

BATA PAKISTAN LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED
FOR THE HALF YEAR ENDED 30 JUNE 2009

1. LEGAL STATUS AND OPERATIONS

Bata Pakistan Limited, (the Company) is a public limited company incorporated in Pakistan and is quoted on Lahore and Karachi Stock Exchanges. The company is engaged mainly in the manufacturing and sale of footwear of all kinds along with sale of accessories and hosiery items. The registered office of the Company is at Batapur, Lahore.

2. STATEMENT OF COMPLIANCE

These condensed interim financial statements are un-audited but subject to limited scope review by the independent auditors of the Company and have been prepared in accordance with the requirements of Section 245 of the Companies Ordinance, 1984 and International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan. These should be read in conjunction with the financial statements of the Company for the year ended 31 December 2008.

The figures of the condensed interim profit and loss account for the quarter ended 30 June 2008 and 2009 and the respective notes forming part thereof have not been reviewed by the auditors of the Company as they have review the cumulative figures for the half years ended 30 June 2008 and 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

The present accounting policies and method of computation adopted for the preparation of these financial statements are the same as those applied in preparation of the annual audited and published financial statements of the Company for the year ended 31 December 2008.

4. ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	Building factory	Plant and machinery	Office equipment	Computers	Furniture, fixture and fittings	Gas installation	(UN - AUDITED)	
							30 June 2009 Rs.'000	30 June 2008 Rs.'000
Additions	-	8,967	162	5,426	45,697	14	60,266	71,211
Disposals (cost)	2	19,230	-	56	183	-	19,471	15,447
							(UN - AUDITED) 30 June 2009 Rs.'000	(AUDITED) 31 December 2008 Rs.'000
						Note		

5. TAX REFUNDS DUE FROM GOVERNMENT

Sales tax refundable	5.1	148,536	126,007
5.1 This represents sales tax paid on raw materials used in zero-rated taxable shoes for which refund claims have been lodged / are being lodged with the Sales Tax Department.			

6. DEFERRED LIABILITIES

Provision for gratuity	6.1	65,341	62,780
Deferred tax		17,087	12,904
		82,428	75,684
6.1 Provision for gratuity			
Opening liability		62,780	67,403
Amount recognized during the period / year		3,446	4,402
Payment made by the Company during the period / year		(885)	(9,025)
Closing liability		65,341	62,780

The latest actuarial valuation was carried out as at 31 December 2008

7. CONTINGENCIES AND COMMITMENTS

There is no change in contingencies and commitments disclosed in the annual financial statements for the year ended 31 December 2008 except for the following:

	(UN - AUDITED)	(AUDITED)
	30 June 2009	31 December 2008
	Rs. '000	Rs. '000
7.1 The Company is contingently liable for:		
Counter Guarantees given to banks	9,748	11,358
Indemnity Bonds given to Custom Authorities	9,019	28,458
Claims not acknowledged as debts - under appeal	17,412	11,454
Law suit by ex-employee - damages for malicious prosecution	-	3,000
Show cause notices by sales tax department-under appeals (Note 7.2)	138,851	156,972
Show cause notices by income tax department (Note 7.3)	3,659	3,659
	178,689	214,901

7.2 The Sales Tax Department has issued show-cause notice followed by an order amounting to Rs.138.851 million for non-payment of sales tax on certain items including disposal of fixed assets, inadmissible input claimed on electricity bills of retail outlets, inadmissible input tax adjustment claimed against zero-rated retail supplies and less declaration of output sales tax in returns when compared with final accounts. Out of the total amount, the Company provided and paid an amount of Rs. 2.49 million as advised by the Company's sales tax advisor.

The Company has filed an appeal against the order before the Appellate Tribunal which is pending adjudication. The Company has also referred this matter to Federal Board of Revenue for resolving the same through 'Alternative Dispute Resolution Committee' (ADRC), which has been duly constituted. The Company and its legal advisors expect a favorable outcome of the matter.

7.3 The Federal Board of Revenue (FBR) has levied an additional tax u/s 205(IB) of the Income Tax Ordinance, 2001 amounting to Rs. 8.566 million in respect of inadequacy of advance tax paid by the Company for the tax year 2008. The Company has paid Rs. 4.907 million against this levy as additional tax and charged to income statement. However, with respect to the remaining amount the Company has filed a rectification application with the honourable Income Tax Appellate Tribunal (ITAT) pointing out that number of days for computing the change were incorrect. The application is pending adjudication. The Company, based on advice from its tax advisor, expects a favourable outcome of the case.

