

Bata Pakistan Limited

Annual Report 1998

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BOARD OF DIRECTORS

1. MR. A. KELLY	Chairman
2. MR. G. STRICKER	Managing Director
3. MR. J.P. LEE	Director
4. MR. KHALID M. HASSAN	Director
5. SYED MOHAMMAD MOHSIN	Director
6. MALIK MANZOOR HAYAT NOON	Director
7. MR. S. SIBTEY ALI	Director
8. MR. RAZI-UR-RAHMAN KHAN	Director

Company Secretary

Salahuddin Niazi

Auditors

Gardezi & Company
Chartered Accountants
65, Shahrah-e-Quaid-e-Azam, Lahore.

Registered Office & Factory

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

Bankers

Habib Bank Limited
Citibank N. A.
ANZ Grindlays Bank
Emirates Bank International

The Bank of Punjab
National Bank of Pakistan
Bank Alfalah Limited

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 47th Annual General Meeting of Bata Pakistan Limited will be held at the Registered Office of the Company at Batapur, District Lahore on 25th May, 1999 at 10.00 a.m. to transact the following business.

1. To confirm the minutes of 46th Annual General Meeting held on 05th May, 1998.
2. To receive, consider, and adopt the Directors' Report, Audited Accounts of the Company and Auditors' Reports thereon, for the year ended 31st December, 1998.
3. To appoint Auditors and fix their remuneration for the year ending 31st December, 1999.

By Order of the Board

Batapur
LAHORE: February 23, 1999

Salahuddin Niazi
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 shareholders are requested to promptly notify the Company of any change in their addresses.

3. The Share Transfer Books of the Company will remain closed from 19th to 25th May, 1999 (both days inclusive).

COMPANY'S FINANCIAL HIGHLIGHTS

YEAR ENDED DECEMBER 31,	(RUPEES IN THOUSAND)		% INCREASE/ (DECREASE)
	1998	1997	
NET SALES	1,658,759	1,849,328	(10)
RESULT			
(LOSS)/PROFIT BEFORE TAX	(116,280)	12,970	--
(LOSS)/PROFIT AFTER TAX	(124,336)	686	--
NET RETURN ON TURNOVER %	(7.50)	0.04	--
CURRENT ASSETS	800,915	882,367	(9)

CURRENT LIABILITIES	551,482	678,492	(19)
CURRENT RATIO ASSETS: LIABILITIES	1.5:1	1.3:1	--
DISTRIBUTABLE RESERVES	204,520	328,856	(38)
SHAREHOLDERS EQUITY	280,603	404,939	(31)
NUMBER OF SHARES	7,560	7,560	--
(LOSS)/EARNING PER SHARE OF RS. 10 EACH	(15.38)	0.09	--

DISTRIBUTION OF REVENUE 1998

	Rs. '000s	%
REVENUE PAID TO THE GOVERNMENT	318,103	16.02
COST OF SALES EXCLUDING WAGES AND GOVERNMENT TAXES	1,056,661	53.22
SALARIES, WAGES, BENEFITS AND WELFARE EXPENSES	358,187	18.04
OVERHEADS	376,920	18.98
TRANSFER FROM APPROPRIATION AC COUNT	(124,336)	(6.26)
GROSS SALES	1,985,535	100.00

CHAIRMAN'S REVIEW

On behalf of the Board of Directors, it gives me great pleasure to welcome you to the Company's 47th Annual General Meeting and present the Company's Annual Report and financial statements for the year ended 31st December, 1998.

1998 was one of the most difficult years for the Pakistan economy in recent years. The deteriorating economic scenario, which started in early 1997, persisted into the year under review. The unprecedented turmoil and uncertainty in the economy adversely affected the prospects in all sectors. A massive cash flow crunch developed in public sector institutions. The shortfall in Government revenues persisted so that the Government debt could not decline. Government spending on all but those items considered absolutely necessary was curtailed. Inflation hit the poor and the middle classes hard.

In the year under review, various political issues kept cropping up and took on the proportions of a crisis. This resulted in lower investor confidence and industrial growth almost came to a standstill. Pakistan stock exchanges saw a massive fall in share values, which remained under pressure due to the reduced level of economic activity, evidenced by no new scrip being offered to the public during 1998.

In May 1998, Pakistan carried out nuclear tests in reaction to the earlier tests carried out by India. These tests resulted in various economic sanctions being placed on both countries by the international community and a freeze on new loans by the lending agencies. Domestically, foreign currency accounts were frozen and by the end of the fiscal year the Pakistani Rupee had lost 13% of its value compared with a year ago.

The performance of the Company over the year mirrored the general economic slowdown. The year under review was full of stresses and strains emanating from factors such as wage revisions, domestic competition and fuel price increases. These adverse factors exerted considerable pressure on the Company's cost structure on one hand and hampered attainment of higher sales on the other.

The sales during the year under review registered a decline of 10.3% mainly because of reduced export and wholesale business. The resulting reduction in volume led us for the first time in the history of the Company to suffer a net loss of Rs.124.3 million.

An increase of 3.4% in operating expenses linked to the decline in sales value resulted in those expenses representing 25.6% of sales compared with 22.2% in 1997. At the same time, financial charges increased to 3.2% of sales from 2.1% in the previous year. The Company's debt was restructured during the year in anticipation of increased scarcity of short-term funds. Rs.150 million was renegotiated as long term finance, which is not payable until November 2001.

These factors adversely affected the Company's operating costs, while a stagnant market and fierce competition within the industry did not allow adequate price increases. In addition to the adverse pressure on margins, the operating environment remained disturbed by numerous strikes and an unsettled law and order situation. All these factors contributed to the unsatisfactory operating performance of the Company.

During most of the year, the Company operated with considerable cash constraints due to low sales, an increase in the upfront margin on opening of letters of credit, prior year tax payments to the Government, disbursement of voluntary early retirement payments and overdue amounts receivable from distributors and dealers.

The cost of sales escalated due to the increase in the prices of imported raw materials. The cost of local inputs also increased, especially in the case of utility services.

The Company made a provision for Rs.75 million for diminution of its long-term investment in its wholly owned subsidiary - International Tanners & Industries (Pvt) Limited.

During 1998 your Company contributed Rs. 327.3 million to the National Exchequer in the form of corporate tax, customs duties and other forms of Government taxation. The Company's shares of a nominal value of Rs.10 per share were quoted at Rs.39 on the last trading day in 1998 on the Karachi Stock Exchange.

As the prospect of a recession and currency crisis is real and at this time it is difficult to determine the impact of such a possible crisis, the Directors have decided not to recommend the payment of a dividend this year. However, we are confident of achieving a turnaround in the Company's performance and our current business strategy is already producing encouraging results in the early part of 1999.

We are aware that the challenges of the severe competition call for greater imagination and vision. To promote growth in this highly competitive environment, increasing attention is being focused on improving our shoeline, service to the customer and standard of quality and at the same time on becoming more cost efficient.

While 1998 was a very difficult year, I am happy to report considerable improvement in the past few months with the introduction of many innovative products and a growing number of retail stores of international standard.

New projects in various footwear categories will further strengthen the Company's reputation and image as a dynamic trend-setting leader in the market.

After the success of the Bata Bazaar stores at Township, Batapur and Bahawalpur, the Company

opened two other mega stores at Faisalabad and Anarkali, Lahore. A total of Rs.6 million was spent on their renovation. I am pleased to report that the concept of sophisticated presentation of mass merchandise in the mega stores, with an exciting and comfortable shopping environment and a self-service selling system, has proved successful. Customer response to these stores was initially positive and is increasingly enthusiastic. We are constantly in search of larger stores in good locations in growing markets.

The increasing number of Bata Bazaar stores is making a significant contribution to the enhancement of the Company's image as the most dynamic and forward-looking footwear marketer in Pakistan.

In Pakistan, we are the only shoe company which has a specialized chain of retail stores exclusively dealing in children's footwear and accessories under the internationally known brand "Bubblegummers". It distinguishes us from all other shoe businesses in the country. 14 Stores are being operated under the Bubblegummers' brand and special corners are being created in Bata Bazaar stores for the display of footwear under the 'Bubblegummers' brand.

A number of existing stores were totally remodeled to bring them in line with the latest techniques in sell service and product display. The on-going programme of store renovation saw several Dealers' stores being modernized in line with the latest sales and display techniques.

At the wholesale level, new Depots were opened at Karachi and Sialkot. To enhance the sales of the Lahore Depot, a sales office was acquired in the heart of the Shahalam Wholesale Shoe Market and this office is progressing satisfactorily.

China, Vietnam and Indonesia continue to be our major competitors in export markets. Efforts were made to develop a shoeline in harmony with the latest trends in different markets. Owing to the general recession in many export markets, margins were lower. In spite of our best efforts, the export sales were 12.5% lower compared with the previous year.

In the year under review, the 'Power' Division, organized the "International Power Master Open Golf" tournament and "Amateur Power Golf" tournament.

More aggressive media campaigns and in-store promotions were conducted at various times during the year to support our leadership position, stimulate sales during peak selling periods and provide support for our branded programmes.

