



Bata
QUARTERLY
REPORT
JANUARY - MARCH
2012



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CORPORATE INFORMATION

Board of Directors

Mr. Fernando Garcia	Chairman
Mr. M. Imran Malik	Chief Executive
Mr. M. G. Middleton	Director
Mr. Carlos Gomez	Director & Chief Financial Officer
Mr. Muhammad Ali Malik	Director
Mr. Syed Waseem-ul-Haq Haqqie	Director
Mr. Fakir Syed Aijazuddin	Director
Mr. Ijaz Ahmad Chaudhry	Director
Mr. Shahid Anwar (Nominee of NIT)	Director
Mr. M. Riyazul Haque (Nominee of NIT)	Director

Audit Committee

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

Company Secretary

Mr. S. M. Ismail

Auditors

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

Legal Advisor

Surridge & Beecheno
60, Shahrah-e-Quaid-e-Azam,
Ghulam Rasool Building,
Lahore.

Stock Exchange Listing

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

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

Bankers

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

Registered Office

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

Share Registrar

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

Factories

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

Maraka,
26 - Km, Multan Road,
Lahore.

Liaison Office

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

DIRECTORS' REVIEW

It is my pleasure to present the un-audited Condensed Financial Information and brief review of the Company's operations for the 1st Quarter ended 31 March 2012.

The company continues to sustain growth trend that it carried previously. Net turnover in the period under review was Rs. 2.499 billion as compared to Rs. 2.046 billion for the corresponding period of last year . This signifies a healthy growth of 22% specially under the current economic and political circumstances prevailing within the country.

Retail division showed a tremendous growth during the first quarter with current setup and was able to achieve 33% increase in turnover with respect to corresponding period. Our focus as a part of our strategy will remain on expansion of big format stores by closing low turnover and non profitable stores which are under minimum benchmark.

Our Wholesale division maintained its growth in turnover during this quarter also. This division has developed into a significant contributor to the company's overall business and profitability. They are striving to develop new products and customers base to maintain its strong growth.

During the period under review, our manufacturing units at Batapur and Maraka were fully loaded to meet the high demand for popular items. Our investment in many new moulds introduced this year is also being rewarded as the majority have proved to be winners in the marketplace.

The Company continued its Corporate Social Responsibilities (CSR) and donated shoes and computers during the period under review to underprivileged communities and orphanage. The Company is also investing a considerable time and money on human resource and training of employees has always been considered as an investment for the future with the objective to provide them with safe and healthy work place.

With all divisions performing well, the company was able to achieve year to date profit after tax of Rs 172.3 Million as compared to Rs. 160.5 Million in the corresponding period of last year. As we have our major selling period still to come, it is thus, expected that the full year will reflect record sales and profits for the company.

On behalf of the Board

Batapur:
Lahore: April 19, 2012

(M. IMRAN MALIK)
Chief Executive

CONDENSED INTERIM BALANCE SHEET - UNAUDITED

AS AT 31 MARCH 2012

	Note	(UN - AUDITED) 31 March 2012	(AUDITED) 31 December 2011
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	739,435	733,695
Intangible assets		9,046	10,503
Long term investments		36,594	36,594
Long term deposits and prepayments		39,757	37,058
		824,832	817,850
CURRENT ASSETS			
Stores and spares		261	-
Stock in trade		2,502,983	2,247,616
Trade debts - unsecured		677,050	130,112
Advances - unsecured		33,082	24,181
Deposits, short term prepayments and other receivables		195,695	343,694
Interest accrued		2,357	1,339
Short term investment		100,000	100,000
Tax refunds due from Government	5	530,678	530,678
Cash and bank balances		209,712	430,818
		4,251,818	3,808,438
TOTAL ASSETS		5,076,650	4,626,288
SHARE CAPITAL AND RESERVES			
Authorized share capital		100,000	100,000
Issued, subscribed and paid up capital		75,600	75,600
Reserves			
Capital reserve		483	483
Revenue reserves		3,374,039	3,201,707
		3,374,522	3,202,190
		3,450,122	3,277,790
NON-CURRENT LIABILITIES			
Long term deposits		36,594	36,594
Deferred liability - employee benefits	6	79,891	79,262
Deferred taxation		35,103	34,154
		151,588	150,010
CURRENT LIABILITIES			
Trade and other payables		1,404,028	945,337
Provision for taxation		70,912	253,151
		1,474,940	1,198,488
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES		5,076,650	4,626,288

