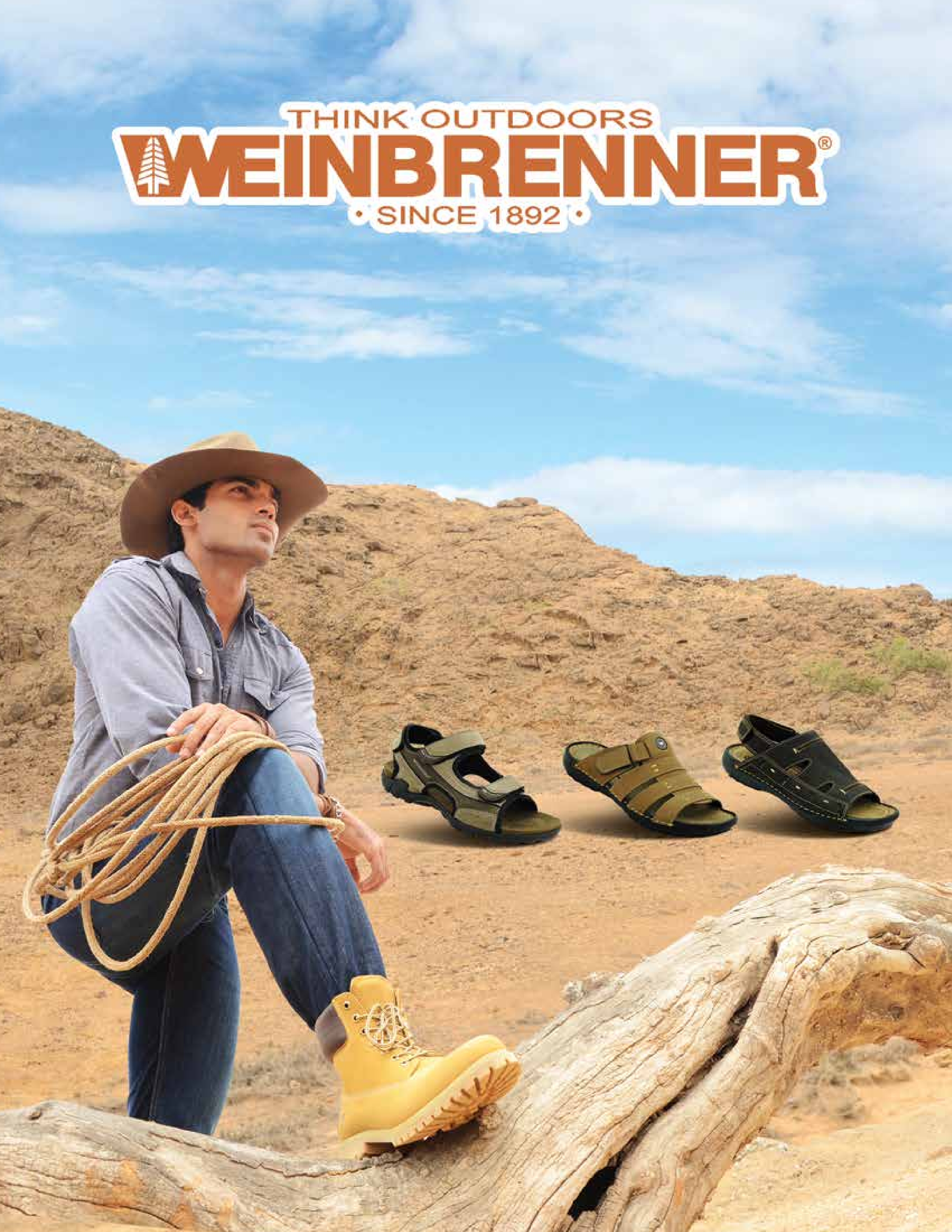
Bata

ANNUAL REPORT 2013

Bata PAKISTAN LIMITED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CONTENTS


LIFESTYLE IS...
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Corporate Social Responsibility

A group photo of children, medical staff and Bata officials at Measles Vaccination camp set up by BCP.

Managing Director Bata Pakistan Mr. Muhammad Qayyum distributing sweets on Eid Milad-un-Nabi

A walk was held for special children sponsored by BCP

Flower wreath from Bata Pakistan is being laid down by the army contingent on Defence Day on the mausoleum of martyrs at Batapur.

Managing Director Bata Pakistan Mr. Muhammad Qayyum presenting certificates to the participants of a training course on stitching.

Miss. Nicole's visit to Pakistan.

Managing Director Bata Pakistan Mr. Muhammad Qayyum along with Bata officials at Haj lucky draw for the year 2013.

SOS Carnival sponsored by Bata.

Vision

To make great shoes accessible to everyone.

Mission

We help people to look and feel good. We become the customer's destination of choice. We attract and retain the best people. We remain the most respected footwear company.

Corporate Information

Board of Directors

Mr. Fernando Garcia	Chairman
Mr. Muhammad Qayyum	Chief Executive
Mr. M. G. Middleton	Director
Mr. Cesar Panduro	Director
Mr. Muhammad Ali Malik	Director
Mr. Syed Waseem-ul-Haq Haqqie	Director
Mr. Fakir Syed Aijazuddin	Director
Mr. Ijaz Ahmad Chaudhry	Director
Mr. Shahid Anwar (Nominee of NIT)	Director
Mr. Malik Arif Hayat (Nominee of NIT)	Director

Audit Committee

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

Human Resource and Remuneration Committee

Mr. Ijaz Ahmad Chaudhry	Chairman
Mr. Muhammad Qayyum	Member
Mr. Fakir Syed Aijazuddin	Member

Chief Financial Officer (CFO)

Mr. Cesar Panduro

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
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.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 62nd Annual General Meeting of Bata Pakistan Limited will be held at the Registered Office of the Company at Batapur, District Lahore on 24th April, 2014 at 12.00 p.m. to transact the following business:

1. To confirm the minutes of the Annual General Meeting held on 11th April, 2013.

2. To receive, consider, and adopt the Directors' Report, Audited Accounts of the Company and Auditors' Reports thereon, for the year ended 31st December, 2013.

3. To declare dividend as recommended by the Directors.

4. To appoint Auditors and fix their remuneration for the year ending 31st December, 2014.

5. To transact any ordinary business of the Company with the permission of the Chairman.

By order of the Board
Bata Pakistan Limited

Batapur
Lahore: 20.02.2014

Company Secretary

NOTES:

1. A member entitled to attend and vote at the meeting may appoint any person as his proxy to attend the meeting and vote instead of him. The proxy shall have the right to attend, speak and vote in place of the member appointing him at the meeting. A proxy need not be a member of the Company. Proxy form must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting.

2. The members whose shares are maintained on Central Depository System with the Central Depository Company of Pakistan Limited should follow the guidelines for attending the General Meetings and appointment of proxies as laid down by the Securities and Exchange Commission of Pakistan.

3. Shareholders (non-CDC) are requested to promptly notify the Company of any change in their addresses. All the CDC shareholders are requested to please update their address with the CDC participants.

4. The Share Transfer Books of the Company will remain closed from 18th to 24th April, 2014 (both days inclusive).

Key Operating Highlights

Year		2013	2012 Restated	2011	2010	2009	2008	2007
Financial Position								
Authorized capital	Rs. ' 000s	**100,000**	100,000	100,000	100,000	100,000	100,000	100,000
Paid up capital	Rs. ' 000s	**75,600**	75,600	75,600	75,600	75,600	75,600	75,600
Shareholders' equity	Rs. ' 000s	**4,500,647**	3,933,505	3,277,790	2,741,300	1,960,727	1,435,695	973,040
Total assets	Rs. ' 000s	**6,389,270**	5,638,165	4,626,288	4,177,050	3,230,187	2,276,936	1,873,011
Property, plant and equipment	Rs. ' 000s	**1,116,281**	833,259	733,695	630,754	582,411	548,222	409,363
Provision for gratuity	Rs. ' 000s	**54,424**	72,096	79,262	74,211	69,196	62,780	67,403
Current assets	Rs. ' 000s	**5,206,538**	4,733,714	3,808,438	3,459,297	2,577,448	1,652,271	1,398,003
Current liabilities	Rs. ' 000s	**1,746,343**	1,554,782	1,198,488	1,300,867	1,147,336	734,907	808,720
Trading Results								
Sales	Rs. ' 000s	**12,774,438**	11,476,817	9,816,296	8,329,829	6,428,490	5,106,578	3,964,187
Gross profit	Rs. ' 000s	**4,994,113**	4,258,771	3,540,677	3,331,928	2,672,213	2,164,146	1,637,053
Operating profit	Rs. ' 000s	**1,740,903**	1,412,039	1,076,214	1,228,756	848,205	691,095	571,912
Profit before tax	Rs. ' 000s	**1,714,388**	1,385,586	1,025,008	1,189,021	813,022	663,822	503,999
Profit after tax	Rs. ' 000s	**1,232,422**	1,020,801	748,170	871,293	585,512	477,775	358,637
Distribution								
Interim cash dividend - paid	%	**650.00**	300.00	-	-	-	-	60.00
Final cash dividend - proposed	%	**350.00**	230.00	200.00	280.00	120.00	80.00	20.00
Financial Ratios and Values								
Gross profit	%	**39.09**	37.11	36.07	40.00	41.57	42.38	41.30
Operating profit	%	**13.63**	12.30	10.96	14.75	13.19	13.53	14.43
Profit before tax	%	**13.42**	12.07	10.44	14.27	12.65	13.00	12.71
Profit after tax	%	**9.65**	8.89	7.62	10.46	9.11	9.36	9.05
Return on equity	%	**27.38**	25.95	22.83	31.78	29.86	33.28	36.86
Price earning ratio	Times	**17.13**	9.99	8.27	5.73	12.64	11.82	10.23
Dividend yield	%	**3.15**	3.71	2.44	4.24	1.23	1.07	1.65
Earnings per share	Rs.	**163.02**	135.03	98.96	115.25	77.45	63.20	47.44
Debt : equity ratio	Times	**0.00:1**	0.00:1	0.00:1	0.00 : 1	0.00 : 1	0.00 : 1	0.00 : 1
Current ratio	Times	**2.98:1**	3.04:1	3.18:1	2.66 : 1	2.25 : 1	2.25 : 1	1.73 : 1
Average stock turns - value	Times	**3.40**	3.24	3.33	3.56	2.94	2.88	3.13
Debtors turnover	Times	**35.10**	34.04	75.44	373.12	270.84	54.03	16.31
Average collection period	Days	**10**	11	5	1	1	7	22
Property, plant and equipment turnover	Times	**11.44**	13.77	13.38	13.21	11.04	9.31	9.68
Break up value per share	Rs.	**595.32**	520.30	433.57	362.61	259.36	189.91	128.71
Market price per share	Rs.	**2,792.46**	1,349.50	818.00	660.00	979.00	747.00	485.45
Market capitalization	Rs. ' 000s	**21,110,998**	10,202,220	6,184,080	4,989,600	7,401,240	5,647,320	3,670,002
Other information								
Permanent employees	Number	**2,343**	2,400	2,495	2,585	2,652	2,712	2,792
Retail outlets	Number	**395**	386	396	380	369	365	366
Wholesale depots	Number	**13**	13	13	13	12	12	12
Installed capacity	Pairs ' 000s	**16,202**	14,079	12,881	11,154	8,050	8,737	9,350
Actual production	Pairs ' 000s	**12,823**	11,837	11,204	11,540	10,394	9,476	8,286
Capacity utilization	%	**79.14**	84.08	86.98	103.46	129.12	108.46	88.62
Capital expenditure	Rs. ' 000s	**332,942**	217,054	209,712	142,222	119,255	214,200	127,970
Contribution to the National Exchequer	Rs. ' 000s	**1,678,484**	1,361,259	1,060,068	814,445	555,950	453,885	456,538


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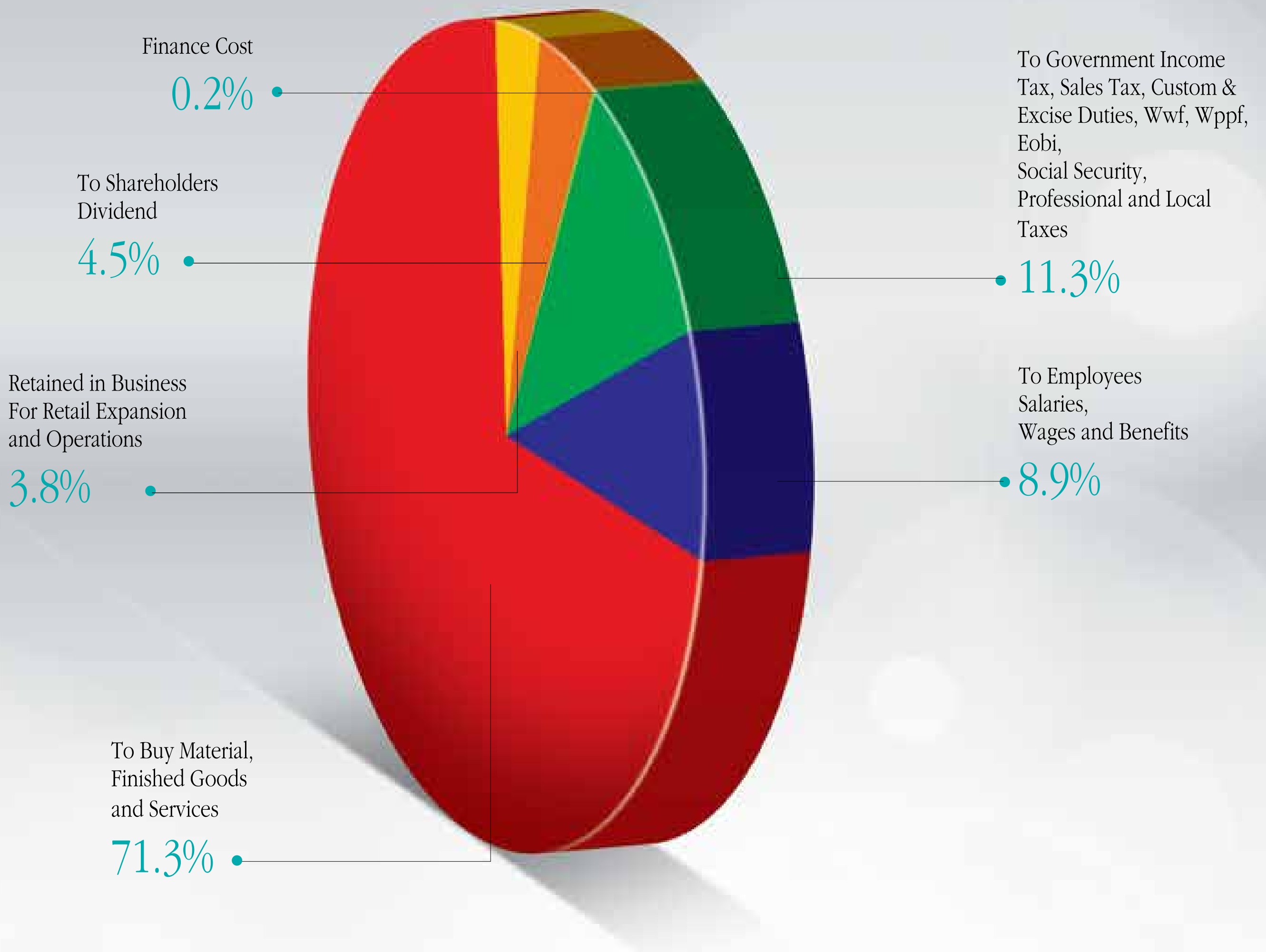
Value Added and its Distribution



