/ICAB-84
Signature of the auditor	: ....
Name of the auditor:	: **Md. Masum Hossain ACA, Partner/Enrollment No: 1985**
DVC No	:2404291985AS262368
Place	: Dhaka
Date	: 29 April 2024

Bata Shoe Company (Bangladesh) Limited
Statement of financial position

As at 31 December 2023 *In taka*	*Note*	**31 December 2023**	**31 December 2022**
Assets			
Property, plant and equipment	*18*	**1,053,039,202**	889,359,970
Right-of-use assets	*19*	**2,158,708,201**	1,683,763,012
Intangible Assets	*20*	**780,539**	-
Advances, deposits and prepayments	*23*	**343,027,995**	244,695,818
Deferred tax assets	*29*	**117,672,583**	271,203,200
Non-current assets		**3,673,228,520**	3,089,022,000
Inventories	*21*	**3,395,007,400**	3,032,204,800
Trade and other receivables	*22*	**15,389,958**	8,816,726
Advances, deposits and prepayments	*23*	**70,726,982**	76,681,348
Cash and cash equivalents	*24*	**979,690,893**	1,265,057,145
Current assets		**4,460,815,233**	4,382,760,019
Total assets		**8,134,043,753**	7,471,782,019
Equity			
Share capital	*25*	**136,800,000**	136,800,000
Reserves and surplus	*26*	**110,492,803**	110,492,803
Retained earnings	*27*	**3,007,529,823**	3,202,253,125
Total equity		**3,254,822,626**	3,449,545,928
Liabilities			
Lease liabilities	*30*	**1,630,646,627**	1,127,565,079
Trade and other payables	*31*	**205,554,851**	322,938,146
Non-current liabilities		**1,836,201,478**	1,450,503,225
Lease liabilities	*30*	**406,611,335**	443,452,648
Trade and other payables	*31*	**2,317,220,719**	1,811,973,553
Unclaimed dividend	*32*	**18,035,896**	11,382,659
Contract liabilities	*33*	**17,978,663**	55,022,042
Current tax liabilities	*34*	**283,173,036**	249,901,964
Current liabilities		**3,043,019,649**	2,571,732,866
Total liabilities		**4,879,221,127**	4,022,236,091
Total equity and liabilities		**8,134,043,753**	7,471,782,019
Net asset value (NAV) per share	*39*	**237.93**	252.16

These Financial Statements should be read in conjuction with annexed notes

Debabrata Mukherjee

Debabrata Mukherjee
Managing Director

K. M. Rezaul Hasanat
Director

Elias Ahmed
Finance Director

Riajul Reza Muhammad Faisal
Company Secretary

Hussain Farhad & Co.
Chartered Accountants

Place: Dhaka
Dated: 24 APR 2024

DVC: 2404291985AS262368

Bata Shoe Company (Bangladesh) Limited
Statement of profit or loss and other comprehensive income

For the year ended 31 December 2023 *In taka*	*Note*	2023	2022
Revenue	7	**9,877,691,058**	9,855,149,560
Cost of sales	8	**(5,341,835,631)**	(5,484,329,442)
Gross profit		**4,535,855,427**	4,370,820,118
Other loss	9	**(27,910,829)**	(19,213,497)
Operating expenses	10	**(3,637,012,534)**	(3,273,931,953)
Reversal of impairment loss on trade receivables		**5,429,897**	1,190,019
Operating profit		**876,361,961**	1,078,864,687
Finance income	11(A)	**94,074,314**	48,065,436
Finance costs	11(B)	**(174,484,575)**	(263,992,930)
Net finance costs	11	**(80,410,261)**	(215,927,494)
Profit before tax and contribution to WPPF		**795,951,700**	862,937,193
Contribution to WPPF	12	**(39,797,585)**	(43,146,860)
Profit before tax		**756,154,115**	819,790,333
Income tax expense	13	**(355,164,242)**	(409,679,000)
Profit for the year		**400,989,873**	410,111,333
Other comprehensive loss, net of tax	14	**(633,175)**	(22,561,800)
Total comprehensive income		**400,356,698**	387,549,533
Earnings per share	38	**29.31**	29.98

These Financial Statements should be read in conjuction with annexed notes

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Managing Director

K. M. Rezaul Hasanat
Director

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Company Secretary

Hussain Farhad & Co.
Chartered Accountants

Place: Dhaka
Dated: 24 APR 2024

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Bata Shoe Company (Bangladesh) Limited
Statement of changes in equity

For the year ended 31 December 2023 *In taka*	*Note*	Share capital	Reserve on revaluation of land	Non-distributable special reserve	General Reserve	Retained earnings	Total equity
Balance at 1 January 2022		136,800,000	60,631,183	998,620	48,863,000	3,204,583,592	3,451,876,395
Total comprehensive income/(loss) for the year							
Profit for the year		-	-	-	-	410,111,333	410,111,333
Other comprehensive income/(loss) for the year		-	-	-	-	(22,561,800)	(22,561,800)
Total comprehensive income/(loss) for the year		-	-	-	-	387,549,533	387,549,533
Contributions and distributions							
Interim dividend	27	-	-	-	-	(355,680,000)	(355,680,000)
Final dividend	27	-	-	-	-	(34,200,000)	(34,200,000)
Total transactions with owners of the Company		-	-	-	-	(389,880,000)	(389,880,000)
Balance at 31 December 2022		136,800,000	60,631,183	998,620	48,863,000	3,202,253,125	3,449,545,928
Balance at 1 January 2023		**136,800,000**	**60,631,183**	**998,620**	**48,863,000**	**3,202,253,125**	**3,449,545,928**
Total comprehensive income/(loss) for the year							
Profit for the year		-	-	-	-	**400,989,873**	**400,989,873**
Other comprehensive income/(loss) for the year		-	-	-	-	**(633,175)**	**(633,175)**
Total comprehensive income/(loss) for the year		-	-	-	-	**400,356,698**	**400,356,698**
Contributions and distributions							
Interim dividend	27	-	-	-	-	**(451,440,000)**	**(451,440,000)**
Final dividend	27	-	-	-	-	**(143,640,000)**	**(143,640,000)**
Total transactions with owners of the Company		-	-	-	-	**(595,080,000)**	**(595,080,000)**
Balance at 31 December 2023		**136,800,000**	**60,631,183**	**998,620**	**48,863,000**	**3,007,529,823**	**3,254,822,626**

These Financial Statements should be read in conjuction with annexed notes

Debabrata Mukherjee

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Bata Shoe Company (Bangladesh) Limited
Statement of cash flows

For the year ended 31 December 2023 *In taka*	*Note*	2023	2022
Cash flows from operating activities			
Cash receipts from customers		**9,871,117,826**	9,887,831,951
Cash payments to and on behalf of employees		**(1,389,970,925)**	(1,375,890,388)
Cash payments for defined benefit plan	*28*	**(39,859,000)**	(57,672,000)
Cash payments to suppliers and contractors for goods and services		**(6,883,746,461)**	(6,605,383,094)
Cash generated from operating activities		**1,557,541,440**	1,848,886,469
Interest received		**74,888,011**	132,814,084
Interest paid		**(174,484,575)**	(347,651,207)
Income taxes paid		**(174,728,928)**	(158,739,623)
Net cash from operating activities		**1,283,215,948**	1,475,309,723
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(332,347,315)**	(235,324,797)
Acquisition of intangible assets		**(826,453)**	-
Proceeds from sale of property, plant and equipment		**5,100,949**	5,603,406
Net cash used in investing activities		**(328,072,819)**	(229,721,391)
Cash flows from financing activities			
Payment of lease liabilities (principal portion)	*30(A)*	**(574,578,400)**	(435,751,264)
Dividend paid		**(664,349,675)**	(166,471,489)
Net cash used in financing activities		**(1,238,928,075)**	(602,222,753)
Net increase in cash and cash equivalents		**(283,784,946)**	643,365,579
Cash and cash equivalents at the beginning		**1,265,057,145**	622,781,937
Effect of movements in exchange rates on cash held		**(1,581,306)**	(1,090,371)
Cash and cash equivalents at 31 December	*24*	**979,690,893**	1,265,057,145
Net Operating Cash Flow Per Share (NOCFPS)	*40*	**93.80**	107.84

These Financial Statements should be read in conjuction with annexed notes

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Chartered Accountants

1. Reporting entity

Bata Shoe Company (Bangladesh) Limited (hereinafter referred to as "Bata" or "the Company") is a public company limited by shares. It was incorporated in Bangladesh in 1972 under the Companies Act 1913. The address of the registered office of the Company is situated at Tongi, Gazipur, Bangladesh. The Company is one of the operating companies of worldwide Bata Shoe Organization (BSO) and a subsidiary of Bafin (Nederland) BV in Netherlands holding 70% of the Company's shares. The shares of the Company are listed in both Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE).

Pursuant to recent amendment to the Companies Act 1994 incorporating certain amendments, among others, is to change of the word "Limited" by the word "PLC" in case of Public Limited Companies including listed ones. Necessary formalities are in progress in implementing these changes.

The Company is mainly engaged in manufacturing and marketing of leather, rubber, plastic, canvas footwear, hosiery and accessories items. Manufacturing plants of the Company are situated at Tongi and Dhamrai.

2. Basis of accounting

The financial statements have been prepared on a going concern basis in accordance with International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs), the Companies Act 1994, the Securities and Exchange Rules, 2020, relevant guidelines issued by the Bangladesh Securities and Exchange Commission, Financial Reporting Act 2015 and other applicable laws in Bangladesh.

The titles and format of these financial statements follow the requirements of IFRSs which are to some extent different from the requirements of the Companies Act 1994 and the Securities and Exchange Rules 2020. However, such differences are not material and in the view of management IFRSs titles and format give better presentation to the shareholders.

These financial statements were authorized for issue by the Board of Directors at its 263rd meeting held on 24 April 2024.

Details of the Company's accounting policies, including changes during the year, if any, are included in note 48.

3. Functional and presentational currency

These financial statements are presented in Bangladesh Taka (Taka/Tk/BDT) which is the Company's functional currency. All amounts have been rounded to the nearest Taka, unless otherwise indicated.

4. Comparatives and rearrangement

Comparative information has been disclosed for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current financial statements.

To facilitate comparison, certain relevant balances pertaining to the previous year have been rearranged or reclassified whenever considered necessary to conform current year's presentation.

HUSSAIN FARHAD & CO. DHAKA Chartered Accountants HFC

5. Use of estimates and judgements

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognised prospectively.

A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note 30: Lease term

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2023 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note 18:	Depreciation of property, plant and equipment
Note 20:	Amortisation of intangible assets
Note 21:	Provision for obsolescence
Note 22:	Measurement of allowance for trade receivables
Note 28:	Measurement of defined benefit obligations: key actuarial assumptions
Note 29:	Deferred tax assets/liabilities
Note 31(B):	Recognition and measurement of provisions
Note 34:	Uncertain tax provisions
Note 42:	Recognition and measurement of contingencies

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6. Operating segments

See accounting policy in Note 48(O).