	(UN - AUDITED)	(AUDITED)
	30 June 2009	31 December 2008
	Rs. '000	Rs. '000
7.4 Commitments in respect of:		
- Capital expenditure	13,598	-
- Letters of credit	389,358	130,790
	402,956	130,790

8. NET SALES

	(UN - AUDITED)		(UN - AUDITED)	
	Half year ended		Quarter ended	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Shoes and accessories				
Local	2,982,440	2,221,116	1,718,787	1,262,955
Export	117,212	94,764	63,554	61,312
	3,099,652	2,315,880	1,782,341	1,324,267
Sundry articles and scrap material	4,517	5,387	2,476	3,493
	3,104,169	2,321,267	1,784,817	1,327,760
Less: Sales tax paid	52,000	37,181	31,936	25,698
Discount to dealers and distributors	172,089	120,829	99,151	72,635
Commission to agents/business associates	30,550	22,211	17,420	11,644
	254,639	180,221	148,507	109,977
	2,849,530	2,141,046	1,636,310	1,217,783

9. COST OF SALES

Raw material consumed	1,043,942	714,588	619,918	458,910
Salaries, wages and benefits	110,824	100,154	60,678	53,282
Fuel and power	36,487	26,793	18,733	14,939
Store and spares consumed	3,421	2,827	1,982	1,589
Repairs and maintenance	13,142	10,582	6,337	6,998
Insurance	2,811	2,624	1,337	1,395
Depreciation	7,668	5,917	3,895	2,978
	1,218,295	863,485	712,880	540,091
Add: Opening goods in process	59,962	45,196	51,691	30,537
	1,278,257	908,681	764,571	570,628
Less: Closing goods in process	39,633	65,260	39,633	65,260
Cost of goods manufactured	1,238,624	843,421	724,938	505,368
Add: Opening stock of finished goods	891,349	538,913	1,058,311	588,154
Finished goods purchased	668,250	624,332	288,903	363,752
	2,798,223	2,006,666	2,072,152	1,457,274
Less: Closing stock of finished goods	1,115,697	733,329	1,115,697	733,329
	1,682,526	1,273,337	956,455	723,945

10. NET CHANGES IN OPERATING ASSETS AND LIABILITIES	(UN - AUDITED)	
	30 June 2009	30 June 2008
	Rs. '000	Rs. '000
(Increase) / decrease in assets		
Store and spares	(18)	-
Stock in trade	(27,222)	(277,331)
Trade debts	(156,955)	(66,767)
Loans and advances	(2,095)	(5,361)
Deposits, short term prepayments and other receivables	(15,364)	(56,120)
Tax refunds due from Government	(22,529)	(11,137)
Long term deposits and prepayments	5,304	(7,828)
Increase in liabilities		
Trade and other payables	254,821	129,398
Long term deposits	1,859	4,191
	37,801	(290,955)

11. TRANSACTIONS WITH RELATED PARTIES

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

Relationship with the Company	Nature of transactions	(UN - AUDITED)		(UN - AUDITED)	
		Half year ended		Quarter ended	
		30 June 2009	30 June 2008	30 June 2009	30 June 2008
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Associated Companies	Purchase of goods and services	410,028	173,459	262,202	110,929
	Sale of goods and services	7,985	9,451	5,999	8,197
	Dividend paid	36,288	9,072	-	-
	Brand royalty	66,772	25,077	38,179	14,230
	Service charges	20,036	15,484	10,432	9,177
Staff Retirement Benefits	Contribution to provident fund trusts	12,914	10,256	7,328	5,724
Payment in respect of gratuity		885	8,499	380	1,257

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

12. EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation attributable to ordinary share holders (in '000)	227,605	137,059	155,911	94,012
Weighted average number of ordinary shares - Number (in '000)	7,560	7,560	7,560	7,560
Earnings per share - Basic (Rs.)	30.11	18.13	20.62	12.44

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

13. DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors on 20 August, 2009.

14. GENERAL

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

Batapur,
Lahore: August 20, 2009

Chief Executive

Director