The efforts of the Sales Division to satisfy customer requirements were effectively supported by the production, design, engineering, purchasing, costing and auxiliary groups, which comprise the technical services of your Company. Due to lower sales, the production capacities of all our units remained substantially underutilized. The total production of rubber, leather and plastic footwear in 1998 was 12.7 million pairs, of which 10.5 million pairs were produced at Batapur and 2.2 million pairs at the Maraka factory.

I wish to acknowledge here the continued support of Bata Limited of Toronto, Canada, in providing valuable assistance and services in the technical, commercial and administrative areas.

The range of our training programmes covers the development of the technical and professional skills of our employees at all levels, as well as the training of our new employees. In the former case there are opportunities for in-service courses, and courses offered by the management training institutions in Pakistan. In addition, Bata Limited, Canada and other companies in the Bata Shoe Organization provide advanced training courses. These training programmes include specialized management seminars, broad-based future-oriented commercial training and specialized and function-oriented training for junior and upper levels of employees. Several participants from your Company have attended these courses in 1998, enhancing their knowledge and experience and thereby enabling them to make a greater contribution to the progress of your Company.

The Company is investing a considerable amount of time and money into human resources development, which we consider necessary to keep our employees abreast of the latest developments in the fields of

technology and business administration.

At the beginning of the year, we employed 3,387 persons in all departments of the Company. Under the Voluntary Retirement Scheme already introduced by the Company, 47 more employees opted for early retirement. They were paid a total of Rs.10.9 million as retiring benefits. At the close of the year, we had 3,156 employees.

During the year, the newly elected Collective Bargaining Agent ("C.B.A.") served the Company with a charter of demands on behalf of certain employees of the Company. A two-year agreement, expiring in May 2000, was negotiated and signed with the elected C.B.A., Bata Mazdoor League, which provided increased benefits and higher incomes. I hope that the Management and the C.B.A. will maintain a satisfactory relationship to achieve better results for the benefit of all concerned.

The new Millennium is fast approaching and the Year 2000 computer issue presents a significant threat to the business community. Bata Pakistan is very conscious of the problems affecting its own programmes and has made arrangements to overcome those problems before the close of 1999.

There have been important changes in the composition of the Board. I was appointed as Chairman of the Board of Directors of your Company on 25th May, 1998, succeeding Mr. M. Oldroyd who deserves our gratitude for all his guidance to the Company.

Mr. D. Barton resigned as Director and Managing Director of the Company. I wish to place on record the Company's appreciation of Mr. Barton's efforts. He has been succeeded by Mr. G. Stricker, whose last appointment was Managing Director of Bata a.s. in the Czech Republic. He brings with him a wealth of experience and success in senior positions in the footwear industry.

We continue to reshape various operations and must fully implement our recovery strategy in order to reap the rewards once the market improves.

While we are taking many remedial steps, there are elements outside our control. It is essential for the law and order situation in the country to improve if we are to achieve sustained growth in sales and profitability.

The future prospects of the Company depend very much on economic revival in the country. The economic indicators so far predict a declining trend and a deeper recession. However, one hopes that the international lending agencies will come forward and provide much needed assistance to Pakistan. In such a situation, we can envisage a moderate growth in the economy and some increase in business. Economic growth will help to create business activity and earning opportunities for the Company.

In conclusion, on behalf of the Board of Directors, I would like to express our appreciation to our valued customers, shareholders, employees, suppliers and to the Government of the Islamic Republic of Pakistan for their support to this Company.

**A. KELLY
CHAIRMAN**

DIRECTORS' REPORT TO THE MEMBERS

1. Your Directors have pleasure in submitting their Report and Statement of Accounts for the year ended December 31, 1998.
2. The Chairman's Review on page 7 to 9 deals with the year's activities and the Directors of the Company endorse the contents of the Statement.
3. The financial results of the company are as under:

Rs.'000s

Loss before taxation	(116,280)
Add: Provision for taxation	
Current	10,551
Prior years	3,628
Deferred	(6,123)

	8,056

Loss after tax	(124,336)
From this must be deducted	-----
Unappropriated profit brought forward from last year	1,856

	(122,480)
The Directors have recommended the following appropriation	
Transfer from General Reserve	(124,000)

Leaving an unappropriated profit to be carried forward to next year	1,520
	=====

4. The pattern of shareholding is provided on page 33

5. Loss per share of Rs.10 each is Rs 15.38

6. The consolidated financial information as required by SSAP-2 is provided on page 34

7. Messrs Gardezi and Company retire and being eligible, offer themselves for reappointment as Auditors of the Company.

**On behalf of the
BOARD OF DIRECTORS**

Batapur
LAHORE: February 23, 1999.

**G. STRICKER
MANAGING DIRECTOR**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Bata Pakistan Limited as at December 31, 1998 and the related profit and loss account and cash flow statement, 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 purpose of our audit and, after due verification thereof, 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;

(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 and cash flow statement, together with the notes forming part thereof, 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 December 31, 1998 and of the loss and cash flows for the year then ended; and

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

LAHORE: February 23, 1999

GARDEZI & CO.
CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT DECEMBER 31, 1998

	Note	1998 Rs. '000s	1997 Rs. '000s
CAPITAL AND RESERVES			
Authorised capital 10,000,000 ordinary shares of Rs. 10 each		100,000	100,000
		=====	=====
Issued, subscribed and paid up capital	3	75,600	75,600
Reserves and surplus			
Capital reserve	4	483	483
General reserve	5	203,000	327,000
Unappropriated profit		1,520	1,856
		-----	-----
		205,003	329,339
		-----	-----
		280,603	404,939
LONG TERM FINANCE	6	150,000	--
DEFERRED LIABILITIES			
Provision for gratuity		53,117	51,190
Deferred taxation		--	6,123
		-----	-----
		53,117	57,313
LONG TERM DEPOSITS	7	12,794	12,120
OBLIGATION UNDER FINANCE LEASE	8	33,970	8,478
CURRENT LIABILITIES AND PROVISIONS			
Short term running finances	9	175,562	258,530
Current portion of obligation under finance lease	8	20,063	8,263
Creditors, accrued and other liabilities	10	355,857	404,139
Proposed dividend		--	7,560
		-----	-----
		551,482	678,492
CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS			
	12	-----	-----

1,081,966	1,161,342
=====	=====

The annexed notes form an integral part of these accounts.

**A. KELLY
CHAIRMAN**

	Note	1998 Rs. '000s	1997 Rs. '000s
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	13	255,730	232,861
Capital work in progress		--	1,617
		-----	-----
		255,730	234,478
LONG TERM INVESTMENTS			
LONG TERM LOAN	14	12,013	13,150
LONG TERM DEPOSITS AND PREPAYMENTS	15	4,846	25,000
	16	8,462	6,347
CURRENT ASSETS			
Stores and spares	17	58,557	57,175
Stock in trade	18	524,846	563,111
Trade debts	19	113,618	174,359
Loans and advances	20	50,613	50,210
Deposits, short term prepayments and other receivables	21	27,767	16,656
Cash and bank balances	22	25,514	20,856
		-----	-----
		800,915	882,367
		-----	-----
		1,081,966	1,161,342
		=====	=====

**G. STRICKER
MANAGING DIRECTOR**

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1998

	Note	1998 Rs. '000s	1997 Rs. '000s
NET SALES	23	1,658,759	1,849,328
COST OF SALES	24	1,300,951	1,353,569
GROSS PROFIT		357,808	465,759
OPERATING EXPENSES			
Administrative	25	175,818	155,228
Selling and distribution	26	248,590	255,330
		-----	-----
		424,408	410,558
		-----	-----

OPERATING (LOSS)/PROFIT		(66,600)	55,201
OTHER INCOME	27	2,750	2,360
		-----	-----
		(63,850)	57,561
FINANCIAL AND OTHER CHARGES			
Financial charges	28	52,430	39,202
Workers' profit participation fund	29	--	759
Workers' welfare fund		--	1,247
Loss on fixed assets sold/scrapped	13.2	--	3,383
		-----	-----
		52,430	44,591
		-----	-----
(LOSS)/PROFIT BEFORE TAXATION		(116,280)	12,970
PROVISION FOR TAXATION			
Current		10,551	14,686
Prior years		3,628	(1,461)
Deferred		(6,123)	(941)
		-----	-----
		8,056	12,284
		-----	-----
(LOSS)/PROFIT AFTER TAXATION		(124,336)	686
UNAPPROPRIATED PROFIT FROM PREVIOUS YEAR		1,856	1,923
		-----	-----
		(122,480)	2,609
		-----	-----
APPROPRIATIONS			
Transfer from general reserve		(124,000)	(24,000)
Provision for diminution in the value of investment		--	17,193
Proposed final dividend @ Nil % (1997 @ 10%)		--	7,560
		-----	-----
		(124,000)	753
		-----	-----
UNAPPROPRIATED PROFIT CARRIED FORWARD		1,520	1,856
		=====	=====

The annexed notes form an integral part of these accounts.