A. Basis for segmentation

The Company has two operating segments, Domestic and Unallocated, which are the Company's strategic divisions. They are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the Company's management reviews internal management reports at least on a monthly basis. Of these two, only domestic segment is reportable. Domestic segment is mainly engaged in manufacturing and marketing of leather, rubber, plastic and canvas footwear, hosiery and accessories in domestic market. All other segments include export and their associated expenses and other income and expenses.

B. Information about reportable segments

2023 (Amount in thousands)	**Domestic**	**All other segments**	**Total**
Revenue	**9,874,980**	**2,711**	**9,877,691**
Cost of sales	**(5,339,566)**	**(2,270)**	**(5,341,836)**
Gross profit	**4,535,414**	**441**	**4,535,855**
Other loss	**(27,911)**	**-**	**(27,911)**
Operating expenses	**(3,636,899)**	**(114)**	**(3,637,013)**
Reversal of impairment loss on trade receivables	**5,430**	**-**	**5,430**
Operating profit	**876,035**	**327**	**876,362**
Finance income	**94,074**	**-**	**94,074**
Finance costs	**(174,485)**	**-**	**(174,485)**
Net finance costs	**(80,410)**	**-**	**(80,410)**
Profit before tax and contribution to WPPF	**795,625**	**327**	**795,952**
Contribution to WPPF	**(39,798)**	**-**	**(39,798)**
Profit before tax	**755,827**	**327**	**756,154**

B. Information about reportable segments (Continued)

2022 (Amount in thousands)	**Domestic**	**All other segments**	**Total**
Revenue	9,850,566	4,584	9,855,150
Cost of sales	(5,480,160)	(4,169)	(5,484,329)
Gross profit	4,370,406	415	4,370,821
Other loss	(19,213)	-	(19,213)
Operating expenses	(3,273,657)	(276)	(3,273,933)
Reversal of impairment loss on trade receivables	1,190	-	1,190
Operating profit	1,078,726	139	1,078,865
Finance income	132,814	-	132,814
Finance costs	(348,741)	-	(348,741)
Net finance costs	(215,927)	-	(215,927)
Profit before tax and contribution to WPPF	862,799	139	862,938
Contribution to WPPF	(43,147)	-	(43,147)
Profit before tax	819,652	139	819,791

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6. Operating segments (Continued)

C. Reconciliation of information on reportable segments to IFRSs measures

In taka	2023	2022
a) Revenue		
Revenue for reportable segments	**9,874,980**	9,850,566
Revenue for other segments	**2,711**	4,584
Total revenue	**9,877,691**	9,855,150
b) Operating profit		
Operating profit for reportable segments	**876,035**	1,078,726
Operating profit for other segments	**327**	139
Total operating profit	**876,362**	1,078,865

D. Segment assets and liabilities

The necessary information regarding assets and liabilities of operating segments are not separable and individually identifiable for this purpose. For this reason the assets and liabilities of the respective segments have not been presented here.

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7. Revenue

See accounting policy in Note 48(A).

In taka	*Note*	2023	2022
Local	*7(A)*	**9,874,980,004**	9,850,565,995
Export		**2,711,054**	4,583,565
		9,877,691,058	9,855,149,560

A. Disaggregation of local revenue

	Quantity in pairs		Amount in taka	
	2023	**2022**	**2023**	**2022**
Shoes	**17,428,913**	19,997,863	**9,421,540,701**	9,398,969,986
Hosiery and accessories	**-**	-	**453,439,303**	451,596,009
	17,428,913	19,997,863	**9,874,980,004**	9,850,565,995

8. Cost of sales

Materials:			
Opening stock of raw materials		**397,331,563**	490,464,218
Purchase during the year*		**2,623,102,835**	2,404,228,365
Cost of raw materials available for use		**3,020,434,398**	2,894,692,583
Closing stock of raw materials	*21*	**(415,281,800)**	(397,331,563)
Raw materials consumed		**2,605,152,598**	2,497,361,020
Direct wages		**447,751,495**	446,910,520
Prime costs		**3,052,904,093**	2,944,271,540
Manufacturing overheads			
Entertainment		**6,212,238**	4,743,014
Insurance		**9,500,328**	7,627,752
Remuneration		**213,904,551**	190,999,424
Uniform		**1,149,200**	1,038,364
Stationery		**1,977,063**	2,201,272
Domestic travelling		**8,909,343**	9,050,015
Overseas travelling		**832,917**	2,003,911
Health and welfare		**19,512,898**	15,536,165
Postage and fax		**1,345,312**	1,739,620
Repairs and maintenance		**68,826,931**	47,884,360
Water, gas and electricity		**62,017,892**	42,550,517
Depreciation of property, plant and equipment	*18(C)*	**33,383,241**	33,681,870
		427,571,914	359,056,284
Total manufacturing cost		**3,480,476,007**	3,303,327,824
Opening work-in-progress		**29,905,081**	29,493,864
Closing work-in-progress	*21*	**(71,950,100)**	(29,905,081)
Cost of goods manufactured		**3,438,430,988**	3,302,916,607
Opening stock of finished goods		**2,604,968,156**	2,253,859,743
Purchase of finished goods during the year		**2,206,211,987**	2,532,521,248
Cost of finished goods available for sale		**8,249,611,131**	8,089,297,598
Closing stock of finished goods	*21*	**(2,907,775,500)**	(2,604,968,156)
		5,341,835,631	5,484,329,442

*Duty drawback of Taka 29,925 (2022: Taka 138,619) claimed on export sales has been adjusted against cost of raw materials.

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8. Cost of sales (Continued)

A. Cost of raw materials consumed

In taka	Import	Local purchase	2023
Opening stock	**202,639,097**	**194,692,466**	**397,331,563**
Purchase*	**1,122,165,285**	**1,500,937,550**	**2,623,102,835**
Closing stock	**(67,627,165)**	**(347,654,635)**	**(415,281,800)**
	1,257,177,217	**1,347,975,381**	**2,605,152,598**
% of material sourcing	**43%**	**57%**	

In taka	Import	Local purchase	2022
Opening stock	250,136,751	240,327,467	490,464,218
Purchase*	1,266,811,550	1,137,416,815	2,404,228,365
Closing stock	(202,639,097)	(194,692,466)	(397,331,563)
	1,314,309,204	1,183,051,816	2,497,361,020
% of material sourcing	53%	47%	

B. Repairs and maintenance

Repairs and maintenance amounting to Taka 68,826,931 includes Taka 34,762,744 (including C&F value of US$ 314,890 and EURO 4,240 of imported items) representing cost of spare parts, moulds and accessories consumed.

C. Production capacity and actual production

In pairs	Tongi	Dhamrai	2023
Production capacity	**23,619,503**	**4,258,200**	**27,877,703**
Actual production	**13,133,000**	**2,749,000**	**15,882,000**

In pairs	Tongi	Dhamrai	2022
Production capacity	16,954,000	3,581,000	20,535,000
Actual production	13,444,000	2,951,000	16,395,000

9. Other loss

In taka	2023	2022
Loss on disposal of property, plant and equipment	**24,867,450**	26,430,962
Loss/(gain) on remeasurement of lease liabilities	**3,043,379**	(7,217,465)
	27,910,829	19,213,497

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10. Operating expenses

In taka	*Note*	2023	2022
Administrative expenses	*10(A)*	**629,167,803**	464,967,418
Selling and distribution expenses	*10(B)*	**3,007,844,731**	2,808,964,535
		3,637,012,534	3,273,931,953

A. Administrative expenses

Remuneration		**181,607,016**	143,777,979
Global Footwear Services fees		**228,907,570**	143,128,893
Domestic travelling		**25,394,613**	22,084,664
Depreciation of property, plant and equipment	*18(C)*	**27,013,069**	22,248,874
General charges		**72,806,873**	33,509,936
Rent, rates and taxes		**4,727,469**	4,827,302
Insurance		**11,360,917**	6,713,187
Legal and professional fees		**11,943,113**	4,570,711
Depreciation of right-of-use assets	*19(B)*	**21,050,638**	14,576,241
Health and welfare		**5,360,069**	4,799,234
Entertainment		**9,297,175**	8,477,994
Repairs and maintenance		**4,038,020**	2,648,925
Stationery		**2,204,925**	38,596,597
Water, gas and electricity		**6,606,801**	3,815,625
Subscription and donation		**1,014,934**	631,534
Postage and fax		**2,963,683**	2,906,705
Land revenue		**2,261,769**	923,700
Bank charges		**5,790,872**	4,588,630
Audit fees		**735,000**	700,000
Overseas travelling		**3,384,526**	1,287,687
Directors' fees		**168,000**	153,000
Amortisation of intangible assets		**45,914**	-
Bad debt		**484,837**	-
		629,167,803	464,967,418

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10. Operating expenses (continued)
B. Selling and distribution expenses

In taka	*Note*	2023	2022
Remuneration		**552,987,593**	713,770,196
Depreciation of right-of-use assets	*19(B)*	**540,549,324**	558,978,206
Royalties	*10(B)(i)*	**468,588,840**	428,186,515
Commission		**383,055,958**	184,619,362
Repairs and maintenance		**135,647,648**	115,775,436
Depreciation of property, plant and equipment	*18(C)*	**95,917,804**	92,560,290
Rent, rates and taxes		**147,622,049**	104,608,953
Freight and transport		**105,840,883**	105,388,047
Water, gas and electricity		**143,361,502**	99,512,432
Packing expenses		**93,619,526**	94,207,226
Selling expenses		**58,578,350**	39,192,532
Advertisement		**171,986,352**	176,093,082
Domestic travelling		**42,136,698**	30,904,941
Health and welfare		**12,289,902**	11,103,731
Stationery		**11,513,187**	14,378,085
Postage and fax		**8,091,012**	7,998,068
Entertainment		**19,259,674**	15,367,314
Bank charges		**12,451,915**	13,409,568
Legal and professional fees		**859,544**	1,767,794
Overseas travelling		**3,486,970**	1,142,757
		3,007,844,731	2,808,964,535

i. Royalties

Royalty on Hush Puppies brand	**34,832,936**	30,338,053
Royalty on Dr. Scholl brand	**12,435,434**	16,092,077
Royalty on Ben10 and Powerpuff Girls	**3,832,310**	3,947,504
Trade mark license fees	**417,488,160**	377,808,881
	468,588,840	428,186,515

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11. Net finance costs

See accounting policy in Note 48(B).

