

**Bata**<sup>®</sup>  
QUARTERLY REPORT  
**2013**  
JANUARY - MARCH





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## CORPORATE INFORMATION

### Board of Directors

Mr. Fernando Garcia	Chairman
Mr. Muhammad Qayyum	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. 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

### Company Secretary

Mr. S. M. Ismail

### Auditors

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

### Legal Advisor

Surrige & 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

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 2013.

The Company continues to sustain growth trend that it carried previously. Net turnover in the period under review was Rs. 2.837 billion as compared to Rs. 2.499 billion for the corresponding period of last year . This signifies a healthy growth of 14% specially under the current economic and political circumstances prevailing within the country.

Retail division showed a good growth during the first quarter with current setup and was able to achieve 15% 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. We are continually making investment in new moulds, the majority of which are proved very succesfull in the marketplace.

The Company continued its Corporate Social Responsibility (CSR) activities during the period under review and donated shoes and sponsored a sports gala for 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 232.3 Million as compared to Rs. 172.3 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 25, 2013

(MUHAMMAD QAYYUM)  
Chief Executive

## CONDENSED INTERIM BALANCE SHEET - UNAUDITED

AS AT 31 MARCH 2013

	Note	(UN - AUDITED) 31 March 2013	(AUDITED) 31 December 2012
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	824,441	833,259
Intangible assets		6,231	8,012
Long term investments		37,000	37,000
Long term deposits and prepayments		28,608	26,180
		<b>896,280</b>	<b>904,451</b>
<b>CURRENT ASSETS</b>			
Stores and spares		365	247
Stock in trade		2,689,335	2,205,030
Trade debts - unsecured		821,499	337,155
Advances - unsecured		40,740	8,880
Deposits, short term prepayments and other receivables		185,765	435,564
Interest accrued		8,059	5,046
Short term investment		500,000	500,000
Tax refunds due from Government	5	508,597	508,597
Cash and bank balances		407,917	733,195
		<b>5,162,277</b>	<b>4,733,714</b>
<b>TOTAL ASSETS</b>		<b>6,058,557</b>	<b>5,638,165</b>
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital		100,000	100,000
Issued, subscribed and paid up capital		75,600	75,600
Reserves			
Capital reserve		483	483
Revenue reserves		4,076,760	3,844,508
		<b>4,077,243</b>	<b>3,844,991</b>
		<b>4,152,843</b>	<b>3,920,591</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term deposits		37,000	37,000
Deferred liability - employee benefits	6	84,876	85,010
Deferred taxation		38,941	40,782
		<b>160,817</b>	<b>162,792</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,659,412	1,190,303
Provision for taxation		85,485	364,479
		<b>1,744,897</b>	<b>1,554,782</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	7		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,058,557</b>	<b>5,638,165</b>

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 2013**

	Note	Jan - Mar 2013	Jan - Mar 2012
(Rupees in '000)			
SALES	8	2,837,183	2,499,086
COST OF SALES	9	1,771,054	1,591,347
GROSS PROFIT		1,066,129	907,739
DISTRIBUTION COST		543,602	473,441
ADMINISTRATIVE EXPENSES		191,915	165,800
OTHER OPERATING EXPENSES		26,065	21,518
OTHER OPERATING INCOME		761,582	660,759
		24,215	8,885
OPERATING PROFIT		328,762	255,865
FINANCE COST		12,866	11,672
PROFIT BEFORE TAXATION		315,896	244,193
TAXATION	10	83,644	71,861
PROFIT AFTER TAXATION		232,252	172,332
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		232,252	172,332
EARNINGS PER SHARE - BASIC AND DILUTED		Rs.30.72	Rs.22.80