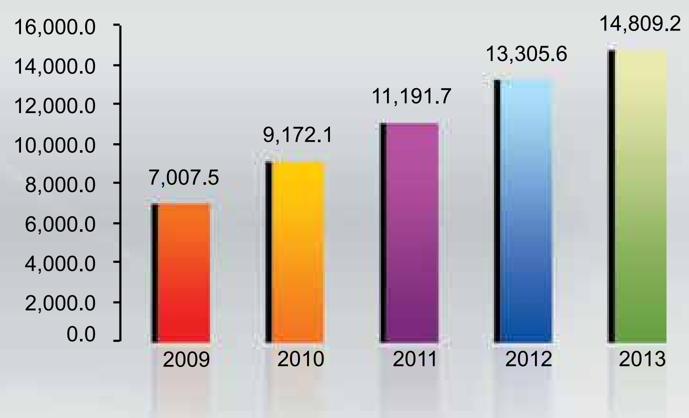
Revenue Generated	2013 Rs. '000s	%	2012 Rs. '000s	%
Sales	14,809,158		13,305,608	
Other Income	85,635		56,744	
	14,894,793	**100%**	**13,362,352**	**100%**

Revenue Distributed				
To Buy Material, Finished Goods and Services	10,628,746	71.3%	9,768,293	73.1%
To Employees - Salaries, Wages and Benefits	1,328,626	8.9%	1,185,546	8.9%
To Government - Income Tax, Sales Tax, Custom & Excise Duties, Wwf, Wppf, Eobi, Social Security, Professional and Local Taxes	1,678,484	11.3%	1,361,259	10.2%
Finance Cost	26,515	0.2%	26,453	0.2%
To Shareholders - Dividend	665,280	4.5%	378,000	2.8%
Retained in Business - For Retail Expansion and Operations	567,142	3.8%	642,801	4.8%
	14,894,793	**100%**	**13,362,352**	**100%**

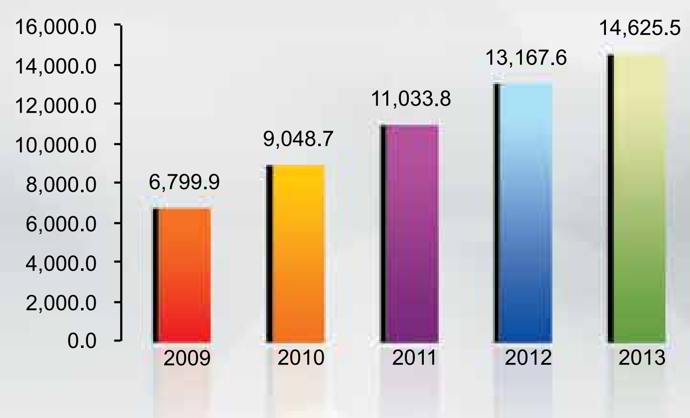
Operational Statistics

(Rupees in million)

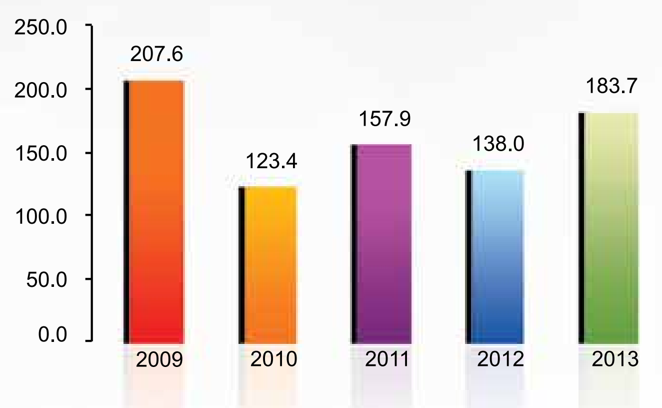
Total Turnover (Gross)



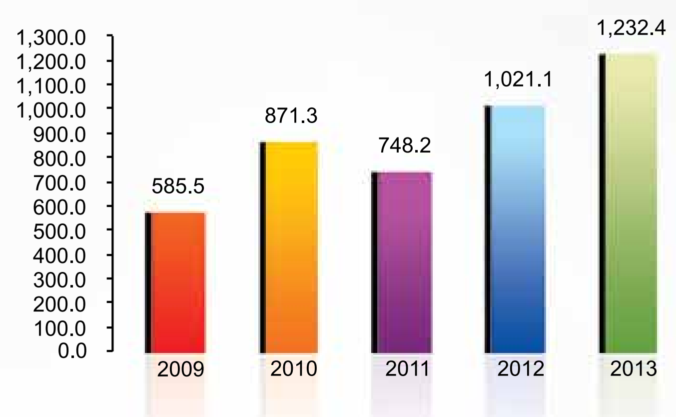
Domestic Turnover (Gross)



Export Turnover (Gross)



Profit After Tax



Chairman's Review

On behalf of the Board, I welcome you all to the 62nd Annual General Meeting of the Company and feel pleased to present the annual review of the Company's performance and the audited financial statements for the year ended December 31, 2013.

The year 2013 was yet another landmark in the history of the Company. The record operational performance, in terms of production, sales and profitability were achieved under the incredible guidance of our management team despite, constant power crises, bleak law and order situation in the country and persistent inflationary pressure coupled with depreciation of rupee against dollar, negatively impacted the business.

The Company business witnessed its record level with net turnover of Rs. 12.774 billion signifying a growth of 11% over last year. The Gross profit was recorded at Rs. 4.994 billion (39.10% of turnover) against last year of Rs. 4.259 billion (37.11% of turnover). Operating profit increased from Rs. 1.412 billion (12.30% of turnover) to Rs. 1.740 billion (13.63% of turnover) showing a healthy increase of 23.29% as compared to previous year. Profit after taxation was Rs. 1.232 billion (9.65% of turnover) compared to Rs. 1.021 billion (8.89% of turnover) of last year. It is also worth mentioning here that our Company achieved a return on equity of 27.38% and earnings per share of Rs. 163.02 (Rs. 135.03 in 2012)

The Company has an effective cash flow management system in place whereby cash inflows and outflows are projected on regular basis. The profit on short term investment and bank deposits was Rs. 62.971 million as compared to Rs. 47.953 million of last year showing an increase of 31%. Board is satisfied that there are no short or long term financial constraints at the close of the period.

Based on the performance and progress made by the Company, your Directors have decided to recommend a final dividend of Rs. 35 per share which in addition to an interim dividend of Rs. 65 per share totalize Rs. 100. of total dividend for the year 2013 and also proposed that Rs. 490 million to be transferred to general reserve to utilize for further growth of the business in the coming years.

Our Retail division continues to grow with the current setup along with the new stores having achieved a growth of 12%. In order to sustain this growth and to provide friendly and modern atmosphere in the stores, an amount of Rs. 217 million has been spent to open 19 new stores and renovate 35 existing stores respectively at key business locations. Much of the expansion was focused on the big format stores concept. As part of our strategy to exit from low turnover and non profitable stores, we closed a total of 10 stores which were under minimum benchmark of sales and profitability.

The wholesale division which had shown tremendous turnover growth in previous years has consolidated its business during this year and the turnover has increased by 10% as compared to previous year. We have succeeded in Company business to significantly manage to grow unit sales, market share and also average selling price. All this has been achieved without the need to buy the business through extended credit having absolute control over account receivables from dealers and distributors.

In our manufacturing operations we undertook some further restructuring in line with Company objectives. As a result, our production facilities at Batapur and Maraka remained fully loaded throughout the period to meet the demand of higher value products particularly in PU and DIP footwear. These facilities produced 12.8 million pairs against 11.8 million pairs in last year.

The Company continues to be a significant contributor to the National Exchequer and during 2013, paid Rs. 1.678 billion in Corporate Tax, Sales Tax, Custom Duty and other levies which was 23% more than the last year.

The growth of our business is highly dependent on the skills imparted to our personnel through sound training. The Company has invested a considerable time and money on human resource during the period to acquire latest development in the field of technology and business administration. This would be the ongoing process for future periods. Training of our employees has always been considered as an investment for the future with the objective to provide them with safe and healthy working environment.

We have a responsibility to the people and the communities in which we live and work. Our Company makes sure that it provides a safe and healthy workplace along with minimum impact to environment. Therefore, our Company is committed to working with its employees and business associates to achieve its objective.

The Company along with Bata Children Foundation (BCP) continued its Corporate Social Responsibility (CSR) activities during this year also. We are working with those schools that are providing free education to the underprivileged children. We joined hands with the administration of these schools and arranged annual sports function in football stadium of the city in which almost 900 students participated. Similarly we also provided shoes and computers to children of these schools along with track suits for girl's cricket and hockey teams. Moreover, Company is also providing financial help to special children schools. In this regard, the company adopted one child at Rising Sun Institute of Special Children and borne his expenses for one year. Company also organized measles vaccination camp at Batapur.

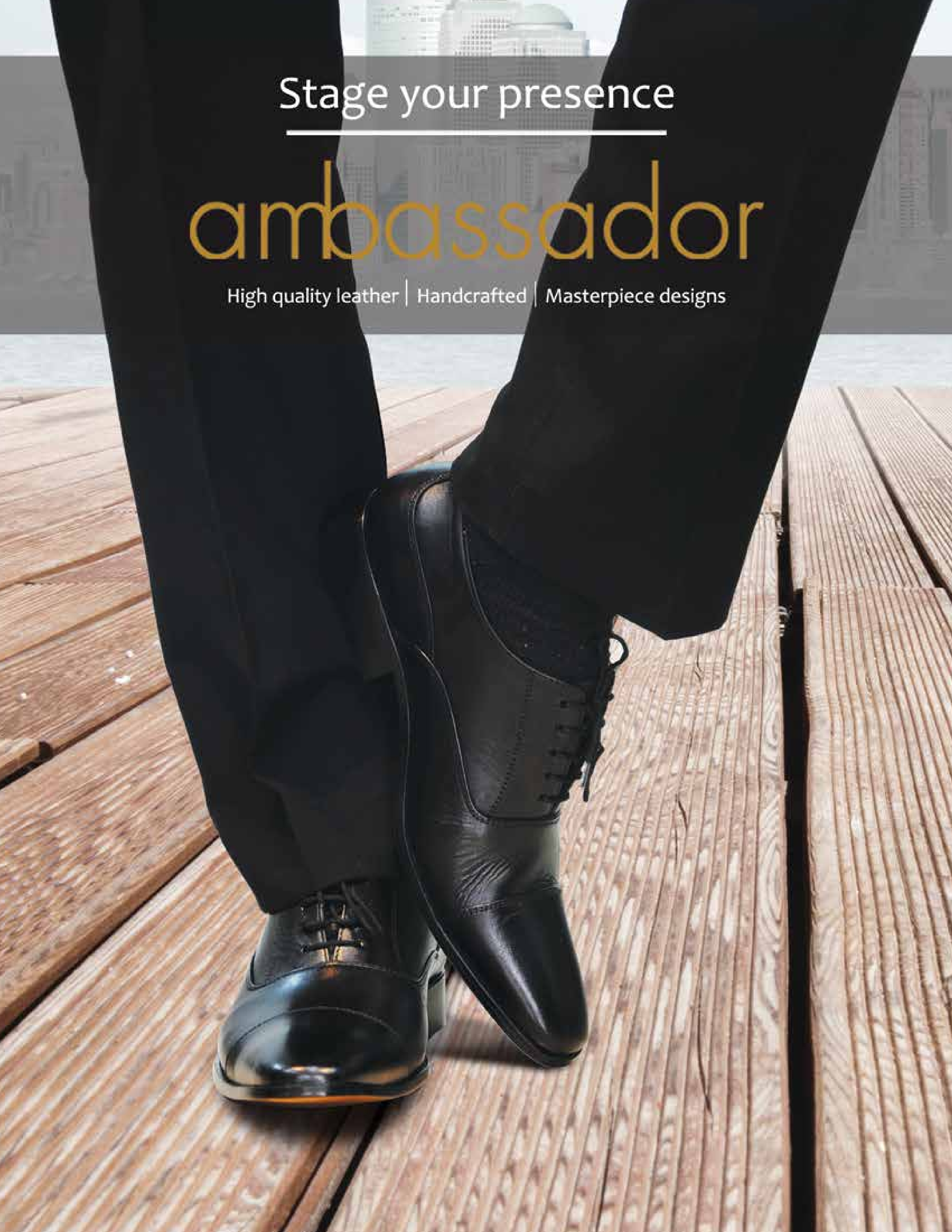
Our (Bata) Environmental Mission Statement is "To protect our people, customers and communities and to protect our natural environment in order to help sustain human development globally". For accomplishing our mission we are committed to provide a safe and healthy working environment to our employees and the nearby community. The factories are equipped with modern fire safety systems, more than 300 employees have been trained in fire safety and first Aid and provided with goggles, gloves, masks, ear plugs and safety shoes. All waste water and emissions are monitored to meet National Environment Quality Standards limits. Regular medical tests regarding contagious diseases, ear and lungs fitness are conducted for workers. A dedicated committee monitors all of the company's EHS action plans and implements new strategies for continuous improvement. Accordingly for future programs the EHS committee is being trained in the areas of EHS Risk Assessments, Waste Pollutants Management, Ergonomic Health Hazards, Energy Management Systems and Conservation of Natural Resources etc.