In taka	*Note*	2023	2022
Finance income	*11(A)*	**94,074,314**	48,065,436
Finance costs	*11(B)*	**(174,484,575)**	(263,992,930)
		(80,410,261)	(215,927,494)

A. Finance income

Interest on short term deposits		**74,888,011**	48,065,436
Net foreign exchange gain	*11(C)*	**19,186,303**	-
		94,074,314	48,065,436

B. Finance costs

Interest expense on lease liabilities	*30*	**162,542,575**	146,500,100
Interest expense on net defined benefit obligation	*28(A)*	**11,942,000**	7,263,000
Net foreign exchange loss	*11(C)*	**-**	110,229,830
		174,484,575	263,992,930

C. Net foreign exchange gain/(loss)

Foreign exchange gain	**122,030,678**	84,748,648
Foreign exchange loss	**102,844,375**	194,978,478
	19,186,303	(110,229,830)

12. Contribution to WPPF

See accounting policy in Note 48(C).

Profit before tax and contribution to WPPF	**795,951,700**	862,937,193
Applicable contribution rate	**5%**	5%
Amount of contribution to WPPF	**39,797,585**	43,146,860

The Company kept 5% provision for Workers Profit Participation Fund (WPPF) on its profit before WPPF at the end of year as per the Labour Act, 2006 (amended in 2015).

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13. Income tax expense

See accounting policy in Note 48(D).

A. Amounts recognised in profit or loss

In taka	*Note*	2023	2022
Current tax expense			
Current year		**208,000,000**	217,000,000
		208,000,000	217,000,000
Deferred tax expense			
Current year	*29(A)*	**147,164,242**	192,679,000
		147,164,242	192,679,000
Income tax expense		**355,164,242**	409,679,000

B. Reconciliation of effective tax rate

Profit before tax			**756,154,115**	819,790,333
Income tax using applicable tax rate	**22.50%**	22.50%	**170,134,675**	184,452,824
Factors affecting the tax charge for current year:				
- Non-deductible expense	**5.01%**	3.97%	**37,865,325**	32,547,176
- Movement of temporary difference	**19.46%**	23.50%	**147,164,242**	192,679,000
	46.97%	49.97%	**355,164,242**	409,679,000

14. Other comprehensive loss, net of tax

Remeasurement of defined benefit liability	*28(A)*	**817,000**	29,112,000
Related tax credit		**(183,825)**	(6,550,200)
		633,175	22,561,800

15. Emoluments to directors

Remuneration	**23,650,052**	29,321,796
Bonus	**15,598,764**	10,737,516
Retirement benefit schemes	**1,757,233**	1,997,367
Housing	**4,620,000**	4,620,000
	45,626,049	46,676,679

16. Emoluments to managers

In taka	*Note*	2023	2022
Remuneration		**208,382,229**	183,910,041
Retirement benefit schemes		**32,711,877**	24,680,355
Housing		**33,083,870**	30,862,711
		274,177,976	239,453,107

17. Contribution to employees' provident fund and pension fund

Provident fund	*17(A)*	**27,444,836**	25,747,559
Pension fund		**19,426,754**	12,825,937
		46,871,590	38,573,496

A. Provident fund

Managers	**13,285,122**	11,853,141
Officers and supervisors	**4,787,040**	4,819,153
Workers	**9,372,674**	9,075,265
	27,444,836	25,747,559

18. Property, plant and equipment

See accounting policy in Note 48(E).

A. Reconciliation of carrying amount

In taka	Freehold land	Buildings	Plant and machineries	Vehicles	Computer and computer equipments	Furniture, fixture and office equipments	Under construction	Total
Cost								
Balance as at 1 January 2022	86,057,856	421,705,632	847,588,724	21,072,963	102,071,771	1,203,358,549	25,234,571	2,707,090,066
Additions	-	11,143,966	5,351,142	-	17,510,616	158,425,503	21,172,600	213,603,827
Disposals	-	-	-	(5,647,409)	(7,282,541)	(124,797,235)	-	(137,727,185)
Transfer	-	-	23,735,803	-	3,331,119	15,826,648	(42,893,570)	-
Balance as at 31 December 2022	86,057,856	432,849,598	876,675,669	15,425,554	115,630,965	1,252,813,465	3,513,601	2,782,966,708
Balance as at 1 January 2023	**86,057,856**	**432,849,598**	**876,675,669**	**15,425,554**	**115,630,965**	**1,252,813,465**	**3,513,601**	**2,782,966,708**
Additions	-	**10,894,672**	**8,914,447**	-	**40,624,061**	**208,063,617**	**81,464,948**	**349,961,745**
Disposals	-	-	-	**(1,776,500)**	**(103,000)**	**(149,482,607)**	-	**(151,362,107)**
Transfer	-	**21,321,898**	**42,528,620**	-	-	-	**(63,850,518)**	-
Balance as at 31 December 2023	**86,057,856**	**465,066,168**	**928,118,736**	**13,649,054**	**156,152,026**	**1,311,394,475**	**21,128,031**	**2,981,566,346**
Accumulated depreciation								
Balance as at 1 January 2022	-	246,475,531	713,525,804	20,264,848	84,272,061	786,270,276	-	1,850,808,520
Depreciation	-	8,841,037	34,004,800	570,435	10,374,782	94,699,980	-	148,491,034
Disposals	-	-	-	(5,647,409)	(7,022,557)	(93,022,850)	-	(105,692,816)
Balance as at 31 December 2022	-	255,316,568	747,530,604	15,187,874	87,624,286	787,947,406	-	1,893,606,738
Balance as at 1 January 2023	-	**255,316,568**	**747,530,604**	**15,187,874**	**87,624,286**	**787,947,406**	-	**1,893,606,738**
Depreciation	-	**9,225,973**	**33,500,245**	**237,680**	**14,701,668**	**98,648,548**	-	**156,314,114**
Disposals	-	-	-	**(1,776,500)**	**(38,625)**	**(119,578,583)**	-	**(121,393,708)**
Balance as at 31 December 2023	-	**264,542,541**	**781,030,849**	**13,649,054**	**102,287,329**	**767,017,371**	-	**1,928,527,144**
Carrying amounts								
At 1 January 2022	86,057,856	175,230,101	134,062,920	808,115	17,799,710	417,088,273	25,234,571	856,281,546
At 31 December 2022	**86,057,856**	**177,533,030**	**129,145,065**	**237,680**	**28,006,679**	**464,866,059**	**3,513,601**	**889,359,970**
At 31 December 2023	**86,057,856**	**200,523,627**	**147,087,887**	-	**53,864,697**	**544,377,104**	**21,128,031**	**1,053,039,202**

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18. Property, plant and equipment (continued)

B. Under construction

In taka	Buildings	Plant and machineries	Computer and computer equipments	Furniture, fixture and office equipments	Total
Cost					
Balance as at 1 January 2022	-	4,347,921	5,060,002	15,826,648	25,234,571
Additions	-	21,172,600	-	-	21,172,600
Transfer	-	(23,735,803)	(3,331,119)	(15,826,648)	(42,893,570)
Balance as at 31 December 2022	-	1,784,718	1,728,883	-	3,513,601
Balance as at 1 January 2023	**-**	**1,784,718**	**1,728,883**	**-**	**3,513,601**
Additions	**34,426,331**	**46,197,274**	**841,343**	**-**	**81,464,948**
Transfer	**(21,321,898)**	**(42,528,620)**	**-**	**-**	**(63,850,518)**
Balance as at 31 December 2023	**13,104,433**	**5,453,372**	**2,570,226**	**-**	**21,128,031**

C. Allocation of depreciation

In taka	*Note*	2023	2022
Cost of sales	*8*	**33,383,241**	33,681,870
Administrative expenses	*10(A)*	**27,013,069**	22,248,874
Selling and distribution expenses	*10(B)*	**95,917,804**	92,560,290
		156,314,114	148,491,034

D. Disposal of property, plant and equipment

Auction sales to various parties

In taka	Vehicles	Computer and computer equipments	Furniture, fixture and office equipments	Total
2022				
Cost	5,647,409	7,084,541	124,797,235	137,529,185
Accumulated depreciation	(5,647,409)	(6,973,057)	(93,022,849)	(105,643,315)
Written down value	-	111,484	31,774,386	31,885,870
Sales value	1,479,997	64,951	3,909,958	5,454,906
Profit/(loss) on disposal	1,479,997	(46,533)	(27,864,428)	(26,430,964)
2023				
Cost	**1,776,500**	**103,000**	**149,482,607**	**151,362,107**
Accumulated depreciation	**(1,776,500)**	**(38,625)**	**(119,578,583)**	**(121,393,708)**
Written down value	**-**	**64,375**	**29,904,024**	**29,968,399**
Sales value	**876,596**	**54,787**	**4,169,566**	**5,100,949**
Profit/(loss) on disposal	**876,596**	**(9,588)**	**(25,734,458)**	**(24,867,450)**

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19. Right-of-use assets

See accounting policy in Note 48(L).

A. Reconciliation of carrying amount

In taka	2023	2022
Cost		
Opening balance	**3,850,165,918**	3,051,527,150
Additions	**991,121,253**	643,855,609
Modifications	**45,423,898**	154,783,159
Closing balance	**4,886,711,069**	3,850,165,918
Accumulated Depreciation		
Opening balance	**2,166,402,906**	1,592,848,459
Depreciation	**561,599,962**	573,554,447
Closing balance	**2,728,002,868**	2,166,402,906
Carrying amounts	**2,158,708,201**	1,683,763,012

B. Allocation of depreciation

Administrative expenses	*10(A)*	**21,050,638**	14,576,241
Selling and distribution expenses	*10(B)*	**540,549,324**	558,978,206
		561,599,962	573,554,447

20. Intangible Assets

See accounting policy in Note 48(F).

A. Reconciliation of carrying amount

Cost		
Opening balance	-	-
Additions	**826,453**	-
Closing balance	**826,453**	-
Accumulated Depreciation		
Opening balance	-	-
Amortisation	**45,914**	-
Closing balance	**45,914**	-
Carrying amounts	**780,539**	-

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21. Inventories

See accounting policy in Note 48(J).

In taka	2023	2022
Raw materials	**415,281,800**	397,331,563
Work in process	**71,950,100**	29,905,081
Finished goods	**2,907,775,500**	2,604,968,156
	3,395,007,400	3,032,204,800

22. Trade and other receivables

See accounting policy in Note 48(H).

Trade receivables from external parties	*22(A)*	**620,399,088**	622,389,323
Trade receivables from related parties	*35(C)*	**3,522,791**	-
Other receivables	*22(B)*	**6,324,658**	6,149,338
Provision for impairment loss on trade receivables	*22(C)*	**(614,856,579)**	(619,721,935)
		15,389,958	8,816,726

A. Trade receivables from external parties

Receivables from dealers	**617,268,172**	620,569,105
Receivables from institutional sale	**3,130,916**	1,820,218
	620,399,088	622,389,323

B. Other receivables

Interest receivables	**6,324,658**	-
VAT claims	**-**	406,471
Insurance claims	**-**	5,742,867
	6,324,658	6,149,338

C. Provision for impairment loss on trade receivables

Opening balance	**619,721,935**	620,911,954
Additions	**484,836**	-
Reversal	**(5,350,192)**	(1,190,019)
Closing balance	**614,856,579**	619,721,935

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23. Advances, deposits and prepayments

See accounting policy in Note 48(H).

