

# **CORPORATE INFORMATION**

## **Board of Directors**

Mr. Fernando Garcia	Chairman
Mr. M. Imran Malik	Chief Executive
Mr. M. G. Middleton	Director
Mr. Carlos Gomez	Director
Mr. Muhammad Ali Malik	Director
Mr. Fakir Syed Aijazuddin	Director
Mr. Ijaz Ahmad Chaudhry	Director
Mr. Shahid Anwar (Nominee of NIT)	Director
Mr. Shamshad Ahmad (Nominee of NIT)	Director

## **Audit Committee**

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

## **Company Secretary**

Mr. S. M. Ismail

## **Auditors**

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

## **Legal Advisor**

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

## **Stock Exchange Listing**

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

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

## **Bankers**

Habib Bank Limited  
Habib Metropolitan Bank Limited  
MCB Bank Limited  
Bank Al Habib Limited  
National Bank of Pakistan Limited  
Atlas Bank Limited  
United Bank Limited  
Silk Bank Limited

## **Registered Office**

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

## **Share Registrar**

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

## **Factories**

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

**Maraka,**  
26 - Km, Multan Road,  
Lahore.

## **Liaison Office**

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

# **DIRECTORS' REVIEW**

It is my pleasure to present the un-audited Condensed Interim Financial Statements and brief review of the Company's operations for the nine months and quarter ended 30 September 2010.

The company continues to sustain growth trend that it carried previously. Net turnover in the period under review was Rs. 6.119 billion as compared to Rs. 4.733 billion for the corresponding period of last year. The profit after tax increased from Rs. 454.836 million to Rs. 683.983 million, consequently earning per share increased from Rs. 60.16 to Rs. 90.47. This signifies a vigorous growth specially under the continued power crises and present situation prevailing within the country.

Our production facilities at Batapur and Maraka produced 9.043 million pairs as compared to 7.483 million pairs in the same period of last year. Our investment in many new moulds made during this period is also being rewarded as the majority have proved to be winners in the marketplace.

Our precedence remains to satisfy the demand of our valued customers and provide them with services exclusively and efficiently. In order to maintain our role as a leader in Footwear Industry, an amount of Rs. 35.931 Million has been spent to open seventeen new stores at key business locations, five non profitable stores have been closed while fourteen stores have been uplifted with major renovations. Besides this, the Company is actively pursuing performance enhancement systems through technology upgradations for better inventory management and prompt services.

The Company has invested a considerable time and money on human resource during the period to acquire latest development in the field of technology and business administration. Training of our employees has always been considered as an investment for the future with the objective to provide them with safe and healthy work place.

We remain confident as regards to our prospects for the remaining year, despite the highly competitive marketing environment. We look forward to continued support from all our stakeholders to achieve the objectives for the year 2010.

On behalf of the Board

Batapur:  
Lahore: October 25, 2010

**(M. IMRAN MALIK)**  
Chief executive

**BATA PAKISTAN LIMITED**  
**CONDENSED INTERIM BALANCE SHEET - UNAUDITED**  
**AS AT 30 SEPTEMBER 2010**

		<u>(UN - AUDITED)</u>	<u>(AUDITED)</u>
		30 September	31 December
		2010	2009
	Note	Rs. '000	Rs. '000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	592,784	582,411
Intangible assets		6,026	-
Long term investments		41,148	35,830
Long term deposits and prepayments		31,543	34,498
		<u>671,501</u>	<u>652,739</u>
<b>CURRENT ASSETS</b>			
Stores and spares		986	768
Stock in trade		1,888,931	1,281,862
Trade debts		290,963	23,735
Loans and advances		10,061	3,191
Deposits, short term prepayments and other receivables		77,192	65,209
Markup accrued		-	3,851
Short term investment		-	350,000
Tax refunds due from Government	5	391,641	219,393
Cash and bank balances		792,979	461,249
		<u>3,452,753</u>	<u>2,409,258</u>
<b>TOTAL ASSETS</b>		<u><u>4,124,254</u></u>	<u><u>3,061,997</u></u>
<b>EQUITY AND LIABILITIES</b>			
Authorized share capital			
10,000,000 ordinary shares of Rs. 10 each		<u>100,000</u>	<u>100,000</u>
Issued, subscribed and paid up capital		75,600	75,600
Reserves			
Capital reserve		483	483
Revenue reserve		2,477,907	1,884,644
		<u>2,478,390</u>	<u>1,885,127</u>
<b>TOTAL EQUITY</b>		<u>2,553,990</u>	<u>1,960,727</u>
<b>NON CURRENT LIABILITIES</b>			
Long term deposits		41,148	35,830
Deferred liability-employee benefits	6	72,596	69,196
Deferred taxation		17,423	17,098
		<u>131,167</u>	<u>122,124</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,312,163	907,760
Mark - up accrued		4,547	-
Provision for taxation		122,387	71,386
		<u>1,439,097</u>	<u>979,146</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	7		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>4,124,254</u></u>	<u><u>3,061,997</u></u>