As we move forward, we are certain to face competitions and challenges due to ever changing economic and marketing conditions. Based on our strengths we are confident to successfully overcome all the challenges in future.

On behalf of your Board, I take this opportunity to express my gratitude and appreciation to our customers for their confidence in our products, our employees for their efforts and all other stakeholders for their continued support.

Fernando Garcia

Chairman


Stage your presence
ambassador
High quality leather | Handcrafted | Masterpiece designs

Directors' Report to the Members

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in submitting their report and financial statements of the Company for the year ended 31 December 2013.

1. The Chairman's Review which is an integral part of this report deals with the year's activities, financial affairs and future prospects of the Company, the contents of which are endorsed by the directors.

2. Financial results

The financial results of the Company are as under:

	Rs. ('000)
Profit before taxation	1,714,388
Less: Provision for taxation	
Current	470,791
Prior years	2,102
Deferred	9,073
	481,966
Profit after tax	1,232,422
To this must be added	
Unappropriated profit brought forward from last year	810,422
Profit available for appropriations	2,042,844
To this the following must be deducted:	
Final dividend 2012 @ Rs. 23.00 per share	173,880
Interim dividend 2013 @ Rs. 65.00 per share	491,400
Transfer to general reserve	620,000
	1,285,280
Leaving an unappropriated profit to be carried forward to next year	757,564

The directors in their meeting held on 20 February 2014 have also proposed a final cash dividend @ Rs. 35 per share (In addition to interim dividend of Rs. 65 per share). (2012: Final @ Rs. 23.00 per share) and transfer to general reserve amounting to Rs. 490 million for approval of members in the Annual General Meeting to be held on 24 April, 2014.

3. Earning per share -Basic and diluted

Earning per share for the year ended 31 December, 2013 was Rs. 163.02 as against Rs. 135.03 of preceding year.

4. The pattern of shareholding

The pattern of shareholding as on 31 December 2013 and its disclosure according to the requirement of Code of Corporate Governance is annexed to this report.

5. Auditors

The present Auditors, Messrs Ernst & Yong Ford Rhodes Sidat Hyder, Chartered Accountants, retire and offer themselves for re-appointment. The Board of Directors, on recommendation of Audit Committee, proposes the re-appointment of Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, for the year ending 31 December 2014.

6. Statement pursuant to clause XIX of Corporate Governance

The Company had complied with all the requirements of the Code of Corporate Governance as required by the listing regulations.

Accordingly, the Directors are pleased to confirm the following:

a) The financial statements together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984. These statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.

b) Proper books of account of the Company have been maintained.

c) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accordingly estimates are based on reasonable and prudent judgment. Change in accounting policy, if any, has been adequately disclosed.

d) International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from, if any, has been adequately disclosed.

e) The system of internal controls is sound in design and has been effectively implemented and is being consistently reviewed by the internal audit.

f) There are no significant doubts upon the Company's ability to continue as a going concern.

g) There has been no material departure from the best practices of corporate governance as detailed in listing regulations of Stock Exchanges in Pakistan.

h) Key operating and financial data of last six years is annexed to this report.

i) Statement of compliance with the Code of Corporate Governance is annexed.

j) Value of assets of Provident Fund Trusts was Rupees ('000) 1,580,153 as on 31 December 2013 as per its audited accounts. The value of assets includes accrued interest.

k) Attendance at five meetings of the Board of Directors held during the year under review was as under:

Name of Director	Meetings Attended
Mr. Fernando Garcia	-
Mr. Muhammad Qayyum	4
Mr. M. G. Middleton	3
Mr. Ceasar Panduro	1
Mr. Muhammad Ali Malik	5
Mr. Fakir Syed Aijazuddin	5
Mr. Shahid Anwar	5
Mr. Ijaz Ahmad Chaudry	5
Mr. Waseem-ul-Haq Haqqie	5
Mr. Malik Arif Hayat	2
Resigned	
Mr. M. Imran Malik	1
Mr. Carlos Gomez	4
Mr. Riaz-ul-Haque	2

l) No trading in the shares of the Company was carried out by the Directors, CEO, CFO and Company Secretary, their spouses and minor children.

m) The Audit Committee met four times during the year under reference. The Audit committee reviewed the quarterly, half yearly and annual financial statements before submission to the Board and their publication. CFO, Head of Internal Audit and a representative of external auditors attended the meetings where issues relating to accounts and audit were discussed. The Audit Committee also reviewed internal audit findings and held separate meetings with internal and external auditors as required under the Code of Corporate Governance. The Audit Committee also discussed with the external auditors their letter to the management. Related Parties Transactions were also placed before the Audit Committee prior to approval of the Board.

n) Outstanding taxes and levies are given in the relevant notes to the audited financial statements.

o) An orientation course was arranged for the Directors to acquaint them with their duties & responsibilities and enable them to manage affairs of the Company on behalf of the shareholders.

p) The directors of the Company having 15 years of experience on the board of directors of a listed company are exempt from the requirements of directors training programme. One director undertook training under Directors Training Programme.

q) No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which these financial statements relate and the date of directors' report.

7. Related party transactions

The transactions with the related parties and associated undertakings were made at arm's length prices.

On behalf of the
BOARD OF DIRECTORS

MUHAMMAD QAYYUM
CHIEF EXECUTIVE

Batapur
LAHORE: 20 February 2014

Corporate Governance

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER, 2013

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a frame work of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	Mr. Fakir Syed Aijazuddin
	Mr. Ijaz Ahmad Chaudhry
	Mr. Syed Waseem-ul-Haq Haqqie
	Mr. Shahid Anwar
	Mr. Malik Arif Hayat
Executive Directors	Mr. Muhammad Qayyum
	Mr. Cesar Panduro
Non-Executive Directors	Mr. Fernando Garcia
	Mr. M. G. Middleton
	Mr. Muhammad Ali Malik

The Independent directors meet the criteria of independence under clause I (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. During the year, Mr. Muhammad Qayyum, Mr. Malik Arif Hayat and Mr. Ceasar Panduro were co-opted as directors with effect from 07 January 2013, 25 April 2013 and 15 August 2013 respectively in place of Mr. Muhammad Imran Malik, Mr. Riazul Haque and Mr. Carlos Gomez respectively whose resignations were accepted on the same dates.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to dessiminate it throughout the company along with its supporting policies and procedures

6. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or ammended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by the Chief Executive. The board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged orientation and training programs for its directors to apprise them of their duties and responsibilities.

10. The Board has approved all the transactions entered into by the Company with related parties during the year. A complete party wise record of related party transactions has been maintained by the Company.

11. The Board has approved appointments of Head of Internal Audit and the Chief Financial Officer, including their remuneration and terms and conditions of the employment. No new appointment of Company Secretary was made during the year.

12. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

13. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.

14. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

15. The Company has complied with all the corporate and financial reporting requirements of the CCG.

16. The board has formed an Audit Committee. All the members are non-executive directors including chairman of the committee.

17. The board has formed an HR and Rumeneration Committee. It comprises of three (3) members, of whom two are independent directors and the remaining one is executive director and the chairman of the committee is an independent director.

18. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

19. The board has set-up an effective internal audit function with suitably qualified and experienced staff for the purpose and are conversant with the policies and procedures of the company.

20. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

23. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

24. We confirm that all other material principles enshrined in the CCG have been complied with.

Batapur:	MUHAMMAD QAYYUM
LAHORE: 20 February 2014	CHIEF EXECUTIVE

Review Report to the Members

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2013 prepared by the Board of Directors of Bata Pakistan Limited (the Company) to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

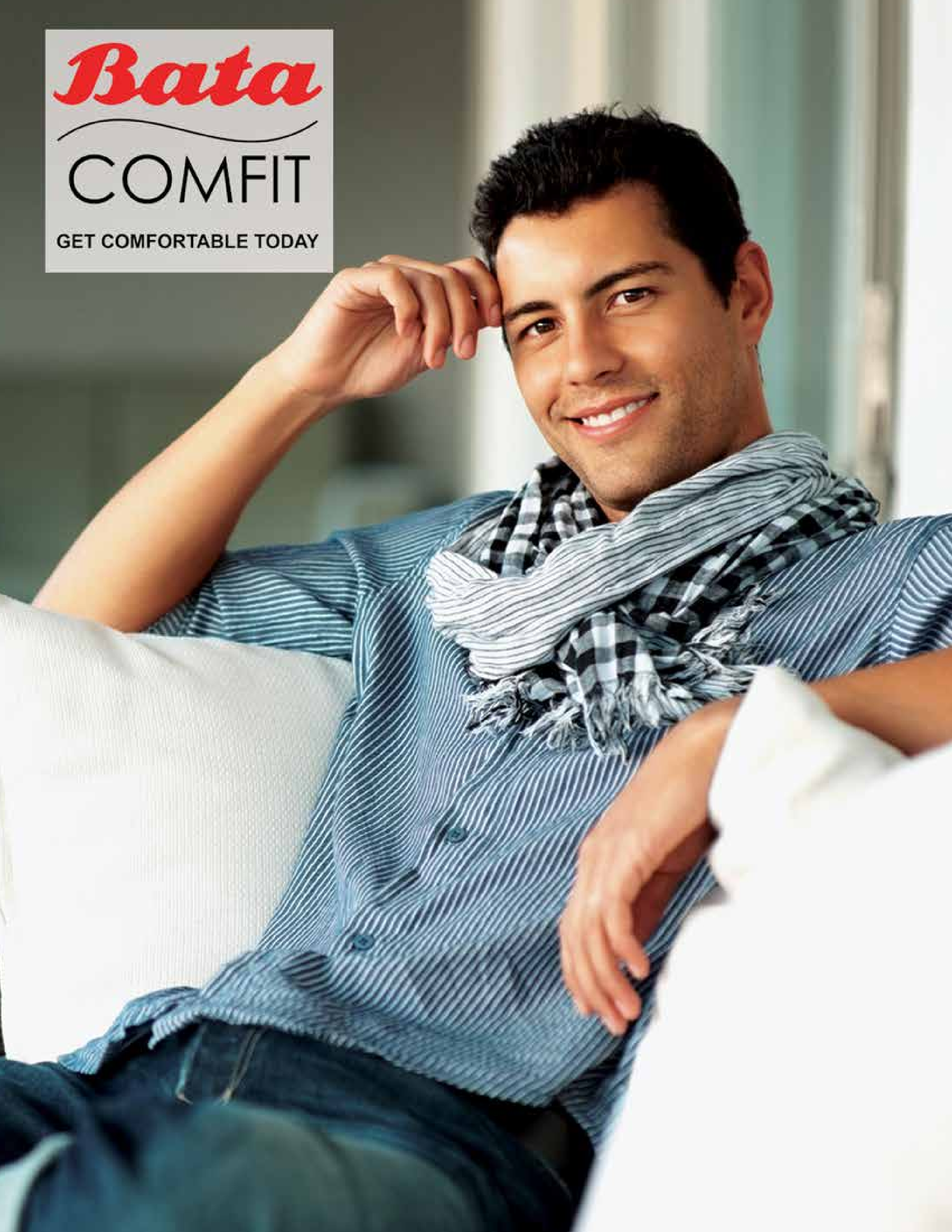
As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulation of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited require the Company to place before the Board of Directors for their consideration and approval of related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code, for the year ended 31 December 2013.

ERNST & YOUNG FORD RHODES SIDAT HYDER
CHARTERED ACCOUNTANTS
Audit Engagement Partner's Name: Farooq Hameed

LAHORE: 20 February 2014


Bata
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Auditors' Report to the Members

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Bata Pakistan Limited (the Company) as at 31 December 2013 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that 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.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as stated in note 2.2 with which we concur;

  (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of the profits, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

ERNST & YOUNG FORD RHODES SIDAT HYDER
CHARTERED ACCOUNTANTS
Audit Engagement Partner's Name: Farooq Hameed

LAHORE: 20 February 2014

Financial Statements

BALANCE SHEET

AS AT 31 DECEMBER 2013

	Note	2013	2012 Restated
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	1,116,281	833,259
Intangible assets	7	4,941	8,012
Long term investments	8	38,001	37,000
Long term deposits and prepayments	9	23,509	26,180
		1,182,732	904,451
CURRENT ASSETS			
Stores and spares	10	-	247
Stock in trade	11	2,368,302	2,205,030
Trade debts - unsecured	12	363,975	337,155
Advances - unsecured	13	27,979	8,880
Deposits, short term prepayments and other receivables	14	522,131	435,564
Interest accrued		7,615	5,046
Short term investment	15	968,000	500,000
Tax refunds due from Government	16	508,597	508,597
Cash and bank balances	17	439,939	733,195
		5,206,538	4,733,714
TOTAL ASSETS		6,389,270	5,638,165
EQUITY AND LIABILITY			
SHARE CAPITAL AND RESERVES			
Authorized share capital	18.1	100,000	100,000
Issued, subscribed and paid up capital	18.2	75,600	75,600
Reserves			
Capital reserve	19	483	483
Revenue reserves	20	4,424,564	3,857,422
		4,425,047	3,857,905
		4,500,647	3,933,505
NON-CURRENT LIABILITIES			
Long term deposits	21	38,001	37,000
Deferred liability - employee benefits	22	54,424	72,096
Deferred taxation	23	49,855	40,782
		142,280	149,878
CURRENT LIABILITIES			
Trade and other payables	24	1,275,552	1,190,303
Short term borrowings	25	-	-
Provision for taxation		470,791	364,479
		1,746,343	1,554,782
CONTINGENCIES AND COMMITMENTS	26		
TOTAL EQUITY AND LIABILITIES		6,389,270	5,638,165

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chief Executive

Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012 Restated
		(Rupees in '000)	
SALES	27	12,774,438	11,476,817
COST OF SALES	28	7,780,325	7,218,046
GROSS PROFIT		4,994,113	4,258,771
DISTRIBUTION COST	29	2,374,414	2,082,697
ADMINISTRATIVE EXPENSES	30	817,317	701,593
OTHER EXPENSES	31	147,114	119,186
		3,338,845	2,903,476
OTHER INCOME	32	85,635	56,744
OPERATING PROFIT		1,740,903	1,412,039
FINANCE COST	33	26,515	26,453
PROFIT BEFORE TAXATION		1,714,388	1,385,586
TAXATION	34	481,966	364,785
PROFIT AFTER TAXATION		1,232,422	1,020,801
OTHER COMPREHENSIVE INCOME (not to be reclassified to profit and loss)		-	307
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,232,422	1,021,108
EARNINGS PER SHARE - BASIC AND DILUTED	35	Rs. 163.02	Rs. 135.03