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

Chief Executive

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - UNAUDITED

FOR THE THREE MONTHS ENDED 31 MARCH 2012

	Note	Jan - Mar 2012	Jan - Mar 2011
(Rupees in '000)			
SALES	8	2,499,086	2,045,683
COST OF SALES	9	1,591,347	1,269,647
GROSS PROFIT		907,739	776,036
DISTRIBUTION COST		473,441	390,931
ADMINISTRATIVE EXPENSES		165,800	146,913
OTHER OPERATING EXPENSES		21,518	18,414
OTHER OPERATING INCOME		660,759	556,258
		8,885	19,415
OPERATING PROFIT		255,865	239,193
FINANCE COST		11,672	12,025
PROFIT BEFORE TAXATION		244,193	227,168
TAXATION	10	71,861	66,625
PROFIT AFTER TAXATION		172,332	160,543
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		172,332	160,543
EARNINGS PER SHARE - BASIC AND DILUTED		Rs.22.80	Rs.21.24

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

Chief Executive

Director

CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED

FOR THE THREE MONTHS ENDED 31 MARCH 2012

Note	Jan - Mar 2012	Jan - Mar 2011
	(Rupees in '000)	
CASH GENERATED FROM OPERATIONS		
Profit before taxation	244,193	227,168
Non-cash adjustment to reconcile profit before tax to net cash flows:		
Depreciation of property, plant & equipments	25,275	21,619
Amortization of intangible assets	1,458	1,134
Provision for gratuity	1,550	1,466
Profit on disposal of property, plant and equipment	(536)	(85)
Profit on long and short term investments	(7,757)	(18,803)
Finance cost	11,672	12,025
	31,662	17,356
Operating profit before working capital changes	275,855	244,524
Working capital adjustments:		
(Increase) / decrease in current assets:		
Stores and spares	(261)	(829)
Stock in trade	(255,367)	(372,170)
Trade debts - unsecured	(546,938)	(447,939)
Advances - unsecured	(8,901)	(3,880)
Deposits, short term prepayments and other receivables	(21,476)	(13,983)
Tax refunds due from Government	-	(85,201)
	(832,943)	(924,002)
Increase in current liabilities:		
Trade and other payables	457,398	390,555
Cash used in operations	(99,690)	(288,923)
Finance costs paid	(10,356)	(12,025)
Income taxes paid	(83,677)	(69,709)
Gratuity paid	(921)	(549)
Interest income received	6,740	12,156
	(88,214)	(70,127)
Net decrease in long term deposits	(2,699)	(803)
Net cash used in operating activities	(190,603)	(359,853)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(31,761)	(17,379)
Purchase of intangible assets	-	(3,944)
Proceeds from sale of property, plant and equipment	1,282	983
Increase in long term investments	-	2,723
Net cash used in investing activities	(30,479)	(17,617)
CASH FLOW FROM FINANCING ACTIVITIES		
Net cash used in financing activities	(24)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(221,106)	(377,470)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	530,818	1,039,039
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	309,712	661,569