In taka	*Note*	2023	2022
Advances	*23(A)*	**26,552,625**	28,546,624
Deposits	*23(B)*	**301,620,432**	215,273,846
Prepayments	*23(C)*	**85,581,920**	77,556,696
		413,754,977	321,377,166

A. Advances

Advance to suppliers	**6,615,623**	9,335,346
Advance to employees	**19,937,002**	19,211,278
	26,552,625	28,546,624

B. Deposits

Security and other deposits	**301,620,432**	215,273,846
	301,620,432	215,273,846

C. Prepayments

Prepayments to landlords	**66,472,373**	60,410,180
Prepaid insurance	**19,109,547**	17,146,516
	85,581,920	77,556,696

Non-current	**343,027,995**	244,695,818
Current	**70,726,982**	76,681,348
	413,754,977	321,377,166

24. Cash and cash equivalents

See accounting policy in Note 48(H).

Cash in hand	**343,896**	185,348
Bank balances	**979,346,997**	1,264,871,797
	979,690,893	1,265,057,145

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25. Share capital

In taka	2023	2022
Authorised		
20,000,000 ordinary shares of Taka 10 each	**200,000,000**	200,000,000
Issued, subscribed and paid up		
2,850,723 ordinary shares of Taka 10 each issued for cash	**28,507,230**	28,507,230
10,829,277 ordinary shares of Taka 10 each issued for consideration other than cash	**108,292,770**	108,292,770
	136,800,000	136,800,000

A. Ordinary shares

The shares are listed both in the Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited and quoted at Taka 966.90 (2022: Taka 952.30) and Taka 975.00 (2022: Taka 920.00) per share at 31 December 2023 and 2022 respectively.

B. Percentage of shareholding

	As at 31 December 2023	
Name of the shareholders	**Face value (Taka)**	**Percentage of holding**
Bafin (Nederland) B.V	**95,760,000**	**70.00%**
Non-resident shareholders	**1,847,150**	**1.35%**
Local shareholders	**39,192,850**	**28.65%**
	136,800,000	**100%**

	As at 31 December 2022	
Name of the shareholders	**Face value (Taka)**	**Percentage of holding**
Bafin (Nederland) B.V	95,760,000	70.00%
Non-resident shareholders	1,857,390	1.36%
Local shareholders	39,182,610	28.64%
	136,800,000	100%

C. Classification of shareholders by holdings

	Number of shareholders		Number of shares	
Holdings	**2023**	**2022**	**2023**	**2022**
Less than 501 shares	**4,581**	4,696	**449,752**	471,643
501 to 5,000 shares	**242**	251	**358,724**	370,544
5,001 to 10,000 shares	**28**	31	**202,661**	228,971
10,001 to 20,000 shares	**18**	21	**264,712**	307,007
20,001 to 30,000 shares	**3**	4	**74,971**	97,664
30,001 to 40,000 shares	**3**	3	**102,485**	102,485
40,001 to 50,000 shares	**6**	4	**280,642**	185,759
50,001 to 100,000 shares	**9**	12	**635,765**	856,929
100,001 to 1,000,000 shares	**10**	8	**1,734,288**	1,482,998
Over 1,000,000 shares	**1**	1	**9,576,000**	9,576,000
	4,901	5,031	**13,680,000**	13,680,000

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26. Reserves and surplus

In taka	2023	2022
Reserve on revaluation of land	**60,631,183**	60,631,183
Non-distributable special reserve*	**998,620**	998,620
General reserve	**48,863,000**	48,863,000
	110,492,803	110,492,803

*This represents 90% of the cumulative post-tax profit in respect of certain categories of income up to 1992 as defined and directed by Bangladesh Bank. Since 1993, the requirement for continuing to create such special reserve is applicable only to the profit on sale of immovable assets such as land, buildings etc.

27. Retained earnings

Opening balance	**3,202,253,125**	3,204,583,592
Profit for the year	**400,989,873**	410,111,333
Other comprehensive income/(loss)	**(633,175)**	(22,561,800)
Interim dividend	**(451,440,000)**	(355,680,000)
Final dividend	**(143,640,000)**	(34,200,000)
Closing balance	**3,007,529,823**	3,202,253,125

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28. Employee benefits

See accounting policy in Note 48(C).

In taka	2023	2022
Defined benefit liability	**303,725,476**	281,132,476
Total defined benefit liability	**303,725,476**	281,132,476
Defined benefit asset	**303,725,476**	281,132,476
Total defined benefit asset	**303,725,476**	281,132,476
Net defined benefit liability/(asset)	**-**	-

A. Movement in net defined benefit (asset) liability

	Defined benefit obligation		Fair value of plan asset		Net defined benefit (asset) liability	
In taka	2023	2022	2023	2022	2023	2022
Opening balance	**281,132,476**	246,194,476	**281,132,476**	246,194,476	**-**	-
Included in Profit and loss						
Current service cost	**27,100,000**	21,297,000	**-**	-	**27,100,000**	21,297,000
Past service cost	**-**	-	**-**	-	**-**	-
Interest cost/(income)	**21,663,000**	15,734,000	**9,721,000**	8,471,000	**11,942,000**	7,263,000
	48,763,000	37,031,000	**9,721,000**	8,471,000	**39,042,000**	28,560,000
Included in OCI						
Remeasurement actuarial loss/(gain)	**(2,390,000)**	22,659,000	**(3,207,000)**	(6,453,000)	**817,000**	29,112,000
	(2,390,000)	22,659,000	**(3,207,000)**	(6,453,000)	**817,000**	29,112,000
Other						
Contribution paid by the employer	**-**	-	**39,859,000**	57,672,000	**(39,859,000)**	(57,672,000)
Curtailments	**-**	-	**-**	-	**-**	-
Benefits paid	**(23,780,000)**	(24,752,000)	**(23,780,000)**	(24,752,000)	**-**	-
Settlements		-		-	**-**	-
	(23,780,000)	(24,752,000)	**16,079,000**	32,920,000	**(39,859,000)**	(57,672,000)
Closing balance	**303,725,476**	281,132,476	**303,725,476**	281,132,476	**-**	-

28. Employee benefits (continued)

The estimated liability for defined benefit (asset) liability has been recorded based on the actuarial valuations for the year ended 31 December 2023 which was performed by Willis Towers Watson India Private Limited, independent actuary, using the Projected Unit Credit method. Prior year amounts were rearranged to present actual comparative amount. The significant assumptions used in the valuations for the year ended 31 December 2023 are as follows:

Particulars	Assumptions
Discount Rate	9.20%
Salary Escalation Rate	Management Employees: 8.5%: Workers: 6%
Mortality Rate	Assumptions regarding future mortality have been used based on published statistics and mortality tables. As there is no published mortality table in Bangladesh and hence the Indian Assured Lives Mortality (2006-08) Ultimate. table based on the mortality experience of assured lives in India will be a reasonable approximation. The current longevities underlying the values of the defined obligations at the reporting date was adopted from Indian Life Mortality table.
Gratuity fund age	60 years: Workers; 58 years: Management Employees

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29. Deferred tax assets

See accounting policy in Note 48(D).

In taka	*Note*	2023	2022
Opening balance		**264,653,000**	457,332,000
Recognition in profit or loss account	*29(A)*	**(147,164,242)**	(192,679,000)
Closing balance other than OCI		**117,488,758**	264,653,000
Recognition in OCI		**183,825**	6,550,200
Closing balance including OCI		**117,672,583**	271,203,200

A. Movement in deferred tax balances

Deferred tax assets have been recognised and measured in accordance with the provision of IAS 12: "Income

			Balance at 31 December		
In taka	Net balance at 1 January	Recognised in profit or loss	Net	Deferred tax assets	Deferred tax liabilities
2023					
Property, plant and equipment	**232,000**	**133,840**	**365,840**	**365,840**	**-**
Right-of-use assets	**(378,847,000)**	**(106,862,345)**	**(485,709,345)**	**-**	**485,709,345**
Lease liabilities	**353,479,000**	**104,904,041**	**458,383,041**	**458,383,041**	**-**
Employee benefits	**-**	**-**	**-**	**-**	**-**
Provision against personal accounts	**6,142,000**	**(35,508)**	**6,106,492**	**6,106,492**	**-**
Provision for impairment loss on trade receivables	**139,437,000**	**(1,094,270)**	**138,342,730**	**138,342,730**	**-**
Unused tax losses	**144,210,000**	**(144,210,000)**	**-**	**-**	**-**
	264,653,000	**(147,164,242)**	**117,488,758**	**603,198,103**	**485,709,345**
Deferred tax expense recognised in profit or loss account					**147,164,242**
Deferred tax income recognised in OCI					**(183,825)**
					146,980,417
2022					
Property, plant and equipment	(2,647,000)	2,879,000	232,000	232,000	-
Right-of-use assets	(328,203,000)	(50,644,000)	(378,847,000)	-	378,847,000
Lease liabilities	332,085,000	21,394,000	353,479,000	353,479,000	-
Employee benefits	-	-			-
Provision against personal accounts	6,039,000	103,000	6,142,000	6,142,000	-
Provision for impairment loss on trade receivables	139,705,000	(268,000)	139,437,000	139,437,000	-
Unused tax losses	310,353,000	(166,143,000)	144,210,000	144,210,000	-
	457,332,000	(192,679,000)	264,653,000	643,500,000	378,847,000
Deferred tax expense recognised in profit or loss account					192,679,000
Deferred tax income recognised in OCI					(6,550,200)
					186,128,800

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29. Deferred tax assets/(liabilities) (continued)

B. Computation of deferred tax assets:

Deferred tax assets are arrived at as follows:

In taka	Carrying amount as at 31 December	Tax base amount as at 31 December	Taxable/ (deductible) temporary difference
	(i)	(ii)	(iii = i - ii)
2023			
Property, plant and equipment	**946,754,219**	**948,380,174**	**(1,625,955)**
Right-of-use assets	**2,158,708,201**	**-**	**2,158,708,201**
Lease liabilities	**(2,037,257,962)**	**-**	**(2,037,257,962)**
Provision against personal accounts	**(27,139,964)**	**-**	**(27,139,964)**
Provision for impairment loss on trade receivables	**(614,856,579)**	**-**	**(614,856,579)**
Unused tax losses	**-**	**-**	**-**
Applicable tax rate			**22.5%**
			(117,488,758)
Deferred tax income recognised in other comprehensive income			**(183,825)**
Deferred tax assets			**(117,672,583)**
2022			
Property, plant and equipment	799,759,166	800,788,339	(1,029,173)
Right-of-use assets	1,683,763,012	-	1,683,763,012
Lease liabilities	(1,571,017,727)	-	(1,571,017,727)
Provision against personal accounts	(27,299,374)	-	(27,299,374)
Provision for impairment loss on trade receivables	(619,721,935)	-	(619,721,935)
Unused tax losses	-	640,935,162	(640,935,162)
Applicable tax rate	-		22.5%
			(264,653,000)
Deferred tax income recognised in other comprehensive income			(6,550,200)
Deferred tax assets			**(271,203,200)**

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30. Lease liabilities

See accounting policy in Note 48(L).