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chief Executive

Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012 Restated
		(Rupees in '000)	
CASH GENERATED FROM OPERATIONS			
Profit before taxation		1,714,388	1,385,586
Non-cash adjustment to reconcile profit before tax to net cash flows:			
Depreciation of property, plant & equipment		131,405	112,481
Impairment		4,982	-
Amortization of intangible assets		6,227	6,372
Provision for gratuity		(13,740)	8,259
Loss/(Gain) on disposal of property, plant and equipment		2,362	(2,813)
Income from short term investments		(62,971)	(47,953)
Income from long term investments		(3,911)	(3,501)
Exchange loss		17,165	19,001
Finance cost		5,242	5,282
Provision for doubtful debts		10,124	6,037
Provision for doubtful advances - unsecured		1,342	-
Provision for other receivables		3,706	-
Provision for slow moving and obsolete stock		4,658	(859)
Provision for obsolescence - stores & spares		915	1,702
		107,506	104,008
Operating profit before working capital changes		1,821,894	1,489,594
Working capital adjustments:			
(Increase) / decrease in current assets:			
Stores and spares		(668)	(1,949)
Stock in trade		(167,930)	43,445
Trade debts - unsecured		(36,944)	(213,080)
Advances - unsecured		(20,441)	15,301
Deposits, short term prepayments and other receivables		(17,872)	(25,116)
Tax refunds due from Government		-	22,081
		(243,855)	(159,318)
Increase / (decrease) in current liabilities:			
Trade and other payables		63,441	222,320
Cash generated from operations		1,641,480	1,552,596
Finance costs paid		(5,242)	(5,282)
Tax paid		(438,982)	(313,583)
Gratuity paid		(3,932)	(2,511)
Interest income received		64,313	47,747
		(383,843)	(273,629)
Decrease in long term prepayments		2,671	10,878
Net decrease in long term deposits		1,001	406
Net cash generated from operating activities	A	1,261,309	1,290,251
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6.1	(332,942)	(216,165)
Increase in Capital work in process	6.2	(105,824)	-
Purchase of intangible assets	7	(3,156)	(3,881)
Proceeds from sale of property, plant and equipment	6.4	16,995	6,933
Increase in long term investments		(1,001)	(406)
Net cash used in investing activities	B	(425,928)	(213,519)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(660,637)	(374,355)
Net cash used in financing activities	C	(660,637)	(374,355)
NET INCREASE IN CASH AND CASH EQUIVALENTS	A+B+C	174,744	702,377
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,233,195	530,818
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	36	1,407,939	1,233,195

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital	Capital reserve	General reserve	Unappropriated profits	Total
			Rupees in '000		
Balance as at 1 January 2012	75,600	483	2,452,000	749,707	3,277,790
Effect of retrospective application of change in an accounting policy resulting from adoption of IAS-19 (note 2.3)	-	-	-	12,607	12,607
Balance as at 1 January 2012 (restated)	75,600	483	2,452,000	762,314	3,290,397
Final dividend for 2011 @ Rs. 20.00 per share	-	-	-	(151,200)	(151,200)
Transfer to general reserve for 2011	-	-	595,000	(595,000)	-
Interim dividend for 2012 @ Rs. 30.00 per share	-	-	-	(226,800)	(226,800)
Total comprehensive income for the year (restated)	-	-	-	1,021,108	1,021,108
Balance as at 31 December 2012 (restated)	75,600	483	3,047,000	810,422	3,933,505
Final dividend for 2012 @ Rs. 23.00 per share	-	-	-	(173,880)	(173,880)
Transfer to general reserve for 2012	-	-	620,000	(620,000)	-
Interim dividend for 2013 @ Rs. 65.00 per share	-	-	-	(491,400)	(491,400)
Total comprehensive income for the year	-	-	-	1,232,422	1,232,422
Balance as at 31 December 2013	75,600	483	3,667,000	757,564	4,500,647

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1. LEGAL STATUS AND OPERATIONS

Bata Pakistan Limited (the Company) was incorporated in Pakistan as a public limited company and its shares are quoted on 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

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards effective in 2013

The Company has adopted the following new and amended IFRS interpretations which became effective during the year.

	Standard or Interpretation
IAS 1	Presentation of Financial Statements - Presentation of items of other comprehensive income (Amendment)
IAS 19	Employee benefits - (Revised)
IFRS 7	Financial Instruments : Disclosures - (Amendments)
	Amendments enhancing disclosures about offsetting of financial assets and financial liabilities.
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

	Improvements to Accounting Standards Issued by the IASB
IAS 1	Presentation of Financial Statements - Clarification of the requirements for comparative information.
IAS 16	Property, Plant & Equipment - Clarification of Servicing Equipment
IAS 32	Financial Instruments : Presentation - Tax Effects of Distribution to Holders of Equity Instruments
IAS 34	Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above standards, amendments, interpretations and improvements except IAS-19 did not have any material effect on the financial statements except for improvement in certain disclosures.

2.3 Change in accounting policy relating to Defined Benefit Plan

Amendments to IAS 19 'Employee Benefits' range from fundamental changes to simple clarification and rewording. The significant changes to IAS 19 include the follwing:

For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.

Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information regarding the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

This change in accounting policy has been accounted for retrospectively as required under International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors', and the comparitive financial statements have been re-stated.

As the amount of restated adjustment is not material, the third balance sheet has not been presented.

3. BASIS OF PREPARATION

3.1 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that certain employee benefits are recognized on the basis mentioned in note 5.1. In these financial statements, except for cash flow statement, all the transactions have been accounted for on accrual basis.

3.2 PRESENTATION CURRENCY

These financial statements are presented in Pak Rupee, which is the Company's functional currency. Figures have been rounded of to nearest of thousand of Rupee, unless otherwise stated.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors involving a higher degree of expectations of future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if revision affects both current and future periods. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

4.1 Employee Benefits

The cost of defined benefit retirement plan (gratuity) is determined using actuarial valuations (projected unit credit method) performed by independent actuaries. The actuarial valuation involves making assumptions about discount rates, future salary increases, and mortality rates. All assumptions are reviewed at each reporting date.

4.2 Taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past.

4.3 Useful Lives, residual values, pattern of flow of economic benefits and impairment

Estimates with respect to depreciable lives, residual values, and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, as explained in Note 5.4, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

4.4 Provision for obsolescence of stores, spares and stock in trade

Provision for obsolescence of stores, spares and stock in trade is made on the basis of management's estimate of net realizable value and ageing analysis prepared on an item-by-item basis.

4.5 Provision for doubtful debts

The Company reviews its trade and other receivables at each reporting date to assess whether provision should be recorded in profit and loss account for any doubtful receivables. Especially, judgment by management is required in the estimation of the amount and timing of future cash flows while determining the extent of provision required. Such estimates are based on assumption about a number of factors including credit history of counter party. Actual cash flows may differ resulting in subsequent changes to the provisions.

Other areas where estimates and judgments are involved have been disclosed in respective notes to the financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with prior year except as stated in note 2.2.

5.1 Employee Benefits

Defined Benefit Plan

A defined benefit involves a defined amount of gratuity that an employee will receive on retirement, which is usually dependent on one or more factors such as age, years of service and compensation.

The Company operates an un-funded gratuity scheme covering all employees, excluding managerial staff. The entitlement to gratuity is determined as follows:

a) For employees, who are members of the provident fund scheme, the provision is calculated with reference to 3 weeks' basic salary for each completed year of service.

b) For employees, who are not members of the provident fund scheme, provision is based on 30 days gross highest salaries/wages drawn during the year for each completed year of service.

Actuarial valuation of defined benefit scheme is conducted annually and the most recent valuation was carried out as of 31 December 2013 using projected unit credit method.

For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.

Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The defined benefit liability comprises the present value of defined benefit obligation which is disclosed in note 22.

Defined Contribution Plan

The Company operates a recognized provident fund schemes for its employees. Equal monthly contributions by the Company and employees at the rates of 8% and 10% of the basic salary are made to employees' provident fund and managerial staff provident fund, respectively.

5.2 Taxation

Current

The charge for current taxation is provided on taxable income relatable to local sales at current rate of tax after recognizing tax credit, rebates and exemptions available, if any. In case of import and export of shoes, the current taxation is provided on the basis of presumptive tax regime in accordance with the provisions of the Income Tax Ordinance, 2001.

Deferred

Deferred income tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liability is recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, if any, to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference, carry-forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled based on tax rates that have been enacted or substantially enacted at the balance sheet date.

Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax except;

- Where the sales tax incurred on purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of expense as applicable.
- Receivables and payable that are stated with the amount of sales tax included.

The net amount of sales tax receivable from, or payable to, the taxation authority is included as part of receivable or payable in the financial statements.

5.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any, except land which is stated at cost.

Depreciation is charged to income applying reducing balance method at the rates prescribed in note 6.1 of these financial statements to write off the cost over the useful lives of these assets. Depreciation on additions to property, plant and equipment is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is disposed off.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other expenditure in the form of normal repair and maintenance is charged to profit and loss account as and when incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Capital work in progress

Capital work in progress represents expenditure on property, plant and equipment in course of construction, installation and/or in transit. Transfers are made to relevant category of property, plant and equipment as and when assets become available for use. Capital work in progress is stated at cost, less any identified impairment loss.

5.4 Impairment of non-financial assets

At each balance sheet date, the carrying amount of assets is reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account as incurred. The recoverable amount is higher of an asset's fair value less cost to sell and value in use.

When conditions giving rise to impairment loss subsequently reverse, impairment loss is reversed and carrying amount of the asset is increased to the revised recoverable amount. Revised carrying amount is limited to carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of impairment loss is recognized in profit and loss account.

5.5 Operating leases

Asset leased out under operating lease represents the assets that have been leased out temporarily to a third party and are included in fixed assets of the Company under respective heading. These are depreciated over their expected useful lives on a basis consistent with similar owned assets.

5.6 Intangible asset

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses if any.

Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the profit and loss account in the expense category consistent with the function of the intangible asset.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit and loss account when the asset is derecognized.

5.7 Investments

These represent investments with fixed maturity in respect of which Company has the positive intent and ability to hold till maturity. These are initially recognized at cost including transaction costs and are subsequently carried at amortized cost.

5.8 Stores and spares

These have been valued on the following basis subject to an estimated obsolescence reserve for net realizable value.

Purchased	- at weighted average cost.
In transit	- at actual cost.

5.9 Stock in trade

These are stated at lower of cost and net realizable value. The methods used for calculation of cost are as follows:

Raw material	
Own production	- at weighted average cost.
Purchased	- at weighted average cost.
In transit	- at actual cost.
Goods in process	- at production cost
Finished goods	
Own production	- at production cost on first in first out (FIFO) basis.
Purchased	- at actual cost on first in first out (FIFO) basis.
In transit	- at actual cost

Cost is calculated as the cost of materials, direct labor and appropriate production overheads estimation based on normal capacity levels. Net realizable value is based on estimated selling price in the ordinary course of business less estimated cost to completion and estimated cost necessary to make the sale.

5.10 Provision for doubtful debts

A provision for doubtful debts / other receivables is based on management's assessment of customers' outstanding balances and credit worthiness. The amount of the provision is recognized in the profit and loss account. Trade debts and other receivables are written off when considered irrecoverable.

5.11 Contingencies and commitments

Contingent liabilities are disclosed when:

- There is a possible obligation that arises from past events and whose existence 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.

- There is a present obligation that arises from past events but 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.

5.12 Foreign currency transactions and translations

Foreign currency transactions are recorded at the rate of exchange approximating those prevailing on the dates of transactions. Monetary assets and liabilities in foreign currency are reported in Pak rupees at the rate of exchange approximating those prevailing at the balance sheet date. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

Foreign exchange gains and losses are presented in the profit and loss account within "other operating income" and "other operating expenses" respectively.

5.13 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of borrowings using the effective interest method.

5.14 Provisions

Provisions are recognized when the company has a present obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is made using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

5.15 Revenue recognition

(i) Sale of goods - Wholesale

The Company manufactures, imports and sells a range of footwear products in the wholesale market. Sales of goods are recognized when the Company has delivered products to the wholesaler.

(ii) Sale of goods - Retail

The Company operates a chain of retail outlets for selling shoes and other products. Sales are recognized when product is sold to the customer. Sales are usually in cash or by credit card.

(iii) Loyalty Programmes

IFRIC 13 requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognized as revenue over the period that the award credits are redeemed.

(iv) Profit on investments

Profit on investments is accounted for on accrual basis using effective interest method.

(v) Profit on bank deposits

Profit on bank deposits is accounted for on accrual basis.

(vi) Operating lease arrangement

Rental income is recognized on accrual basis over the period of lease agreement.

5.16 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits with banks, other short term investments with original maturities of three months or less and bank overdrafts.

For the purposes of cash flow statement, cash and cash equivalents comprise of cash in hand, cash in transit, bank balances and short term investments.

5.17 Financial Instrument

Recognition and measurement

All the financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All the financial assets and liabilities are initially measured at fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be.

Major categories of financial assets represent investments, deposits, trade debts, other receivables and cash and bank balances.

Financial liabilities are classified according to substance of the contractual arrangements entered into and mainly comprise of creditors, accrued expenses and other payables.

The Company derecognizes financial assets or a portion of financial assets when, and only when, the Company loses control of the contractual rights that comprise the financial asset or portion of financial asset. A financial liability or part of financial liability is derecognized from the balance sheet when, and only when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

Any gain / (loss) on the recognition and de-recognition of the financial assets and liabilities is included in the profit and loss for the period in which they arise.

Held-to-maturity investments represent financial instruments which the Company has the positive intent and ability to hold to maturity. These are measured at amortized cost using the effective interest method, less any impairment.

5.18 Offsetting of financial assets and financial liabilities

A financial asset and liability is offset against each other and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the asset and settle the liability simultaneously. Corresponding income from the financial asset and charge on the financial liability is also off set.

5.19 Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of the impairment may include indicators that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occuring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in profit and loss account.

5.20 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length price on the same terms and conditions as third party transactions using comparable uncontrolled price method.

Parties are said to be related if they are able to influence the operating and financial decisions of the Company and vice versa.

