

# **CORPORATE INFORMATION**

## **Board of Directors**

Mr. Fernando Garcia	Chairman
Mr. M. Imran Malik	Chief Executive
Mr. M. G. Middleton	Director
Mr. Carlos Gomez	Director & Chief Financial Officer
Mr. Muhammad Ali Malik	Director
Mr. Fakir Syed Aijazuddin	Director
Mr. Ijaz Ahmad Chaudhry	Director
Mr. S. M. Ismail	Director
Mr. Shahid Anwar (Nominee of NIT)	Director
Mr. Istaqbal Mehdi (Nominee of NIT)	Director

## **Audit Committee**

Mr. Fakir Syed Aijazuddin	Chairman
Mr. Ijaz Ahmad Chaudhry	Member
Mr. M. G. Middleton	Member

## **Company Secretary**

Mr. S. M. Ismail

## **Auditors**

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants  
Mall View Building, 4 - Bank Square  
P.O. Box No. 104,  
Lahore.

## **Legal Advisor**

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

## **Stock Exchange Listing**

Bata Pakistan Limited is listed on Karachi and Lahore Stock Exchanges.

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

## **Bankers**

Habib Bank Limited  
Habib Metropolitan Bank Limited  
MCB Bank Limited  
Bank Al Habib Limited  
National Bank of Pakistan Limited  
Summit Bank Limited  
United Bank Limited  
Silk Bank Limited  
Barclays Bank PLC

## **Registered Office**

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

## **Share Registrar**

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

## **Factories**

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

**Maraka,**  
26 - Km, Multan Road,  
Lahore.

## **Liaison Office**

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

# **DIRECTORS' REVIEW**

It is my pleasure to present the un-audited Condensed Interim Financial Information and brief review of the Company's operations for the nine months ended 30 September 2011.

The company continues to sustain growth trend in turnover that it carried previously. Net turnover in the period under review was Rs. 7.261 billion as compared to Rs. 6.119 billion for the corresponding period of last year. Increase in raw material prices and changes in sales tax laws adversely affected our margins, the impact of which could not be fully passed on to customers. As a result, profit after tax decreased from Rs. 683.983 million to Rs. 623.926 million and earning per share decreased from Rs. 90.47 to Rs. 82.53.

Our production facilities at Batapur and Maraka produced 8.95 million pairs as compared to 9.04 million pairs in the same period of last year. Our investment in many new moulds made during this period is also being rewarded as the majority have proved to be winners in the marketplace.

Our precedence remains to satisfy the demand of our valued customers and provide them with services exclusively and efficiently. In order to maintain our role as a leader in Footwear Industry, an amount of Rs. 39.754 million has been spent to open fourteen new stores at key business locations and ten stores have been uplifted with major renovations while four non profitable stores have been closed. Besides this, the Company is actively pursuing performance enhancement systems through technology upgradations for better inventory management and prompt services.

The Company's HR activities are focused on building talent. Training programs were organized to enhance leadership potential at managerial level to meet the future challenges. We have recruited new potential persons to take up important roles in the coming years.

We remain confident as regards to our prospects for the remaining year, despite the highly competitive marketing environment. We look forward to continued support from all our stakeholders to achieve the objectives for the year 2011.