A. KELLY
CHAIRMAN

G. STRICKER
MANAGING DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 1998

	1997	1998
	Rs. '000s	Rs. '000s
CASH FLOW FROM OPERATING ACTIVITIES		
Net (loss)/profit before taxation	(116,280)	12,970
Adjustment for:		
Depreciation	26,143	24,138
Provision for gratuity	1,927	1,470
Provision for doubtful debts/loan	21,611	(101)

(Profit)/loss on fixed assets sold and scrapped	(1,411)	3,383
Interest income	(11)	--
Financial charges	52,430	39,202
	-----	-----
	100,689	68,092
	-----	-----
Operating profit before working capital change and financial charges	(15,591)	81,062
Net changes in operating assets and liabilities (Schedule attached)	37,745	(25,664)
Interest/mark up paid	(50,069)	(36,699)
Income taxes paid	(17,259)	(13,264)
	-----	-----
Net cash (utilized)/provided by operating activities	(45,174)	5,435
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(49,343)	(14,427)
Proceeds of fixed assets sold	3,359	822
Interest received on investments	11	--
Long term investment	(1,011)	--
	-----	-----
Net cash used in investing activities	(46,984)	(13,605)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in obligation under finance lease	49,608	--
Repayment of obligation under finance lease	(12,316)	(9,286)
Short term running finances	(82,968)	29,217
Dividend paid	(7,508)	(7,509)
Long term finance	150,000	--
	-----	-----
Net cash provided by financing activities	96,816	12,422
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,658	4,252
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	20,856	16,604
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF YEAR	(Note - 22) 25,514	20,856
	=====	=====

A. KELLY
CHAIRMAN

G. STRICKER
MANAGING DIRECTOR

**SCHEDULE OF NET CHANGES IN OPERATING ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	1998	1997
	Rs. '000s	Rs. '000s
Stores and spares	(1,382)	(716)
Stock in trade	38,265	(49,749)
Trade debts	62,087	(14,687)
Loans and advances	(403)	(201)
Deposits, short term prepayments and other receivables	(8,686)	(1,058)
Creditors, accrued and other liabilities	(50,695)	40,607

Long term deposits-employees securities	674	694
Long term deposits and prepayments	(2,115)	(554)
	-----	-----
	37,745	(25,664)
	=====	=====

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31,1998

1. THE COMPANY AND ITS OPERATION

Bata Pakistan Limited is a public limited company quoted on Stock Exchanges in Pakistan. The Company is engaged mainly in the manufacturing and sale of footwear of all kinds.

2. ACCOUNTING POLICIES

2.1 Accounting Convention

The accounts have been prepared in accordance with the historical cost convention without any adjustment for the effect of inflation or current values.

2.2 Gratuity

The company has an unfunded gratuity scheme covering all employees excluding managerial staff. Provision is made annually to cover obligation under the scheme on the basis as mentioned below:

(a) For employees who are member of provident fund scheme, the provision is calculated with reference to 3 weeks' basic salary for each completed year of service, irrespective of completion of their qualifying period of service.

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

2.3 Taxation

The charge for current taxation is provided on taxable income at current rate of tax after recognizing tax credit and rebates available, if any or minimum tax under Section 80D of the Income Tax Ordinance, 1979 whichever is higher. Deferred taxation is provided on all major timing differences by using liability method. The net debit balance, if any, is however not recognized in the accounts.

2.4 Fixed Capital Expenditure and Depreciation

(a) Fixed assets are stated at cost less accumulated depreciation except land and capital work in progress which are stated at actual cost.

(b) Depreciation is charged to income applying the reducing balance method without considering extra shifts worked, at the rates as prescribed in note-13.

(c) Minor renewals, replacements, maintenance and repairs are expensed. Major renewals and betterments are capitalized. Gains and losses on deleted assets are reflected in the accounts.

(d) No depreciation is provided on assets in the year in which these are sold while charge for the full year is made in the year in which these are purchased.

2.5 Accounting for Leased Assets

Assets under finance lease are stated at lower of present value of minimum lease payments under the lease agreement and the fair value of assets. Depreciation on these assets is charged according to company's policy for similar assets.

The aggregate amount of obligation relating to assets subject to finance lease are accounted for at the net principal liability under the lease agreement.

Finance charges are allocated over the lease term so as to produce constant periodic rate of return on the outstanding principal liability for each period.

2.6 Investments

These are stated at cost net of provision made for decline other than temporary in value of investment, if any. Dividend received and interest accrued are reflected in the profit and loss account accordingly.

2.7 Stocks, Stores and Spares

These have been valued on the basis mentioned below which are consistent with that of previous years:

BASIS

Stores and spares

Own production	At production cost
Purchased	At moving average cost
In transit	At actual cost

Raw material

Own production	At average production cost
Purchased	At lower of moving average cost or market value
In transit	At actual cost

Goods in process

At average production cost

Finished goods

Own production	At lower of average production cost or net realizable value
Purchased products	At lower of actual cost or net realizable value

2.8 Trade Debts

Debts considered bad by the management are provided for or written off but no general provision is made for doubtful debts.

2.9 Commitments and Contingencies

Capital commitments and contingencies, unless those are actual liabilities, are not incorporated in the accounts.

2.10 Foreign Currencies

Assets and liabilities in foreign currencies are translated into Pak. rupees at the rate of exchange ruling on the balance sheet date. Exchange gains and losses are included in the income currently.

2.11 Revenue Recognition

Revenue from sale is recognized on delivery of goods to customers.

	1998 Rs. '000s	1997 Rs. '000s
3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
Issued for cash		
1,890,000 ordinary shares of Rs. 10 each	18,900	18,900
Issued for consideration other than cash		
300,000 ordinary shares of Rs. 10 each	3,000	3,000
Issued as bonus shares		
5,370,000 ordinary shares of Rs. 10 each	53,700	53,700
	-----	-----
	75,600	75,600
	=====	=====

4. CAPITAL RESERVE	483	483
	=====	=====

This represents the balance of foreign shareholders' equity in Globe Commercial Enterprises Limited (an associated undertaking) gifted to the company on its winding up.

	1998 Rs. '000s	1997 Rs. '000s
5. GENERAL RESERVE		
Balance at January 1,	327,000	351,000
Transferred to profit and loss account	(124,000)	(24,000)
	-----	-----
	203,000	327,000
	=====	=====

6. LONG TERM FINANCES - SECURED

6.1 This finance is obtained from:

The Bank of Punjab	150,000	--
	=====	=====

6.2 The loan is secured against a first legal mortgage on present and future immovable properties in respect of Batapur and branch factory, a first charge by way of hypothecation in respect of all machinery of Batapur and branch factory and demand promissory note for the amount of the loan executed. The loan carries markup at the rate of 19% . per annum payable quarterly.

6.3 The loan is repayable in lump sum on November 4, 2001.

	1998 Rs. '000s	1997 Rs. '000s
7. LONG TERM DEPOSITS		
Employees' securities and personal accounts	12,794	12,120
	=====	=====

7.1 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 12.70% per annum is being paid on the monthly outstanding balances.

7.2 In accordance with provisions of Section 227 of the Companies Ordinance, 1984 this amount has been invested in PLS saving bank account and is shown separately as long term investment (Note -14).

	1998 Rs. '000s	1997 Rs. '000s
8. OBLIGATION UNDER FINANCE LEASE		
Total commitments under finance lease	74,754	23,027
Less: Finance charges not due	20,721	6,286
	-----	-----
Net principal liability	54,033	16,741
Less: Current portion shown under current liabilities	20,063	8,263
	-----	-----

33,970	8,478
=====	=====

8.1 Present value of minimum lease payments has been discounted at an interest rate implicit in lease which equates to an interest rate of approximately 15 to 18% per annum. Detail of future rental charges is as under:

Name of Leasing Company	Amount due Rs.'000s	No. of install.	Repayable by	Salvage Value
Orix Leasing Pakistan Ltd.	12,262	23	November, 2000	10%
First Grindlays Modaraba	49,137	56	August, 2003	5%
Askari Leasing Limited	13,355	51	March, 2003	5%
	----- 74,754 =====			

8.2 Repairs and insurance cost shall be borne by the lessee. The lease agreement may be terminated by the lessee prior to expiration of maximum term. In case lease agreement is terminated the unpaid principal amount alongwith salvage value shall immediately become due and payable by the lessee to lessor. The lease agreement is renewable at the option of lessee.

8.3 The lease liability is partly secured against deposit of Rs. '000s 2,824 grouped in long and short term deposits and prepayments (Notes-16 and 21).

1998	1997
Rs. '000s	Rs. '000s

9. SHORT TERM RUNNING FINANCES

Cash finance

Secured against hypothecation of stock in trade, stores and spares and receivables of the Company	140,562	223,530
---	---------	---------

Export refinance

Secured against hypothecation of stock of finished goods	35,000	35,000
	-----	-----
	175,562	258,530
	=====	=====

9.1 The cash finance and export refinance from total credit facilities available to the company aggregating to Rs. 365 Million (1997 Rs. 341.7 Million) are provided in consortium by Habib Bank Limited, Citibank N.A., The Bank of Punjab, Bank Alfalah Limited, ANZ Grindlays Bank and Emirates Bank International.