A. Reconciliation of carrying amount

In taka	*Note*	2023	2022
Opening balance		**1,571,017,727**	1,475,935,473
Additions		**1,037,604,975**	530,833,518
Interest on lease liabilities as per IFRS 16	*11(B)*	**162,542,575**	146,500,100
Payment of lease liabilities (principal portion)		**(574,578,400)**	(435,751,264)
Payment of lease liabilities (Interest portion)		**(159,328,915)**	(146,500,100)
Closing balance		**2,037,257,962**	1,571,017,727

B. Balances in the statement of financial position

Non-current		**1,630,646,627**	1,127,565,079
Current		**406,611,335**	443,452,648
Closing balance		**2,037,257,962**	1,571,017,727
Maturity analysis			
6 months or less		**213,493,361**	243,020,439
6 - 12 months		**193,117,974**	200,432,209
1 - 5 years		**1,209,262,309**	852,934,023
More than 5 years		**421,384,318**	274,631,056
		2,037,257,962	1,571,017,727

C. Amounts recognised in profit or loss

Interest on lease liabilities as per IFRS 16	*11(B)*	**162,542,575**	146,500,100
Loss/(gain) due to remeasurement of leases	*9*	**3,043,379**	(7,217,465)
Depreciation of right-of-use assets as per IFRS 16	*19*	**561,599,962**	573,554,447
		727,185,916	712,837,082
Expenses related to non-lease components as per IFRS 16		**152,349,518**	109,436,255
Total expenses recognised in profit or loss as per IFRS 16		**879,535,434**	822,273,337

D. Amounts recognised in the statement of cash flows

Payment of lease liabilities (principal portion)		**574,578,400**	435,751,264
Payment of lease liabilities (Interest portion)		**162,542,575**	146,500,100
		737,120,975	582,251,364
Payment related to non-lease components as per IFRS 16		**152,349,518**	109,436,255
Total cash outflows for leases during the year		**889,470,493**	691,687,619

E. Disaggregation of total expenses

Rent for commercial space		**690,916,640**	630,829,007
Other rent (non commercial space), rate and taxes		**84,981,298**	96,819,979
		775,897,938	727,648,986
Vat on rent for commercial space		**103,637,496**	94,624,351
		879,535,434	822,273,337

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31. Trade and other payables

See accounting policy in Note 48(H).

In taka	*Note*	2023	2022
Trade payables to external parties	*31(A)*	**1,125,927,749**	472,241,686
Trade payables to related parties		**481,390,424**	603,198,089
Creditors for other finance	*31(B)*	**453,687,464**	494,438,156
Accrued expenses	*31(C)*	**461,769,933**	565,033,768
		2,522,775,570	2,134,911,699

A. Trade payables to external parties

Creditors for goods		**606,963,672**	123,275,491
Creditors for expenses	*31(A)(i)*	**518,964,077**	348,966,195
		1,125,927,749	472,241,686

i. Creditors for expenses

Payable to local suppliers	**248,834,251**	92,416,571
Payable to Global Footwear Services	**270,129,826**	256,549,624
	518,964,077	348,966,195

B. Creditors for other finance

Workers' profit participation fund	12	**39,797,585**	43,146,860
Personal accounts of employees and agents		**104,139,363**	104,839,245
Security and other deposits		**19,910,799**	21,242,792
Tax deducted at source		**99,337,368**	127,465,422
Salary and wages payable		**93,262,380**	92,940,520
Provident fund		**18,684,079**	10,808,291
Others		**78,555,890**	93,995,026
		453,687,464	494,438,156

C. Accrued expenses

Dividend	**86,867,600**	224,078,400
Royalty	**60,645,332**	50,569,130
Utility	**25,487,944**	19,069,434
Legal and audit fee	**8,816,000**	2,791,915
Salary and other benefits	**104,971,381**	102,901,557
Joint venture commission	**16,941,684**	18,682,084
Rent	**105,294,150**	95,160,900
Other accrued liabilities	**52,745,842**	51,780,348
	461,769,933	565,033,768

Non-current	**205,554,851**	322,938,146
Current	**2,317,220,719**	1,811,973,553
	2,522,775,570	2,134,911,699

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32. Unclaimed dividend

See accounting policy in Note 48(N).

In taka	*Note*	2023	2022
Opening balance		**10,303,914**	10,973,803
Additions		**157,217,806**	165,801,600
Payments		**(152,238,475)**	(166,471,489)
		15,283,245	10,303,914
Accrued interest		**2,752,651**	1,078,745
Closing balance		**18,035,896**	11,382,659

i. Aging analysis of unclaimed dividend (excluding interest)

For the year 2019		**-**	2,168,265
For the year 2020*		**492,193**	509,576
For the year 2021		**1,743,472**	1,836,880
For the year 2022		**6,154,034**	5,789,193
For the year 2023		**6,893,546**	-
Closing balance		**15,283,245**	10,303,914

*Final dividend for 2020 was approved at the 49th Annual General Meeting of the Company at 12 August 2021.

33. Contract liabilities

See accounting policy in Note 48(A).

Bata club loyalty points	*33(A)*	**17,978,663**	55,022,042
		17,978,663	55,022,042

A. Movement of contract liabilities

Opening balance		**55,022,042**	29,161,950
Points awarded during the year		**213,896,865**	183,623,458
Points redeemed during the year		**(29,162,638)**	(48,928,120)
Points expired during the year		**(221,777,606)**	(108,835,246)
Closing balance		**17,978,663**	55,022,042

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34. Current tax liabilities

See accounting policy in Note 48(D).

In taka	*Note*	2023	2022
Provision for tax	*34(A)*	**440,165,926**	398,494,446
Advance income tax	*34(B)*	**(156,992,890)**	(148,592,482)
		283,173,036	249,901,964

A. Provision for tax

Opening balance		**398,494,446**	322,818,799
Provision for the current year	*13(A)*	**208,000,000**	217,000,000
Adjustment of provision for tax on completion of assessment		**(166,328,520)**	(141,324,353)
Closing balance		**440,165,926**	398,494,446

B. Advance income tax

Opening balance	**148,592,482**	131,177,212
Tax paid during the year:		
- Income year ended 31 December 2023	**95,198,865**	-
- Income year ended 31 December 2022	**79,530,063**	86,798,457
- Income year ended 31 December 2021	-	69,444,536
- Income year ended 31 December 2020	-	-
- Income year ended 31 December 2017 and 2018	-	2,496,630
Adjustment of advance tax on completion of assessment	**(166,328,520)**	(141,324,353)
Closing balance	**156,992,890**	148,592,482

35. Related parties

A. Parent and ultimate controlling party

Bafin (Nederland) B.V has 70% shareholding of the Company which is fully owned by Compass Limited. As a result, the ultimate controlling party of the Company is Compass Limited.

B. Transactions with key management personnel

In taka	2023	2022
Short term employee benefits	**133,336,322**	132,678,308
Post employment benefits	**12,222,857**	8,741,446
	145,559,179	141,419,754

C. Other related party transactions

In taka

Nature of relationships	Nature of transactions	Transaction during the year		Balance outstanding	
		2023	2022	2023	2022
Parent of the Company	Dividend	**(416,556,000)**	(248,976,000)	**(86,867,600)**	(224,078,400)
Associated Companies	Purchase of goods	**(223,025,060)**	(195,652,435)	**(12,566,313)**	-
	Service received	**(9,814,431)**	(4,616,811)	**(9,362,027)**	(3,960,828)
	Sale of goods	**1,458,011**	-	-	-
	Service provided	**4,704,945**	313,792	**3,522,791**	-
	IT fees	**(56,707,808)**	(28,898,985)	**(36,090,853)**	(21,787,194)
	Trade mark license fees	**(417,113,160)**	(377,808,881)	**(423,371,232)**	(577,450,067)

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36. Remittance of foreign currency

Name of parties	Nature of transactions	Foreign currency	Foreign currency 2023	Foreign currency 2022	Local currency 2023	Local currency 2022
Bafin (Nederland) B.V.	Dividend	USD	-	217,658	-	21,546,000
Bafin (Nederland) B.V.	Dividend	EUR	**4,017,626**		**512,111,200**	
Global Footwear Services Pte. Ltd., Singapore	Management services fees	SGD	**2,380,000**	-	**189,805,364**	-
Wolverine World Wide Inc., USA	Royalty, Outsourcing fee and Shoe Sample	USD	**173,254**	372,792	**19,049,275**	36,277,394
Bata Brands S.A	Royalty and business development expenses	USD	**163,543**	1,368,936	**17,861,442**	142,542,317
Bata Brands S.a.r.l - Swiss Branch	Trade Mark License Fees	USD	**2,476,552**	1,280,536	**263,660,847**	122,918,624
Bata Brands S.a.r.l - Swiss Branch	Trade Mark License Fees	EUR	**1,811,218**	-	**209,832,796**	-
Aurelius Alpha International	Royalty and technical know how fees on Dr. Scholl Brand	EUR	**116,303**	148,516	**13,630,814**	14,844,082
Aurelius Alpha International	Technical know how fees	USD	-	6,915	-	679,039
Greentern Consulting Pte. Ltd.	Business Development	SGD	-	9,200	-	624,772
Greentern Consulting Pte. Ltd.	Business Development	USD	**2,290**	-	**249,603**	-
P.T SEPATU Bata TBK- Indonesia	Business Development	USD	-	5,027	-	502,920
Pazo Inc.	Business Development	USD	**9,165**	16,659	**1,012,733**	1,567,097
Bata Shoe (Singapore) Pte. Ltd.	Business Development	USD	**4,770**	-	**524,726**	-
Turner Broadcasting System Asia Pacific	Business Development	USD	**52,000**	-	**5,559,680**	-
Seventh Triangle Consulting Private Limited	Business Development	USD	-	2,600	-	259,090
Velocis Systems Private Limited	Service and Maintenance Fees	USD	**6,222**	24,031	**677,268**	2,475,214
Wills Towers Watson India Private Limited	Fees for Professional Services	USD	-	3,200	-	275,200
Easy Rewardz PTE Ltd	Business Development	USD	-	53,863	-	5,581,232
Easy Rewardz PTE Ltd	Business Development	EUR	**209,777**	-	**25,288,589**	-
			11,422,720	3,509,933	**1,259,264,337**	350,092,981

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37. Earnings in foreign currency

In taka	2023	2022
Export of shoes and other footwear goods	**2,711,054**	4,583,565

38. Earnings per share

Profit/(losses) attributable to the ordinary shareholders	**400,989,873**	410,111,333
Weighted average number of ordinary shares outstanding	**13,680,000**	13,680,000
	29.31	29.98

