

## **Bata Pakistan Limited**

### **Annual Report 1999**

#### **CONTENTS**

Board of Directors  
Notice of Meeting  
Company's Financial Highlights  
Distribution of Revenue-1999  
Operational Statistics  
Chairman's Review  
Directors' Report to the Members  
Auditors' Report to the Members  
Balance Sheet  
Profit and Loss Account  
Cash Flow Statement  
Schedule of Net Changes in Operating Assets and Liabilities  
Notes to the Accounts  
Statement Under Section 237  
Pattern of Shareholding  
Consolidated Financial Information  
Consolidated Balance Sheet  
Consolidated Profit & Loss Account  
ANNUAL REPORT I.T.I. (PVT) LTD.  
Board of Directors  
Directors' Report to the Members  
Auditors' Report to the Members  
Balance Sheet  
Profit and Loss Account  
Cash Flow Statement  
Schedule of Net Changes in Operating Assets and Liabilities  
Notes to the Accounts

#### **BOARD OF DIRECTORS**

1. MR. K. WESTON	Chairman
2. MR. G. STRICKER	Managing Director
3. MR. J.P. LEE	Director
4. MR. KHALID M. HASSAN	Director
5. MR. MUHAMMAD ALI MALIK	Director
6. SYED MOHAMMAD MOHSIN	Director
7. DR. AMJAD WAHEED	Director
8. MR. ISTAQBAL MEHDI	Director

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

<b>Registered Office &amp; Factory</b>	Bankers
<b>Batapur, G. T. Road,</b>	Habib Bank Limited
<b>P.O. Batapur, Lahore.</b>	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 48th Annual General Meeting of Bata Pakistan Limited will be held at the Registered Office of the Company at Batapur, District Lahore on 17th May 2000 at 10.00 a.m. to transact the following business.

1. To confirm the minutes of the Extraordinary General Meeting of the shareholders of the Company held on 19th August, 1999.
2. To receive, consider, and adopt the Directors' Report, Audited Accounts of the Company and Auditors' Reports thereon, for the year ended 31st December, 1999.
3. To declare dividend as recommended by the Directors.
4. To appoint Auditors and fix their remuneration for the year ending 31st December, 2000.

**By Order of the Board**

Batapur  
LAHORE: March 1, 2000

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

3. The shareholders are requested to promptly notify the Company of any change in their addresses.

4. The Share Transfer Books of the Company will remain closed from 11th to 17th May, 2000 (both days inclusive).

**COMPANY'S FINANCIAL HIGHLIGHTS**

YEAR ENDED	(RUPEES IN THOUSAND)		% INCREASE/ (DECREASE)
DECEMBER 31,	1999	1998	
NET SALES	2,007,224	1,658,759	21
RESULT			
PROFIT / (LOSS) BEFORE TAX	47,262	(116,280)	--
PROFIT / (LOSS) AFTER TAX	33,954	(124,336)	--
NET RETURN ON TURNOVER %	1.69	(7.50)	--
CURRENT ASSETS	1,038,542	800,915	30
CURRENT LIABILITIES	843,973	552,204	53
CURRENT RATIO	1.2:1	1.5:1	--
ASSETS: LIABILITIES			
DISTRIBUTABLE RESERVES	223,354	204,520	9
SHAREHOLDERS EQUITY	299,437	280,603	7
NUMBER OF SHARES	7,560	7,560	--
EARNING PER SHARE OF RS. 10 EACH	4.49	(16.45)	--

**DISTRIBUTION OF REVENUE 1999**

	Rs. '000s	%
REVENUE PAID TO GOVERNMENT	412,981	16.9
COST OF SALES EXCLUDING WAGES AND GOVERNMENT TAXES	1,155,033	47.2
SALARIES, WAGES, BENEFITS AND WELFARE EXPENSES	415,059	17.0
OVERHEADS	427,422	17.5
TRANSFER TO APPROPRIATION ACCOUNT	18,834	0.8
DIVIDEND	15,120	0.6
GROSS SALES	2,444,449	100.0

**CHAIRMAN'S REVIEW**

On behalf of the Board of Directors, it gives me great pleasure to welcome you to the Company's 48th Annual General Meeting and present the Company's Annual Report and financial statements for the year ended 31st December, 1999.

During the year under review, the country's economy experienced a severe turndown. The business environment was adversely affected by the sanctions imposed by lending countries following the nuclear explosions in 1998. The foreign currency reserves plummeted. The economic crisis deterred almost all investment in the country. By the middle of the year, the Government successfully negotiated the

rescheduling of existing debts with foreign donors and lending agencies. As a result, there was a resumption of inflow of fresh funds. The Government also took steps to roll back several measures taken after the economic sanctions. However, before the economy could actually start to recover, momentum was hampered by the worsening of the India-Pakistan relationship due to the Kargil conflict.

In October 1999, the Army took over control of the country and the new military Government has been taking steps to establish credibility in global financial markets. Initial moves by the new administration have had positive economic results, but time will be required for the full impact of the moves to be felt.

During the period under review, net sales increased by 21% from Rs.1,658.8 million to Rs.2,007.2 million.

This increase in turnover was achieved by a significant improvement in the market appeal of the Company's product lines, incorporating improvements in product design and quality, complemented by improved service to our customers.

Your Company reversed the Rs.116.3 million pre-tax loss incurred during 1998 to record a pre-tax profit of Rs.47.3 million in 1999. After making provision for current and prior years taxation of Rs.13.3 million, the net profit was Rs.34.0 million. By adding Rs.1.5 million as unappropriated profit brought forward, Rs.35.5 million were available for appropriation.

As a result of an increase in the amounts receivable from wholesale distributors, dealers and other customers and low net margins, the Company has been facing a reduction in cash flow. Due to this reduced cash flow, your Directors have decided to recommend a final dividend of 20% for 1999. A sum of Rs.19.0 million is being transferred to General Reserve, since your Board considers this necessary to meet the Company's positive plans for its sales outlets and factories.

Your Company achieved a return on equity of 11.7% and earnings per share of Rs.4.49 after tax. The equity of the Company at Rs.299.4 million, including reserves amounting to Rs.223.8 million, reflects a strong capital base. The Company's shares of Rs.10 each were quoted at Rs.32 on the 31st December, 1999.

The demand for credit in the country fell off in 1999, indicating a slowing of the economy. The Government took steps to enable the Banks to reduce their interest rates. Your Company, on its own initiative, also took steps to reduce its future interest cost burden.

The all round improved performance of the Company is also attributable to improved production efficiencies and better financial management.

In December, the Government raised prices of petroleum products to compensate for the rise in the international crude oil price. This step by the Government will increase the cost of most of the inputs used by the Company.

The State Bank of Pakistan withdrew the requirement to deposit 20% cash with a bank before the opening of letters of credit for the import of machinery and spare parts. This decision was taken with a view to encouraging capital formation and reviving the economy.

During the year under review, the Company's contribution to the National Exchequer amounted to Rs.413.0 million in the form of payments of Corporate Income Tax, Sales Tax, Customs Duty, Central Excise Duty and other taxes. We are also pleased to be

contributing to the Exchequer by limiting our dependence on imported raw materials and through greater use of locally fabricated machinery.

The Company has invested heavily in plant and machinery by way of lease financing over the past few years. This is intended to improve our quality and technology and increase our share of the market. This improved technology should also have a positive impact on profitability.

Capital Expenditure during the year amounted to Rs.42.7 million. It was devoted mainly to modernizing the Company's production units with a view to producing high quality, fashionable footwear. The expenditure also included Rs.22.8 million for modernization and renovation of the Company's retail and wholesale outlets.

Your Company is already paying General Sales Tax at the rate of 15%. The new Government has decided to effectively introduce a General Sales Tax at all levels from the start of the next financial year in a fundamental tax reform. This should increase Government revenues in a significant manner, contain the budget deficit and help in widening the tax base. Through this measure, the economy of the country will be documented and also bring the unorganized footwear industry into the taxation network. Such reforms are essential to the take-off of the economy.

Our marketing team, in its constant efforts to provide excellent service to customers, has been very active. All sectors of the domestic market, namely retail, wholesale, and direct sales, participated in the increased business. Compared with 1998, the retail business in 1999 increased by 6% in pairs and 14% in turnover and the wholesale business increased by 43% in pairs and 41% in turnover.

The Company's strength lies in its large retail network and widespread distribution channels. We have established a network of 218 retail stores throughout Pakistan. These are complemented by 119 franchised outlets. There is a comprehensive network of 24 Depots, 3 Distributors, 11 Mini-Distributors and 555 Dealers all over Pakistan. It is capable of ensuring uninterrupted and steady supplies to our valued customers. We have a dedicated and experienced group of distributors, agents and dealers whose loyal co-operation merits our gratitude and praise.

We have obtained the right to sell "Hush Puppies" branded shoes in selected "Bata" outlets, with resulting benefits for both parties.