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

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED

FOR THE THREE MONTHS ENDED 31 MARCH 2012

	Share capital	Capital reserve	General reserve	Unappropriated profits	Total
	Rupees in '000'				
Balance as at 31 December 2010	75,600	483	1,792,000	873,217	2,741,300
Total comprehensive income for the three months ended 31 March 2011	-	-	-	160,543	160,543
Balance as at 31 March 2011	75,600	483	1,792,000	1,033,760	2,901,843
Final dividend for 2010 @ Rs. 28.00 per share	-	-	-	(211,680)	(211,680)
Transfer to general reserve for 2010	-	-	660,000	(660,000)	-
Total comprehensive income for the nine months ended 31 December 2011	-	-	-	587,627	587,627
Balance as at 31 December 2011	75,600	483	2,452,000	749,707	3,277,790
Total comprehensive income for the three months ended 31 March 2012	-	-	-	172,332	172,332
Balance as at 31 March 2012	75,600	483	2,452,000	922,039	3,450,122

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

Chief Executive

Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTHS ENDED 31 MARCH 2012

1. LEGAL STATUS AND OPERATIONS

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

2. STATEMENT OF COMPLIANCE

This condensed interim financial report of the Company for the three months ended 31 March 2012 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation adopted in the preparation of this condensed interim financial report are the same as those applied in preparation of the annual audited and published financial statements of the Company for the year ended 31 December 2011.

4. ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Boiler	Gas installation	Computers	Furniture, Fixture and fittings	(UN - AUDITED) Quarter ended	
						31 March 2012	31 March 2011
(Rupees in '000')							
Additions	11,568	-	21	5,592	14,580	31,761	16,605
Disposals (cost)	5,650	24	-	1,137	757	7,568	5,396

	(UN - AUDITED) 31 March 2012	(AUDITED) 31 December 2011
(Rupees in '000')		

5. TAX REFUNDS DUE FROM GOVERNMENT

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

6. PROVISION FOR GRATUITY - DEFINED BENEFITS PLAN

Opening liability	79,262	74,211
Amount recognized during the period/year	1,550	7,142
Payment made by the Company during the period/year	(921)	(2,091)
Closing Liability	79,891	79,262

The latest actuarial valuation was carried out as at 31 December 2011.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTHS ENDED 31 MARCH 2012

Note	(UN - AUDITED)	(AUDITED)
	31 March 2012	31 December 2011

(Rupees in '000')

7. CONTINGENCIES AND COMMITMENTS

7.1 The Company is contingently liable for:

Counter Guarantees given to banks		7,634	5,859
Indemnity Bonds given to Custom Authorities		27,735	39,549
Claims not acknowledged as debts - under appeal		13,314	15,401
Law suit by ex-employee - damages for malicious prosecution		-	3,000
Order by sales tax department - under appeal	7.1.1	138,851	138,851
Order by sales tax department - under appeal	7.1.2	201,252	201,252
Order by income tax department - under appeal	7.1.3	1,645	1,645
		<u>390,431</u>	<u>405,557</u>

7.1.1 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 Collector 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 has preferred to file a reference application in Honorable Lahore High Court which is pending adjudication. However, based on tax advisor's opinion, the Company expects a favorable outcome of the case.

7.1.2 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 has filed an appeal against the order before the Collector Sales Tax (Appeals) which is pending adjudication. The Company has also filed a complaint with Federal Tax Ombudsman (FTO) against departmental violation of binding legal precedent. The FTO in his recommendations dated 11-01-2012 has recommended the Federal Board of Revenue (FBR) to direct the Commissioner to vacate the above stated order and submit the compliance report with in 30 days from the date of recommendations. Based on legal advisor's opinion, the Company expects a favorable outcome of the matter.