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

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Chief Executive

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Director



## CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED

FOR THE THREE MONTHS ENDED 31 MARCH 2013

Note	Jan - Mar 2013	Jan - Mar 2012
	(Rupees in '000)	
<b>CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	315,896	244,193
<b>Non-cash adjustment to reconcile profit before tax to net cash flows:</b>		
Depreciation of property, plant & equipments	28,795	25,275
Amortization of intangible assets	1,781	1,458
Provision for gratuity	1,507	1,550
Provision for doubtful debts	69	-
Profit on disposal of property, plant and equipment	(2,807)	(536)
Profit on long and short term investments	(19,509)	(7,757)
Finance cost	12,866	11,672
	22,702	31,662
<b>Operating profit before working capital changes</b>	<b>338,598</b>	<b>275,855</b>
Working capital adjustments: <b>(Increase) / decrease in current assets:</b>		
Stores and spares	(118)	(261)
Stock in trade	(484,305)	(255,367)
Trade debts - unsecured	(484,412)	(546,938)
Advances - unsecured	(31,860)	(8,901)
Deposits, short term prepayments and other receivables	(19,440)	(21,476)
	(1,020,135)	(832,943)
<b>Increase in current liabilities:</b>		
Trade and other payables	467,681	457,398
<b>Cash used in operations</b>	<b>(213,856)</b>	<b>(99,690)</b>
Finance costs paid	(10,909)	(10,356)
Income taxes paid	(95,240)	(83,677)
Gratuity paid	(1,640)	(921)
Interest income received	16,495	6,740
	(91,294)	(88,214)
Net decrease in long term deposits	(2,428)	(2,699)
Net cash used in operating activities	(307,578)	(190,603)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(22,326)	(31,761)
Proceeds from sale of property, plant and equipment	5,156	1,282
Net cash used in investing activities	(17,170)	(30,479)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends paid	(528)	(24)
<b>Net cash used in financing activities</b>	<b>(528)</b>	<b>(24)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(325,276)</b>	<b>(221,106)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>1,233,193</b>	<b>530,818</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b> 11	<b>907,917</b>	<b>309,712</b>

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 2013

	Share capital	Capital reserve	General reserve	Unappropriated profits	Total
	(Rupees in '000)				
<b>Balance as at 31 December 2011</b>	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
<b>Balance as at 31 March 2012</b>	75,600	483	2,452,000	922,039	3,450,122
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 nine months ended 31 December 2012	-	-	-	848,469	848,469
<b>Balance as at 31 December 2012</b>	75,600	483	3,047,000	797,508	3,920,591
Total comprehensive income for the three months ended 31 March 2013	-	-	-	232,252	232,252
<b>Balance as at 31 March 2013</b>	75,600	483	3,047,000	1,029,760	4,152,843

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

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Chief Executive

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Director



## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED FOR THE THREE MONTHS ENDED 31 MARCH 2013

### 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 2013 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, 2012.

### 4. ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	(UN - AUDITED)			
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	Additions		Disposals	
	(Rupees in '000)			
Buildings on free hold land - Others	263	-	-	-
Plant and machinery	451	11,568	9,453	5,650
Boiler	-	-	500	24
Gas installations	-	21	-	-
Office Equipments	116	-	254	-
Computers	5,327	5,592	609	1,137
Furniture, fixtures and fittings	14,365	14,580	2,466	757
Vehicles	-	-	25	-
	<u>20,522</u>	<u>31,761</u>	<u>13,307</u>	<u>7,568</u>

	(UN - AUDITED)	(AUDITED)
	31 March 2013	31 December 2012

### 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

	(Rupees in '000)	
	31 March 2013	31 December 2012
Opening liability	85,010	79,262
Amount recognized during the period/year	1,506	8,259
Payments made by the Company during the period/year	(1,640)	(2,511)
Closing Liability	<u>84,876</u>	<u>85,010</u>

The latest actuarial valuation was carried out as at 31 December, 2012

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED  
FOR THE THREE MONTHS ENDED 31 MARCH 2013

	Note	(UN - AUDITED)	(AUDITED)
		31 March 2013	31 December 2012
(Rupees in '000)			
<b>7. CONTINGENCIES AND COMMITMENTS</b>			
<b>7.1 The Company is contingently liable for:</b>			
Counter Guarantees given to banks		6,513	7,634
Indemnity Bonds given to Custom Authorities		26,117	26,188
Claims not acknowledged as debts - under appeal		10,474	10,474
Order by sales tax department	7.1.1	138,851	138,851
Order by sales tax department - under appeal	7.1.2	201,252	201,252
Order by sales tax department - under appeal	7.1.3	237,370	237,370
Order by sales tax department - under appeal	7.1.4	25,820	25,820
Order by income tax department - under appeal	7.1.5	491	491
		646,888	648,080

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 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 period end, the Company is not aware if any leave for appeal has been made by the Sales Tax Department.