9.2 Mark up on cash finance and export refinance has been charged at the rate of 16 to 19% and 7.5 to 11% per annum respectively.

1998	1997
Rs. '000s	Rs. '000s

10. CREDITORS, ACCRUED AND OTHER LIABILITIES

Deposits (Note - 10.1)	23,753	22,648
Creditors	202,660	251,833

Due to associated undertakings (Note - 10.2)	1,636	2,588
Accrued liabilities	64,832	84,577
Markup accrued on secured loans	13,578	11,217
Workers' profit participation fund (Note - 10.3)	--	759
Due to provident fund trust (Note - 10.4)	3,891	4,569
Advances from customers	4,193	444
Sales tax payable	25,299	13,856
Taxes deducted at source payable	7,286	8,342
Unpaid dividend	4,082	--
Unclaimed dividend	842	790
Other liabilities	3,805	2,516
	-----	-----
	355,857	404,139
	=====	=====

10.1 Deposits

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 12.7% per annum. These are repayable on termination/completion of the contract and on returning the company's property already provided to them.

	1998	1997
	Rs. '000s	Rs. '000s
10.2 Due to associated undertakings		
Bata Limited, Canada	1,367	1,149
Essex Commercial Enterprises, U.K.	169	1,251
Bata a.s. Czech Republic	100	--
Bata Shoe Company of Australia	--	119
Bata Singapore	--	69
	-----	-----
	1,636	2,588
	=====	=====

No interest has been charged on the amounts due to associated undertakings.

10.3 Workers' profit participation fund

Balance at January 1,	759	2,680
Contribution for the year	--	759
Interest paid on fund utilized in company's business	57	213
	-----	-----
	816	3,652
Less: Amount paid to fund's trustees	816	2,893
	-----	-----
	--	759
	=====	=====

10.4 The balance due to provident fund trust has been paid on January 10, 1999.

11. PROVISION FOR TAXATION

Income tax

Balance at January 1,	(6,057)	(6,018)
-----------------------	---------	---------

Income tax paid for prior years	(99)	(1,559)
Provision made/(written back) for prior years	3,628	(1,461)
	-----	-----
	(2,528)	(9,038)
Provision for the year	10,551	14,686
	-----	-----
	8,023	5,648
Advance tax paid and tax deducted at source	(17,160)	(11,705)
	-----	-----
	(9,137)	(6,057)
Other taxes		
Workers' welfare fund		
Balance at January 1,	--	1,469
Payments made during the year	--	(2,716)
	-----	-----
	--	(1,247)
	--	(1,247)
	-----	-----
Provision for the year	--	--
	-----	-----
	(9,137)	(6,057)
	=====	=====

1998	1997
Rs. '000s	Rs. '000s

12. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

12.1 The Company is contingently liable for:

Counter Guarantees given to banks	2,003	3,346
Indemnity Bonds given to Custom Authorities	5,694	4,436
Acquifer charges claimed by WASA-under appeal	1,299	1,179
	-----	-----
	8,996	8,961
	=====	=====

Beside the above, the sales tax department had issued a show cause notice to the company as to why the sales tax amounting to Rs. 348 million had not paid to the government in regard to certain internal processing of the material used within the factories and also on contracted footwear. Against this show cause notice, the company had filed a writ petition in the Lahore High Court. The Court has admitted the company's petition for regular hearing and has directed the Sales Tax Authorities to continue the proceedings but they shall not pass any final order. These proceedings are continuing at present.

However, the legal advisor is of the opinion that the sales tax leviable on the contracted shoes may have to be paid which amounts Rs. 14 million and has been booked accordingly. The company may not be liable to pay the balance amount of Rs. 334 million being the sales tax on the internal processing of the materials.

1998	1997
Rs. '000s	Rs. '000s

12.2 Commitments in respect of contracts for capital expenditure	3,686	17,635
	=====	=====

13. OPERATING FIXED ASSETS

DESCRIPTION	COST					DEPRECIATION			BOOK	
	As at Jan. 1, 1998	Additions	Disposal/ Adjustment	As at Dec. 31, 1998	Rate %	As at Jan. 1, 1998	Adjustment	Charge for the year	As at Dec. 31, 1998	as at Dec. 31, 1998
Land										
Free hold	2,546	--	--	2,546	--	--	--	--	--	2,546
Lease hold with super structure	35	--	--	35	--	--	--	--	--	35
Buildings on free hold land										
Factory	56,610	--	--	56,610	10	41,850	--	1,476	43,326	13,284
Others	52,901	8,704	--	61,605	5	20,310	--	2,065	22,375	39,230
Plant and machinery										
Owned	325,906	8,806	1,169	335,881	10	205,585	(864)	13,116	217,837	118,044
Leased	31,359	23,875	(4,829)	50,405	10	10,266	(1,978)	4,212	12,500	37,905
Boiler	4,065	--	(733)	3,332	10	2,689	(478)	112	2,323	1,009
Gas Installations	1,433	43	(64)	1,412	10	1,010	(33)	43	1,020	392
Office Equipment										
Owned	11,434	737	--	12,171	10	6,185	--	599	6,784	5,387
Leased	2,074	--	--	2,074	10	582	--	149	731	1,343
Furniture, fixtures and fittings	55,988	8,788	(1,115)	63,661	10	26,307	(785)	3,814	29,336	34,325
Vehicles										
Owned	8,243	7	911	9,161	20	6,270	104	557	6,931	2,230
Leased	2,064	--	(2,064)	--	20	743	(743)	--	--	--
Rs. '000s 1998	554,658	50,960	(6,725)	598,893		321,797	(4,777)	26,143	343,163	255,730
Rs. '000s 1997	553,526	12,810	(11,678)	554,658		305,132	(7,473)	24,138	321,797	232,861

1998
Rs. '000s **1997**
Rs. '000s

13.1 Depreciation charge for the year has been allocated to:

Cost of goods manufactured	17,838	17,529
Administrative expenses	1,883	2,153
Selling and distribution expenses	6,422	4,456
	26,143	24,138

13.2 The disposal of fixed assets during the year was as under:

Particulars	Original cost	Accumulated depreciation	Written down value	Sale proceed	Profit/ (Loss)	Mode of Sale	Particulars of purchasers
Plant and machinery	2,147	1,790	357	563	206	Negotiation	Al-Badar International, Lahore.
	141	100	41	126	85	Negotiation	Mian Tyres & Rubber Co., Lahore.
	171	168	3	121	118	Auction	A. Hamid Butt, Rampura, Lahore.
	850	562	288	285	(3)	Negotiation	Employees-Variou
	12	4	8	12	4	Claim	Commercial Union Assurance, Lahore.
	339	217	122	--	(122)	Scrapped	

	3,660	2,841	819	1,107	288		
Boiler	733	478	255	374	119	Negotiation	Mian Tyres & Rubber Co., Lahore.
Gas Installations	64	34	30	31	1	Negotiation	Employees-Various
Furniture, fixtures and fittings	1 344 770	1 201 583	-- 143 187	-- 107 --	-- (36) (187)	Auction Negotiation Scrapped	A. Hamid Butt, Rampura, Lahore. Employees - Various
	1115	785	330	107	(223)		
Vehicles	334 39 390 390	330 29 140 140	4 10 250 250	120 1,100 255 265	116 1,090 5 15	Negotiation Negotiation Negotiation Negotiation	Madina Motors, Lahore. Pajero Motors, Ferozepur Road, Lahore. M. Shahid, Allama Iqbal Town, Lahore. Employee - M. Shamim
	1153	639	514	1,740	1,226		
Rs. '000s 1998	6725	4777	1,948	3,359	1,411		
Rs. '000s 1997	11,678	7,473	4,205	822	(3,383)		

1998
Rs. '000s

1997
Rs. '000s

14. LONG TERM INVESTMENTS

In wholly owned subsidiary - I.T.I. (Pvt.) Limited 7,500,000 ordinary shares of Rs. 10 each	75,000	75,000
Less: Provision for diminution in the value	(75,000)	(72,852)
	--	2,148
In PLS saving bank account (Note - 14.1)	12,013	11,002
	12,013	13,150

14.1 The investment in PLS saving bank account is earmarked against the balances due to employees' securities and personal accounts (Note - 7)

1998
Rs. '000s

1997
Rs. '000s

15. LONG TERM LOAN

Considered good To wholly owned subsidiary - I.T.I. (Pvt.) Limited	4,846	25,000
Considered doubtful To wholly owned subsidiary - I.T.I. (Pvt.) Limited	20,154	--

	25,000	25,000
Less: Provision for doubtful loan	(20,154)	--
	-----	-----
	4,846	25,000
	=====	=====

15.1 The loan carries interest at the rate of 16.5% per annum.

16. LONG TERM DEPOSITS AND PREPAYMENTS

Deposits	2,824	3,290
Prepayments - advance rent	10,580	5,158
	-----	-----
	13,404	8,448
Less: Adjustable within one year (Note - 21)		
Deposits	1,465	260
Prepayments - advance rent	3,477	1,841
	-----	-----
	4,942	2,101
	-----	-----
	8,462	6,347
	=====	=====