The overall exports of the country during the last five years have remained stagnant. Numerous incentives and devaluations have failed to deliver results. The situation has been exacerbated by inconsistent economic policies and severe erosion of confidence coupled with a fear of war.

Owing to the general recession in export markets, the margins on exports were much lower. Efforts were made to develop shoelines in harmony with the latest trends in different markets. We exported 1.1 million pairs during 1999, this was 7% lower than in the previous year. The export turnover at Rs.74.6 million was 32% lower than in the previous year.

Our export-oriented canvas shoe production unit is being brought into line with the ISO 9001 certification requirements. We will be ready for an external audit within the next few months. The ISO certification will enhance the image of the Company in export markets.

During the year under review, the Company devoted

Rs.44.8 million to advertising and sales promotion activities. We enhanced our market position by placing continuous emphasis on our licensed international brands "Bata", "Power", "Sandak", "Bubble Gummers", "Weinbrenner" and "King Street" which have achieved recognition and acceptance among consumers and are now almost as well recognised as the Bata trade mark in their specific market segments. School shoes under the brand 'Toughees' have become the most popular school footwear in Pakistan.

After the success of the Bata Bazaar stores at Lahore, Bahawalpur, and Faisalabad, the Company opened another megastore at Landhi, Karachi which also proved to be successful. These stores are being developed with a view to provide all varieties of quality "Bata" shoes under one roof. This exclusive network of Bata Bazaar Superstores will be further extended to more urban areas.

The shopping area of the premier "Bata" store located at the Mall, Lahore was increased by acquiring the adjacent store, which also widened the frontage of our store, thereby giving excellent exposure to the Company and its products. The store interior has been arranged with the latest display concepts. I am pleased to report that this concept of sophisticated presentation of mass merchandise in megastores, with an exciting and comfortable shopping environment, and a self-service selling system, continues to be successful. All the megastores of the Company are doing good business.

The Company continues to pursue its policy of local sourcing, wherever commercially feasible. The stock of raw materials was tightly controlled to minimize the commitment of financial resources, without jeopardizing production and sales potential.

The total production of footwear during the year from the factory at Batapur was 12.6 million pairs, as against 10.5 million in 1998. The branch factory at Maraka produced 2.2 million pairs in 1999. The Company creates regular work for 41 independent contractors under the Business Associates Programme, providing technical and design assistance to them, as well as supplying materials and components, where necessary. The total production achieved through these manufacturers increased by 36% during the year under review.

The Company is committed to increasing its innovation and internal efficiency programmes and to implement a strong growth strategy in all sections of its business.

To find new customers, your Company participated in various international leather and footwear fairs and exhibitions held in Pakistan and abroad.

A representative group of the Company, headed by the Managing Director, attended 'Shoecon 1999', an international footwear conference, held in Trento, Italy, in which about 150 participants from 40 Bata Shoe Organization companies participated. Your Company ranked among the top companies in the Bata Shoe Organization for excellent work in innovative product development. The efforts of your Company received due recognition when it received a 'SHOECON AWARD' for its shoeline.

Since the Company must prepare for competition in the new millennium, it has to change to an even more customer oriented and efficient work culture. The challenge to bring about change in behavior is not easy. The Company will continue to make every effort to achieve behavioral changes in the best interests of the Company, its shareholders and its customers.

Your Company believes in that it is intellectual capital, which leads to sustained growth. Our employees are among our most valuable assets, and we pay careful attention to their training and development. In the year under review, 666 of them benefited from in-Company courses, 25 attended overseas training courses, and 10 participated in locally organized courses, such as those arranged by the Pakistan Institute of Management and other specialized agencies.

In today's global economy, competitiveness is imperative. The investment made by your Company in equipment and technology, and in improving human resources and skills, is aimed at facing the new challenges of competition both on international as well as domestic markets.

At the beginning of the year, we employed 3,156 persons in all departments of the Company. At the close of the year, we had 3,171 employees.

On 19th August, 1999, at an Extraordinary General Meeting, the following persons were elected as Directors for a three-year term, under the provisions of the Companies Ordinance, 1984:

1. Mr. A. Kelly
2. Mr. G. Stricker
3. Syed Muhammad Mohsin
4. Mr. Muhammad Ali Malik
5. Mr. J. P. Lee
6. Mr. Khalid M. Hassan
7. Mr. Amjad Waheed
8. Mr. Istaqbal Mehdi

On 29th September, 1999, after my appointment as a Director of the Company, I was appointed as Chairman of the Board of Directors of your Company, succeeding Mr. A. Kelly who deserves our gratitude for all his guidance to the Company.

Our Technical Services Agreement with Bata Limited, Toronto, Canada, expired on 31st December, 1999. We have already applied to the Government of Pakistan for renewal of this Agreement on the same terms and conditions. We remain most grateful to Bata Limited, Toronto, for its substantial and valuable assistance in all areas of production, marketing and administration. Your Company also continues to benefit from its association with many other companies in the worldwide Bata Shoe Organization.

The future of the entire industry, and of your Company, will depend upon the steps being taken by the new Government for the revival of the country's economy.

Internally, recession is expected to persist for some time. There will be fierce competition and all existing footwear companies will make efforts to retain or improve their market share.

We will exercise further control on rejects, waste and general expenses, and focus on effective utilization of resources, quality of product and customer service. As a result we hope to maintain the rate of growth and prosperity of the business for the benefit of all the shareholders in the Company.

2000 will, of course, be another year of challenges and opportunities. I wish to assure you that during 2000 we will continue to make Bata Pakistan Ltd. an even more dynamic and professional Company which should lead to long term growth in profitability, while at the same time maintaining high levels of social responsibility and business ethics.

Your Managing Director, Mr. G. Stricker, is playing a dynamic role in the expansion of new retail outlets

and the introduction of an innovative product range to further improve the quality of products and service offered to our customers. These programmes, supported by the introduction of new machinery, should result in strengthening of the 'Bata' brand image and maintain the Company's leadership role in the Pakistani footwear market.

The excellent results for the year ended 31st December, 1999 were made possible by the Company's management, staff and workers who coped admirably with the difficult business environment. The Directors acknowledge the team's success and would like to extend their thanks to the staff at all levels since their skills and commitment have contributed to the results.

Finally, on behalf of the Board of Directors, I would also like to express our appreciation and thanks to our shareholders, customers, dealers, distributors, suppliers, and union representatives for their contribution and assistance during 1999.

**K. WESTON  
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, 1999.
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:

	<i>Rs. '000s</i>
Profit before taxation	47,262
Less: Provision for taxation	
Current	11,147
Prior years	2,161
	-----
	13,308
	-----
Profit after tax	33,954
To this must be added Unappropriated profit brought forward from last year	1,520
	-----
	35,474
The Directors have recommend the following appropriation	
Transfer to General Reserve	19,000
Proposed final dividend @ 20 % (1998 @ nil)	15,120
	-----
	34,120
	-----
Leaving an unappropriated profit to be carried forward to next year	1,354
	=====

4. The pattern of shareholding is provided on page 34
5. Profit per share of Rs. 10 each is Rs. 4.49
6. The consolidated financial information is provided on page 35 to 37
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: March 1, 2000

**G. STRICKER  
MANAGING DIRECTOR**

## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Bata Pakistan Limited as at December 31, 1999 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, 1999 and of the profit 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: March 1, 2000

**GARDEZI & CO.**  
**CHARTERED ACCOUNTANTS**

## BALANCE SHEET AS AT DECEMBER 31, 1999

	<i>Note</i>	<i>1999 Rs. '000s</i>	<i>1998 Rs. '000s</i>
<b>CAPITAL AND RESERVES</b>			
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	222,000	203,000
Unappropriated profit		1,354	1,520
		-----	-----
		223,837	205,003
		-----	-----
<b>SHAREHOLDERS' EQUITY</b>	6	299,437	280,603
<b>LONG TERM FINANCE</b>	7	150,000	150,000
<b>DEFERRED LIABILITIES</b>			
Provision for gratuity	8	57,132	53,117
<b>LONG TERM DEPOSITS</b>	9	12,503	12,794
<b>OBLIGATION UNDER FINANCE LEASE</b>	10	14,760	33,248
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Short term running finances	11	291,927	175,562
Current portion of obligation under finance lease	10	18,488	20,785
Creditors, accrued and other liabilities	12	518,438	355,857
Proposed dividend		15,120	--
		-----	-----
		843,973	552,204
<b>CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS</b>	14		
		-----	-----
		1,377,805	1,081,966
		=====	=====
<b>FIXED CAPITAL EXPENDITURE</b>			
Operating fixed assets	15	267,965	255,730
<b>LONG TERM INVESTMENTS</b>	16	58,570	12,013
<b>LONG TERM LOAN</b>		--	4,846
<b>LONG TERM DEPOSITS AND PREPAYMENTS</b>	17	12,728	8,462



**CURRENT ASSETS**

Stores and spares	18	64,775	58,557
Stock in trade	19	539,293	524,846
Trade debts	20	330,089	113,618
Loans and advances	21	1,440	50,613
Deposits, short term prepayments and other receivables	22	41,175	27,767
Cash and bank balances	23	61,770	25,514
		-----	-----
		1,038,542	800,915
		-----	-----
		1,377,805	1,081,966
		=====	=====

The annexed notes form an integral part of these accounts.