5.21 Dividend and appropriation to reserves

Dividend and other appropriation to reserves are recognized in the financial statements in the period in which these are approved.

5.22 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decision. The management has determined that the Company has a single reportable segment as Board of Directors views the Company's operations as one reportable segment.

5.23 Standards issued but not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

	Standard or Interpretation	Effective date (Periods beginning on or after)
IAS 32	Offsetting Financial Asset and Financial liability - (Amendment)	01 January 2014
IAS 36	Recoverable Amount for Non-Financial Assets - (Amendment)	01 January 2014
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting - (Amendment)	01 January 2014
IFRIC 21	Levies	01 January 2014
IFAS 3	Profit and Loss Sharing on Deposits	12 June 2013

The Company expects that the adoption of the above revisions and amendments of the standards will not materially affect the Company's financial statements in the period of initial application.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

	Standards	IASB effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10	Consolidated Financial Statements	01 January 2013
IFRS 11	Joint Arrangements	01 January 2013
IFRS 12	Disclosure of Interests in Other Entities	01 January 2013
IFRS 13	Fair Value Measurement	01 January 2013

	Note	2013	2012
		(Rupees in '000)	
6. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	1,010,457	833,259
Capital work-in-progress	6.2	105,824	-
		1,116,281	833,259

6.1 Operating fixed assets

DESCRIPTION	2013										
	COST				ACCUMULATED DEPRECIATION					Book value	Rate %
	As at 01 Jan 2013	Additions	Disposals	As at 31 Dec. 2013	As at 01 Jan 2013	Charge for the year	Disposals	Impairment	As at 31 Dec. 2013	As at 31 Dec. 2013	
	(Rupees in '000)										
Land											
Freehold	2,508	-	-	2,508	-	-	-	-	-	2,508	-
Leasehold with super structure	35	-	-	35	-	-	-	-	-	35	-
Buildings on freehold land											
Factory	68,126	963	-	69,089	55,945	1,230	-	-	57,175	11,914	10
Others	74,161	1,019	-	75,180	43,396	1,557	-	-	44,953	30,227	5
Plant and machinery	522,636	77,626	(16,691)	583,571	284,467	27,151	(13,142)	4,982	303,458	280,113	10
Boiler	2,943	6,477	(654)	8,766	2,737	271	(618)	-	2,390	6,376	10
Gas installations	1,276	18	-	1,294	956	32	-	-	988	306	10
Office equipment	5,540	759	(254)	6,045	3,036	288	(128)	-	3,196	2,849	10
Computers	83,779	18,593	(6,683)	95,689	42,698	12,262	(4,915)	-	50,045	45,644	25
Furniture, fixtures and fittings	926,682	220,019	(39,039)	1,107,662	426,002	87,137	(25,275)	-	487,864	619,798	15
Vehicles	15,046	7,468	(1,019)	21,495	10,236	1,477	(905)	-	10,808	10,687	20
	1,702,732	332,942	(64,340)	1,971,334	869,473	131,405	(44,983)	4,982	960,877	1,010,457	

DESCRIPTION	2012										
	COST				ACCUMULATED DEPRECIATION					Book value	Rate %
	As at 01 Jan 2012	Additions	Disposals	As at 31 Dec. 2012	As at 01 Jan 2012	Charge for the year	Disposals	Impairment	As at 31 Dec. 2012	As at 31 Dec. 2012	
	(Rupees in '000)										
Land											
Freehold	2,508	-	-	2,508	-	-	-	-	-	2,508	-
Leasehold with super structure	35	-	-	35	-	-	-	-	-	35	-
Buildings on freehold land	-										
Factory	66,962	1,164	-	68,126	54,661	1,284	-	-	55,945	12,181	10
Others	73,631	530	-	74,161	41,792	1,604	-	-	43,396	30,765	5
Plant and machinery	488,727	55,269	(21,360)	522,636	280,111	23,593	(19,237)	-	284,467	238,169	10
Boiler	2,967	-	(24)	2,943	2,736	23	(22)	-	2,737	206	10
Gas installations	1,255	21	-	1,276	920	36	-	-	956	320	10
Office equipment	5,113	571	(144)	5,540	2,927	248	(139)	-	3,036	2,504	10
Computers	66,567	22,834	(5,622)	83,779	36,472	10,769	(4,543)	-	42,698	41,081	25
Furniture, fixtures and fittings	793,378	136,634	(3,330)	926,682	354,693	73,728	(2,419)	-	426,002	500,680	15
Vehicles	15,015	31	-	15,046	9,040	1,196	-	-	10,236	4,810	20
	1,516,158	217,054	(30,480)	1,702,732	783,352	112,481	(26,360)	-	869,473	833,259	

6.2 Capital work-in-progress

	2013			
	(Rupees in '000)			
	Opening Balance	Additions	Transfers	Closing Balance
Tangible				
CDC Building	-	63,871	-	63,871
Furniture	-	23,879	-	23,879
Plant and machinery	-	18,074	-	18,074
	-	105,824	-	105,824

	2012			
	(Rupees in '000)			
	Opening Balance	Additions	Transfers	Closing Balance
Tangible				
Vehicles	889	-	(889)	-
	889	-	(889)	-

6.3 Allocation of depreciation expense

The depreciation charge for the year has been allocated as follows:

	Note	2013	2012
		(Rupees in '000)	
Cost of sales	28.1	28,668	24,918
Distribution cost	29	93,909	79,900
Administrative expenses	30	8,828	7,663
		131,405	112,481

6.4 Disposal of property, plant and equipment

Description of assets	Name of Buyer	Original cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss)	Mode of disposal
		(Rupees in '000)					
Plant and machinery							
Sole Attaching Press, Skiving and Lasting machine	M/S Dastaghir Shoe Processing, Lahore	3,348	3,044	304	659	355	Negotiation
Hydraulic Press and Finishing conveyer	Mr. Mian Khalid Waheed, Lahore	1,409	1,316	93	831	738	Negotiation
Foxing press and Rubber Belt Conveyer	Mr. M. Akram Jallo More, Lahore	1,759	1,448	311	393	82	Negotiation
Air Conditioners and Sole attaching press	M/S Somi Enterprises	939	880	59	171	112	Negotiation
Belt Conveyer, Two Roller and Bawl Calander	M/S Zulfiqar Ali & Co. Atto ke Awan Batapur, Lahore	2,539	2,289	250	2,234	1,984	Negotiation
Five Bowl Calander Foxing Machine	Mr. Tanvir Ali, Rampura, Lahore	344	252	92	134	42	Negotiation
Sewing Machines and different equipment	M/S Fimp Enterprises	2,002	1,882	120	780	660	Negotiation
Thermal Transfer Machine	Bata Shoe Company, Kenya.	2,734	513	2,221	2,431	210	Negotiation
Assets having book value below Rs. 50,000	Various parties	2,271	2,136	135	2,038	1,903	Negotiation
		17,345	13,760	3,585	9,671	6,086	
Office equipment							
Canon Digital Camera	Mr. M. Imran Malik Ex-Employee	141	22	119	-	(119)	Management Decison
Slide Projector	Mr. M. Sharif Rampura Lahore	113	106	7	9	2	Negotiation
		254	128	126	9	(117)	
Computers							
Laptop and Ipad	Mr. M. Imran Malik Ex-Employee	442	212	230	-	(230)	Management Decison
Laptop and Ipad	Mr. Carlos Gomez Ex-Employee	396	120	276	-	(276)	Management Decison
Ticket Printer, CPU and Monitor	M/s New Jubilee Insurance Company Limited, Lahore	684	338	346	268	(78)	Insurance Claim
Laptop	Bata Shoe Company, Sri Lanka	181	34	147	155	8	Negotiation
Various	Mr. M. Akram Jallo More, Lahore	4,980	4,211	769	212	(557)	Negotiation
		6,683	4,915	1,768	635	(1,133)	
Furniture, fixtures and fittings							
Old Furniture & fixture	Mr. Mian Khalid Waheed, Lahore	2,340	1,746	594	200	(394)	Negotiation
Old Furniture & fixture	M/s New Jubilee Insurance Company Limited, Lahore	15,704	9,999	5,705	4,658	(1,047)	Insurance Claim
Old Furniture & fixture	M/S Somi Enterprises, Lahore	1,543	1,206	337	295	(42)	Negotiation
Old Furniture & fixture	Mr. Amjad Farooq Ex-agent	1,780	1,449	331	334	3	Negotiation
Old Furniture & fixture	Scrapped	17,484	10,726	6,758	-	(6,758)	Scrapped
Assets having book value below Rs. 50,000	Various	188	148	40	310	270	Negotiation
		39,039	25,274	13,765	5,797	(7,968)	
Vehicles							
Motor Cycle	M/S Somi Enterprises, Lahore	25	25	-	7	7	Negotiation
Car - Honda Civic	Mr. Naeem Ahmed - Employee	994	881	113	876	763	Negotiation
		1,019	906	113	883	770	
2013		64,340	44,983	19,357	16,995	(2,362)	
2012		30,480	26,360	4,120	6,933	2,813	

7. INTANGIBLE ASSETS

Software Licences	COST			ACCUMULATED AMORTIZATION			BOOK VALUE	Amortization Rate %
	As at 01 Jan	Additions / Transfers	As at 31 Dec.	As at 01 Jan	Charge for the year	As at 31 Dec	As at 31 Dec.	
	(Rupees in '000)							
2013	21,372	3,156	24,528	13,360	6,227	19,587	4,941	33
2012	17,491	3,881	21,372	6,988	6,372	13,360	8,012	33

7.1 The amortization charge for the year has been allocated to administrative expenses as referred to in note 30.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012
		(Rupees in '000)	
8. LONG TERM INVESTMENTS			
Held to maturity at amortized cost			
PLS Term Deposit Receipts	8.1	38,001	37,000

8.1 These deposits are earmarked against the balances due to employees held as securities and personal accounts as stated in note 21. These carry mark-up at the rates ranging from 9.25% to 9.60% (2012: 12.05% to 12.10%) per annum.

	Note	2013	2012
9. LONG TERM DEPOSITS AND PREPAYMENTS			
Security deposits	9.1	17,109	14,527
Prepaid rent	9.2	48,207	54,361
Less: Adjustable within one year	14	41,807	42,708
		6,400	11,653
		23,509	26,180

9.1 This includes the amounts given as securities to landlords in respect of operating leases of shops.

9.2 Prepaid rent is amortized as rent expense is incurred, in accordance with the terms of rent agreements.

	Note	2013	2012
10. STORES AND SPARES			
Stores		3,346	2,589
Spares		26,083	25,925
		29,429	28,514
Less: Obsolescence reserve	10.1	29,429	28,514
		-	-
Spares in transit		-	247
		-	247
10.1 Opening reserve		28,514	26,812
Charge for the year		915	1,702
Closing reserve		29,429	28,514

	Note	2013	2012
11. STOCK IN TRADE			
Raw material			
In hand		161,702	139,917
In transit		19,870	37,531
		181,572	177,448
Goods in process	11.1	73,511	45,867
Finished goods			
Own production		842,039	784,473
Purchased		1,275,623	1,138,072
		2,117,662	1,922,545
Less: Provision for slow moving and obsolete items	11.2	(4,658)	-
		2,113,004	1,922,545
In transit		215	59,170
		2,368,302	2,205,030

11.1 This includes amounts aggregating to Rs. ('000) 12,450 (2012: Rs. ('000) 15,898) representing stock held by third parties.

	Note	2013	2012
11.2 Opening provision		-	859
Charge for the year		4,658	-
Reversals during the year		-	(859)
Closing provision		4,658	-

	Note	2013	2012
		(Rupees in '000)	
12. TRADE DEBTS - UNSECURED			
Considered good			
Due from customers	12.1	359,937	336,211
Due from associated undertakings	12.2	4,038	944
		363,975	337,155
Considered doubtful			
Due from customers	12.3	16,161	6,037
Less: Provision for doubtful debts		(16,161)	(6,037)
		-	-
		363,975	337,155

12.1 These customers have no recent history of default. For age analysis of these trade debts, referred to Note 38.2.3.

12.2 Due from associated undertakings - unsecured	2013	2012
Bata Shoe Company (Sri Lanka)	2,800	557
Bata Shoe Company (Malawi)	-	387
Bata Shoe Company (Chile)	460	
Bata Shoe Company (South Africa)	778	-
	4,038	944

12.2.1 Maximum aggregate amount due from associated undertakings at the end of any month in the year was Rs. ('000) 6,753 (2012: Rs. ('000) 1,666). No interest has been charged on the amounts due from associated undertakings.

12.3 Movement in the provision for doubtful debts is as follows:

	Individually Impaired	Collectively Impaired	Total
		(Rupees in '000)	
At 1 January 2012	-	-	-
Charge for the year	6,037	-	6,037
At 31 December 2012	6,037	-	6,037
Charge for the year	10,337	-	10,337
Reversals During the year	(213)	-	(213)
At 31 December 2013	16,161	-	16,161

	Note	2013	2012
		(Rupees in '000)	
13. ADVANCES - UNSECURED			
Considered good, non-interest bearing			
Considered good			
Advances to employees		6,970	1,922
Advances to suppliers		21,009	6,958
		27,979	8,880
Considered doubtful, non-interest bearing			
Advances to suppliers		1,342	-
Less: Provision for doubtful debts	13.3	(1,342)	-
		27,979	8,880

13.1 Aggregate amount due from Directors, Chief Executives and Executives of the Company is Rs. ('000) Nil (2012: Rs. ('000) Nil)

13.2 Aggregate amount due from related parties is Rs. ('000) Nil (2012: Rs. ('000) Nil)

13.3	2013	2012
Opening provision	-	-
Charge for the year	1,342	-
Reversals During the year	-	-
Closing provision	1,342	-

	Note	2013	2012
		(Rupees in '000)	
14. DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES			
Deposits - Considered good, unsecured			
Custom duty and taxes		2,766	5,419
Letters of guarantee - Margin		3,234	5,681
Others		4,826	3,793
		10,826	14,893
Short term prepayments			
Prepaid rent	9	41,807	42,708
Prepaid sales tax		6,103	2,367
Other prepaid expenses		6,875	3,995
		54,785	49,070
Other receivables			
Considered good, unsecured			
Export rebates		5,441	4,717
Insurance claims		29,142	15,675
Advance tax	14.1	421,188	348,787
Others	14.2	749	2,422
		456,520	371,601
Considered doubtful			
Advance rent		1,585	1,585
Others		4,192	486
		5,777	2,071
Less: Provision for doubtful balances	14.3	(5,777)	(2,071)
		-	-
		522,131	435,564

14.1 Advance tax

		2013	2012
Balance as at 01 January		348,787	282,033
Advance tax paid during the year		436,880	313,583
		785,667	595,616
Adjustment against:			
Provision for tax		(366,581)	(253,151)
Prior Year		2,102	6,322
		(364,479)	(246,829)
Balance as at 31 December		421,188	348,787

14.2 Other receivables do not include any amounts receivable from Directors, Chief Executives, Executives and related parties (2012: Rs. ('000) Nil).