17. STORES AND SPARES

Stores	4,950	5,522
Spares	52,579	50,960
	-----	-----
	57,529	56,482
Spares in transit	1,028	693
	-----	-----
	58,557	57,175
	=====	=====

17.1 The company does not hold any stores and spares for specific capitalization.

	1998 Rs. '000s	1997 Rs. '000s
18. STOCK IN TRADE		
Raw material	95,508	99,966
Goods in process	33,854	38,790
Finished goods		
Own production	257,433	290,623
Purchased product	91,815	95,101
	-----	-----
	349,248	385,724
	-----	-----
	478,610	524,480
Raw material in transit	46,236	38,631
	-----	-----
	524,846	563,111
	=====	=====

19. TRADE DEBTS - UNSECURED

Considered good		
Due from customers	112,824	174,038
Due from associated undertakings (Note - 19.1)	794	321
	-----	-----
	113,618	174,359
Considered doubtful		
Due from customers	1,207	2,553
	-----	-----
	114,825	176,912
Less: Provision for doubtful debts	1,207	2,553
	-----	-----
	113,618	174,359
	=====	=====

19.1 The highest aggregate amount due from associated undertakings at the end of any month in 1998 was Rs. '000s 1,937 (1997 Rs. '000s 7,084). No interest has been charged on the amounts due from associated undertakings.

	1998	1997
	Rs. '000s	Rs. '000s
20. LOANS AND ADVANCES - Considered good		
Advances to employees	79	--
Advances to suppliers	991	1,884
Due from wholly owned subsidiary (Note - 20.1)	49,543	48,326
	-----	-----
	50,613	50,210
	=====	=====

20.1 This represents current account with wholly owned subsidiary - International Tanners & Industries (Pvt) Limited and carries interest at the rate of 16.5% per annum. The highest aggregate amount due from the wholly owned subsidiary at the end of any month in 1998 was Rs. '000s 49,543 (1997 Rs. '000s 49,068).

	1998	1997
	Rs. '000s	Rs. '000s
21. DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES		
Deposits		
Considered good		
Custom duty and taxes	126	101
Letters of credit - Margin	8,399	--
Letters of guarantee - Margin	1,000	--
Security deposits against finance lease (Note - 16)	1,465	260
Others	2,245	5,621
	-----	-----
	13,235	5,982
Short term prepayments		
Advance rent (Note - 16)	3,477	1,841
Prepaid insurance	1,299	2,147
	-----	-----
	4,776	3,985
Other receivables		

Considered good		
Advance tax paid (Note - 11)	9,137	6,057
Others	619	629
	-----	-----
	9,756	6,686
Considered doubtful		
Others	655	--
	-----	-----
	10,411	6,686
Less: Provision for doubtful balances	655	--
	-----	-----
	9,756	6,686
	-----	-----
	27,767	16,656
	=====	=====

22. CASH AND BANK BALANCES

Cash in hand	6	29
Bank balances - in current accounts	1,579	1,186
Cash in transit	23,929	19,641
	-----	-----
	25,514	20,856
	=====	=====

1998	1997
Rs. '000s	Rs. '000s

23. NET SALES

Shoes and accessories		
Export	109,557	125,186
Local	1,870,534	2,044,929
	-----	-----
	1,980,091	2,170,115
Sundry articles and scrap material	5,444	5,030
	-----	-----
	1,985,535	2,175,145
Less: Sales tax paid	2,371,031	2,273,521
Commission to agents/business associates	89,673	98,465
	-----	-----
	326,776	325,817
	-----	-----
	1,658,759	1,849,328
	=====	=====

24. COST OF SALES

Cost of goods manufactured (Note - 24.1)	1,045,300	1,177,859
Finished goods purchased	219,175	227,503
Add: Opening stock of finished goods	385,724	363,931
	-----	-----
	1,650,199	1,769,293
Less: Closing stock of finished goods	349,248	385,724
	-----	-----
	1,300,951	1,383,569

24.1 Cost of goods manufactured

Raw material consumed		
Opening stock	138,597	118,293
Add: Purchases	757,919	921,176
	896,516	1,039,469
Less: Closing stock	141,744	138,597
	754,772	900,872
Spares consumed	9,133	10,236
Fuel and power	47,931	43,407
Salaries, wages and benefits	182,223	187,568
Repairs and maintenance	24,499	22,079
Insurance	3,968	3,820
Depreciation	17,838	17,529
	1,040,364	1,185,511
Add: Opening goods in process	38,790	31,138
	1,079,154	1,216,649
Less: Closing goods in process	33,854	38,790
	1,045,300	1,177,859

	1998	1997
	Rs. '000s	Rs. '000s
25. ADMINISTRATIVE EXPENSES		
Salaries and benefits	81,330	92,286
Employees' welfare	8,209	7,120
Fuel and power	5,927	6,590
Telephone and postage	9,561	9,824
Insurance	1,989	493
Travelling	19,580	15,523
Repairs and maintenance	5,753	5,712
Printing and stationery	10,261	9,944
Donations and subscription (Note - 25.1)	828	561
Legal and professional charges	2,206	1,944
Auditors' remuneration (Note - 25.2)	1,474	1,070
Business and property taxes	654	498
Provision for diminution in the value of investment	2,148	--
Provision for doubtful debts - loan	20,154	--
Miscellaneous	3,861	1,510
Depreciation	1,883	2,153
	175,818	155,228

25.1 None of the directors or his spouse is interested in the funds of donees.

25.2 Auditors' remuneration

Statutory audit	500	500
Audit of workers' profit participation fund, Bata club fund, Share transfers etc.	64	51
Physical verification of stocks at sale outlets and plant and machinery	405	184
Consulting, accounting and tax services	430	260
Out of pocket expenses	75	75
	-----	-----
	1,474	1,070
	=====	=====

26. SELLING AND DISTRIBUTION EXPENSES

Salaries and benefits	87,044	94,821
Freight and octroi	36,409	42,737
Advertising and sales promotion	38,776	40,015
Rent	29,218	26,463
Insurance	3,927	3,403
Royalty	2,153	2,335
Fuel and power	21,555	18,333
Repairs and maintenance	17,747	15,357
Entertainment	4,131	6,101
Business and property taxes	846	586
Miscellaneous	362	723
Depreciation	6,422	4,456
	-----	-----
	248,590	255,330
	=====	=====

1998	1997
Rs. '000s	Rs. '000s

27. OTHER INCOME

Rent received (Note - 27.1)	637	2,259
Profit on fixed assets sold/scrapped	1,411	--
Provision for bad debts written back	691	101
Interest received	11	--
	-----	-----
	2,750	2,360
	=====	=====

27.1 Rent received during the year includes Rs. '000s Nil (1997 Rs. '000s 1,697) being rental of plant at Attari leased to wholly owned subsidiary - International Tanners & Industries (Pvt) Limited.

1998	1997
Rs. '000s	Rs. '000s

28. FINANCIAL CHARGES

Interest/mark-up on:		
Long term finance	1,366	--
Short term running finances (Note - 28.1)	35,180	25,924
Finance lease	4,602	4,567
Workers' profit participation fund	57	213
Provident fund trust	1,546	1,689
Employees/agents' securities and personal accounts	3,505	3,525

	46,256	35,918
Bank charges and commission	6,174	3,284
	52,430	39,202

28.1 The interest amounting to Rs. '000s 11,010 (1997 Rs. '000s 13,100) charged to International Tanners & Industries (Pvt) Limited, wholly owned subsidiary, on long term loan and current account is set off against markup paid on short term finances of the company.

29. REMUNERATION OF DIRECTORS AND EXECUTIVES

Aggregated amounts charged in the accounts for the year for remuneration, including all benefits to Chief Executive, Directors and Executives of the company are as follows:

	Chief Executive		Directors		Executives		Total	
	1998 Rs. '000s	1997	1998 Rs. '000s	1997	1998 Rs. '000s	1997	1998 Rs. '000s	1997
Directors' fee	--	--	6	4	--	--	6	4
Managerial remuneration	3,651	2,556	--	--	19,310	21,141	22,961	23,697
Company's contribution to provident fund	365	256	--	--	1,822	2,114	2,187	2,370
Perquisites and allowances								
Housing	192	180	--	--	3,705	4,313	3,897	4,493
Leave passage					161	174	161	174
Conveyance	365	256	--	--	1,987	2,153	2,352	2,409
Medical	29	6	--	--	1,300	1,470	1,329	1,476
Utilities	--	--	--	--	846	986	846	986
Others	--	--	--	--	360	179	360	179
Voluntary retirement benefits	7,631	--	--	--	358	6,884	7,989	6,884
	12,233	3,254	6	4	29,849	39,414	42,088	42,672
Number of persons	2	1	4	4	48	59	54	64

30. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS/WHOLLY OWNED SUBSIDIARY

Aggregated transactions with associated undertakings/wholly owned subsidiary during the year were as under:

	1998 Rs. '000s	1997 Rs.'000s
30.1 Associated undertakings		
Purchases	38,844	24,188
Sales	431	9,125
Royalty-Bata Limited, Canada	2,153	2,335
30.2 Wholly owned subsidiary		
Purchases	58,930	124,786

Interest received	11,010	13,100
Processing charges paid	--	11,926
Rent received	--	1,697

31. CAPACITY AND ACTUAL PRODUCTION

	No. of shifts worked		Installed capacity based on actual shifts worked		Actual production	
	1998	1997	Fig. in '000s		Fig. in '000s	
			1998	1997	1998	1997
Footwear in pairs						
Rubber and canvas	1 to 2	1 to 2	4,100	4,100	2,476	2,520
Thongs	1 to 2	1 to 2	3,000	3,000	1,832	2,494
Leather	1	1	6,700	6,700	5,371	5,671
Plastic	3	3	4,200	4,200	3,051	2,951

31.1 The deviation in actual production from installed capacity is due to rapidly growing trend of fashion and also less/more demand of certain articles, inter-alia, the company has to change the major shoeline in accordance with the market trends. All this involves change in manufacturing operations which causes variances not only between the installed capacity and actual production but also between the actual production of any two years.