**K. WESTON**  
CHAIRMAN

**G. STRICKER**  
MANAGING DIRECTOR

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1999**

	<i>Note</i>	<i>1999</i> <i>Rs. '000s</i>	<i>1998</i> <i>Rs. '000s</i>
<b>NET SALES</b>	24	2,007,224	1,658,759
<b>COST OF SALES</b>	25	1,425,761	1,300,951
		-----	-----
<b>GROSS PROFIT</b>		581,463	357,808
<b>OPERATING EXPENSES</b>			
Administrative	26	167,483	175,818
Selling and distribution	27	290,941	248,590
		-----	-----
		458,424	424,408
<b>OPERATING PROFIT / (LOSS)</b>		123,039	(66,600)
<b>OTHER INCOME</b>	28	776	2,739
		-----	-----
		123,815	(63,861)
<b>FINANCIAL AND OTHER CHARGES</b>			
Financial charges	29	73,051	52,419
Workers' profit participation fund		2,538	--
Workers' welfare fund		964	--
		-----	-----
		76,553	52,419
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		47,262	(116,280)
<b>PROVISION FOR TAXATION</b>			
Current		11,147	10,551
Prior years		2,161	3,628
Deferred		--	(6,123)
		-----	-----
		13,308	8,056
<b>PROFIT/(LOSS) AFTER TAXATION</b>		33,954	(124,336)
<b>UNAPPROPRIATED PROFIT FROM PREVIOUS YEAR</b>		1,520	1,856
		-----	-----
		35,474	(122,480)
<b>APPROPRIATIONS</b>			
Transfer to / (from) general reserve		19,000	(124,000)
Proposed final dividend @ 20% (1998 @ nil %)		15,120	--
		-----	-----
		34,120	(124,000)
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b>		1,354	1,520
		=====	=====
<b>EARNING PER SHARE OF RS. 10 EACH</b>	30	4.49	(16.45)
		=====	=====

The annexed notes form an integral part of these accounts.

**K. WESTON**  
CHAIRMAN

**G. STRICKER**  
MANAGING DIRECTOR

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED DECEMBER 31, 1999**

	<b>1999</b>	<b>1998</b>
	<b>Rs. '000s</b>	<b>Rs. '000s</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit / (loss) before taxation	47,262	(116,280)
Adjustment for:		
Depreciation	29,449	26,143
Provision for gratuity	4,015	1,927
Provision for doubtful debts / loan	9,108	21,611
Profit on fixed assets sold and scrapped	(55)	(1,411)
Financial charges	73,051	52,430
	-----	-----
Operating profit / (loss) before working capital change and financial charges	115,568	100,700
	-----	-----
Net changes in operating assets and liabilities (Schedule attached)	(89,271)	37,745
Interest / mark up paid	(69,497)	(50,069)
Income taxes paid	(17,169)	(17,259)
	-----	-----
Net cash utilized in operating activities	(13,107)	(45,163)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(42,680)	(49,343)
Proceeds of fixed assets sold	1,051	3,359
Long term investment	(501)	(1,011)
	-----	-----
Net cash used in investing activities	(42,130)	(46,995)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in obligation under finance lease	--	49,608
Repayment of obligation under finance lease	(20,785)	(12,316)
Short term running finances	116,365	(82,968)
Dividend paid	(4,087)	(7,508)
Long term finance	--	150,000
	-----	-----
Net cash provided by financing activities	91,493	96,816
	-----	-----
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	36,256	4,658
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	25,514	20,856
	-----	-----
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note - 23)</b>	61,770	25,514
	=====	=====

**K. WESTON**  
CHAIRMAN

**G. STRICKER**  
MANAGING DIRECTOR

**SCHEDULE OF NET CHANGES IN OPERATING ASSETS AND LIABILITIES FOR THE YEAR ENDED DECEMBER 31, 1999**

	<b>1999</b>	<b>1998</b>
	<b>Rs. '000s</b>	<b>Rs. '000s</b>
Stores and spares	(6,218)	(1,382)
Stock in trade	(14,447)	38,265
Trade debts	(216,789)	62,087
Loans and advances	(827)	(403)
Deposits, short term prepayments and other receivables	(10,511)	(8,686)
Creditors, accrued and other liabilities	164,078	(50,695)
Long term deposits - employees securities	(291)	674
Long term deposits and prepayments	(4,266)	(2,115)
	-----	-----
	(89,271)	37,745
	=====	=====

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 1999****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 Staff Retirement Benefits

### 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 the 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 the provident fund scheme, provision is based on 30 days gross highest salary/wages drawn during the year for each completed year of service.

### Provident Fund

The company also operates contributory provident fund scheme for all employees and contributions are made in accordance with the fund rules.

## 2.3 Taxation

### Current

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

Deferred taxation is provided on all major timing differences by using liability method. However, net deferred tax debits are not accounted for in the accounts which at December 31, 1999 amounted to Rs. 7.109 million (1998: Rs. 25.774 million).

## 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 - 15.
- (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

- (a) 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.
- (b) The aggregate amount of obligation relating to assets subject to finance lease are accounted for at the net principal liability under the lease agreement.
- (c) 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, if any, made for decline other than temporary in value of investment. Dividend received and interest accrued are reflected in the profit and loss account accordingly.

## 2.7 Stock, 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 production cost
Purchased	At lower of moving average cost and market value
In transit	At actual cost
Goods in process	At production cost
Finished goods	
Own production	At lower of production cost and net realizable value

Purchased products At lower of actual cost and net realizable value

Production cost consists of direct material (at average actual cost on FIFO basis), direct labour and proportionate production overheads. While net realizable value means the ex-factory price minus expenses necessary to complete and sell.

### 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. Export sales are recorded on the basis of goods shipped to customers.

	<i>1999</i> <i>Rs. '000s</i>	<i>1998</i> <i>Rs. '000s</i>
<b>3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>		
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
	=====	=====
<b>4. CAPITAL RESERVE</b>	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.

	<i>1999</i> <i>Rs. '000s</i>	<i>1998</i> <i>Rs. '000s</i>
<b>5. GENERAL RESERVE</b>		
Balance at January 1,	203,000	327,000
Transferred from / (to) profit and loss account	19,000	(124,000)
	-----	-----
	222,000	203,000
	=====	=====

### 6. STATEMENT OF CHARGES IN SHAREHOLDERS' EQUITY

	<i>(Amounts in thousand Rupees)</i>				<i>Total</i>
	<i>Share capital</i>	<i>Capital reserve</i>	<i>General reserve</i>	<i>Unappropriated profit</i>	
Balance at December 31, 1997	75,600	483	327,000	1,856	404,939
Net loss for the year	--	--	--	(124,336)	(124,336)
Dividend	--	--	--	--	--
Transferred during the year	--	--	(124,000)	124,000	--
	-----	-----	-----	-----	-----
Balance at December 31, 1998	75,600	483	203,000	1,520	280,603
Net profit for the year	--	--	--	33,954	33,954
Dividend	--	--	--	(15,120)	(15,120)
Transferred during the year	--	--	19,000	(19,000)	--
	-----	-----	-----	-----	-----
Balance at December 31, 1999	75,600	483	222,000	1,354	299,437
	=====	=====	=====	=====	=====
				<i>1999</i> <i>Rs. '000s</i>	<i>1998</i> <i>Rs. '000s</i>

### 7. LONG TERM FINANCE - SECURED

7.1 This finance is obtained from:

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

7.2 The finance 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 finance executed. It carries markup at the rate of 17.5% per annum payable quarterly.

7.3 The finance is repayable in lump sum on November 4, 2001.

	<b>1999</b>	<b>1998</b>
	<b>Rs. '000s</b>	<b>Rs. '000s</b>
<b>8. PROVISION FOR GRATUITY</b>		
Balance at January 1,	53,117	51,190
Add: Provision for the year	5,314	4,510
	-----	-----
	58,431	55,700
Less: Payments made during the year	(1,299)	(2,583)
	-----	-----
	57,132	53,117
	=====	=====

#### 9. LONG TERM DEPOSITS

Employees' securities and personal accounts	12,503	12,794
	=====	=====

9.1 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.

9.2 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-16).

#### 10. OBLIGATION UNDER FINANCE LEASE

	<b>1999</b>	<b>1998</b>
	<b>Rs. '000s</b>	<b>Rs. '000s</b>
Balance at January 1,	54,033	16,741
Assets acquired during the year	--	49,608
	-----	-----
	54,033	66,349
Repaid during the year	(20,785)	(12,316)
	-----	-----
	33,248	54,033
Less: Current portion shown under current liabilities	(18,488)	(20,785)
	-----	-----
	14,760	33,248
	=====	=====

10.1 Present value of minimum lease payments has been discounted at an interest rate implicit in lease which equates to an interest rate of approximately 18.8 to 20 % per annum.