14.3

	2013	2012
Opening provision	2,071	2,071
Charge for the year	3,706	-
Reversals During the year	-	-
Closing provision	5,777	2,071

15. SHORT TERM INVESTMENTS (HELD TO MATURITY)

This includes the following term deposits receipts:

	Rate of return	Period of deposit	2013	2012
Habib Metropolitan Bank Ltd.	9.75%	1 month	220,000	200,000
Habib Metropolitan Bank Ltd.	9.55%	1 month	300,000	-
Habib Bank Limited	9.80%	1 month	228,000	-
Bank Al-Habib Limited	9.70%	1 month	220,000	300,000
			968,000	500,000

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FOR THE YEAR ENDED 31 DECEMBER 2013

16. TAX REFUNDS DUE FROM GOVERNMENT

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

	Note	2013	2012
		(Rupees in '000)	
17. CASH AND BANK BALANCES			
Bank balances in			
Current accounts		75,637	29,754
Daily profit accounts	17.1	334,240	640,635
Cash in transit		28,125	60,393
Cash in hand		1,937	2,413
		439,939	733,195

17.1 The rate of mark-up on these accounts ranges from 7.00% to 7.45% (2012: 6.15% to 8.00%) per annum.

18. SHARE CAPITAL

18.1 Authorized share capital

2013	2012		2013	2012
(Number of shares in '000)				
10,000	10,000	Ordinary shares of Rs. 10/- each	100,000	100,000
10,000	10,000		100,000	100,000

18.2 Issued, subscribed and paid up capital

2013	2012		2013	2012
(Number of shares in '000)				
1,890	1,890	Ordinary shares of Rs. 10/- each fully paid in cash	18,900	18,900
300	300	Ordinary shares of Rs. 10/- each issued for consideration other than cash	3,000	3,000
5,370	5,370	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	53,700	53,700
7,560	7,560		75,600	75,600

18.2.1 Bafin B.V. (Nederland) (the parent company) held 5,685,866 (2012: 5,685,866) ordinary shares of Rs. 10 each fully paid up which represents 75.21% (2012: 75.21%) of total paid up capital.

19. CAPITAL RESERVE

This represents the balance of foreign shareholders' equity in Globe Commercial Enterprises Limited (an associated undertaking) gifted to the Company on its winding up, and is not available for distribution.

20. REVENUE RESERVES

	2013	2012
General Reserve		
Balance as at 01 January	3,047,000	2,452,000
Transfer from Profit and loss account	620,000	595,000
	3,667,000	3,047,000
Unappropriated profit	757,564	810,422
	4,424,564	3,857,422

	Note	2013	2012
		(Rupees in '000)	

21. LONG TERM DEPOSITS

		2013	2012
Employees' securities and personal accounts		38,001	37,000

21.1 This represents the securities deposited by the employees in accordance with the terms of employment and the amounts credited on account of commission etc. to the sales staff. Interest at the rate of 6.8% (2012: 10%) per annum is being paid on the monthly outstanding balances.

21.2 In accordance with provisions of Section 226 of the Companies Ordinance, 1984, this amount has been invested in PLS Term Deposit Receipts and is shown separately as long term investments in Note 8.

22. DEFERRED LIABILITY - EMPLOYEE BENEFITS

22.1 Provision for gratuity - un-funded defined benefit plan

The amount recognized in the balance sheet is as follows:

	2013	2012
Present Value of defined benefit obligation	54,424	72,096
Add: Actuarial gains to be recognized in later periods	-	-
Balance sheet liability	54,424	72,096
Less: Unrecognized actuarial gain charged to retained earnings	-	-
Restated balance sheet liability	54,424	72,096

22.2 Changes in present value of defined benefit obligation

	2013	2012
Present value of defined benefit obligations as at 1 January	72,096	66,655
Expense chargeable to Profit and Loss	6,582	8,259
Benefits due but not paid (payable)	-	(2,511)
Benefits paid during the year	(3,932)	-
Actuarial Adjustment	(20,322)	-
Remeasurements:		
Experience adjustments	-	(307)
Present value of defined benefit obligations as at 31 December	54,424	72,096

22.3 Changes in actuarial gains/(losses)

	2013	2012
Unrecognized actuarial gains/(losses) as at 1 January	-	-
Actuarial gains/(losses) arising during the year	-	-
Actuarial gains/(losses) recognized during the year	-	-
Unrecognized actuarial gains/(losses) as at 31 December	-	-

22.4 The amount recognized in the profit and loss account is as follows:

	2013	2012
Current service cost	763	641
Interest cost	5,819	8,155
Actuarial gains recognized during the year	-	(537)
Expense chargeable to Profit and loss	6,582	8,259

22.5 Movement in the net liability recognized in the balance sheet is as follows:

	2013	2012
Opening liability	72,096	66,655
Amount recognized during the year	6,582	8,259
Payments made by the Company during the year	(3,932)	(2,511)
Actuarial Adjustment	(20,322)	-
Remeasurements chargeable in other comprehensive income	-	(307)
Closing liability	54,424	72,096

22.6 Principal actuarial assumptions

The principal actuarial assumptions used in the actuarial valuation of this scheme by applying projected unit credit method as on 31 December are as follows:

	2013	2012
Contribution rates	As per Rules	As per Rules
Expected rate of salary increase in future years	11%	10.5%
Discount rate	12%	11.5%
Expected mortality rate	EFU (61-66) Mortality table	EFU (61-66) Mortality table

22.7 Historical information

As at 31 December	2013	2012 Restated	2011 Restated	2010	2009
			(Rupees in '000)		
Present value of defined benefit obligation	54,424	72,096	66,655	74,211	69,196
Experience adjustments on plan liabilities	-	-	-	13,099	12,270
Experience adjustments on plan liabilities as a percentage of defined benefit obligation	0%	0%	0%	18%	18%

22.8 Estimated expense to be charged to Profit and Loss in 2014

	Amount (Rupees in '000)
Current service cost	3,058
Interest cost on define benefit obligation	6,425
Interest income on plan assets	-
Amount chargeable to P&L	9,483

22.9 Year end sesitivity analysis (± 50 bps) on defined benefit obligation

	2013 (Rupees in '000)
Discount rate + 50 bps	52,799
Discount rate - 50 bps	56,136
Salary increase + 50 bps	55,310
Salary increase - 50 bps	53,569

The average duration of the defined benefit obligation is 6 years

23. DEFERRED TAXATION

	Note	2013	2012
		(Rupees in '000)	
Deferred tax liabilities			
Accelerated tax depreciation		86,280	83,354
Deferred tax assets			
Provision for:			
Gratuity		(18,504)	(29,754)
Doubtful debts		(7,915)	(2,838)
Obsolescence of inventory		(10,006)	(9,980)
		(36,425)	(42,572)
Net deferred tax liability		49,855	40,782

	Note	2013	2012
		(Rupees in '000)	
24. TRADE AND OTHER PAYABLES			
Creditors	24.1	724,324	747,459
Accrued liabilities	24.2	290,698	202,436
Advances from customers		3,276	612
Due to provident fund trust		11,079	9,625
Deposits	24.3	61,337	53,280
Workers' profit participation fund	24.4	90,509	74,004
Workers' welfare fund		25,263	20,047
Sales tax payable		21,729	35,916
Taxes deducted at source payable		16,052	20,919
Unclaimed dividend		12,407	7,764
Other liabilities		18,878	18,241
		1,275,552	1,190,303

24.1 This includes amounts due to the following related parties:

	2013	2012
Bata Shoe Singapore Pte Limited	19,241	57,993
Bata Brands (Switzerland)	68,112	59,905
Global Footwear Services (Singapore)	11,673	11,158
Bata Malaysia	1,401	-
	100,427	129,056

24.1.1 No interest has been paid / accrued on the amounts due to associated undertakings as they are in normal course of business.

24.2 These include an amount of Rs. ('000) 1,303 (2012: ('000) 1,280) in relation to deferred revenue pertaining to Bata Loyalty Cards scheme.

24.3 These represent the security money received from the registered wholesale dealers, agency holders and other customers in accordance with the terms of the contract with them. Deposits from agency holders carry interest at the rate of 6.80% (2012: 10%) per annum. These are repayable on termination / completion of the contract and on returning the Company's property already provided to them. The Company has a right to utilize these deposits in accordance with the terms of the agreements entered with agency holders.

24.4 Workers' profit participation fund

	2013	2012
Balance as at 01 January	74,004	54,712
Allocation for the year	90,509	74,004
Interest on funds utilized in Company's business	350	450
	164,863	129,166
Less: Amount adjusted / paid to fund's trustees	74,354	55,162
Balance as at 31 December	90,509	74,004

25. SHORT TERM BORROWINGS

The credit facilities available to the Company from various commercial banks aggregate to Rs.685 million (2012: Rs. 735 million). These include cash finance facilities of Rs 650 million (2012: Rs 700 million) and export finance facility of Rs 35 million (2012: Rs. 35 million).

Mark up on cash finance is based on 3 months KIBOR plus 1% (2012: 3 months KIBOR plus 0.75% to 1%) as per agreements with banks. While mark up on export finance is charged at 9.40% (2012: 9.30%) per annum.

In addition, non funded facilities of letters of guarantee and letters of credit amounting to Rs. 355 million (2012: Rs. 405 million) were also provided by these banks. The un-utilized facility for letter of credits and guarantees at year end amounts to Rs. 218 million (2012: Rs. 291 million).

These finances are secured against hypothecation of stock in trade, store and spares and receivables of the Company amounting to Rs. 1,194 million (2012: Rs. 1,194 million).

	Note	2013	2012
		(Rupees in '000)	
26. CONTINGENCIES AND COMMITMENTS			
26.1 The Company is contingently liable for:			
Counter Guarantees given to banks		5,474	7,634
Indemnity Bonds given to Custom Authorities		13,110	26,188
Claims not acknowledged as debts - under appeal		22,449	10,474
Order by sales tax department	26.1.1	138,851	138,851
Order by sales tax department-under appeal	26.1.2	201,252	201,252
Order by sales tax department-under appeal	26.1.3	237,370	237,370
Order by sales tax department-under appeal	26.1.4	25,820	25,820
Order by income tax department-under appeal	26.1.5	491	491
Order by income tax department-under appeal	26.1.6	954,859	-
Order by sales tax department-under appeal	26.1.7	18,697	-
Order by sales tax department-under appeal	26.1.8	8,225	-
		1,626,598	648,080

26.1.1 The Sales Tax Department has issued show-cause notice followed by an order amounting to Rs. 138.8 million in respect of the period from July 2005 to June 2007 for non payment of sales tax on certain items including disposal of fixed assets, inadmissible input tax claimed on electricity bills of retail outlets, inadmissible input tax adjustment claimed against zero rated retail supplies and less declaration of output sales tax in returns when compared with final accounts. The Company filed an appeal against the order before Commissioner Sales Tax (Appeals) who has dismissed the appeal vide order dated 31-01-2009. Thereafter, the Company filed an appeal against the stated order before Appellate Tribunal Inland Revenue (ATIR) who has decided the appeal in favor of the Company. The Sales Tax Department filed a reference application in Honorable Lahore High Court (LHC). LHC vide its order dated 16-05-2012 disposed off the reference application. However, at the year end, the Company is not aware if any leave for appeal has been made by the Sales Tax Department. Moreover, on 08-07-2013, Company received a letter from sales tax department asking for documentary evidence/record that no input tax has been claimed against retail sales during above mentioned period. The Company has given a comprehensive reply to this letter and is of the opinion that this matter has already been decided by ATIR in favour of the Company and has attained finality as has been quoted by Commissioner (Appeals) in one of his orders.

26.1.2 The Company has received an order from sales tax department amounting to Rs. 201 million for non-payment of retail tax on sales made through retail outlets and inadmissible input tax adjustment claimed against zero-rated retail supplies for the period from July 2007 to December 2008. The Company filed an appeal against the order before the Commissioner Sales Tax (Appeals) which was not decided in favour of the Company. The Company has filed an appeal with the Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication. Moreover, on 25-06-2012, Company received an additional order from Deputy Commissioner Inland Revenue (DCIR) amounting to Rs. 64 milion pertaining to period from July 2007 to December 2008 of the sales tax previously refunded to the Company. The case has been referred to concerned ACIR/DCIR enforcement against the order. Company has filed an appeal with CIR(Appeals) which is pending adjudication. Based on legal advisor's opinion, the Company expects a favorable outcome of the matter.

26.1.3 The Company has received 19 separate orders dated 17-10-2012 and 14-11-2012 in which sales tax refunds for the periods from November 2008 to December 2010 amounting to Rs. 237.37 million has been rejected on the grounds that input sales tax relating to retail turnover is not admissible. The Company filed seperate appeals against these orders with Commissioner (Appeals). The Commissioner (Appeals) decided 16 appeals against while 3 appeals in favour of the Company. The Company has filed 16 seprate appeals while Tax department has filed 3 seperate appeals with the Appellate Tribunal Inland Revenue (ATIR), which are pending adjudication. Based on legal advisor's opinion, the Company expects a favorable outcome of the matter.

26.1.4 The Company has received an order dated 18-10-2012 from Sales tax department demanding Rs. 25.820 million on the basis that Company has wrongly adjusted input sales tax against output sales tax for the month of April 2011. Company filed an appeal with Commissioner (Appeals) who has decided the case in favour of the Company. However, at the period end, Department's appeal is pending for adjudication with ATIR.

26.1.5 The Company received a show cause notice from the income tax department in respect of understatement of tax liability under u/s 147 (4) for the tax year 2009. Accordingly the Assistant Commisioner Inland Revenue (ACIR) charged additional tax u/s 205(IB) of the Income Tax Ordinance, 2001 and created a demand of Rs. 490,985/-. The Company has filed an appeal before the CIR (Appeals) and is pending adjudication. Based on legal advisor's opinion, the Company expects a favorable outcome for the matter.