32. GENERAL

Figures of previous year have been rearranged where necessary for the purpose of comparison and have been rounded off to the nearest thousand rupees.

A. KELLY
CHAIRMAN

G. STRICKER
MANAGING DIRECTOR

STATEMENT UNDER SECTION 237 OF THE COMPANIES ORDINANCE, 1984

SUBSIDIARY

**International Tanners &
Industries (Pvt) Limited**

1998	1997
Rs. '000s	Rs. '000s

STATEMENT UNDER SUB - SECTION I (e)

(a) Extent of the interest of Bata Pakistan Limited (the holding company) in the equity of its subsidiary at the end of the last of the financial year of subsidiary

100%	100%
------	------

(b) The net aggregate amount of revenue profits less losses of the subsidiary company so far as these concern members of the holding company and has not been dealt with in the account of the holding company for the year ended December 31, are:

(i) for the last of the financial year of the subsidiary	--	--
(ii) for the previous years but subsequent to the acquisition of the controlling interest by the holding company	--	--
	-----	-----
	--	--
(c) The net aggregate amount of profits less losses of the subsidiary company so far as these have been dealt with or provision made for losses in the account of holding company for the year ended December 31, are:		
(i) for the last of the financial year of the subsidiary	(22,302)	(17,193)
(ii) for the previous years but subsequent to the acquisition of the controlling interest by the holding company	(72,852)	(55,659)
	-----	-----
	(95,154)	(72,852)
	=====	=====

**A. KELLY
CHAIRMAN**

**G. STRICKER
MANAGING DIRECTOR**

PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 1998

No. of Shareholders	Shareholding		Total Shares held
	From	To	
668	1	100	36,135
681	101	500	171,326
109	501	1,000	78,417
64	1,001	5,000	110,090
9	5,001	10,000	57,916
1	10,001	15,000	11,392
1	15,001	20,000	15,168
1	20,001	25,000	21,000
1	40,001	45,000	41,000
1	50,001	55,000	50,600
1	55,001	60,000	57,884
1	65,001	70,000	65,305
1	195,001	200,000	200,000
1	2,105,001	2,110,000	2,107,767
1	4,535,001	4,540,000	4,536,000
-----			-----
1,541			7,560,000
=====			=====

CATEGORIES OF SHAREHOLDERS

	Number of Shareholders	Total Shares held	Percentage
FOREIGN SHAREHOLDERS			
Bata (BM) B.V. Netherlands	1	4,536,000	60.00

LOCAL SHAREHOLDERS

Individuals	1,520	444,980	5.89
National Investment Trust	1	21,000	0.28
National Bank of Pakistan	1	2,107,767	27.88
Pakistan Industrial Credit and Investment Corporation	1	200,000	2.65
Investment Corporation of Pakistan	1	65,305	0.86
Insurance Companies	6	141,569	1.87
Joint Stock Companies	10	43,379	0.57
	-----	-----	-----
	1,541	7,560,000	100.00
	=====	=====	=====

CONSOLIDATED FINANCIAL INFORMATION OF BATA PAKISTAN LIMITED AND I.T.I. (PVT) LIMITED

GENERAL INFORMATION

SUBSIDIARIES

Name	International Tanners & Industries (Private) Limited
Accounting year end	December 31,
Percentage of holding	100%
Nature of business	Manufacturing and sale of Crust leather

Reserves attributable to members of the parent dealt with in the financial statements of the parent

- In the current year	Rs. '000s	(22,302)
- In the previous years	Rs. '000s	(72,852)

Reserves attributable to members of the parent not dealt with in the financial statements of the parent

- In the current year	Nil
- In the previous years	Nil

ASSOCIATES

Not applicable

TRANSACTIONS WITH SUBSIDIARIES/ASSOCIATED COMPANIES

Type of transactions	Value during the year Rs. '000s	Basis of determination of transaction value
Wholly owned subsidiary		
Purchases	58,930	Standard purchase policy
Interest received	11,010	16.5% -Average bank rate available to Bata

SUBSIDIARIES/ASSOCIATED COMPANIES BALANCES

Year end balance Dr/(Cr)	Nature of	Maximum balance at the end of any month during the year Dr/(Cr)
--------------------------------	-----------	---

	Rs. '000s	balance	Rs. '000s
Wholly owned subsidiary			
I.T.I. (Pvt) Limited	25,000	Long term loan	25,000
I.T.I. (Pvt) Limited	49,543	Short term loan	49,543
A. KELLY		G. STRICKER	
CHAIRMAN		MANAGING DIRECTOR	

**CONSOLIDATED BALANCE SHEET OF
BATA PAKISTAN LIMITED AND I.T.I. (PVT) LIMITED
AS AT DECEMBER 31, 1998**

	1998 Rs. '000s	1997 Rs. '000s
FIXED CAPITAL EXPENDITURE		
Operating Fixed Assets	303,545	289,346
Capital work in progress	--	1,617
	-----	-----
	303,545	290,963
LONG TERM INVESTMENT	12,013	11,002
LONG TERM DEPOSITS AND PREPAYMENT	8,462	6,347
CURRENT ASSETS		
Stores and spares	64,228	62,708
Stock in trade	524,846	599,055
Trade debts	113,618	181,716
Loans and advances	1,070	1,884
Deposits, short term prepayments and other receivables	29,475	23,449
Cash and bank balances	25,524	21,334
	-----	-----
	758,761	890,146
CURRENT LIABILITIES AND PROVISIONS		
Short term running finances	175,562	258,530
Current portion of obligation under finance lease	20,063	8,263
Creditors, accrued and other liabilities	356,372	437,685
Proposed dividend	--	7,560
	-----	-----
	551,997	712,038
NET CURRENT ASSETS	206,764	178,108
	-----	-----
CAPITAL EMPLOYED	530,784	486,420
LONG TERM FINANCE	150,000	--
DEFERRED LIABILITIES		
Provision for gratuity	53,417	54,760
Deferred taxation	--	6,123
	-----	-----
	53,417	60,883
LONG TERM DEPOSITS	12,794	12,120

OBLIGATION UNDER FINANCE LEASE

	33,970	8,478
	-----	-----
	250,181	81,481
	-----	-----
NET CAPITAL EMPLOYED	280,603	404,939
	=====	=====

REPRESENTED BY

Issued, subscribed and paid up capital	75,600	75,600
Reserves and surplus		
Capital reserve	483	483
General reserve	203,000	327,000
Unappropriated profit	1,520	1,856
	-----	-----
	205,003	329,339
	-----	-----
	280,603	404,939
	=====	=====

**A. KELLY
CHAIRMAN**

**G. STRICKER
MANAGING DIRECTOR**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT OF
BATA PAKISTAN LIMITED AND I.T.I. (PVT) LIMITED
FOR THE YEAR ENDED DECEMBER 31, 1998**

	1998	1997
	Rs. '000s	Rs. '000s
Consolidated sales	1,660,386	1,911,752
	=====	=====
Net (loss)/profit for the year		
Bata Pakistan Limited	(93,978)	12,970
International Tanners & Industries (Pvt) Limited	(21,172)	(15,945)
	-----	-----
	(115,150)	(2,975)
Less: Adjustment for unrealized profits and inter group dividends	--	--
	-----	-----
Consolidated loss before tax	(115,150)	(2,975)
Provision for taxation	9,186	13,532
	-----	-----
	(124,336)	(16,507)
Less: Minority interest	--	--
	-----	-----
Net loss attributed to parent company	(124,336)	(16,507)
	=====	=====

STATEMENT OF RETAINED EARNINGS

Retained earnings - beginning of the year	1,856	1,923
Net loss for the year	(124,336)	(16,507)
	-----	-----
	(122,480)	(14,584)

APPROPRIATIONS

Transfer from general reserve	(124,000)	(24,000)
Proposed final dividend @ nil% (1997 @ 10%)	--	7,560
	-----	-----
	(124,000)	(16,440)
	-----	-----
Retained earnings - end of the year	1,520	1,856
	=====	=====

**A. KELLY
CHAIRMAN**

**G. STRICKER
MANAGING DIRECTOR**

**INTERNATIONAL
TANNERS & INDUSTRIES (PVT) LTD**

A SUBSIDIARY OF

BATA PAKISTAN LTD

BOARD OF DIRECTORS

- | | |
|-------------------------|----------------------------|
| 1. MR. G. STRICKER | Chairman/Managing Director |
| 2. MR. A. KELLY | Director |
| 3. MR. SALAHUDDIN NIAZI | Director |

Company Secretary	Auditors
Salahuddin Niazi	Gardezi & Company
	Chartered Accountants
	65, Shahrah-e-Quaid-e-Azam, Lahore.