On behalf of the Board

Batapur:  
Lahore: 20 October 2011

**(M. IMRAN MALIK)**  
Chief executive

**CONDENSED INTERIM BALANCE SHEET  
AS AT 30 SEPTEMBER 2011**

		<u>(UN - AUDITED)</u> 30 September 2011 Rs. '000	<u>(AUDITED)</u> 31 December 2010 Rs. '000
	<u>Note</u>		
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	701,215	630,754
Intangible assets		11,961	9,960
Long term investments		36,591	37,823
Long term deposits and prepayments		40,025	39,216
		<u>789,792</u>	<u>717,753</u>
<b>CURRENT ASSETS</b>			
Stores and spares		97	1,157
Stock in trade		2,895,811	1,527,032
Trade debts		554,725	22,325
Advances - unsecured		23,087	13,259
Deposits, short term prepayments and other receivables		308,943	410,517
Interest accrued		3,890	489
Short term investments		-	500,000
Tax refunds due from Government	6	530,678	445,479
Cash and bank balances		462,667	539,039
		<u>4,779,898</u>	<u>3,459,297</u>
<b>TOTAL ASSETS</b>		<u><u>5,569,690</u></u>	<u><u>4,177,050</u></u>
<b>EQUITY AND LIABILITIES</b>			
Authorized share capital 10,000,000 ordinary shares of Rs. 10 each		<u>100,000</u>	<u>100,000</u>
Issued, subscribed and paid up capital		75,600	75,600
Reserves			
Capital reserve		483	483
Revenue reserve		3,077,463	2,665,217
		<u>3,077,946</u>	<u>2,665,700</u>
<b>TOTAL EQUITY</b>		<u>3,153,546</u>	<u>2,741,300</u>
<b>NON CURRENT LIABILITIES</b>			
Long term deposits		33,664	37,823
Deferred liability-employee benefits	7	77,751	74,211
Deferred taxation		33,716	22,849
		<u>145,131</u>	<u>134,883</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		2,066,245	988,890
Provision for taxation		204,768	311,977
		<u>2,271,013</u>	<u>1,300,867</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	8	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>5,569,690</u></u>	<u><u>4,177,050</u></u>

The annexed notes from 1 to 15 form an integral part of this interim financial information.

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Chief Executive

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Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - UNAUDITED  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011**

	Note	Nine month ended		Three month ended	
		30 September 2011 Rs. '000	30 September 2010 Rs. '000	30 September 2011 Rs. '000	30 September 2010 Rs. '000
NET SALES	9	7,261,457	6,118,643	2,826,973	2,439,040
COST OF SALES	10	4,556,180	3,615,442	1,801,725	1,461,894
GROSS PROFIT		2,705,277	2,503,201	1,025,248	977,146
OPERATING EXPENSES					
Selling and distribution		1,342,304	1,167,899	503,779	437,192
Administrative		455,634	340,198	155,705	115,257
Other operating expenses		66,410	72,879	25,535	30,214
		1,864,348	1,580,976	685,019	582,663
OPERATING PROFIT		840,929	922,225	340,229	394,483
FINANCE COST		45,685	29,710	19,530	10,914
		795,244	892,515	320,699	383,569
OTHER INCOME		39,195	31,084	3,861	8,288
PROFIT BEFORE TAXATION		834,439	923,599	324,560	391,857
PROVISION FOR TAXATION					
Current		199,646	239,291	67,043	90,930
Deferred		10,867	325	9,313	(325)
		210,513	239,616	76,356	90,605
PROFIT AFTER TAXATION		623,926	683,983	248,204	301,252
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME		623,926	683,983	248,204	301,252
EARNINGS PER SHARE					
- BASIC AND DILUTED	13	Rs.82.53	Rs.90.47	Rs.32.83	Rs.39.85

The annexed notes from 1 to 15 form an integral part of this interim financial information.

Chief Executive

Director

**CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011**

	Note	Nine month ended	
		30 September 2011 Rs. '000	30 September 2010 Rs. '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		834,439	923,599
Adjustments to reconcile profit before tax to net cash flows			
Depreciation		69,550	62,868
Amortization		4,019	699
Provision for gratuity		5,357	5,083
Gain on disposal of property, plant and equipment		(3,998)	(767)
Finance cost		45,685	29,710
		<u>120,613</u>	<u>97,593</u>
Operating cash flows before working capital changes		955,052	1,021,192
Net changes in working capital	11	(945,614)	(630,617)
Finance cost paid		(38,591)	(25,163)
Income taxes paid		(194,038)	(206,762)
Gratuity paid		(1,817)	(1,683)
Net cash (used in) / generated from operating activities		<u>(225,008)</u>	<u>156,967</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(144,920)	(75,357)
Purchase of intangible assets		(6,020)	(6,725)
Proceeds from sale of property, plant and equipment		8,904	2,883
Decrease / (Increase) in long term investments		1,232	(5,318)
Net cash used in investing activities		<u>(140,804)</u>	<u>(84,517)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(210,560)	(90,720)
Net cash used in financing activities		<u>(210,560)</u>	<u>(90,720)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(576,372)</u>	<u>(18,270)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		1,039,039	811,249
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<u><u>462,667</u></u>	<u><u>792,979</u></u>

The annexed notes from 1 to 15 form an integral part of this interim financial information.