26.1.6 On 21-08-2013, Company received an assessment order from Deputy Commissioner Inland Revenue (DCIR) for the tax year 2011, adding back different provisions and liabilities and also assessing that Company has suppressed turnover to the tune of PKR. 1,427 million. Based on these add backs the DCIR created a demand of PKR. 954.859 million. The Company filed an appeal with Commissioner (Appeals), who deleted almost all the add backs and there is no liability against the Company against this order. However, Department filed an appeal against the order of Commissioner with ATIR which is pending for adjudication..

26.1.7 A show-cause notice was issued to the Company requiring an explanantion for claiming the benefit of zero-rating on supplies, amounting to Rs. 18.697 million. The demand was subsequently raised by the department which was successfully challenged in the Lahore High Court through writ petition No. 16140/2013. In its order, dated 25-06-2013, the Court suspended the operation of show-cause notice. Tax Advisor is confident that the writ petition will be decided in favour of the Company.

26.1.8 The Compamny has received a demand notice of Rs. 8.225 million stating that the input tax claimed by the Company did not match the sales with sales tax return of suppliers. The demand notice was however, subsequently suspended by the decision of the Lahore High Court through writ petition no. 15721/2013. The Company based on the advice of its tax advisor is confident that the writ petition will be decided in the favour of the Company.

26.2 Commitments

26.2.1 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 as at 31 December are as follows:

	Note	2013	2012
		(Rupees in '000)	
Within one year		575,383	508,406
After one year but not more than five years		1,828,794	1,614,046
More than five years		1,083,789	946,040
		3,487,966	3,068,492
26.2.2 Commitments in respect of:			
Capital expenditure		20,873	4,691
Letters of credit and bank contracts		573,346	431,643
		594,219	436,334

27. SALES

	Note	2013	2012
Shoes and accessories			
Local		14,594,739	13,135,416
Export		183,687	138,043
		14,778,426	13,273,459
Sundry articles and scrap material		30,732	32,149
		14,809,158	13,305,608
Less: Sales tax		764,079	668,165
Discounts to dealers and distributors		1,059,957	988,126
Commission to agents / business associates		210,684	172,500
		2,034,720	1,828,791
		12,774,438	11,476,817

28. COST OF SALES

	Note	2013	2012
Cost of goods manufactured	28.1	3,734,123	3,672,889
Finished goods purchased		4,177,706	3,676,374
Add: Opening stock of finished goods		1,981,715	1,850,498
		9,893,544	9,199,761
Less: Closing stock of finished goods	28.2	2,113,219	1,981,715
		7,780,325	7,218,046

	Note	2013	2012
		(Rupees in '000)	
28.1 Cost of goods manufactured			
Raw material consumed			
Opening stock		177,448	294,973
Add: Purchases		3,166,761	2,986,249
		3,344,209	3,281,222
Less: Closing stock		181,572	177,448
		3,162,637	3,103,774
Store and spares consumed		13,410	11,638
Fuel and power		163,376	138,265
Salaries, wages and benefits	28.3	324,879	284,937
Repairs and maintenance	28.4	59,976	45,777
Insurance		8,821	7,301
Depreciation	6.3	28,668	24,918
		3,761,767	3,616,610
Add: Opening goods in process		45,866	102,145
		3,807,633	3,718,755
Less: Closing goods in process		73,510	45,866
		3,734,123	3,672,889

28.2 This includes provision of Rs. ('000) 4,658 (2012: reversal of Rs. ('000) 859) in respect of provision for slow moving and obsolete stock.

28.3 These include Rs. ('000) 9,899 (2012: Rs. ('000) 9,284) and Rs. ('000) 2,904 (2012: Rs. ('000) 4,324) in respect of contribution to provident fund trust and provision for gratuity respectively.

28.4 This includes provision for obsolescence of stores and spares amounting to Rs. ('000) 915 (2012: Rs. ('000) 1,702).

29. DISTRIBUTION COST

	Note	2013	2012
		(Rupees in '000)	
Salaries and benefits	29.1	603,817	549,284
Freight		207,890	166,285
Advertising and sales promotion		192,466	167,844
Rent		638,228	565,324
Insurance		17,250	11,256
Trade mark license fee	29.2	344,544	296,951
Fuel and power		204,572	181,203
Repairs and maintenance		44,689	48,469
Entertainment		9,237	7,214
Business and property taxes		2,300	2,580
Depreciation	6.3	93,909	79,900
Provision for trade debts		10,124	6,037
Provision for other debts		5,048	-
Miscellaneous		340	350
		2,374,414	2,082,697

29.1 These include Rs. ('000) 21,352 (2012: Rs. ('000) 18,818) and Rs. ('000) 2,988 (2012: Rs. ('000) 2,877) in respect of contribution to provident fund trust and provision for gratuity respectively.

29.2 This represents the royalty fee payable to Bata Brands S.A.R.L. (Luxembourg). Further, included in this amount is Rs. ('000) 6,673 (2012: Rs. ('000) 26,996) in repect of excise duty and Rs. ('000) 37,399 (2012: Rs. ('000) Nil) in respect of provincial sales tax on trade mark license fee.

	Note	2013	2012
		(Rupees in '000)	
30. ADMINISTRATIVE EXPENSES			
Salaries and benefits	30.1	373,854	328,596
Employee welfare		26,076	22,729
Fuel and power		22,661	19,581
Telephone and postage		18,846	18,083
Insurance		3,724	2,495
Travelling		101,684	86,848
Repairs and maintenance		24,184	18,894
Printing and stationery		19,550	17,799
Donations and subscription	30.2	2,190	1,967
Legal and professional charges		8,625	4,793
Business and property taxes		13,032	836
Management service fee	30.3	166,051	151,594
Depreciation	6.3	8,828	7,663
Amortization on intangible assets	7.1	6,227	6,372
Miscellaneous		21,785	13,343
		817,317	701,593

30.1 These include Rs. ('000) 10,767 (2012: Rs. ('000) 9,225) and Rs. ('000) 689 (2012: Rs. ('000) 1,058) in respect of contribution to provident fund trust and provision for gratuity respectively.

30.2 None of the directors of the Company or any of their spouses have any interest in the funds of donees.

30.3 This includes the monthly fee paid to Global Footwear Services Pte Limited, a related party, in respect of management services.

	Note	2013	2012
		(Rupees in '000)	
31. OTHER EXPENSES			
Workers' profit participation fund	24.4	90,509	74,004
Workers' welfare fund		25,263	20,047
Auditors' remuneration	31.1	6,833	6,134
Exchange loss		17,165	19,001
Loss on fixed assets sold / scrapped		2,362	-
Impairment loss	6.1	4,982	-
		147,114	119,186
31.1 Auditors' remuneration			
Statutory audit		3,911	2,622
Review of six monthly accounts		978	890
Other reviews and certifications		844	1,652
Out of pocket expenses		1,100	970
		6,833	6,134

	Note	2013	2012
		(Rupees in '000)	
32. OTHER INCOME			
Income from financial assets			
Profit on long term investments		3,911	3,501
Profit on short term investment		34,945	16,471
Profit on bank deposits		28,026	31,482
		66,882	51,454
Income from non - financial assets			
Rental Income		7,217	2,477
Gain on disposal of fixed assets	6.4	-	2,813
Income from discounting from supplier invoices		11,536	-
		18,753	5,290
		85,635	56,744
33. FINANCE COSTS			
Interest / mark-up on:			
Short term borrowings	25	-	-
Workers' profit participation fund	24.4	350	450
Employees / agents' securities and personal accounts	33.1	4,892	4,832
		5,242	5,282
Bank charges and commission		21,273	21,171
		26,515	26,453

33.1 These do not include any amounts on account of related parties (2012: Rs. ('000) Nil)

	Note	2013	2012
		(Rupees in '000)	
34. TAXATION			
Current			
For the year		470,791	364,479
For prior years		2,102	(6,322)
		472,893	358,157
Deferred			
Relating to originating and reversal of temporary differences		10,238	6,628
Income resulting from change of rate of tax		(1,165)	-
		481,966	364,785
Relationship between tax expenses and accounting profit			
Accounting profit before taxation		1,714,388	1,385,586
Tax at applicable tax rate of 34% (2012: 35%)		582,892	484,955
Tax effect of expenses not allowed for tax		46	114
Effect of tax on export sales, imported finished goods and rental income under Final Tax Regime		(103,074)	(113,962)
Effect of prior years tax		2,102	(6,322)
Tax expense for the year		481,966	364,785

	Note	2013	2012
		(Rupees in '000)	

35. EARNINGS PER SHARE - BASIC AND DILUTED

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by weighted average number of ordinary shares outstanding during the year. The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Note	2013	2012
Profit after taxation - (Rupees in '000)		1,232,422	1,020,801
Weighted average number of ordinary shares (in thousands)	18.2	7,560	7,560
Earnings per share - basic and diluted (Rupees per share)		163.02	135.03

There is no dilutive effect on the basic earnings per share of the Company.

36. CASH AND CASH EQUIVALENTS

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

	2013	2012
Short term investment	968,000	500,000
Bank balances in		
Current accounts	75,637	29,754
Daily profit accounts	334,240	640,635
Cash in transit	28,125	60,393
Cash in hand	1,937	2,413
	1,407,939	1,233,195

37. REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for the year in respect of remuneration, including all benefits to Chief Executive, Directors and Executives of the Company are as follows:

	Chief Executive		Directors		Executives	
	2013	2012	2013	2012	2013	2012
	(Rupees in '000)					
Managerial remuneration	25,871	27,135	13,430	10,926	91,638	61,727
Company's contribution to provident fund	-	2,346	-	23	6,936	4,942
Perquisites and allowances						
Housing	-	-	-	88	27,868	19,970
Leave passage	1,873	2,233	2,141	582	-	-
Conveyance	-	-	-	23	6,534	4,594
Medical expenses reimbursed	111	36	333	721	5,110	3,062
Utilities	-	-	-	23	6,534	4,594
Others	-	-	6,569	4,826	20,454	14,667
	27,855	31,750	22,473	17,212	165,074	113,556
Number of persons	1	1	2	2	73	51

37.1 In addition to the above, 8 (2012: 5) non executive directors were paid aggregated fee of Rs. ('000) 1,075 (2012: Rs. ('000) 925) for attending meetings.

37.2 The Chief Executive and one of the directors of the Company are provided with company-maintained cars.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise long term deposits and trade and other payables. The main purpose of these financial liabilities is to raise finances for the Company's operations. The Company's financial assets mainly comprise long term investments, security deposits, trade and other receivables, and cash and cash equivalent that arrive directly from its operations. The Company is exposed to market risk, credit risk and liquidity risk. The Company's Board of Directors (the Board) reviews and agrees policies for the management of these risks. The Board has the overall responsibility for the establishment of a financial risk governance frame work. They provide assurance that the financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's risk management policies.

38.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risks: interest rate risk, currency risk and other price risk such as equity risk. The objective of market risk management is to manage and control market risk exposures within an acceptable range.

38.1.1 Interest rate risk exposure

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term debt obligations, which are borrowed at floating interest rates. The Company's policy is to keep its short term running finances at the lowest level by effectively utilizing positive cash and bank balances. Further, the Company also minimizes the interest rate risk by investing in fixed rate investments like term deposit-receipts.

The Company's exposure to interest rate risk on its financial assets and liabilities is summarized below:

	Fixed or variable	2013	2012	2013	2012
		Effective rates		Rupees in ('000)	
Financial Assets					
Long term investments	Fixed	9.25 to 9.60%	12.05 to 12.10%	38,001	37,000
Short term investments	Fixed	9.55 to 9.80%	9.25 to 9.40%	968,000	500,000
Bank Balance in Daily profit account	Fixed	7.00 to 7.45%	6.15 to 8.00%	334,240	640,635
				1,340,241	1,177,635
Financial Liabilities					
Long term deposits - employees' securities	Fixed	6.80%	10.00%	38,001	37,000
Deposits - agents	Fixed	6.80%	10.00%	61,337	53,280
				99,338	90,280

Sensitivity analysis for variable rate instruments

The Company has all its investments in fixed rate instruments hence it is not subject to any fluctuation in market interest rates.

38.1.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The management has assessed that hedging its foreign currency payables will be more expensive than self assuming the risk. The foreign exchange risk management policy is reviewed each year on the basis of market conditions. The Company is mainly exposed to fluctuations in US Dollar, Euro and Singapore Dollar against Pak Rupee.

The assets / liabilities subject to currency risk are detailed below:

	2013	2012
	(Rupees in '000)	
Financial assets		
Trade debts - Export customers		
US Dollar	4,038	3,507
Euro	-	790
Pound sterling	-	3,764
	4,038	8,061
Financial liabilities		
Trade and other Payables - Foreign suppliers		
US Dollar	11,673	78,926
Euro	19,241	59,905
Singapore Dollar	68,112	11,158
	99,026	149,989

Foreign Currency Sensitivity analysis

The following table demonstrates the sensitivity of the Company's profit before tax to a reasonably possible change in exchange rates of the major currencies involved in transactions with the foreign parties, keeping all other variables constant. Range of variation has been taken after considering the variation in year 2013 in the currencies involved.

	2013	2012	2013	2012
			(Rupees in '000)	
	Percentage Change in Exchange Rate	Percentage Change in Exchange Rate	Effect on Profit Before Tax	Effect on Profit Before Tax
			+ / -	+ / -
Variation in USD to PKR	8%	8%	611	6,034
Variation in EURO to PKR	10%	8%	1,924	4,729
Variation in Pound Sterling to PKR	10%	8%	-	301
Variation in Singapore Dollar to PKR	5%	10%	3,406	1,116

38.1.3 Equity price risk

Equity price risk is the risk of loss due to susceptibility of equity instruments towards market price risk arising from uncertainties about future values of the investment securities. The Company is not exposed to any equity price risk as the Company does not have any investment in equity shares at the balance sheet date.

38.2 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date, if counter parties fail to perform their contractual obligations. The Company's maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Investments are allowed only in liquid securities and only with banks. Given their high credit ratings, management does not expect any counter party to fail to meet its obligation.