Registered Office:	Bankers
Batapur, G. T. Road	Habib Bank Limited
P.O. Batapur, Lahore	

DIRECTORS' REPORT TO THE MEMBERS

The Directors of International Tanners & Industries (Private) Limited are submitting their report and Audited Accounts of the Company for the year ended 31st December, 1998.

The financial results of the company are as under:

	Rs.'000s
Gross Loss	(4,069)
The Loss of the Company for the year ended 31st December, 1998 after providing administrative, selling and distribution, financial and other charges amounts	(21,172)
Accumulated loss carried forward	(95,154)

Total turnover (net) for the year under review comes to Rs.60.6 million, out of which leather of Rs.58.9 million was supplied to holding company. Rs.1.5 million pertain to processing charges of the leather processed at tannery for out side parties.

The Company, a wholly owned subsidiary of Bata Pakistan Limited, has suffered losses since its inception except for 1993. The main reason for the losses were high depreciation cost of tannery and financial charges, which could not be absorbed in the price structure of the leather. Therefore, the management at present is reviewing tannery operation so as to run it only for specific purposes i.e. for processing and finishing of leather for local parties at a reasonable margin etc. to generate funds for reducing its liabilities and accumulated loss and management feels that the company will continue to be a going concern.

The present Auditors Messrs Gardezi & Co., Chartered Accountants, retire and offer themselves for reappointment.

**On behalf of the
BOARD OF DIRECTORS**

Batapur
LAHORE: February 23, 1999

**G. STRICKER
MANAGING DIRECTOR**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of International Tanners & Industries (Private) Limited as at December 31, 1998 and the related profit and loss account and cash flow statement, 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 purpose of our audit and, after due verification thereof, 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;

(ii) the expenditure incurred during the year was for the purpose of 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 and cash flow statement, together with the notes forming part thereof, 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 December 31, 1998 and of the loss and cash flows for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualifying our opinion, we draw attention to the Note 19.1 to the accounts wherein the events, more fully explained in the said note, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

LAHORE: February 23, 1999.

**GARDEZI & CO.
CHARTERED ACCOUNTANTS**

BALANCE SHEET AS AT DECEMBER 31, 1998

	Note	1998 Rs. '000s	1997 Rs. '000s
CAPITAL AND RESERVES			
Authorised capital			
7,500,000 ordinary shares of Rs.10 each		75,000	75,000
		=====	=====
Issued, subscribed and paid up capital	3	75,000	75,000
Accumulated loss		(95,154)	(72,852)
		-----	-----
		(20,154)	2,148
LONG TERM LOAN			
From holding company	4	25,000	25,000
DEFERRED LIABILITIES			
Provision for gratuity		300	3,570
CURRENT LIABILITIES AND PROVISIONS			
Due to holding company	5	49,543	48,326
Creditors, accrued and other liabilities	6	515	33,546
		-----	-----
		50,058	81,872
CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS			
	7		
		-----	-----
		55,204	112,590
		=====	=====

The annexed notes form an integral part of these accounts.

G. STRICKER
MANAGING DIRECTOR

	Note	1998 Rs. '000s	1997 Rs. '000s
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	8	47,815	56,485
CURRENT ASSETS			
Stores and spares	9	5,671	5,533
Stock in trade		--	35,944
Trade debts	10	--	7,357
Deposits, short term prepayments and other receivables	11	1,708	6,793
Cash and bank balances	12	10	478
		-----	-----
		7,389	56,105
		-----	-----
		55,204	112,590
		=====	=====

S.D. NIAZI
DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1998

	Note	1998 Rs. '000s	1997 Rs. '000s
NET SALES	13	60,557	199,136
COST OF SALES	14	64,626	190,506
		-----	-----
GROSS (LOSS)/PROFIT		(4,069)	8,630
OPERATING EXPENSES			
Administrative	15	(4,173)	(6,412)
Selling and distribution	16	(105)	(4,381)
		-----	-----
		(4,278)	(10,793)
		-----	-----
OPERATING LOSS		(8,347)	(2,163)
FINANCIAL AND OTHER CHARGES			
Financial	17	(11,089)	13,783
(Loss)/Profit on fixed assets sold/scrapped	8.2	(1,736)	1
		-----	-----
		(12,825)	13,782
		-----	-----
LOSS BEFORE TAXATION		(21,172)	15,945
PROVISION FOR TAXATION			
Current		(303)	(1,248)
Prior years		(827)	--
		-----	-----
		(1,130)	(1,248)
		-----	-----
LOSS AFTER TAXATION		(22,302)	17,193
LOSS BROUGHT FORWARD FROM PREVIOUS YEAR		(72,852)	(55,659)
		-----	-----
ACCUMULATED LOSS CARRIED FORWARD		(95,154)	(72,852)
		=====	=====

The annexed notes form an integral part of these accounts.

G. STRICKER
MANAGING DIRECTOR

S.D. NIAZI
DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 1998

	1998 Rs. '000s	1997 Rs. '000s
--	-------------------	-------------------

CASH FLOW FROM OPERATING ACTIVITIES

Loss before taxation	(21,172)	(15,945)
Adjustment for:		
Depreciation	4,768	5,725
Provision for gratuity (net)	(3,270)	(1,426)
Loss/(Profit) on fixed assets sold and scrapped	1,736	(1)
Provision for doubtful debts	3,553	75
Financial charges	11,089	13,783
	-----	-----
	17,876	18,156
Operating (loss)/profit before working capital change and financial charges	(3,296)	2,211
Net changes in operating assets and liabilities (Schedule attached)	11,664	6,449
Interest/mark up paid	(11,089)	(13,783)
Income taxes paid	(1,130)	(1,248)
	-----	-----
Net cash used in operating activities	(3,851)	(6,371)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	--	(19)
Proceeds of fixed assets sold	2,166	10
	-----	-----
Net cash provided by/(used in) investing activities	2,166	(9)
CASH FLOW FROM FINANCING ACTIVITIES		
Due to holding company	1,217	(1,016)
	-----	-----
NET DECREASE IN CASH AND CASH EQUIVALENTS	(468)	(7,396)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	478	7,874
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF YEAR	(Note - 12) 10	478
	=====	=====

G. STRICKER
MANAGING DIRECTOR

S.D. NIAZI
DIRECTOR

SCHEDULE OF NET CHANGES IN OPERATING ASSETS AND LIABILITIES FOR THE YEAR ENDED DECEMBER 31, 1998

	1998 Rs. '000s	1997 Rs. '000s
Stores and spares	(138)	(105)
Stock in trade	35,944	(914)
Trade debts	3,804	1,074
Deposits, short term prepayments and other receivables	5,085	6,038
Creditors, accrued and other liabilities	(33,031)	356
	-----	-----
	11,664	6,449
	=====	=====

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 1998

1. THE COMPANY AND ITS OPERATION

International Tanners & Industries (Pvt) Limited is a wholly owned subsidiary of Bata Pakistan Limited. The company is engaged mainly in the manufacturing and sale of leather.

2. ACCOUNTING POLICES

2.1 Accounting Convention

The accounts have been prepared in accordance with the historical cost convention without any adjustment for the effect of inflation or current values.

2.2 Gratuity

The company has an unfunded gratuity scheme covering all the employees other than managers and staff on deputation from the holding company. The accrual of gratuity is made in the accounts for all such employees on the basis of 30 days gross highest salary/wages drawn during the year for each completed year of service, irrespective of completion of their qualifying period of service.

2.3 Taxation

The charge for current taxation is provided on taxable income at current rate of tax after recognizing tax credit and rebates available, if any, or minimum tax u/s 80CC and 80D of Income Tax Ordinance, 1979 whichever is higher. Deferred taxation is provided on all major timing differences by using liability method. The net debit balance, if any, is however not recognized in the accounts.

2.4 Fixed Capital Expenditure and Depreciation

(a) Fixed Assets are stated at cost less accumulated depreciation except land and capital work in progress which are valued at actual cost.

(b) Depreciation is charged to income by applying the reducing balance method without considering extra shifts worked, at the rates as prescribed in Note-8.

(c) Minor renewals, replacements, maintenance and repairs are expensed. Major renewals and betterments are capitalized. Gains and losses on deleted assets are reflected in the accounts.

(d) No depreciation is provided on assets in the year in which these are sold while charge for the full year is made in the year in which these are purchased.