10.2 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 along with salvage value @ 5 to 10% shall immediately become due and payable by the lessee to lessor. The lease agreement is renewable at the option of lessee.

10.3 The lease liability is partly secured against deposit of Rs. '000s 1,359 grouped in short term deposits and prepayments (Notes - 22).

10.4 The future minimum lease payments to which the company is committed under the agreements are due as follows:

	<b>1999</b>	<b>1998</b>
	<b>Rs. '000s</b>	<b>Rs. '000s</b>
Due with in one year	25,279	29,794
Due after one year but not later than five years	19,681	44,960
	-----	-----
	44,960	74,754
Less: Finance charges allocated to future periods	(11,712)	(20,721)
	-----	-----
	33,248	54,033
	=====	=====

#### 11. SHORT TERM RUNNING FINANCES

##### Cash finance

Secured against hypothecation of stock in trade, stores and spares and receivables of the company	256,927	140,562
---	---------	---------

**Export refinance**

Secured against hypothecation of stock of finished goods	35,000	35,000
	-----	-----
	291,927	175,562
	=====	=====

11.1 The cash finance and export refinance from total credit facilities available to the company aggregating to Rs. 370 Million (1998: Rs. 365 Million) are provided in consortium by Habib Bank Limited, Citibank N.A., Bank Alfalah Limited, ANZ Grindlays Bank and Emirates Bank International.

11.2 Mark up on cash finance and export refinance has been charged at the rate of 13 to 18.25 % and 7.5 % per annum respectively.

	<b>1999</b>	<b>1998</b>
	<b>Rs. '000s</b>	<b>Rs. '000s</b>
<b>12. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		
Deposits (Note- 12.1)	24,872	23,753
Creditors	318,590	202,660
Due to associated undertakings (Note - 12.2)	555	1,636
Accrued liabilities	89,530	64,832
Markup accrued on secured finances	17,132	13,578
Workers' profit participation fund (Note - 12.3)	2,538	--
Due to provident fund trust (Note - 12.4)	5,055	3,891
Advances from customers	1,457	4,193
Sales tax payable	43,160	25,299
Taxes deducted at source payable	11,203	7,286
Unpaid dividend	--	4,082
Unclaimed dividend	837	842
Other liabilities	3,509	3,805
	-----	-----
	518,438	355,857
	=====	=====

**12.1 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.

	<b>1999</b>	<b>1998</b>
	<b>Rs. '000s</b>	<b>Rs. '000s</b>
<b>12.2 Due to associated undertakings</b>		
Bata Limited, Canada	404	1,367
Bata Engineering, France	7	--
I.T.I. (Pvt) Limited	144	--
Essex Commercial Enterprises, U.K.	--	169
Bata a.s. Czech Republic	--	100
	-----	-----
	555	1,636
	=====	=====

No interest has been paid / accrued on the amounts due to associated undertakings.

**12.3 Workers' profit participation fund**

Balance at January 1,	--	759
Allocation for the year	2,538	--
Interest paid on funds utilized in company's business	--	57
	-----	-----
	2,538	816
Less: Amount paid to fund's trustees	--	816
	-----	-----
	2,538	--
	=====	=====

12.4 The balance due to provident fund trust has been paid on January 14, 2000.

**13. PROVISION FOR TAXATION****Income tax**

Balance at January 1,	(9,137)	(6,057)
Income tax paid for prior years	(3,254)	(99)
Provision made for prior years	2,161	3,628
	-----	-----
	(10,230)	(2,528)
Provision for the year	11,147	10,551

	917	8,023
Advance tax paid and tax deducted at source	(13 915)	(17,160)
	(12,998)	(9,137)
<b>Other taxes</b>		
Workers' welfare fund		
Provision for the year	964	--
	(12,034)	(9,137)

#### 14. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

##### 14.1 The Company is contingently liable for:

Counter Guarantees given to banks	3,245	2,003
Indemnity Bonds given to Custom Authorities	6,652	5,694
Acquirer charges claimed by WASA - under appeal	1,419	1,299
Claims not acknowledged as debt	2,455	--
	13,771	8,996

Beside the above, the sales tax department had issued a show cause notice to the company in the year 1997 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.

Although hearings in this respect are currently in progress before the sales tax authorities, the company is, none-the-less, confident that based upon the legal and technical facts of the case, the demand raised by the Collectorate of Sales Tax would be withdrawn to the extent of Rs. 334 Million. Accordingly, pending a final decision in this regard, no provision has, therefore, been made in these accounts.

However, the legal advisor of the company is of the opinion that the sales tax leviable on the contracted shoes may have to be paid which amounts to Rs. 14 million and has been booked accordingly.

	<b>1999</b>	<b>1998</b>
	<b>Rs. '000s</b>	<b>Rs. '000s</b>
14.2 Commitments in respect of contracts for capital expenditure	2,670	3,686

#### 15. OPERATING FIXED ASSETS

DESCRIPTION	COST					DEPRECIATION				BOOK VALUE
	As at Jan. 1, 1999	Additions	Disposals/ Adjustment	As at Dec. 31, 1999	Rate %	As at Jan. 1, 1999	Adjustment	Charge for the year	As at Dec. 31, 1999	as at Dec. 31, 1999
<b>Land</b>										
Free hold	2,546	--	--	2,546	--	--	--	--	--	2,546
Lease hold with super structure	35	--	--	35	--	--	--	--	--	35
<b>Buildings on free hold land</b>										
Factory	56,610	25	--	56,635	10	43,326	--	1,331	44,657	11,978
Others	61,605	62	--	61,667	5	22,375	--	1,964	24,339	37,328
<b>Plant and machinery</b>										
Owned	335,881	16,627	11,343	363,851	10	217,837	3,371	14,265	235,473	128,378
Leased	50,405	--	(14,738)	35,667	10	12,500	(6,057)	2,922	9,365	26,302
<b>Boiler</b>	3,332	--	--	3,332	10	2,323	--	101	2,424	908
<b>Gas installations</b>	1,412	38	(39)	1,411	10	1,020	(25)	42	1,037	374
<b>Office equipment</b>	2,939	24	(46)	2,917	10	1,762	(35)	119	1,846	1,071
<b>Computers</b>										
Owned	9,232	5,848	246	15,326	25	5,022	103	2,550	7,675	7,651
Leased	2,074	--	(276)	1,798	25	731	(113)	295	913	885
<b>Furniture, fixtures and fittings</b>	63,661	20,056	(773)	82,944	10	29,336	(533)	5,414	34,217	48,727
<b>Vehicles</b>	9,161	--	( 101)	9,060	20	6,931	(99)	446	7,278	1,782
<b>Rs. '000s 1999</b>	598,893	42,680	(4,384)	637,189		343,163	(3,388)	29,449	369,224	267,965
Rs. '000s 1998	554,658	50,960	(6,725)	598,893		321,797	(4,777)	26,143	343,163	255,730

	1999 Rs. '000s	1998 Rs. '000s
<b>15.1 The depreciation charge for the year has been allocated to:</b>		
Cost of goods manufactured	17,655	17,838
Administrative expenses	3,237	1,883
Selling and distribution expenses	8,557	6,422
	-----	-----
	29,449	26,143
	=====	=====

**15.2 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 machin	234	210	24	97	73	Auction	A. Hamid Butt, Rampura, Lahore
	48	43	5	26	21	Auction	Mr. Mubarak Ali Rampura, Lahore
	365	224	141	150	9	Negotiation	M/s SAW Enterprises (Pvt) Ltd. Lahore
	2,505	2,036	469	470	1	Negotiation	Mr. M. Shaft, Lahore
	55	37	18	14	(4)	Negotiation	Employees - Various
	188	136	52	--	(52)	Scrapped	
	-----	-----	-----	-----	-----		
	3,395	2,686	709	757	48		
Gas installations	24	16	8	3	(5)	Auction	Mr. Mubarak Ali Rampura, Lahore
	15	9	6	3	(3)	Negotiation	Employee - Mr. Z. R. Kallue
	-----	-----	-----	-----	-----		
	39	25	14	6	(8)		
Office equipment	46	35	11	10	(1)	Negotiation	M/s Sarwat Business Machine, Lahore
Computer	30	10	20	1	(19)	Negotiation	Digital Automation Service, Lahore
Furniture, fixture and fittings	15	12	3	20	17	Negotiation	Mr. M. Riaz, Lahore
	79	8	71	79	8	Negotiation	M/s Syed Associate, Lahore
	98	65	33	23	(10)	Negotiation	Employee - Mr. Z. R. Kallue
	581	448	133	--	(133)	Scrapped	
	-----	-----	-----	-----	-----		
	773	533	240	122	(118)		
Vehicles	101	99	2	155	153	Negotiation	Mr. M. Akhtar Attoke Awan, Lahore
	-----	-----	-----	-----	-----		
Rs. '000s 1999	4,384	3,388	996	1,051	55		
	=====	=====	=====	=====	=====		
Rs. '000s 1998	6,725	4,777	1,948	37359	17411		
	=====	=====	=====	=====	=====		

	1999 Rs. '000s	1998 Rs. '000s
--	-------------------	-------------------

**16. LONG TERM INVESTMENTS**

In wholly owned subsidiary - I.T.I. (Pvt) Limited  
15,000,000 (1998: 7,500,000) ordinary shares  
of Rs. 10 each (Note - 16.1)

150,000	75,000
---------	--------

Less: Provision for diminution in the value

(103,944)	(75,000)
-----------	----------

46,056	--
--------	----

In PLS saving bank account (Note - 16.2)

12,514	12,013
--------	--------

58,570	12,013
--------	--------

16.1 During the year the company has invested Rs. 75 Million in the ordinary share capital of International Tanners and Industries (Pvt) Limited, a wholly owned subsidiary by converting its short and long term loans to that extent. Audited accounts of I.T.I. (Pvt) Ltd. are annexed.