39. Net Asset Value (NAV) per share

Net asset value	**3,254,822,626**	3,449,545,928
Weighted average number of ordinary shares outstanding	**13,680,000**	13,680,000
	237.93	252.16

40. Net Operating Cash Flow Per Share (NOCFPS)

Net operating cash flow	**1,283,215,948**	1,475,309,723
Weighted average number of ordinary shares outstanding	**13,680,000**	13,680,000
	93.80	107.84

i. Reconciliation of net operating cash flows

Profit for the year	**400,989,873**	410,111,333
Adjustment for:		
Depreciation on property, plant and equipment	**156,314,114**	148,491,034
Depreciation on right-of-use assets	**561,599,962**	573,554,447
Amortisation of intangible assets	**45,914**	-
Net finance costs	**80,410,261**	215,927,494
Other loss	**(5,603,723)**	(44,209,080)
Tax expenses	**355,164,242**	409,679,000
	1,147,930,770	1,303,442,895
Cash generated before changes in working capital	**1,548,920,643**	1,713,554,228
Changes in working capital:		
- Inventories	**(362,802,600)**	(258,386,975)
- Trade and other receivables	**(6,573,232)**	31,492,372
- Advances, deposits and prepayments	**52,496,217**	(101,955,582)
- Trade and other payables	**505,247,166**	495,994,334
- Contract liabilities	**(37,043,379)**	25,860,092
Total changes in working capital	**151,324,172**	193,004,241
Interest Received	**74,888,011**	48,065,436
Interest paid	**(277,328,950)**	(262,902,559)
Income tax paid	**(174,728,928)**	(158,739,623)
Cash payments for defined benefit plan	**(39,859,000)**	(57,672,000)
Net cash generated from operating activities	**1,283,215,948**	1,475,309,723

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41. Financial instruments - Fair values and risk management

See accounting policy in Note 48(H).

A. Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2023 *In taka*	*Note*	**Financial assets at amortised cost**	**Other financial liabilities**	**Total**
Financial assets not measured at fair value				
Trade and other receivables	*22*	**15,389,958**	-	**15,389,958**
Advances, deposits and prepayments	*23*	**413,754,977**	-	**413,754,977**
Cash and cash equivalents	*24*	**979,690,893**	-	**979,690,893**
		1,408,835,828	-	**1,408,835,828**
Financial liabilities not measured at fair value				
Lease liabilities	*30*	-	**(2,037,257,962)**	**(2,037,257,962)**
Trade and other payables	*31*	-	**(2,522,775,570)**	**(2,522,775,570)**
		-	**(4,560,033,532)**	**(4,560,033,532)**
31 December 2022				
Financial assets not measured at fair value				
Trade and other receivables	*22*	8,816,726	-	8,816,726
Advances, deposits and prepayments	*23*	321,377,166	-	321,377,166
Cash and cash equivalents	*24*	1,265,057,145	-	1,265,057,145
		1,595,251,037	-	1,595,251,037
Financial liabilities not measured at fair value				
Lease liabilities	*30*	-	(1,571,017,727)	(1,571,017,727)
Trade and other payables	*31*	-	(2,134,911,699)	(2,134,911,699)
		-	(3,705,929,426)	(3,705,929,426)

The Company has not disclosed the fair values for financial instruments such as trade and other receivables, cash and cash equivalents, advances, deposits and prepayments, trade and other payables and lease liabilities because their carrying amounts are a reasonable approximation of fair values.

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41. Financial instruments - Fair values and risk management (continued)

B. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:
- credit risk (see (B)(ii));
- liquidity risk (see (B)(iii)); and
- market risk (see (B)(iv)).

i. Risk management framework

The Company's management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and control, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

ii. Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the statement of financial position date was:

In taka	*Note*	2023	2022
Trade receivables from external parties	22	**5,542,509**	2,667,388
Deposits	23	**301,620,432**	215,273,846
Bank balances	24	**979,346,997**	1,264,871,797
		1,286,509,938	1,482,813,031

i. Trade and other receivables

Gross receivables	22	**620,399,088**	622,389,323
Provision for impairment loss	22	**(614,856,579)**	(619,721,935)
		5,542,509	2,667,388

Ageing of receivable from customers

0-30 days	**4,935,615**	1,439,201
31-90 days	**-**	561,074
91-180 days	**-**	282,253
181-365 days	**1,213,790**	523,448
Over 365 days	**614,249,683**	619,583,347
	620,399,088	622,389,323

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41. Financial instruments - Fair values and risk management (continued)

B. Financial risk management (continued)

ii. Credit risk (continued)

Provision for impairment loss on trade receivables

31 December 2023	Expected credit loss rate	Estimated gross carrying amount at default	Expected Credit loss (In taka)
0-30 days	**1.55%**	**4,935,615**	**76,469**
31-90 days	**6.94%**	-	-
91-180 days	**5.88%**	-	-
181-365 days	**43.70%**	**1,213,790**	**530,426**
Over 365 days	**100.00%**	**614,249,683**	**614,249,683**
		620,399,088	**614,856,579**

31 December 2022	Expected credit loss rate	Estimated gross carrying amount at default	Expected Credit loss (In taka)
0-30 days	1.56%	1,439,201	22,385
31-90 days	6.94%	561,074	38,939
91-180 days	5.88%	282,253	16,596
181-365 days	11.59%	523,448	60,668
Over 365 days	100.00%	619,583,347	619,583,347
		622,389,323	619,721,935

ii. Cash and cash equivalents

Bank balances	*24*	**979,346,997**	1,264,871,797
		979,346,997	1,264,871,797

The bank balances of the Company are held with banks which are rated AAA, AA+ and AA by Credit Rating Agency of Bangladesh.

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41. Financial instruments - Fair values and risk management (continued)

B. Financial risk management (continued)

iii. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company maintains sufficient cash and cash equivalents to meet expected operational expenses for periods which the Company thinks appropriate. The Company also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted such as natural disasters. Moreover, the Company may also get support from the parent in the form of shareholder's loan/capital contribution to ensure payment of obligation in the event that there is insufficient cash to make the required payment.

Exposure to liquidity risk

The followings are the remaining contractual maturities of financial liabilities at the reporting date:

2023			Contractual cash flows				
In taka	*Note*	Carrying amount	Total	6 months or less	6 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial liabilities							
Lease liabilities	*30*	**2,037,257,962**	**2,037,257,962**	**213,493,361**	**193,117,974**	**1,142,774,274**	**487,872,353**
Trade and other payables	*31*	**2,522,775,570**	**2,522,775,570**	**2,019,881,168**	**297,339,550**	**104,139,364**	**101,415,488**
		4,560,033,532	**4,560,033,532**	**2,233,374,529**	**490,457,524**	**1,246,913,638**	**589,287,841**

2022			Contractual cash flows				
In taka	*Note*	Carrying amount	Total	6 months or less	6 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial liabilities							
Lease liabilities	*30*	1,571,017,727	1,571,017,727	243,020,439	200,432,209	852,934,023	274,631,056
Trade and other payables	*31*	2,134,911,699	2,134,911,699	1,345,819,732	466,153,821	114,097,443	208,840,703
		3,705,929,426	3,705,929,426	1,588,840,171	666,586,030	967,031,466	483,471,759

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41. Financial instruments - Fair values and risk management (continued)

B. Financial risk management (continued)

iv. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Company is exposed to currency risk on sales and purchases with foreign customers and suppliers including Bata Group (globally) and on royalty payment. Majority of the Company's foreign currency transactions are denominated in USD. The Company maintains USD bank account where all receipts are deposited and all corresponding payments are made.

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

Foreign currency			**2023**			**2022**
denominated	**USD**	**SGD**	**EURO**	**USD**	**SGD**	**EURO**
Trade and other receivables	**32,025**	-	-	-	-	-
Bank balances	**25,976**	-	-	41,350	-	-
	58,001	-	-	41,350	-	-
Foreign currency denominated						
Trade and other payables	**(3,897,307)**	**(3,241,314)**	**(18,205)**	(5,449,587)	(1,627,324)	-
Net exposure	**(3,839,306)**	**(3,241,314)**	**(18,205)**	(5,408,237)	(1,627,324)	-

Payable to other entities represents payable for Global footwear service fees, IT fees etc. The Company has net foreign exchange gain amounting to Taka 19,186,303 during the year ended 31 December 2023.

41. Financial instruments - Fair values and risk management (continued)

B. Financial risk management (continued)

iv. Market risk (continued)

The following significant exchange rates are applied during the year:

In taka	Average rate		Reporting date	
	2023	**2022**	**2023**	**2022**
US Dollar 1	**108.60**	93.78	**110.00**	102.72
Euro 1	**117.97**	98.20	**122.18**	111.02
Singapore Dollar 1	**81.01**	67.82	**83.34**	77.53

Foreign exchange rate sensitivity analysis for foreign currency expenditures

A strengthening (weakening) of the Taka, as indicated below, against the USD, Euro and SGD at 31 December would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2022, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below:

	Profit or loss		Equity	
	Increase	Decrease	Increase	Decrease
At 31 December 2023				
USD (5 percent movement)	**15,049,920**	**(13,616,595)**	**15,049,920**	**(15,049,920)**
Euro (5 percent movement)	**105,839**	**(95,759)**	**105,839**	**(105,839)**
SGD (5 percent movement)	**2,976,750**	**(2,693,250)**	**2,976,750**	**(2,976,750)**
At 31 December 2022				
USD (1 percent movement)	5,932,518	(5,932,518)	5,932,518	(5,932,518)
Euro (1 percent movement)	178,654	(178,654)	178,654	(178,654)
SGD (1 percent movement)	1,989,029	(1,989,029)	1,989,029	(1,989,029)

Interest rate risk

The interest bearing financial instrument for the Company is the short term deposit (STD) account and Fixed Deposit Receipts (FDR) maintained by the Company with its commercial banks. These are highly liquid and very short term deposits with nominal interest rate. Interest rate fluctuation for such investment have little impact on financial statements. Therefore, interest rate risk for the Company is insignificant.

Commodity risk

Commodity risk refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities. As the Company purchases MS wire, blended power, calcium carbide and other raw materials, it is exposed to risks arising from the purchase of these materials for use in production. Commodity price risk is managed by supply contracts with suppliers.

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42. Contingent liabilities
See accounting policy in Note 48(S).

In taka	2023	2022
Letter of credit:		
Eastern Bank Ltd	**100,351,064**	105,223,907
The Hongkong and Shanghai Banking Corporation Limited	**-**	10,129,935
Dutch-Bangla Bank Limited	**54,274,502**	55,757,969
Standard Chartered Bank	**63,486,000**	-
	218,111,566	171,111,811
Bank Guarantee:		
Eastern Bank Ltd	**12,197,110**	11,769,251
Unresolved disputed tax and VAT cases	**813,380,212**	762,709,000
	1,043,688,888	945,590,062

The Company appealed before the High Court Division of the Supreme Court of Bangladesh against the Tribunal order and other lower courts respectively demanding a net claim of tax liability of Taka 245 million for the assessment years from 2000 to 2011.