2.5 Stocks, Stores and Spares

These have been valued on the basis mentioned below :-

BASIS

Stores and Spares	At moving average cost
Raw material	At lower of moving average cost and market value
Goods in process	At lower of average production cost and net realizable value
Finished goods	
Own production	At lower of average production cost and net realizable value
Purchased product	At lower of actual cost and net realizable value

2.6 Trade Debts

Debts considered bad by the management are provided for or written off but no general provision is made for doubtful debts.

2.7 Commitments and Contingencies

Capital commitments and contingencies, unless those are actual liabilities, are not incorporated in the accounts.

2.8 Foreign Currencies

Assets and liabilities in foreign currencies are translated into Pak. rupees at the rate of exchange ruling on the balance sheet date. Exchange gains and losses are included in the income currently.

2.9 Revenue Recognition

Revenue from sale is recognized on delivery of goods to customers.

	1998 Rs. '000s	1997 Rs. '000s
3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
7,500,000 ordinary shares of Rs. 10 each fully paid up in cash	75,000 =====	75,000 =====

3.1 The entire share capital is subscribed for and paid by the holding company, Bata Pakistan Limited.

4. LONG TERM LOAN

From Bata Pakistan Limited - holding company	25,000 =====	25,000 =====
--	-----------------	-----------------

4.1 This loan carries interest at the rate of 16.5% per annum.

	1998 Rs. '000s	1997 Rs. '000s
5. DUE TO HOLDING COMPANY		
This represents current account with the holding company, Bata Pakistan Limited and carries interest at the rate of 16.5% per annum.	49,543 =====	48,326 =====

6. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	--	29,557
Accrued liabilities	439	1,619
Advances from customers	31	27
Taxes deducted at source payable	--	276
Other liabilities	45	2,067
	----- 515 =====	----- 33,546 =====

7. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The company is contingently liable for counter guarantees given to banks.	1,000 =====	1,270 =====
---	----------------	----------------

8. OPERATING FIXED ASSETS

DESCRIPTION	COST				Rate	DEPRECIATION			BOOK VALUE as at Dec.
	As at Jan.	Additions	Disposal/	As at Dec.		As at Jan.	Adjustment	Charge for	

	1, 1998	Adjustment	31, 1998	%	1, 1998	the year	31, 1998	31, 1998		
Land free hold	4,492	--	--	4,492	--	--	--	4,492		
Buildings on free hold land										
Factory	22,145	--	--	22,145	10	12,365	978	13,343	8,802	
Others	1,245	--	--	1,245	5	419	41	460	785	
Plant and machinery	84,210	--	7,983	76,227	10	45,093	449	3,559	44,203	32,024
Gas installations	366	--	--	366	10	202	--	16	218	147
Boiler	3,265	--	--	3,265	10	1,842	--	142	1,984	1,281
Office equipment	412	--	220	192	10	192	115	12	89	103
Furniture, fixtures and fittings	860	--	364	496	10	456	161	20	315	181
Vehicles	192	--	192	--	20	132	132	--	--	--
Rs. '000s 1998	117,187	--	8,759	108,428		60,702	4,857	4,768	60,613	47,815
Rs. '000s 1997	117,185	19	17	117,187		54,985	8	5,725	60,702	56,485

1998
Rs. '000s

1997
Rs. '000s

8.1 The depreciation charge for the year has been allocated to:

Cost of goods manufactured	--	5,686
Administrative expenses	--	39
	4,768	5,725

8.2 The disposal of fixed assets during the year was as under:

Particulars	Original cost	Accumulated depreciation	Written down value	Sale proceed	Profit/(Loss)	Mode of sale	Particulars of purchasers
Plant and machinery	3,008	1,677	1,331	685	(646)	Negotiated	M/s Tariq Electric Co Nishter Road, Lahore
	2,880	1,607	1,273	1,273	--	Negotiated	Transferred to Bata Pakistan Limited
	69	28	41	30	(11)	Negotiated	Various employees.
	2,026	1,137	889	--	(889)	Scrapped	
	7,983	4,449	3,534	1,988	(1,546)		
Office equipment	3	1	2	2	--	Negotiated	Ex-employee Mr. Arshed Siddique.
	4	2	2	2	--	Negotiated	Transferred to Bata Pakistan Limited.
	213	112	101	--	(101)	Scrapped	
		220	115	105	4	(101)	
Furniture, fixtures and fittings	142	72	70	70	--	Negotiated	Transferred to Bata Pakistan Limited
	222	89	133	--	(133)	Scrapped	
		364	161	203	70	(133)	
Vehicles	35	29	6	50	44	Negotiated	M/s English Motor, Abbot Road, Lahore.
	157	103	54	54	--	Negotiated	Transferred to Bata Pakistan Limited.

	192	132	60	104	44
Rs. '000s 1998	8,759	4,857	3,902	2,166	(1,736)
Rs. '000s 1997	17	8	9	10	1

	1998	1997
	Rs. '000s	Rs. '000s

9. STORES AND SPARES

Stores	418	614
Spares	5,253	4,919
	5,671	5,533

10. TRADE DEBTS - UNSECURED

Due from customers		
Considered good	--	7,357
Considered doubtful	3,553	1,843
	3,553	9,200
Less: Provision for doubtful debts	3,553	1,843
	--	7,357

	1998	1997
	Rs. '000s	Rs. '000s

11. DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES

Deposits	89	94
Short term prepayments	--	19
Other receivables		
Advance tax paid (Note - 11.1)	1,619	2,610
Export rebates	--	2,548
Others	--	1,527
	1,619	6,685
	1,708	6,793

11.1 Advance Income tax paid

Balance at Jan 01,	2,610	731
Less:		
Provision for current year	(303)	(1,248)
Provision for prior years	(827)	--
	(1,130)	(1,248)

	1,480	(517)
Add:		
Tax deducted at source	139	3,127
	1,619	2,610

12. CASH AND BANK BALANCES

Bank balances - in current accounts	10	478
-------------------------------------	----	-----

13. NET SALES

Leather		
Local	58,930	138,671
Export	--	49,540
	58,930	188,211
Processing charges	1,475	11,926
Sundry articles and scrap material	152	216
	60,557	200,353
Less: Commission to agents	--	1,217
	60,557	199,136

1998	1997
Rs. '000s	Rs. '000s

14. COST OF SALES

Raw material consumed		
Opening stock	8,783	15,639
Add: Purchases	11,974	145,592
	20,757	161,231
Less: Closing stock	--	8,783
	20,757	152,448
Spares consumed	2,175	3,928
Fuel and power	3,066	7,751
Salaries, wages and benefits	6,187	20,991
Repairs and maintenance	249	4,950
Insurance	263	825
Depreciation	4,768	5,686
Factory rental	--	1,697
	37,465	198,276
Add: Opening goods in process	27,161	14,877
	64,626	213,153
Less: Closing goods in process	--	27,161
Cost of goods manufactured	64,626	185,992

Add: Opening stock of finished goods

--	4,514
-----	-----
64,626	190,506
=====	=====

15. ADMINISTRATIVE EXPENSES

Salaries and benefits	--	438
Employees' welfare	246	560
Telephone and postage	61	1,292
Travelling	5	2,752
Printing and stationery	18	183
Legal and professional charges	57	168
Auditors' remuneration (Note- 15.1)	195	185
Provision for doubtful debts	3,553	158
Miscellaneous	38	629
Subscription	--	8
Depreciation	--	39
-----	-----	-----
4,173	6,412	
=====	=====	

15.1 Auditors' remuneration

Statutory audit	120	120
Consulting, accounting and tax services	50	40
Out of pocket expenses	25	25
-----	-----	-----
195	185	
=====	=====	

1998	1997
Rs. '000s	Rs. '000s

16. SELLING AND DISTRIBUTION EXPENSES

Salaries and benefits	--	445
Freight and octroi	93	3,078
Entertainment	12	168
Advertising and sales promotion	--	690
-----	-----	-----
105	4,381	
=====	=====	

17. FINANCIAL CHARGES

Interest on:		
Long term loan from holding company	4,125	4,125
Due to holding company	6,885	8,975
-----	-----	-----
11,010	13,100	
Bank charges and commission	79	683
-----	-----	-----
11,089	13,783	
=====	=====	

18. TRANSACTIONS WITH HOLDING COMPANY

Aggregated transactions With the holding company

during the year were as under:

Sales	58,930	124,786
Interest paid	11,010	13,100
Processing charges received	--	11,926
Rent paid	--	1,697

19. GENERAL

19.1 The company's accumulated loss as at December 31, 1998 stood at Rs. 95.154 million which exceeded shareholders' equity and as of that date its total liabilities exceeded the total assets by Rs.20.154 million. The management at present is reviewing the affairs of the company so as to run it only for specific purposes (i.e. for processing and finishing of leather for local parties at a reasonable margin, etc.) to generate funds for reducing its liabilities and accumulated loss.

19.2 Figures of previous year have been rearranged wherever necessary for the purpose of comparison and have been rounded off to the nearest thousand rupees.

G. STRICKER
MANAGING DIRECTOR

S.D. NIAZI
DIRE C TOR



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