7.1.3 The Company has received an order from income tax department in respect of alleged default that the company had willfully understated its admitted liability by not declaring FTR receipts as charged u/s 122(5A) vide order dated 30-09-2009 for the tax year 2004. The Deputy Commissioner Inland Revenue (DCIR) charged additional tax u/s 205(IB) of the Income Tax Ordinance, 2001 and created a demand of Rs. 1.645 million. The company filed an appeal with CIR (Appeals) which is pending adjudication. Based on legal advisor's opinion, the management expects a favorable outcome of the matter and accordingly, no provision has been made.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTHS ENDED 31 MARCH 2012

7.2 Commitments

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

	(UN - AUDITED)	(AUDITED)
	31 March 2012	31 December 2011
	(Rupees in '000')	
With in one year	493,432	478,244
After one year but not more than five years	1,675,030	1,521,512
More than five years	583,746	788,627
	<u>2,752,208</u>	<u>2,788,383</u>
7.2.2 Commitments in respect of:		
Capital expenditure	2,594	14,872
Letters of credit and bank contracts	363,929	441,920
	<u>366,523</u>	<u>456,792</u>

8. SALES

	(UN - AUDITED)	
	Quarter ended	
	31 March 2012	31 March 2011
	(Rupees in '000')	
Shoes and accessories		
Local	2,875,288	2,264,702
Export	26,935	28,387
	<u>2,902,223</u>	<u>2,293,089</u>
Sundry articles and scrap material	5,792	6,879
	<u>2,908,015</u>	<u>2,299,968</u>
Less: Sales tax paid	147,145	29,288
Discount to dealers and distributors	227,331	205,221
Commission to agents/business associates	34,453	19,776
	<u>408,929</u>	<u>254,285</u>
	<u>2,499,086</u>	<u>2,045,683</u>

9. COST OF SALES

Raw material consumed	873,796	719,952
Store and spares consumed	2,468	2,521
Fuel and power	37,748	28,511
Salaries, wages and benefits	76,317	62,714
Repairs and maintenance	10,917	7,876
Insurance	1,583	1,469
Depreciation	5,651	4,325
	<u>1,008,480</u>	<u>827,368</u>
Add: Opening goods in process	102,145	59,483
	<u>1,110,625</u>	<u>886,851</u>
Less: Closing goods in process	92,711	86,118
Cost of goods manufactured	1,017,914	800,733
Add: Opening stock of finished goods	1,850,498	1,190,413
Finished goods purchased	789,441	711,741
	<u>3,657,853</u>	<u>2,702,887</u>
Less: Closing stock of finished goods	2,066,506	1,433,240
	<u>1,591,347</u>	<u>1,269,647</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTHS ENDED 31 MARCH 2012

	(UN - AUDITED) Quarter ended	
	31 March 2012	31 March 2011
(Rupees in '000')		
10. TAXATION		
Current		
- For the period	70,912	66,720
Deferred	949	(95)
	71,861	66,625

11. CASH AND CASH EQUIVALENTS

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

Bank balances in		
- Current accounts	23,416	39,611
- Daily profit accounts	154,197	230,068
Short term investment	100,000	350,000
Cash in transit	28,325	40,002
Cash in hand	3,774	1,888
	309,712	661,569

12. TRANSACTIONS WITH RELATED PARTIES

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

		(UN - AUDITED) Quarter ended	
		31 March 2012	31 March 2011
(Rupees in '000')			
<u>Relationship with the Company</u>	<u>Nature of transactions</u>		
Associated Companies	Purchase of goods and services	237,754	207,216
	Sale of goods and services	2,785	4,146
	Brand royalty	58,737	49,342
	Service charges	36,618	34,103
Staff Retirement Benefits	Contribution to provident fund trusts	9,049	7,854
Staff Retirement Benefits	Gratuity paid	921	549

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTHS ENDED 31 MARCH 2012

	(UN - AUDITED) Quarter ended	
	31 March 2012	31 March 2011
	(Rupees in '000')	
13. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit after taxation attributable to ordinary share holders (in '000)	172,332	160,543
Weighted average number of ordinary shares - Number (in '000)	7,560	7,560
Earnings per share - Basic (Rs.)	22.80	21.24

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

14. DATE OF AUTHORIZATION

This financial information was authorized for issue by the Board of Directors on 19 April 2012.

15. GENERAL

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

Chief Executive

Director



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Bata

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