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011**

	Share capital	Capital reserve	General reserve	Unappropriated profit	Total
	(-----Rupees in '000-----)				
<b>Balance as at 01 January 2010</b>	<b>75,600</b>	<b>483</b>	<b>1,298,000</b>	<b>586,644</b>	<b>1,960,727</b>
Final dividend for 2009 @ Rs. 12 per share	-	-	-	(90,720)	(90,720)
Transfer to general reserve	-	-	494,000	(494,000)	-
Total comprehensive income for the nine month period ended 30 September 2010	-	-	-	683,983	683,983
<b>Balance as at 30 September 2010</b>	<b>75,600</b>	<b>483</b>	<b>1,792,000</b>	<b>685,907</b>	<b>2,553,990</b>
<b>Balance as at 01 January 2011</b>	<b>75,600</b>	<b>483</b>	<b>1,792,000</b>	<b>873,217</b>	<b>2,741,300</b>
Final dividend for 2010 @ Rs. 28 per share	-	-	-	(211,680)	(211,680)
Transfer to general reserve	-	-	660,000	(660,000)	-
Total comprehensive income for the nine month period ended 30 September 2011	-	-	-	623,926	623,926
<b>Balance as at 30 September 2011</b>	<b>75,600</b>	<b>483</b>	<b>2,452,000</b>	<b>625,463</b>	<b>3,153,546</b>

The annexed notes from 1 to 15 form an integral part of this interim financial information.

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Chief Executive

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Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011**

**1 LEGAL STATUS AND OPERATIONS**

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

**2 STATEMENT OF COMPLIANCE**

This condensed interim financial report of the Company for the nine month period ended 30 September 2011 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

**3 BASIS OF PRESENTATION AND MEASUREMENT**

This condensed interim financial report of the Company for the nine month period ended 30 September 2011 are unaudited and these should be read in conjunction with the financial statements of the Company for the year ended 31 December 2010.

**4 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended 31 December 2010 except as describe below:

**New and amended standards and interpretations**

The company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:  
IFRS 2 – Group Cash-settled Share-based Payment Arrangements  
IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues (Amendment)  
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

**Improvements to various standards issued by IASB**

**Issued in 2009**

IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations  
IFRS 8 – Operating Segments  
IAS 1 – Presentation of Financial Statements  
IAS 7 – Statement of Cash flows Presentation of Financial Statements  
IAS 17 – Leases  
IAS 36 – Impairment of Assets  
IAS 39 – Financial Instruments : Recognition and Measurement

**Issued in 2010**

IFRS 3 – Business Combinations  
IAS 27 – Consolidated and Separate Financial Statements

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

**5 ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT**

								(UN - AUDITED)	
	Buildings		Plant and machinery	Office equipment	Computers	Furniture, fixture and fittings	Gas Installations	30 September 2011	30 September 2010
	Factory	Others						Rs. '000	Rs. '000
Additions	181	1,366	74,083	205	12,235	54,465	218	142,753	74,821
Disposals (cost)	-	-	27,778	361	3,242	3,450	68	34,899	13,236
							<b>Note</b>	(UN - AUDITED) 30 September 2011 Rs. '000	(AUDITED) 31 December 2010 Rs. '000

**6 TAX REFUNDS DUE FROM GOVERNMENT**

Sales tax refundable	6.1	530,678	445,479
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6.1 This represents sales tax paid on raw materials used in zero-rated taxable shoes for which refund claims have been lodged with the Sales Tax Department.