16.2 The investment in PLS saving bank account is earmarked against the balances due to employees securities and personal accounts (Note - 9).

**17. LONG TERM DEPOSITS AND PREPAYMENTS**

Security deposits against finance lease  
Advance rent

1,359	2,824
17,994	10,580

19,353	13,404
--------	--------

Less: Adjustable within one year (Note - 22)



Security deposits against finance lease	1,359	1,465
Advance rent	5,266	3,477
	-----	-----
	6,625	4,942
	-----	-----
	12,728	8,462
	=====	=====

**18. STORES AND SPARES**

Stores	5,822	4,950
Spares	58,489	52,579
	-----	-----
	64,311	57,529
Spares in transit	464	1,028
	-----	-----
	64,775	58,557
	=====	=====

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

**19. STOCK IN TRADE**

Raw material	79,238	95,508
Goods in process	19,747	3,385
Finished goods		
Own production	282,198	257,433
Purchased	104,534	91,815
	-----	-----
	386,732	349,248
	-----	-----
	485,717	478,610
Raw material in transit	53,576	46,236
	-----	-----
	539,293	524,846
	=====	=====

**20. TRADE DEBTS - UNSECURED**

Considered good		
Due from customers	329,351	112,824
Due from associated undertakings (Note - 20.1)	738	794
	-----	-----
	330,089	113,618
Considered doubtful		
Due from customers	1,525	1,207
	-----	-----
	331,614	114,825
Less: Provision for doubtful debts	1,525	1,207
	-----	-----
	330,089	113,618
	=====	=====

20.1 The highest aggregated amount due from associated undertakings at the end of any month in 1999 was Rs. '000s 806 (1998 Rs. '000s 1,937). No interest has been charged on the amounts due from associated undertakings.

	<i>1999</i>	<i>1998</i>
	<i>Rs. '000s</i>	<i>Rs. '000s</i>
<b>21. LOANS AND ADVANCES - UNSECURED</b>		
Considered good		
Advances to employees	795	79
Advances to suppliers	645	991
Due from wholly owned subsidiary	--	49,543
	-----	-----
	1,440	50,613
	=====	=====

**22. DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES**

Deposits		
Considered good		
Custom duty and taxes	343	126
Letters of credit - Margin	385	8,399
Letters of guarantee - Margin	--	1,000
Security deposits against finance lease (Note - 17)	1,359	1,465
Others	2,022	2,245
	-----	-----
	4,109	13,235
Short term prepayments		
Advance rent (Note - 17)	5,266	3,477

Prepaid sales tax	17,779	--
Prepaid Insurance	1,304	1,299
	24,349	4,776
Other receivables		
Considered good		
Advance income tax paid (Note - 13)	12,034	9,137
Others	683	619
	12,717	9,756
Considered doubtful		
Others	655	655
	13,372	10,411
Less: Provision for doubtful balances	655	655
	12,717	9,756
	41,175	27,767

**23. CASH AND BANK BALANCES**

Cash in hand	6	6
Bank balances - in current accounts	5,147	1,579
Cash in transit	56,617	23,929
	61,770	25,514

<b>1999</b>	<b>1998</b>
<b>Rs. '000s</b>	<b>Rs. '000s</b>

**24. NET SALES**

Shoes and accessories		
Export	74,572	109,557
Local	2,365,713	1,871,565
	2,440,285	1,981,122
Sundry articles and scrap material	4,164	4,413
	2,444,449	1,985,535
Less: Sales tax paid	331,071	237,103
Commission to agents / business associates	106,154	89,673
	437,225	326,776
	2,007,224	1,658,759

**25. COST OF SALES**

Cost of goods manufactured (Note - 25.1)	1,179,032	1,045,300
Finished goods purchased	284,213	219,175
Add: Opening stock of finished goods	349,248	385,724
	1,812,493	1,650,199
Less: Closing stock of finished goods	386,732	349,248
	1,425,761	1,300,951

**25.1 Cost of goods manufactured**

Raw material consumed		
Opening stock	141,744	138,597
Add: Purchases	831,775	757,919
	973,519	896,516
Less: Closing stock	132,814	141,744
	840,705	754,772
Spares consumed	10,449	9,133
Fuel and power	54,622	47,931
Salaries, wages and benefits	212,943	182,223
Repairs and maintenance	24,223	24,499
Insurance	4,328	3,968
Depreciation	17,655	17,838
	1,164,925	1,040,364
Add: Opening goods in process	33,854	38,790

	1,198,779	1,079,154
Less: Closing goods in process	19,747	33,854
	1,179,032	1,045,300

**26. ADMINISTRATIVE EXPENSES**

Salaries and benefits	86,371	81,330
Employees' welfare	7,195	8,209
Fuel and power	5,536	5,927
Telephone and postage	9,295	9,561
Insurance	1,406	1,989
Travelling	20,319	19,580
Repairs and maintenance	5,526	5,753
Printing and stationery	9,986	10,261
Donations and subscription (Note - 26.1)	493	828
Legal and professional charges	2,642	2,206
Auditors' remuneration (Note - 26.2)	1,145	1,474
Business and property taxes	972	654
Provision for diminution in the value of investment	8,790	2,148
Provision for doubtful debts - loan	--	20,154
Miscellaneous	4,570	3,861
Depreciation	3,237	1,883
	167,483	175,818

26.1 None of the director or his spouse is interested in the funds of donees.

**26.2 Auditors' remuneration**

Statutory audit	500	500
Audit of workers' profit participation fund, Bata club fund, share transfers etc.	45	64
Physical verification of stocks at sale outlets and plant and machinery	450	405
Consulting, accounting and tax services	75	430
Out of pocket expenses	75	75
	1,145	1,474

**27. SELLING AND DISTRIBUTION EXPENSES**

Salaries and benefits	106,012	87,044
Freight and octroi	38,065	36,409
Advertising and sales promotion	44,781	38,776
Rent	41,773	29,218
Insurance	4,394	3,927
Royalty	1,391	2,153
Fuel and power	25,760	21,555
Repairs and maintenance	14,469	17,747
Entertainment	3,704	4,131
Provision for doubtful debts	318	--
Business and property taxes	784	846
Miscellaneous	933	362
Depreciation	8,557	6,422
	290,941	248,590

**28. OTHER INCOME**

Rent received	721	637
Profit on fixed assets sold / scrapped	55	1,411
Provision for bad debts written back	--	691
	776	2,739

**29. FINANCIAL CHARGES**

Interest / mark-up on:		
Long term finance	27,748	1,366
Short term running finances	29,618	35,180
Finance lease	9,009	4,601
Workers' profit participation fund	--	57
Provident fund trust	621	1,546
Employees / agents' securities and personal accounts	2,888	3,495
	69,884	46,245
Bank charges and commission	3,167	6,174

	73,051	52,419
	=====	=====

**30. EARNING PER SHARE OF RS. 10 EACH**

Net profit after taxation for the year attributable to ordinary shareholders

	33,954	(124,336)
	=====	=====

Weighted average number of ordinary shares (in 000's)