The Company filed before the High Court Division of the Supreme Court of Bangladesh and other stages against the Tribunal order and other lower courts respectively demanding a claim of total VAT liability of Taka 568 million for the assessment years from 2001 to 2019.

43. Capital expenditure and financial commitment

Commitments of the Company is Taka 32,614,477 as on 31 December 2023 (2022: Nil) for capital expenditures.

Commitments of the Company is Taka 1,511,899,623 as on 31 December 2023 (2022: Taka 656,236,648) for purchase of raw materials, finished goods and services.

44. Numbers of employees

The number of employees engaged for the whole period or part there of who received a total remuneration of Taka 36,000 or more per annum was 1,097 (2022: 1,107).

45. Events after the reporting date
See accounting policy in Note 48(T).

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46. Significant deviations

A. Revenue and profit for the year 2023

In 2023, Bangladesh experienced a mixed economic landscape characterized by both challenges and opportunities. Despite facing hurdles such as inflationary pressures, the business had achieved and maintained the same level of turnover than last year. Due to some cost initiatives, the cost of sales was 3% lower during this year. Besides, operating expenses increased by almost 11% due to inflation during the year.

B. Other loss for the year 2023

Other loss increased significantly compare to last year mainly because of net loss on modification due to early closure of leases during the year.

C. Net finance costs for the year 2023

Net finance costs decreased significantly compare to last year mainly because of net foreign exchange gain earned this year which was foreign exchange loss last year.

D. Income tax expense for the year 2023

Income tax expense decreased compare to last year mainly because of lower profit than last year and impact of adjusted unused tax losses during the year.

F. Trade and other receivables

Trade and other receivables increased compare to last year mainly because of interest receivable on 3-month period investments.

E. Cash and cash equivalents

Cash and cash equivalents decreased significantly compare to last year mainly because of global fees which was highly due last year due to restriction over foreign payments for shortage in foreign currency reserve of Central Bank.

F. Net operating cash flow per share (NOCFPS)

Net operating cash flow per share decreased compare to last year because of various payments to suppliers and contractors for goods and services during the year. Cash payments to suppliers and contractors for goods and services was affected with inflation that resulted in operating cash flow for the business.

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47. Basis of measurement

The financial statements have been prepared on the historical cost basis.

48. Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow:

A. Revenue recognition
B. Finance income and finance expenses
C. Employee benefits
D. Income tax
E. Property, plant and equipment
F. Intangible Assets
G. Foreign currency
H. Financial instruments
I. Impairment
J. Inventories
K. Provisions
L. Leases
M. Earnings per share
N. Dividend distribution
O. Segment reporting
P. Duty drawback
Q. Sales proceeds from wastage and scrap etc.
R. Going concern
S. Contingent liabilities
T. Events after the reporting period

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48. Significant accounting policies (continued)

A. Revenue recognition

Revenue from sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of discounts, incentives, Value Added Tax (VAT) and loyalty points earned by customers on the Company's sales.

The Company recognizes revenue when a contractual performance obligation is fulfilled by transferring control over the promised goods to a customer provided that collectability of the consideration is probable.

(i) Information about its performance obligations

The Company typically satisfies its performance obligations which are as follows:

Nature	When the Company typically satisfies its performance obligations
Retail	Upon acceptance and paying for goods by customers at retail stores.
Wholesale	Upon acceptance of goods at depots and/or distribution centers by the dealers (i.e. point of dispatching from depot and/or distributor's gate).
E-commerce	Upon delivery to customers.
Export sales	Free on board.

(ii) Obligations in relation to repair or replace

It is the Company's policy to sell its goods to the customers with a right to repair or replace within 30 days. The Company's obligation to replace faulty goods under the warranty period is recognized as provision as per IAS 37 *"Provisions, Contingent Liabilities and Contingent Assets"*.

(iii) Bata club loyalty points

The Company operates a loyalty program where retail customers accumulate points for purchases made which entitle them to discount on future purchases. A contract liability for the award points is recognized at the time of the sale. Revenue is recognized when the points are redeemed or when they expire 12 months after the initial sale. A contract liability is recognized until the points are redeemed or expire.

B. Finance income and finance expenses

Finance income comprises interest income on funds invested and recognized in profit or loss. Interest income is recognized on accrual basis.

Finance expense comprises interest expense on overdraft, lease, defined benefit liability and exchange differences. All finance expenses are recognized in profit or loss.

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48. Significant accounting policies (continued)

C. Employee benefits

The Company maintains both defined contribution plan and defined benefit plan for its eligible permanent employees. The eligibility is determined according to the terms and conditions set forth in the respective deeds.

i) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(a) Provident fund

The Company maintains three recognized provident funds for its permanent employees categorized as managers, officers and workers. Members, upon confirmation as regular employment of the Company, are required by the Company to join one of the three provident funds as per their "Grade/Designation". The eligible members of these three funds contribute 8% to 10.50% of their basic salary and the Company makes the equal contribution to these funds. Members of these funds become eligible to receive the Company's contribution upon completion of 2 years of continuing services with the Company. These funds are administered by the separate boards of trustees.

The Company recognizes the contribution to the defined contribution plan as an expense when an employee has rendered services in exchange for those contributions. The legal and constructive obligation is limited to this amount and it agrees to the fund contribution.

To pursuant the directive from Financial Reporting Council (FRC), each board of trustees returns the forfeited amounts from the fund to the Company at the year end and the amounts are dully recognized as other income by the Company in profit or loss.

(b) Managerial Staff pension fund

The Company maintains funded managerial staff pension scheme for management employees which is a defined contribution plan. Members, upon confirmation as regular employment of the Company, are required by the Company to join the pension fund in which only members contribute 20% of their basic salary. Members of this scheme become eligible to receive pension upon completion of 10 years of continuing services with the Company. This fund is administered by a separate board of trustees.

ii) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years.

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48. Significant accounting policies (continued)

C. Employee benefits (continued)

Gratuity scheme

The gratuity scheme has been converted from unfunded to funded one and applicable to all its employees. The Company contributes to the fund as per Bangladesh Labour Act 2006 amended in 2013 for the eligible employees from the date of joining. The fund is managed by a Board of Trustees. Members of this scheme become eligible to receive gratuity upon completion of 12 months continuing services with the Company. The gratuity scheme is considered as defined benefit plan as it meets the recognition criteria. The company's obligation is to provide the agreed benefits to current and former employees.

The net defined benefit liability or asset in respect of gratuity scheme is recognized in the statement of financial position which is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by a professional actuary. Projected Unit Credit method is used to measure the present value of defined benefit obligations and related current and past service cost by using mutually compatible actuarial assumptions about demographic and financial variables.

Current service cost, past service cost, amortization of past service cost, gain/loss on settlements and curtailments and net interest on the defined benefit liability and asset are recognized in profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the year in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the statement of financial position.

c) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Workers' Profit Participation Fund (WPPF)

The Company provides 5% of its profit before charging such expense as WPPF in accordance with "The Bangladesh Labour Act 2006 (amended in 2013)".

D. Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

(i) Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Bata qualifies as a "Publicly Traded Company" hence the applicable tax rate is 22.5%.

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48. Significant accounting policies (continued)

D. Income tax (continued)

(ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

E. Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment, excluding land, are measured at cost less accumulated depreciation and accumulated impairment losses. Land is measured at amount revalued in 1979.

Cost includes expenditures that are directly attributable to the acquisition of assets. The cost of self-constructed assets (i.e. show rooms and office and factory buildings) includes the following:

- the cost of materials and direct labour;
- any other cost directly attributable to bringing the asset to a working condition for the intended use;
- when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalized borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

ii) Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance is expensed as incurred.

iii) Depreciation

Items of property, plant and equipment except land are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component.

Addition during the year of property, plant and equipment is depreciated when an asset is available for use, while no depreciation is charged in the month of disposal.

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48. Significant accounting policies (continued)

E. Property, plant and equipment (continued)

The estimated useful lives for the current and comparative year of property, plant and equipment are as follows:

	2023	2022
Buildings	40	40
Plant and machineries	13.33	13.33
Vehicles	5	5
Computer and computer equipments	4	4
Furniture, fixtures and office equipment	6.67-13.33	6.67-13.33

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

iv) Under construction

Property, plant and equipment that is being under construction/ acquisition is accounted for as capital work in progress until available for use and measured at cost.

F. Intangible Assets

i) Recognition and measurement

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment loss, if any. Intangible asset is recognised when all the conditions for recognition as per IAS 38: Intangible Assets are met. The cost of an intangible asset comprises its purchase price, import duties and non-refundable taxes, after deducting trade discount and rebates, and any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the intended manner. Intangible assets include IT software.

An intangible asset is measured initially at cost. After initial recognition, an intangible asset is carried at its cost less accumulated amortisation and accumulated impairment losses.

ii) Subsequent costs

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognised in the statement of profit or loss and other comprehensive income when incurred.

iii) Amortisation

Amortisation is recognised in the statement of profit or loss and other comprehensive income on a straight line basis over the estimated useful lives of intangible assets. The intangible asset is amortised from the following month of its capitalisation.

The estimated useful lives for the current and comparative year of intangible assets are as follows:

	2023	2022
Software	3	3

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48. Significant accounting policies (continued)

G. Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies on the reporting date are retranslated to the functional currency using the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate on the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate on the date of the transaction.

Foreign currency differences arising on translation are recognized in profit or loss.

H. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

(a) Initial recognition

The Company initially recognizes financial assets in its statements of financial position when the Company becomes a party to the contractual provisions of the instrument.

(b) Derecognition

The Company derecognizes a financial asset when the contractual rights or probabilities of receiving the cash flows from the asset expire, or it transfers the contractual rights to receive the cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

(c) Classification and measurement of financial assets

The classification and measurement of financial assets is based on the basis of both:

- the entity's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial assets.

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48. Significant accounting policies (continued)

H. Financial instruments (continued)

i) Financial assets (continued)

Three measurement classifications for financial assets have been established which are amortized cost, fair value through other comprehensive income and fair value through profit and loss. These measurement classifications align with the following three business models available under IFRS 9:

- Hold to collect– Financial assets held with the objective to collect contractual cash flows;
- Hold to collect and sell– Financial assets held with the objective to collect contractual cash flows and sell;
- Other– Financial assets held for trading or assets that do not meet the criteria for either 'Hold to collect' or 'Hold to collect and sell'. Financial assets designated as trading and are held with an objective to sell the assets in the short term.

For purposes of determining the measurement classification, financial assets under the 'Hold to collect' and 'Hold to collect and sell' business model require an assessment to determine whether the cash flows are solely payments of principal and interest (SPPI). Basic lending arrangements with limited volatility in cash flows typically have contractual cash flows that are SPPI; however, other factors should be considered in making this determination, such as whether interest payments provide only a consideration for the passage of time associated with time value of money.