**7 DEFERRED LIABILITY- EMPLOYEE BENEFITS**

	(UN - AUDITED) 30 September 2011 Rs. '000	(AUDITED) 31 December 2010 Rs. '000
Opening liability	74,211	69,196
Amount recognized during the period/year	5,357	6,831
Payment made by the Company during the period/year	(1,817)	(1,816)
Closing liability	77,751	74,211

The latest actuarial valuation was carried out as at 31 December 2010.

**8 CONTINGENCIES AND COMMITMENTS**

8.1 The Company is contingently liable for:		
Counter Guarantees given to banks	5,859	7,204
Indemnity Bonds given to Custom Authorities	42,744	26,790
Claims not acknowledged as debts - under appeal	15,401	76,413
Law suit by ex-employee - damages for malicious prosecution	3,000	3,000
Order by income tax department	-	3,659
Order by income tax department	2,702	2,702
	<b>8.1.1</b>	
	2,702	2,702
	<b>69,706</b>	<b>119,768</b>

8.1.1 The Company has received an order from Federal Board of Revenue (FBR) in respect of alleged default that the tax at source was not properly deducted by the Company for the tax year 2005. The FBR after charging additional tax u/s 205(3) of the Income Tax Ordinance, 2001 created a demand of Rs. 2.702 million. The Company filed an appeal with CIR(Appeals) which is pending adjudication. The

management expects a favorable outcome of the matter and accordingly no provision has been made.

## 8.2 Commitments

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

	(UN - AUDITED) 30 September 2011 Rs. '000	(AUDITED) 31 December 2010 Rs. '000
With in one year	477,740	427,571
After one year but not more than five years	1,744,142	1,386,432
More than five years	528,062	668,212
	<u>2,749,944</u>	<u>2,482,215</u>

8.2.2 Commitments in respect of:

- Capital expenditure
- Letters of credit and bank contracts

	21,160	10,583
	<u>542,501</u>	<u>326,932</u>
	<u>563,661</u>	<u>337,515</u>

(UN - AUDITED) Nine month ended		(UN - AUDITED) Three month ended	
30 September 2011 Rs. '000	30 September 2010 Rs. '000	30 September 2011 Rs. '000	30 September 2010 Rs. '000

## 9 NET SALES

Shoes and accessories

- Local
- Export

	8,098,915	6,647,958	3,184,304	2,671,647
	<u>133,216</u>	<u>95,169</u>	<u>40,820</u>	<u>14,859</u>

Sundry articles and scrap material

	8,232,131	6,743,127	3,225,124	2,686,506
	<u>29,407</u>	<u>17,234</u>	<u>5,267</u>	<u>920</u>

Less: Sales tax

- Discount to dealers and distributors
- Commission to agents/business associates

	8,261,538	6,760,361	3,230,391	2,687,426
	<u>289,234</u>	<u>97,986</u>	<u>128,933</u>	<u>24,192</u>
	<u>630,153</u>	<u>477,320</u>	<u>241,283</u>	<u>198,408</u>
	<u>80,694</u>	<u>66,412</u>	<u>33,202</u>	<u>25,786</u>

	<u>1,000,081</u>	<u>641,718</u>	<u>403,418</u>	<u>248,386</u>
	<u>7,261,457</u>	<u>6,118,643</u>	<u>2,826,973</u>	<u>2,439,040</u>

## 10 COST OF SALES

Raw material consumed

Salaries, wages and benefits

Fuel and power

Stores and spares consumed

Repairs and maintenance

Insurance

Depreciation

	2,459,145	1,798,712	705,072	541,711
	<u>199,529</u>	<u>200,705</u>	<u>57,447</u>	<u>62,639</u>
	<u>91,340</u>	<u>84,877</u>	<u>28,543</u>	<u>27,712</u>
	<u>7,625</u>	<u>6,588</u>	<u>1,991</u>	<u>2,229</u>
	<u>30,970</u>	<u>26,771</u>	<u>10,099</u>	<u>8,530</u>
	<u>4,377</u>	<u>4,603</u>	<u>1,416</u>	<u>1,533</u>
	<u>14,645</u>	<u>11,613</u>	<u>5,676</u>	<u>4,080</u>