	7,560	7,560
	=====	=====

Earning per share

	4.49	(16.45)
	=====	=====

**31. 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:

	<i>Chief Executive</i>		<i>Directors</i>		<i>Executives</i>		<i>Total</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>Rs. '000s</i>		<i>Rs. '000s</i>		<i>Rs. '000s</i>		<i>Rs. '000s</i>	
Directors' fee	--	--	3	6	--	--	3	6
Managerial remuneration	4,772	3,651	473	--	25,694	19,310	30,939	22,961
Company's contribution to provident fund	419	365	47	--	2,379	1,822	2,845	2,187
Perquisites and allowances								
Housing	180	192	44	--	4,156	3,705	4,380	3,897
Leave passage	--	--	--	--	--	161	--	161
Conveyance	419	365	46	--	2,542	1,987	3,007	2,352
Medical	122	29	3	--	1,585	1,300	1,710	1,329
Utilities	--	--	10	--	949	846	959	846
Others	--	--	2	--	581	360	583	360
Voluntary retirement benefits	--	7,631	--	--	--	358	--	7,989
	-----	-----	-----	-----	-----	-----	-----	-----
	5,912	12,233	628	6	37,886	29,849	44,426	42,088
	=====	=====	=====	=====	=====	=====	=====	=====
Number of persons	1	2	5	4	54	48	60	54
	=====	=====	=====	=====	=====	=====	=====	=====

**32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES****32.1 Interest rate risk exposure**

The company's exposure to interest rate risk on its financial assets and liabilities as of December 31, is summarized below:

	<i>1999</i>			<i>Total</i>	<i>1998</i>			<i>Total</i>
	<i>Rs. '000s</i>				<i>Rs. '000s</i>			
	<i>Interest bearing Maturity with in one year</i>	<i>bearing Maturity more than one year and less than five years</i>	<i>Non Interest bearing</i>		<i>Interest bearing Maturity with in one year</i>	<i>bearing Maturity more than one year and less than five years</i>	<i>Non Interest bearing</i>	
<b>Financial assets</b>								
Long term investment	--	12,513	46,057	58,570	--	12,013	--	12,013
Long term loan	--	--	--	--	--	4,846	--	4,846
Long term deposits & prepayment	--	--	12,728	12,728	--	--	8,462	8,462
Trade debts	--	--	330,089	330,089	--	--	113,618	113,618
Loans and advances	--	--	1,440	1,440	49,543	--	1,070	50,613
Deposits, short term prepayments and other receivables	--	--	41,175	41,175	--	--	27,767	27,767
Cash and bank balances	--	--	61,770	61,770	--	--	25,514	25,514
	-----	-----	-----	-----	-----	-----	-----	-----
	--	12,513	493,259	505,772	49,543	16,859	176,431	242,833
	-----	-----	-----	-----	-----	-----	-----	-----
<b>Financial liabilities</b>								
Long term loan	--	150,000	--	150,000	--	150,000	--	150,000
Long term deposits	--	12,503	--	12,503	--	12,794	--	12,794
Obligation under finance lease	18,488	14,760	--	33,248	20,785	33,248	--	54,033
Short term running finance	291,927	--	--	291,927	175,562	--	--	175,562
Creditors, accrued and other liabilities	25,568	--	492,870	518,438	23,367	--	333,490	355,857
	-----	-----	-----	-----	-----	-----	-----	-----
	335,983	177,263	492,870	1,006,116	218,714	196,042	333,490	748,246
	=====	=====	=====	=====	=====	=====	=====	=====

**32.2 Concentration of credit risk**

The credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. Out of the total financial assets of Rs. 459.715 Million (1998: Rs. 242.833 Million) the financial assets which are subject to credit risk amounted to Rs. 339.239 Million (1998: Rs. 174.708 Million). The company, however, mitigates any possible exposure to credit risk by taking security deposits from its dealers and distributors as well as by executing formal agreements with them.

	<i>Fixed or Variable</i>	<i>1999</i>	<i>1998</i>
<b>32.3 Effective interest rates and related risk</b>			
Long term loan	Fixed	17.50%	19.00%
Long term deposits	Fixed	12.70%	12.70%
Obligation under finance lease	Fixed	18.80 to 20%	18.80 to 20%
Short term running finance	Variable	7.50 to 18.50%	7.50 to 19%
Creditors, accrued and other liabilities	Fixed	12.50 to 14%	12.50 to 16%

However, as per agreements with bankers relating to short term running finances there is a condition that the rate of markup/interest may be changed at any time during the year, which condition though seldom applied.

	<i>1999 Rs. '000s</i>	<i>1998 Rs. '000s</i>
<b>32.4 Foreign exchange risk</b>		
The assets / liabilities subject to foreign exchange risk are detailed below:		
<b>Financial assets</b>		
Trade debts - Export customers	23,151	18,277
<b>Financial liabilities</b>		
Creditors and accrued liabilities - Foreign suppliers	9,538	2,941

### 32.5 Fair value of the financial instruments

The carrying value of all the financial instruments reflected in the financial statements approximates their fair value.

## 33. CONSOLIDATED FINANCIAL STATEMENTS

The company has not prepared the consolidated financial statements comprising the financial statements of the company and its wholly owned subsidiary, International Tanners & Industries (Pvt) Limited as at December 31, 1999 in view of the current dormant status of its wholly owned subsidiary along with the company's plan either to restructure its operations or to dispose off its assets in the near future.

However, consolidated financial information including consolidated balance sheet and consolidated profit and loss account of Bata Pakistan Limited and International Tanners & Industries (Pvt) Limited as at and for the year ended December 31, 1999 are given at the end of these accounts.

## 34. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS/WHOLLY OWNED SUBSIDIARY

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

	<i>1999 Rs. '000s</i>	<i>1998 Rs. '000s</i>
<b>34.1 Associated undertakings</b>		
Purchases	11,697	38,844
Sales	1,163	431
Royalty - Bata Limited, Canada	1,391	2,153
<b>34.2 Wholly owned subsidiary</b>		
Purchases	600	58,930
Interest received	--	11,010

## 35. CAPACITY AND ACTUAL PRODUCTION

	<i>No. of shifts worked</i>		<i>Installed capacity based on actual shifts worked Fig. in '000s</i>		<i>Actual production Fig. in '000s</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
Footwear in pairs						
Rubber and canvas	1 to 2	1 to 2	4,100	4,100	2,629	2,476
Thongs	1 to 2	1 to 2	3,000	3,000	3,176	1,832
Leather	1	1	6,700	6,700	5,866	5,371
Plastic	3	3	4,200	4,200	3,185	3,051

35.1 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.

### 36. NUMBER OF EMPLOYEES

The number of permanent employees at the year end was 3,171 (1998: 3,156).

### 37. 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.

**K. WESTON**  
CHAIRMAN

**G. STRICKER**  
MANAGING DIRECTOR

## STATEMENT UNDER SECTION 237 OF THE COMPANIES ORDINANCE, 1984

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

**1999**                  **1998**  
**Rs. '000s**              **Rs. '000s**

### STATEMENT UNDER SUB - SECTION 1 (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

(8,790)              (22,302)

(ii) for the previous years but subsequent to the acquisition of the controlling interest by the holding company

(95,154)            (72,852)

-----  
(103,944)           (95,154)

=====

**K. WESTON**  
CHAIRMAN

**G. STRICKER**  
MANAGING DIRECTOR

## PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 1999

No. of Shareholders	Shareholding		Total Shares held
	From	To	
677	1	100	36,824
670	101	500	169,344
107	501	1,000	77,612
58	1,001	5,000	100,188
10	5,001	10,000	67,076
2	10,001	15,000	23,392
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
2	55,001	60,000	114,029
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
-----			-----
1,533			7,560,000
=====			=====

**CATEGORIES OF SHAREHOLDERS**

	<i>Number of Shareholders</i>	<i>Total Shares held</i>	<i>Percentage</i>
<b>FOREIGN SHAREHOLDERS</b>			
Bata (BM) B.V. Netherlands	1	4,536,000	60.00
<b>LOCAL SHAREHOLDERS</b>			
Individuals	1,512	444,562	5.88
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	56,145	0.74
Insurance Companies	5	130,177	1.72
Joint Stock Companies	11	64,349	0.85
	----- 1,533	----- 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) Ltd.
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	(8,790)
- In the previous years	Rs. '000s	(95,154)

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**

<i>Type of transactions</i>	<i>Value during the year Rs. '000s</i>	<i>Basis of determination of transaction value</i>
Wholly owned subsidiary Purchases	600	Standard purchase policy

**SUBSIDIARIES / ASSOCIATED COMPANIES BALANCES**

	<i>Year end balance Dr. / (Cr.) Rs. '000s</i>	<i>Nature of balance</i>	<i>Maximum balance at the end of any month during the year Dr. / (Cr.) Rs. '000s</i>
<b>Wholly owned subsidiary</b> I.T.I. (Pvt) Limited	(144)	Current Account	947

**K. WESTON**  
CHAIRMAN**G. STRICKER**  
MANAGING DIRECTOR**CONSOLIDATED BALANCE SHEET OF  
BATA PAKISTAN LIMITED AND I.T.I. (PVT) LIMITED  
AS AT DECEMBER 31, 1999**

	<i>1999 Rs. '000s</i>	<i>1998 Rs. '000s</i>
<b>FIXED CAPITAL EXPENDITURE</b>		
Operating fixed assets	308,841	303,545