Financial assets under a 'Hold to collect' business model, with contractual cash flows that are SPPI, are classified and measured at amortized cost. Financial assets under a 'Hold to collect and sell' business model, with contractual cash flows that are SPPI, are classified and measured at fair value through other comprehensive income (FVOCI).

Financial assets that have contractual cash flows that are not SPPI, are designated as trading or do not fit the business model criteria for 'Hold to collect' and 'Hold to collect and sell' are measured at fair value through profit and loss (FVTPL).

Based on the above, recognition and measurement relies on amortized cost, fair value through profit or loss and fair value through other comprehensive income.

Financial assets currently being used by the Company are as follows:

(d) Initial measurement

Cash and cash equivalents

Cash and cash equivalents, except cash in hand, comprise of cash balances and all cash deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Trade and other receivables

At initial recognition, the Company measures trade and other receivables at their transaction price.

Security and other deposits

At initial recognition, the Company measures security and other deposits at its fair value plus or minus transaction costs that are directly attributable to the acquisition.

(e) Subsequent measurement of financial assets

The Company classifies its financial assets as subsequently measured at amortized cost.

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48. Significant accounting policies (continued)

H. Financial instruments (continued)

ii) Financial liabilities

Financial liabilities are recognized when its contractual obligations arising from past events are certain and settlement of which is expected to result in an outflow of resources embodying economic benefits from the Company.

(a) Initial recognition

The Company initially recognizes financial liabilities in its statements of financial position when the Company becomes a party to the contractual provisions of the instrument.

(b) Derecognition

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

(c) Classification and measurement of financial liabilities

Financial liabilities currently being used by the Company which are creditors for goods, creditors for expenses, creditors for other finance, accrued expenses and lease liabilities which are measured in the following way.

(d) Initial measurement

At initial recognition, the Company measures its financial liabilities at its fair value plus or minus transaction costs that are directly attributable to the acquisition.

(e) Subsequent measurement of financial liabilities

The Company classifies its financial liabilities as subsequently measured at amortized cost.

Trade and other payables

The Company recognizes a financial liability when its contractual obligations arising from past events are certain and the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

I. Impairment

(i) Financial assets

A loss allowance for expected credit loss (ECL) on financial assets has been calculated as permitted by IFRS-9, that are measured at amortized cost. The Company measures loss allowance on financial assets at an amount equal to the lifetime expected credit losses. At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition by comparing the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition considering reasonable and supportable information, that is available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and forward-looking information. Regardless the Company also assesses significant increases in credit risk on trade receivables when contractual payments are past due over 30-60 days which is the maximum period over which the Company is exposed to credit loss.

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48. Significant accounting policies (continued)

I. Impairment (continued)

Measurement of expected credit loss

The Company measures expected credit loss of a financial asset which is a probability-weighted amount and determined by considering time value of money using effective interest rate of the financial asset (i.e. the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive discounted at the original effective interest rate). Regardless, the Company recognizes 50% impairment provision on trade receivables when contractual payments from customers are past due over 180 days and recognizes 100% impairment provision on trade receivables when contractual payments from customers are past due over 365 days, on collective basis.

(ii) Non-financial assets

The recoverable amount of an asset is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or Cash Generating Unit (CGU). For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amount of the assets in the CGU on a pro rata basis. However, no impairment losses arose and reported in 2023.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. No such impairment loss arose in 2023 as well.

J. Inventories

Inventories except raw material in transit are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

During the year 2021, the Company conducted a review of its inventory policy to align with the Group. As per IAS 2, every cost to bring the inventory to its final stage should be included in the inventory valuation. According to the Group policies, freight costs between internal warehouses and retail stores represent an unavoidable part of the supply chain in getting inventories to their present location and condition. Therefore, the Company has decided to include these freight costs in the cost of inventory (e.g. capitalize and recognize as Cost of Sales when sold).

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48. Significant accounting policies (continued)

K. Provisions

A provision is recognized if, as a result of past event, the Company has a present legal or constructive obligation that can reliably be estimated, and it is probable that an outflow of economic benefits will be required to settle the obligation.

L. Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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48. Significant accounting policies (continued)

L. Leases (continued)

(ii) Right-of-use assets

From 1 January 2019, IFRS 16 has been adopted and all leasing arrangements except those having less than 12 months of useful life and underlying asset values of less than Taka 425,000 when new, have been capitalized as "right-of-use" asset with a corresponding financial liability on the financial position.

Leased assets are capitalized from the start date of the lease agreement at the present value of the future leased payments, based on the rate of interest entered in the asset master data. Low value (< Taka 425,000) and short term leases (<12months) have been excluded from the recognition requirements and expensed in operating profit as rental costs. Lease reassessment and lease modification to increase/decrease the value of an asset depending on a change in scope of lease agreement can be made if necessary.

The asset is written off on a straight-line basis over the tenure of the lease agreements. Hence, the useful life of any lease assets depends on the number of periods the assets can be used. The useful life of such assets are dependent on individual agreement and can vary from one agreement to another.

The Company recognizes a right-of-use asset at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liabilities. When a right-of-use asset meets the definition of investment property, it is presented in investment property.

iii) Short-term leases and leases of low-value assets

The Company does not apply the recognition and measurement requirements of IFRS 16 to short-term leases (leases of less than 12 months maximum duration). It also does not apply the recognition and measurement requirements of IFRS 16 to leases for which the underlying assets are low value (i.e. less than Taka 425,000 when new). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

M. Earnings per share

The Company presents its basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any. However, dilution of EPS is not applicable for these financial statements as there was no potential dilutive ordinary shares at the reporting date.

48. Significant accounting policies (continued)

N. Dividend distribution

The Board of Directors has established a dividend policy, which forms the basis for the proposals on dividend payments that it makes to the shareholders taking into consideration the business performance of the Company and its strategic initiatives. The Board believes that it is in the best interest of the Company to draw up a long-term and predictable dividend policy. The objective of the policy is to allow the shareholders to make informed investment decisions. The Board has approved the following dividend policy:

(i) The Board shall recommend interim/final and cash/stock dividends to the shareholders, which shall be subject to the approval of the shareholders at Annual General Meetings of the Company.

(ii) The Company may issue bonus share as a part of a stock dividend in any financial year, subject to approval from the board and Company's shareholders at the Annual General Meeting.

(iii) Dividends shall be paid only out of current profits and/or past profits after providing for depreciation and setting off losses if any subject to the company's business performance and cash availability.

The Company shall aim for as frequent dividend distribution as possible to the consistent growth in dividend pay-out. Management monitors the return on capital, as well as the level of dividends to ordinary shareholders.

O. Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's management to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

P. Duty drawback

Duty drawback claimed on export sales is adjusted against cost of imported raw materials.

Q. Sales proceeds from wastage and scrap etc.

Sales of empty drum of chemicals, split leather and other wastage of materials have been adjusted with cost of raw materials consumed.

R. Going concern

The financial statements of the Company are prepared on a going concern basis. As per management assessment there are no material uncertainties related to events or conditions which may cast significant doubt upon Company's ability to continue as a going concern.

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48. Significant accounting policies (continued)

S. Contingent liabilities

Contingent liability is a possible obligation that arises from past events, the existence of which 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; or a present obligation that arises from past events but is not recognized because 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.

The Company discloses contingent liability in the financial statements. A provision is recognized in the period in which the recognition criteria of provision is met.

T. Events after the reporting period

The Board of Directors, at its 263rd meeting held on 24 April 2024, proposed Taka 10.50 per share amounting to a total of Taka 143,640,000 as final dividend for the year ended 31 December 2023 which represents 105% of the paid-up capital. This dividend is subject to final approval by the shareholders at the forthcoming Annual General Meeting of the Company. Besides, the Company has already declared and paid an interim dividend of Taka 33 per share amounting to a total of Taka 451,440,000 as interim dividend during the year which represents 330% of the paid-up capital. Thus, both dividends will make a total dividend of 435% of paid up capital which is 43.50 per share amounting to Taka 595,080,000 for the year ended 31 December 2023.

49. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. However, this is not an exhaustive list of all the standards issued, the following are the standards which according to the assessment of the Company is most likely to be applicable.

A. Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after 1 January 2024. The Company is currently assessing the impact the amendments will have on current practice.

B. Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after 1 January 2024. The Company is currently assessing the impact the amendments will have on current practice.

B. Other accounting standards

The following new and amended accounting standards are not expected to have a significant impact on the Company's financial statements

- *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*
- *Lack of Exchangeability (Amendments to IAS 21)*

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Bata Shoe Company (Bangladesh) Limited *Annexure-1*

Statement of Profit or Loss and Other Comprehensive Income by Manufacturing and Trading

For the year ended 31 December 2023 *In taka*	Manufacturing	Trading	2023	2022
Revenue	**8,415,121,859**	**1,462,569,199**	**9,877,691,058**	9,855,149,560
Cost of sales	**(4,509,215,916)**	**(832,619,715)**	**(5,341,835,631)**	(5,484,329,442)
Gross profit	**3,905,905,943**	**629,949,484**	**4,535,855,427**	4,370,820,118
Other loss	**(27,910,829)**	**-**	**(27,910,829)**	(19,213,497)
Operating expenses	**(3,131,896,309)**	**(505,116,225)**	**(3,637,012,534)**	(3,273,931,953)
Reversal of impairment loss on trade receivables	**5,429,897**	**-**	**5,429,897**	1,190,019
Operating profit	**751,528,702**	**124,833,259**	**876,361,961**	1,078,864,687
Finance income	**81,009,068**	**13,065,246**	**94,074,314**	48,065,436
Finance costs	**(150,251,777)**	**(24,232,798)**	**(174,484,575)**	(263,992,930)
Net finance costs	**(69,242,709)**	**(11,167,552)**	**(80,410,261)**	(215,927,494)
Profit before tax and contribution to WPPF	**682,285,993**	**113,665,707**	**795,951,700**	862,937,193
Contribution to WPPF	**(34,114,300)**	**(5,683,285)**	**(39,797,585)**	(43,146,860)
Profit before tax	**648,171,693**	**107,982,422**	**756,154,115**	819,790,333
Income tax expense	**(280,141,328)**	**(75,022,914)**	**(355,164,242)**	(409,679,000)
Profit for the year	**368,030,365**	**32,959,508**	**400,989,873**	410,111,333
Other comprehensive loss, net of tax	**(545,238)**	**(87,937)**	**(633,175)**	(22,561,800)
Total comprehensive income	**367,485,127**	**32,871,571**	**400,356,698**	387,549,533

Debabrata Mukherjee

Debabrata Mukherjee
Managing Director

K. M. Rezaul Hasanat
Director

Elias Ahmed
Finance Director

Riajur Reza Muhammad Faisal
Company Secretary

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