Add: Opening goods in process

	<u>2,807,631</u>	<u>2,133,869</u>	<u>810,244</u>	<u>648,434</u>
	<u>59,483</u>	<u>41,249</u>	<u>118,744</u>	<u>84,991</u>

Less: Closing goods in process

Cost of goods manufactured

Add: Opening stock of finished goods

Finished goods purchased

	<u>2,867,114</u>	<u>2,175,118</u>	<u>928,988</u>	<u>733,425</u>
	<u>121,027</u>	<u>91,989</u>	<u>121,027</u>	<u>91,989</u>
	<u>2,746,087</u>	<u>2,083,129</u>	<u>807,961</u>	<u>641,436</u>
	<u>1,190,413</u>	<u>1,035,130</u>	<u>1,073,628</u>	<u>1,519,330</u>
	<u>2,903,413</u>	<u>2,021,036</u>	<u>2,203,869</u>	<u>824,981</u>

Less: Closing stock of finished goods

	<u>6,839,913</u>	<u>5,139,295</u>	<u>4,085,458</u>	<u>2,985,747</u>
	<u>2,283,733</u>	<u>1,523,853</u>	<u>2,283,733</u>	<u>1,523,853</u>
	<u>4,556,180</u>	<u>3,615,442</u>	<u>1,801,725</u>	<u>1,461,894</u>

## 11 NET CHANGES IN WORKING CAPITAL

(Increase)/decrease in assets

Stores and spares

Stock in trade

Trade debts

Advances - unsecured

Deposits, short term prepayments and other receivables

Interest accrued

Tax refunds due from Government

Long term deposits and prepayments

(UN - AUDITED)	
30 September 2011 Rs. '000	30 September 2010 Rs. '000
	1,060
	(219)
	<u>(1,368,779)</u>
	<u>(607,069)</u>
	<u>(532,400)</u>
	<u>(267,228)</u>
	<u>(9,829)</u>
	<u>(6,869)</u>
	<u>(11,243)</u>
	<u>(11,983)</u>
	<u>(3,401)</u>
	<u>3,851</u>
	<u>(85,201)</u>
	<u>(172,248)</u>
	<u>(809)</u>
	<u>2,955</u>

Increase / (decrease) in liabilities

Trade and other payables

Long term deposits

	1,069,147	422,875
	<u>(4,159)</u>	<u>5,318</u>
	<u>(945,614)</u>	<u>(630,617)</u>



## 12 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of parent company, related group companies, provident fund trusts, directors and key management personnel. Transactions with related parties other than remuneration and benefits to executive directors and key management personnel under the terms of their employment, during the period are as follows:

Relationship with the Company	Nature of transactions	(UN - AUDITED) Nine month ended		(UN - AUDITED) Three month ended	
		30 September 2011	30 September 2010	30 September 2011	30 September 2010
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Associated Companies	Purchase of goods and services	1,209,066	769,804	430,217	277,456
	Sale of goods and services	17,811	9,746	7,764	1,214
	Dividend paid	127,008	54,432	-	54,432
	Brand royalty	171,745	143,655	66,334	57,305
	Service charges	105,022	35,040	35,706	12,571
Staff Retirement Benefits	Contribution to provident fund trusts	25,345	21,895	8,368	7,051
Staff Retirement Benefits	Gratuity paid	1,817	1,683	1,117	790

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

## 13 EARNINGS PER SHARE - BASIC AND DILUTED

	(UN - AUDITED) Nine month ended		(UN - AUDITED) Three month ended	
	30 September 2011	30 September 2010	30 September 2011	30 September 2010
Profit after taxation attributable to ordinary share holders (in '000)	623,926	683,983	248,204	301,252
Weighted average number of ordinary shares - Number (in '000)	7,560	7,560	7,560	7,560
Earnings per share - Basic (Rs.)	82.53	90.47	32.83	39.85

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

## 14 DATE OF AUTHORIZATION

This financial information was authorized for issue by the Board of Directors on 20 October 2011.

## 15 GENERAL

Certain amounts in the prior year have been reclassified to conform to current year presentation.

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

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Chief Executive

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Director