<b>LONG TERM INVESTMENT</b>	12,514	12,013
<b>LONG TERM DEPOSITS AND PREPAYMENTS</b>	12,728	8,462
<b>CURRENT ASSETS</b>		
Stores and spares	68,654	64,228
Stock in trade	539,293	524,846
Trade debts	330,089	113,618
Loans and advances	1,440	1,070
Deposits, short term prepayments and other receivables	43,054	29,475
Cash and bank balances	61,781	25,524
	-----	-----
	1,044,311	758,761
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
Short term running finances	291,927	175,562
Current portion of obligation under finance lease	18,488	20,063
Creditors, accrued and other liabilities	519,027	356,372
Proposed dividend	15,120	--
	-----	-----
	844,562	551,997
<b>NET CURRENT ASSETS</b>	-----	-----
	199,749	206,764
<b>CAPITAL EMPLOYED</b>	-----	-----
	533,832	530,784
<b>LONG TERM FINANCE</b>	150,000	150,000
<b>DEFERRED LIABILITIES</b>		
Provision for gratuity	57,132	53,417
<b>LONG TERM DEPOSITS</b>	12,503	12,794
<b>OBLIGATION UNDER FINANCE LEASE</b>	14,760	33,970
	-----	-----
	234,395	250,181
<b>NET CAPITAL EMPLOYED</b>	-----	-----
	299,437	280,603
	=====	=====
<b>REPRESENTED BY</b>		
Issued, subscribed and paid up capital	75,600	75,600
Reserves and surplus		
Capital reserve	483	483
General reserve	222,000	203,000
Unappropriated profit	1,354	1,520
	-----	-----
	223,837	205,003
	-----	-----
	299,437	280,603
	=====	=====

**K. WESTON**  
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, 1999**

	<b>1999</b>	<b>1998</b>
	<b>Rs. '000s</b>	<b>Rs. '000s</b>
Consolidated sales	2,009,758	1,660,386
Net profit / (loss) for the year		
Bata Pakistan Limited	56,052	(93,978)
International Tanners & Industries (Pvt) Limited	(8,790)	(217,172)
	-----	-----
	47,262	(115,150)
Less: Adjustment for unrealized profits and inter group dividends	--	--
Consolidated profit / (loss) before tax	47,262	(115,150)
Provision for taxation	13,308	97186
	-----	-----
	33,954	(124,336)
Less: Minority interest	--	--
	-----	-----
Net profit / (loss) attributed to parent company	33,954	(124,336)
	=====	=====
<b>STATEMENT OF RETAINED EARNINGS</b>		
Retained earnings - beginning of the year	1,520	1,856



Net profit / (loss) for the year	33,954	(124,336)
	-----	-----
	35,474	(122,480)
<b>APPROPRIATIONS</b>		
Transfer to / (from) general reserve	19,000	(124,000)
Proposed final dividend @ 20% (1998 @ nil %)	15,120	--
	-----	-----
	34,120	(124,000)
	-----	-----
Retained earnings - end of the year	1,354	1,520
	=====	=====

**K. WESTON**  
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. K. WESTON Director
3. MR. SALAHUDDIN NIAZI Director

Auditors

Gardezi & Company

Chartered Accountants

65, Shahrah-e-Quaid-e-Azam, Lahore.

Company Secretary

Salahuddin Niazi

Registered Office:

Batapur, G. T. Road,

P.O. Batapur, Lahore.

Bankers

Habib Bank Limited

**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,1999.

The financial results of the company are as under:

*Rs. ' 000s*

Gross Loss (6,971)

The Loss of the Company for the year ended 31st December, 1999 after providing administrative, selling and distribution, financial and other charges amounts (8,887)

Accumulated loss carried forward (103,944)

Total turnover (net) for the year under review comes to Rs. 3.1 Million, which represents processing charges of the leather processed at tannery for holding company Bata Pakistan Limited and the outside parties.

The Company, a wholly owned subsidiary of Bata Pakistan Limited, has suffered losses since its inception except for 1993. Therefore, the management at present has decided to dispose off its tannery operation. However, in order to keep the machinery in tact the tannery to be run only for specific purposes (i.e, for processing and finishing of leather for local parties at a reasonable margin etc.) till its disposal to generate funds for reducing its liabilities and accumulated losses 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: March 1, 2000

**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, 1999 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, 1999 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 18.1 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: March 1, 2000

**GARDEZI & CO.**  
**CHARTERED ACCOUNTANTS**

**BALANCE SHEET AS AT DECEMBER 31, 1999**

	<i>Note</i>	<i>1999 Rs. '000s</i>	<i>1998 Rs. '000s</i>
<b>CAPITAL AND RESERVES</b>			
Authorised capital 15,000,000 (1998: 7,500,000) ordinary shares of Rs.10 each		150,000	75,000
		=====	=====
Issued, subscribed and paid up capital	3	150,000	75,000
Accumulated loss		(103,944)	(95,154)
		-----	-----
<b>SHAREHOLDERS' EQUITY</b>	4	46,056	(20,154)
<b>LONG TERM LOAN</b>			
From holding company		--	25,000
<b>DEFERRED LIABILITIES</b>			
Provision for gratuity		--	300
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Due to holding company		--	495,431
Creditors, accrued and other liabilities	5	589	515
		-----	-----
		589	50,058
<b>CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS</b>			
	6	-----	-----
		46,645	55,204
		=====	=====
<b>FIXED CAPITAL EXPENDITURE</b>			
Operating fixed assets	7	40,876	47,815
<b>CURRENT ASSETS</b>			
Stores and spares	8	3,879	5,671
Deposits, short term prepayments and other receivables	9	1,879	1,708
Cash and bank balances	10	11	10
		-----	-----
		5,769	7,389
		-----	-----

46,645 55,204

=====

The annexed notes form an integral part of these accounts.

**G. STRICKER**                      **S. D. NIAZI**  
**MANAGING DIRECTOR**              **DIRECTOR**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1999**

	<i>Note</i>	<i>1999</i> <i>Rs. ' 000s</i>	<i>1998</i> <i>Rs. ' 000s</i>
<b>NET SALES</b>	11	3,134	60,557
<b>COST OF SALES</b>	12	10,105	64,626
<b>GROSS LOSS</b>		(6,971)	(4,069)
<b>OPERATING EXPENSES</b>			
Administrative	13	(521)	(4,173)
Selling and distribution	14	(11)	(105)
		(532)	(4,278)
<b>OPERATING LOSS</b>		(7,503)	(8,347)
<b>FINANCIAL AND OTHER CHARGES</b>			
Financial		--	(11,089)
Loss on fixed assets sold / scrapped	7.2	(1,384)	(1,736)
		(1,384)	(12,825)
<b>LOSS BEFORE TAXATION</b>		(8,887)	(21,172)
<b>PROVISION FOR TAXATION</b>			
Current		(15)	(303)
Prior year		112	(827)
		97	(1,130)
<b>LOSS AFTER TAXATION</b>		(8,790)	(22,302)
<b>LOSS BROUGHT FORWARD FROM PREVIOUS YEAR</b>		(95,154)	(72,852)
<b>ACCUMULATED LOSS CARRIED FORWARD</b>		(103,944)	(95,154)
<b>EARNING PER SHARE OF Rs. 10 EACH</b>	15	(1.00)	(2.97)

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, 1999**

	<i>1999</i> <i>Rs. ' 000s</i>	<i>1998</i> <i>Rs. ' 000s</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(8,887)	(21,172)
Adjustment for:		
Depreciation	3,999	4,768
Provision for gratuity (net)	(300)	(3,270)
Loss on fixed assets sold and scrapped	1,384	1,736
Provision for doubtful debts	--	3,553
Financial charges	--	11,089
	5,083	17,876
Operating loss before working capital change and financial charges	(3,804)	(3,296)
Net changes in operating assets and liabilities (Schedule attached)	1,955	11,664
Interest / mark up paid	--	(11,089)
Income taxes paid	(19)	(1,130)
Net cash utilised in operating activities	(1,868)	(3,851)

**CASH FLOW FROM INVESTING ACTIVITIES**

Proceeds of fixed assets sold	1,556	2,166
-------------------------------	-------	-------

**CASH FLOW FROM FINANCING ACTIVITIES**

Due from holding company	313	1,217
--------------------------	-----	-------

**NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS**

	1	(468)
--	---	-------

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR**

	10	478
--	----	-----

**CASH AND CASH EQUIVALENTS AT END OF YEAR (Note- 10)**

	11	10
--	----	----

**G. STRICKER**  
MANAGING DIRECTOR

**S.D. NIAZI**  
DIRECTOR

**SCHEDULE OF NET CHANGES IN OPERATING ASSETS AND LIABILITIES FOR THE YEAR ENDED DECEMBER 31, 1999**

	<i>1999</i> <i>Rs. ' 000s</i>	<i>1998</i> <i>Rs. ' 000s</i>
Stores and spares	1,792	(138)
Stock in trade	--	35,944
Trade debts	--	3,804
Deposits, short term prepayments and other receivables	89	5,085
Creditors, accrued and other liabilities	74	(33,031)
	----- 1,955	----- 11,664
	=====	=====

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 1999****1. THE COMPANY AND ITS OPERATION**

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

**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 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.

**2.3 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 - 7.

(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.