The management has a credit policy in place and exposure to credit risk is monitored on a continuous basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Company does not require collateral in respect of financial assets. The Company, however, mitigates any possible exposure to credit risk by taking security deposits from its dealers and distributors as well as by executing formal agreements with them. Out of total financial assets of Rs.('000) 1,851,655 (2012: Rs. ('000) 1,648,955) following are subject to credit risk:

		2013	2012
		(Rupees in '000)	
Financial assets			
Long term investments		38,001	37,000
Long term deposits		17,109	14,527
Trade debts - unsecured	38.2.1	363,975	337,155
Deposits		17,016	22,032
Interest accrued		7,615	5,046
Short term investment		968,000	500,000
Cash at bank		409,877	670,389
		1,821,593	1,586,149

38.2.1 Out of the total trade receivables, 17.35% is concentrated in ten customers (2012: 17% in ten customers)

38.2.2 Long term investments

Financial institution	Ratings			Carrying Values	
	Agency	Long Term	Short term	2013	2012
				(Rupees in '000)	
Habib Metropolitan Bank Limited	PACRA	AA+	A1+	38,001	37,000
				38,001	37,000

38.2.3 Trade debts - other than related parties

	Carrying Values	
	2013	2012
	(Rupees in '000)	
Neither past due nor impaired	344,185	315,734
Past due but no impaired		
1-30 days	-	-
31-60 days	10,370	12,663
61-90 days	5,121	5,475
Over 90 days	261	2,896
	15,752	21,034
Past due and impaired		
1-30 days	-	-
31-60 days	-	-
61-90 days	-	-
Over 90 days	16,161	6,037
	16,161	6,037

38.2.4 Trade debts - receivable from related parties

Neither past due nor impaired	1,457	557
Past due but not impaired		
1-30 days	-	-
31-60 days	151	-
61-90 days	-	-
Over 90 days	2,430	387
	2,581	387

38.2.5 Short term investments

Financial institution	Ratings Agency	Long Term	Short term	2013 (Rupees in '000)	2012 (Rupees in '000)
Habib Metropolitan Bank Ltd.	PACRA	AA+	A1+	220,000	200,000
Habib Metropolitan Bank Ltd.	PACRA	AA+	A1+	300,000	-
Habib Bank Limited	JCR-VIS	AA+	A-1+	228,000	-
Bank Al-Habib Limited	JCR-VIS	AA+	A-1+	220,000	300,000
				968,000	500,000

38.2.6 Cash at bank

Financial institution	Ratings Agency	Long Term	Short term	2013 (Rupees in '000)	2012 (Rupees in '000)
Habib Bank Limited	JCR-VIS	AA+	A-1+	133,978	631,635
MCB Bank Limited	PACRA	AA+	A1+	70,247	5,989
Habib Metropolitan Bank Limited	PACRA	AA+	A1+	2,602	12,613
Bank Al-Habib Limited	PACRA	AA+	A1+	5,138	6,571
Summit Bank Limited	JCR-VIS	A-	A-2	935	966
National Bank of Pakistan	JCR-VIS	AAA	A-1+	640	378
United Bank Limited	JCR-VIS	AA+	A-1+	42,933	11,587
Silk Bank Limited	JCR-VIS	A-	A-2	-	207
Barclays Bank PLC	Standard & Poor's	A+	A-1	153,404	443
				409,877	670,389

38.3 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet its commitments associated with financial liabilities as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions. The Company follows a cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. The Company had un-utilized short term borrowing facilities available from various Commercial banks aggregating to Rs. 685 million at 31 December 2013 (2012: Rs. 735 million).

The following table shows the maturity profile of the company's financial liabilities:

2013 (Rupees in '000)

	On demand	Less than 1 year	1 to 5 years	Over 5 years	Total
Long term deposits	38,001	-	-	-	38,001
Trade and other payables	-	1,272,276	-	-	1,272,276

2012 (Rupees in '000)

	On demand	Less than 1 year	1 to 5 years	Over 5 years	Total
Long term deposits	37,000	-	-	-	37,000
Trade and other payables	-	1,189,691	-	-	1,189,691

38.4 Fair value of the financial instruments

Fair value is measured on the basis of objective evidence at each reporting date. The carrying value of all the financial instruments reflected in the financial statements approximates their fair value and accordingly, detailed disclosures of fair value are not being presented in these financial statements.

39. CAPITAL RISK MANAGEMENT

The Company's policy is to safeguard the Company's ability to remain as a going concern and ensure a strong capital base in order to maintain investors', creditors' and market's confidence and to sustain future development of the business. The Board of Directors monitors the returns on capital, which the Company defines as net operating income divided by total shareholders' equity.

The Company's objectives when managing:

a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

b) to provide an adequate return to shareholders by pricing products

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistent with the industry norms, the Company monitors its capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the balance sheet less cash and cash equivalent. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt (as defined above).

The debt - to- equity ratio as to 31 December is as follows:

	2013	2012
	(Rupees in '000)	
Net debt	-	-
Total equity	4,500,647	3,933,505
Capital gearing ratio	-	-

The Company is not subject to any externally-imposed capital requirements.

40. TRANSACTIONS WITH RELATED PARTIES

40.1 The related parties and associated undertakings comprise parent company, related group companies, provident fund trust, directors and key management personnel. Remuneration of Chief Executive and directors is also shown in Note 37. Transactions with related parties during the year are as follows;

Relationship with the Company	Nature of transactions	2013	2012
		(Rupees in '000)	
Associated Companies	Purchase of goods and services	1,277,346	1,381,734
	Sale of goods and services	4,510	3,738
	Trade mark license fee	300,472	269,955
	Management service fee & IT charges	166,051	151,594
Holding company	Dividend paid	450,321	272,543
Staff Retirement Benefits	Contribution to provident fund trusts	42,018	37,326
Staff Retirement Benefits	Gratuity Paid	3,932	2,511
Key Management Personnel	Remuneration	90,808	84,673

40.2 The Company in normal course of business conducts transactions with its related parties. Balances of related parties at the reporting date have been shown under payables and receivables. The Company continues to have a policy, where by, all transactions with related parties and associated undertakings are entered into at arm's length in the light of commercial terms and conditions.

41. CAPACITY AND ACTUAL PRODUCTION

	No. of shifts worked		Installed capacity based on actual shifts worked		Actual production	
			Pairs in '000		Pairs in '000	
	2013	2012	2013	2012	2013	2012
Footwear in pairs						
Leather	1 to 3	1 to 3	9,328	7,783	7,165	6,795
Plastic	3	3	6,874	6,296	5,658	5,042
			16,202	14,079	12,823	11,837

41.1 The deviation in actual production from installed capacity is due to rapidly growing trends as the Company has to change major shoe lines in accordance with the market trends. This involves change in manufacturing operations and product mix which causes variances not only between the installed capacity and actual production but also between the actual production of any two years.

	2013	2012
	(Rupees in '000)	
42. NUMBER OF PERSONS EMPLOYED		
Number of persons employed as at year end	2,343	2,400
Average number of persons employed during the year	2,364	2,444
43. PROVIDENT FUND		
Size of the fund (total equity)	1,552,417	1,435,182
Percentage of investments made	92.33%	88.88%
Fair value of investments	1,433,402	1,275,525
Cost of investments made	1,371,475	1,213,598

43.1 Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

	2013	2012	2013	2012
	(Rupees in '000)			
	Investments (Rs. 000)	Investments % of size of the fund	Investments (Rs. 000)	Investments % of size of the fund
Treasury Bills	-	-	-	-
Term finance certificates	-	-	-	-
Pakistan Investment Bond	20,000	1%	20,000	2%
Musharaka Certificates	-	-	78,000	6%
Term deposit receipts	1,333,100	93%	1,122,000	88%
Mutual fund units	80,320	6%	55,525	4%
	1,433,420		1,275,525	

43.2 Investments out of provident fund have been made in accordance with the provision of the section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

43.3 The above information is based on audited financial statements of the provident fund.

44. POST BALANCE SHEET EVENTS

The Board of Directors at its meeting held on 20 February 2014 has approved a final dividend @ Rs. 35 per share for the year ended 31 December 2013 (2012: Rs. 23 per share) amounting to Rs. ('000) 264,600 (2012: Rs. ('000) 173,880) and transfer to general reserve amounting to Rs. ('000) 490,000 (2012: Rs. ('000) 620,000) for approval of the members at the Annual General Meeting to be held on 24 April, 2014. The financial statements do not reflect the effect of the above events.

45. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on 20 February 2014.

46. GENERAL

Following have been re-arranged for the purpose of better presentation.

From		To		Amount
Note no.	Name	Note no.	Name	(Rupees in '000)
33.	Finance cost	29.	Distribution cost	26,996

Chief Executive

Director

Pattern of Shareholding

PATTERN OF SHAREHOLDING

AS AT 31 DECEMBER 2013

No. of Shareholders	Shareholding From	Shareholding To	Total Shares held
615	1	100	25,843
377	101	500	92,754
59	501	1,000	43,323
42	1,001	5,000	82,390
4	5,001	10,000	27,990
1	10,001	15,000	11,392
1	20,001	25,000	21,000
1	25,001	30,000	28,076
1	40,001	45,000	41,682
1	95,001	100,000	99,674
1	305,001	310,000	309,776
1	1,090,001	1,095,000	1,090,234
1	5,685,001	5,690,000	5,685,866
1,105			7,560,000

CATEGORIES OF SHAREHOLDERS

	Number of Shareholders	Total Shares held	Percentage
FOREIGN SHAREHOLDERS			
Bafin (Nederland) B.V.	1	5,685,866	75.21
LOCAL SHAREHOLDERS			
Individuals	1,074	249,761	3.30
National Investment Trust LTD.	2	49,076	0.65
National Bank of Pakistan	3	1,090,885	14.43
Industrial Development Bank of Pakistan (ICP)	1	125	0.00
Pension Fund	1	99,674	1.32
Benevolent Fund	1	3,498	0.05
Insurance Companies	4	327,201	4.33
Investment / Joint Stock Companies	13	45,835	0.61
Modarabas and Mutual Funds	5	8,079	0.11
	1,105	7,560,000	100.00

PATTERN OF SHAREHOLDING

AS AT 31 DECEMBER 2013

	Categories of Shareholders	Number of shares held
1.	**Directors, Chief Executive Officer, their spouses and minor children**	
	Chief Executive	-
	Directors	
	Mr. Fakir Syed Aijazuddin	1
	Mr. Ijaz Ahmad Chaudhry	1
	Directors' spouses and their minor children	-
2.	**Associated companies, undertakings and related parties**	
	Bafin (Netherlands) B.V.	5,685,866
3.	**NIT and ICP**	
	National Bank of Pakistan - Trustee department of NIT	1,090,234
	National Investment Trust Ltd.	28,076
	National Investment Trust Ltd. Admn. Fund	21,000
	Industrial Development Bank of Pakistan	125
4.	**Banks, DFI's and NBFI's**	
	National Bank of Pakistan	40
	National Bank of Pakistan	611
5.	**Insurance Companies**	
	EFU General Insurance Limited	309,776
	Habib Insurance Company Limited	6,000
	State Life Insurance Corporation of Pakistan	11,392
	The Crescent Star Insurance Company Limited	33
6.	**Investment Companies**	
	Tundra Pakistan Fond	41,682
7.	**Modarbas and Mutual Funds**	
	B.R.R Guardian Modaraba (CDC)	2,053
	CDC-Trustee AKD Index Tracker Fund (CDC)	406
	CDC-Trustee JS Islamic Pension Savings Fund - Equity Sub Fund (CDC)	460
	Trustee - Pakistan Islamic Pension Fund Equity Sub Fund (CDC)	1,860
	Trustee - Pakistan Pension Fund Equity Sub Fund (CDC)	3,300
8.	**Pension Fund**	
	Trustee National Bank of Pakistan Employee Pension Fund	99,674
9.	**Benevolent Fund**	
	Trustee National Bank of Pakistan Employee Benevolent Fund Trust	3,498
10.	**Joint Stock Companies**	
	Fateh Industries Limited	160
	Naeem's Securities (Pvt) Limited	50
	Service Sales Corp. (Pvt) Limited	100
	BMA Capital Management Limited (CDC)	2,550
	IGI Finex Securities Limited (CDC)	1
	Irfan Mazhar's Securities (Pvt.) Limited (CDC)	360
	NH Securities (Pvt.) Limited (CDC)	135
	Sarfraz Mahmood Securities (Pvt.) Limited (CDC)	25
	Stock Master Securities (Pvt.) Limited (CDC)	50
	Haral Sons (SMC-Pvt) Limited (CDC)	700
	UHF Consulting Pvt. Limited (CDC)	21
	UHF Consulting Pvt. Limited (CDC)	1
11.	**General Public**	249,759
12.	**Executives, their spouses and minor children**	-
		7,560,000

Shareholders holding more than 10 % voting interest in the company	
Bafin (Nederlands) B.V.	5,685,866
National Bank of Pakistan - Trustee department of NIT	1,090,234
National Bank of Pakistan	40
National Bank of Pakistan	611
National Investment Trust Ltd. Admn. Fund	21,000
National Investment Trust Ltd.	28,076
	1,139,961
	6,825,827

During the financial year the trading in shares of the Company by the Directors, CEO, CFO, Company Secretary and their Spouses and minor children is NIL.

FORM OF PROXY

62ND ANNUAL GENERAL MEETING

The Secretary
Bata Pakistan Limited
P.O. Batapur,
Lahore.

I/We ______________________________

of ______________________________

being a member of Bata Pakistan Limited and holder of ______________________________

______________________________ Ordinary Shares as per Share Register Folio
(No. of Shares)

No. ____________ and / or CDC Participant I.D. No. ____________

and Sub Account No. ____________ hereby appoint ____________

of ______________________________

or failing him ____________ of ____________

as my/our proxy to vote for me/us and on my/our behalf at the 62nd Annual General Meeting of the Company to be hled on April 24, 2014 and at any adjournment thereof.

Signed this ____________ day of ____________ 2014.

WITNESSES:

1. Signature ____________
Name ____________
Address ____________
____
NIC or ____________
Passport No. ____________

Signature on
Rs. 5/-
Revenue stamp

2. Signature ____________
Name ____________
Address ____________
____
NIC or ____________
Passport No. ____________

(Signature should agree with the specimen signature registered with the Company)

Note:

1. A member entitled to be present and vote at the Meeting may appoint a proxy to attend and vote for him/her. A proxy need not be a member of the Company.
2. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the meeting.
3. CDC Shareholders and their Proxies must each attach an attested photocopy of their National Identity Card or passport with this proxy form.

AFFIX
CORRECT
POSTAGE

The company Secretary
BATA PAKISTAN LIMITED
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VANTAGE