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 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 million 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.

7.1.3 The Company has received 20 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 an appeal against the

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED FOR THE THREE MONTHS ENDED 31 MARCH 2013

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. Based on legal advisor's opinion, the Company expects a favorable outcome of the matter.

7.1.4 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 has filed an appeal with Commissioner (Appeals) which is pending adjudication. Based on legal advisor's opinion, the Company expects a favorable outcome of the matter.

7.1.5 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 Commissioner Inland Revenue (ACIR) charged additional tax u/s 205(1B) 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.

### 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 2013	31 December 2012
	(Rupees in '000)	
With in one year	559,116	508,406
After one year but not more than five years	1,644,776	1,614,046
More than five years	901,802	946,040
	<u>3,105,694</u>	<u>3,068,492</u>
<b>7.2.2 Commitments in respect of:</b>		
- Capital expenditure	142,852	4,691
- Letters of credit and bank contracts	552,935	431,643
	<u>695,787</u>	<u>436,334</u>

	(UN - AUDITED)	
	Quarter ended	
	31 March 2013	31 March 2012
	(Rupees in '000)	
<b>8. SALES</b>		
Shoes and accessories		
Local	3,217,056	2,875,288
Export	36,454	26,935
	<u>3,253,510</u>	<u>2,902,223</u>
Sundry articles and scrap material	15,093	5,792
	<u>3,268,603</u>	<u>2,908,015</u>
Less: Sales tax paid	139,377	147,145
Discount to dealers and distributors	247,498	227,331
Commission to agents/business associates	44,545	34,453
	<u>431,420</u>	<u>408,929</u>
	<u>2,837,183</u>	<u>2,499,086</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

	(UN - AUDITED)	
	Quarter ended	
	31 March 2013	31 March 2012
	(Rupees in '000)	
<b>9. COST OF SALES</b>		
Raw material consumed	775,356	873,796
Store and spares consumed	3,888	2,468
Fuel and power	41,275	37,748
Salaries, wages and benefits	82,370	76,317
Repairs and maintenance	15,205	10,917
Insurance	1,378	1,583
Depreciation	6,265	5,651
	925,737	1,008,480
Add: Opening goods in process	45,867	102,145
	971,604	1,110,625
Less: Closing goods in process	48,684	92,711
Cost of goods manufactured	922,920	1,017,914
Add: Opening stock of finished goods	1,981,716	1,850,498
Finished goods purchased	1,234,981	789,441
	4,139,617	3,657,853
Less: Closing stock of finished goods	2,368,563	2,066,506
	1,771,054	1,591,347
<b>10. TAXATION</b>		
Current		
- For the period	85,485	70,912
Deferred	(1,841)	949
	83,644	71,861
<b>11. CASH AND CASH EQUIVALENTS</b>		
For the purpose of the cash flow statement, cash and cash equivalents comprise the following:		
Bank balances in		
- Current accounts	38,575	23,416
- Daily profit accounts	303,717	154,197
Short term investment	500,000	100,000
Cash in transit	62,740	28,325
Cash in hand	2,885	3,774
	907,917	309,712
<b>12. TRANSACTIONS WITH RELATED PARTIES</b>		

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:

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

		(UN - AUDITED) Quarter ended	
		31 March 2013	31 March 2012
		(Rupees in '000)	
<u>Relationship with the Company</u>	<u>Nature of transactions</u>		
Associated Companies	Purchase of goods and services	247,732	237,754
	Sale of goods and services	1,115	2,785
	Brand royalty	66,731	58,737
	Management service fee and IT charges	40,517	36,618
Staff Retirement Benefits	Contribution to provident fund trusts	9,979	9,049
Staff Retirement Benefits	Gratuity paid	1,640	921
<p>The Company continues to have a policy whereby all transactions with related parties and associated undertakings are entered into at arm's length.</p>			
<b>13. EARNINGS PER SHARE - BASIC AND DILUTED</b>			
Profit after taxation attributable to ordinary share holders (in '000)		232,252	172,332
Weighted average number of ordinary shares - Number (in '000)		7,560	7,560
Earnings per share - Basic (Rs.)		30.72	22.80

- 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 25 April 2013.

**15. GENERAL**

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

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Chief Executive

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Director



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***Bata***

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