**2.4 Stock, 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	At lower of actual cost and net realizable value

**2.5 Trade Debts**

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

**2.6 Commitments and Contingencies**

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

**2.7 Revenue Recognition**

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

**3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

15,000,000 (1998: 7,500,000) ordinary shares

of Rs. 10 each fully paid up in cash

	<b>1999</b>	<b>1998</b>
	<b>Rs. '000s</b>	<b>Rs. '000s</b>
	150,000	75,000
	=====	=====

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

**4. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

*(Amounts in thousand Rupees)*

	<i>Share capital</i>	<i>Accumulated loss</i>	<i>Total</i>
Balance at December 31, 1997	75,000	(72,852)	2,148
Increase in share capital	--	--	--
Net loss for the year	--	(22,302)	(22,302)
	-----	-----	-----
Balance at December 31, 1998	75,000	(95,154)	(20,154)
Increase in share capital (Note - 4.1)	75,000	--	75,000
Net loss for the year	--	(8,790)	(8,790)
	-----	-----	-----
Balance at December 31, 1999	150,000	(103,944)	46,056
	=====	=====	=====

4.1 During the year, the company has issued 7.5 million ordinary shares of Rs. 10 each to its holding company Bata Pakistan Limited by converting its short and long term loans payable to that extent.

	<b>1999</b>	<b>1998</b>
	<b>Rs. '000s</b>	<b>Rs. '000s</b>
<b>5. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		
Accrued liabilities	516	439
Advances from customers	15	31
Other liabilities	58	45
	-----	-----
	589	515
	=====	=====

**6. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

6.1 The company is contingently liable for counter guarantees amounting to Rs. '000s 1,000 (1998: Rs. '000s 1,000) given to its bankers.

6.2 There were no commitments for capital contracts at the year end (1998: Nil).

**7. OPERATING FIXED ASSETS**

<i>DESCRIPTION</i>	<i>COST</i>				<i>DEPRECIATION</i>			<i>BOOK VALUE</i>	
	<i>As at Jan. 1, 1999</i>	<i>(Deletions)</i>	<i>As at Dec 31, 1999</i>	<i>Rate \$</i>	<i>As at Jan. 1, 1999</i>	<i>Adjustment</i>	<i>Charge for the year</i>	<i>As at Dec 31, 1999</i>	<i>As at Dec 31, 1999</i>
<b>Land free hold</b>	4,492	--	4,492	--	--	--	--	--	4,492
<b>Buildings on free hold land</b>									
- Factory	22,145	--	22,145	10	13,343	--	880	14,223	7,922
- Others	1,245	--	1,245	5	460	--	39	499	746

<b>Plant and machinery</b>	76,227	(6,990)	69,237	10	44,203	4,106	2,914	43,011	26,226
Gas installations	366	(3)	363	10	219	1	15	233	131
<b>Boiler</b>	3,265	--	3,265	10	1,984	--	128	2,112	1,153
<b>Office equipment</b>	192	(84)	108	10	89	43	6	52	56
<b>Furniture, fixtures and fittings</b>	496	(34)	462	10	315	21	17	311	151
<b>Rs. ' 000s 1999</b>	108,428	(7,111)	101,317		60,613	4,171	3,999	60,441	40,876
Rs. '000s 1998	117,187	(8,759)	108,428		60,702	4,857	4,768	60,613	47,815

7.1 The depreciation charge for the years 1999 and 1998 has been allocated to cost of goods manufactured only.

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

<i>Particulars</i>	<i>Original cost</i>	<i>Accumulated depreciation</i>	<i>Written down value</i>	<i>Sale proceed</i>	<i>Profit / (Loss)</i>	<i>Mode of sale</i>	<i>Particulars of purchasers</i>
Plant and machinery	678	360	318	100	(218)	Negotiation	Ms Shamas Tannery, Kot Khawaja Saeed, Lahore
	2,792	1,632	1,160	1,222	62	Negotiation	Mr. Mohammad Shaft, Badamibagh, Lahore
	293	180	113	213	100	Negotiation	Transferred to Bata Pakistan Limited.
	5	3	2	1	(1)	Negotiation	Mr. Khurram Yeldram (employee - Bata Pakistan Limited)
	13	7	6	4	(2)	Negotiation	Mr. Mohammad Hussain (employee - I.T.I. (Pvt) Limited)
	3,209	1,924	1,285	--	(1,285)	Scrapped	
	6,990	4,106	2,884	1,540	(1,344)		
Gas installation	3	1	2	2	--	Negotiation	Mr. Mohammad Hussain (employee - I.T.I. (Pvt) Limited)
Office equipment	13	9	4	2	(2)	Negotiation	Transferred to Bata Pakistan Limited.
	71	34	37	--	(37)	Negotiation	Transferred to Bata Pakistan Limited
	84	43	41	2	(39)		
Furniture, fixtures and fittings	24	14	10	9	(1)	Negotiation	Transferred to Bata Pakistan Limited.
	10	7	3	3	--	Negotiation	Mr. Mohammad Hussain (employee I.T.I. (Pvt) Limited)
	34	21	13	12	(1)		
Rs. ' 000s 1999	7,111	4,171	2,940	1,556	(1,384)		
Rs. ' 000s 1998	8,759	4,857	3,902	2,166	(1,736)		

**1999**  
**Rs. '000s**

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

## 8. STORES AND SPARES

Stores	333	418
Spares	3,546	5,253
	3,879	5,671

## 9. DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES

Deposits	--	89
Other receivables		
Advance income tax paid (Note - 9.1)	1,735	1,619
Due from holding company	144	--
	1,879	1,619
	1,879	1,708

### 9.1 Advance Income tax paid

Balance at January 1,	1,619	2,610
Provision for the year	(15)	(303)
Provision written back / (made) for prior years	112	(827)
	97	(1,130)
	1,716	1,480
Tax deducted at source	19	139
	1,735	1,619

**10. CASH AND BANK BALANCES**

Bank balances - in current accounts	10	10
Cash in transit	1	--
	-----	-----
	11	10
	=====	=====

**11. NET SALES - LOCAL**

Leather	--	58,930
Processing charges	3,113	1,475
Sundry articles and scrap material	21	152
	-----	-----
	3,134	60,557
	=====	=====

**12. COST OF SALES**

Raw material consumed		
Opening stock	--	8,783
Add: Purchases	--	11,974
	-----	-----
	--	20,757
Spares consumed	808	2,175
Fuel and power	3,326	3,066
Salaries, wages and benefits	1,637	6,187
Repairs and maintenance	335	249
Insurance	--	263
Depreciation	3,999	4,768
	-----	-----
	10,105	37,465
Add: Opening goods in process	--	27,161
	-----	-----
Cost of goods manufactured / sold	10,105	64,626
	=====	=====

**13. ADMINISTRATIVE EXPENSES**

Employees' welfare	84	246
Telephone and postage	38	61
Travelling	7	5
Printing and stationery	2	18
Legal and professional charges	--	57
Auditors' remuneration (Note - 13.1)	180	195
Business and property taxes	206	10
Provision for doubtful debts	--	3,553
Miscellaneous	4	28
	-----	-----
	521	4,173
	=====	=====

**13.1 Auditors' remuneration**

Statutory audit	120	120
Consulting, accounting and tax services	35	50
Out of pocket expenses	25	25
	-----	-----
	180	195
	=====	=====

**14. SELLING AND DISTRIBUTION EXPENSES**

Freight and octroi	7	93
Entertainment	4	12
	-----	-----
	11	105
	=====	=====

**15. EARNING PER SHARES OF RS. 10 EACH**

Net loss after taxation for the year attributable to ordinary shareholders	(8,790)	(22,302)
	=====	=====
Weighted average number of ordinary shares (in 000's)	8,750	7,500
	=====	=====
Earning per share	(1.00)	(2.97)
	=====	=====

**16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE**

16.1 The company has no exposure to interest rate risk, credit risk or foreign exchange risk on its financial assets and liabilities as of December 31, 1999. (1998: Nil)

16.2 The carrying value of all the financial instruments reflected in the financial statements approximates their fair value.

#### **17. TRANSACTIONS WITH HOLDING COMPANY**

Aggregated transactions with the holding company during the year were as under:

Sales	600	58,930
Interest paid	--	11,010

#### **18. GENERAL**

18.1 Keeping in view the past history, where the operations of the company's tannery were running at loss, as well as current limited rather dormant status of the company's operations, the management of the company with the help and assistance of its holding company is planning either to restructure its operations so as to run it at profit or to dispose off its assets in the subsequent period of time.

18.2 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**  
**DIRECTOR**