The annexed notes from 1 to 14 form an integral part of this interim financial information.

Chief Executive

Director

**BATA PAKISTAN LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - UNAUDITED**  
**FOR THE NINE MONTHS AND QUARTER ENDED 30 SEPTEMBER 2010**

	Note	Nine Months ended		Quarter ended	
		30 September 2010 Rs. '000	30 September 2009 Rs. '000	30 September 2010 Rs. '000	30 September 2009 Rs. '000
NET SALES	8	6,118,643	4,733,331	2,439,040	1,883,801
COST OF SALES	9	3,615,442	2,753,515	1,461,894	1,070,989
GROSS PROFIT		2,503,201	1,979,816	977,146	812,812
OPERATING EXPENSES					
Selling and distribution		1,167,899	989,894	437,192	380,949
Administrative		340,198	295,590	115,257	102,283
Other operating expenses		72,879	50,267	30,214	23,422
		1,580,976	1,335,751	582,663	506,654
OPERATING PROFIT		922,225	644,065	394,483	306,158
FINANCE COST		29,710	29,192	10,914	9,358
		892,515	614,873	383,569	296,800
OTHER INCOME		31,084	5,331	8,288	2,596
PROFIT BEFORE TAXATION		923,599	620,204	391,857	299,396
PROVISION FOR TAXATION					
Current		239,291	161,728	90,930	72,708
Deferred		325	3,640	(325)	(543)
		239,616	165,368	90,605	72,165
PROFIT AFTER TAXATION		683,983	454,836	301,252	227,231
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME		683,983	454,836	301,252	227,231
EARNINGS PER SHARE					
- BASIC AND DILUTED	12	Rs.90.47	Rs.60.16	Rs.39.85	Rs.30.06

The annexed notes from 1 to 14 form an integral part of this interim financial information.

Chief Executive

Director

**BATA PAKISTAN LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010**

	Note	Nine Months ended	
		30 September 2010 Rs. '000	30 September 2009 Rs. '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		923,599	620,204
Adjustments to reconcile profit before tax to net cash flows			
Depreciation		62,868	59,968
Amortization		699	-
Provision for gratuity		5,083	8,166
(Profit)/ loss on disposal of property, plant and equipment		(767)	506
Finance cost		29,710	29,192
		97,593	97,832
Operating cash flows before working capital changes		1,021,192	718,036
Net changes in working capital	10	(630,617)	94,851
Finance cost paid		(25,163)	(27,369)
Income taxes paid		(206,762)	(148,606)
Gratuity paid		(1,683)	(1,549)
Net cash generated from operating activities		156,967	635,363
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(75,357)	(99,149)
Purchase of intangible assets		(6,725)	-
Proceeds from sale of property, plant and equipment		2,883	2,161
Increase in long term investments		(5,318)	(3,317)
Net cash used in investing activities		(84,517)	(100,305)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(90,720)	(60,480)
Net cash used in financing activities		(90,720)	(60,480)
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(18,270)</b>	<b>474,578</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>811,249</b>	<b>88,952</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>792,979</b>	<b>563,530</b>

The annexed notes from 1 to 14 form an integral part of this interim financial information.

Chief Executive

Director

**BATA PAKISTAN LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010**

	Share capital	Capital reserve	General reserve	Unappropriated profit	Total
	(-----Rupees in '000-----)				
<b>Balance as at 01 January 2009</b>	<b>75,600</b>	<b>483</b>	<b>880,000</b>	<b>479,612</b>	<b>1,435,695</b>
Final dividend 2008 @ Rs. 8 per share	-	-	-	(60,480)	(60,480)
Transfer to general reserve for 2008			418,000	(418,000)	-
Total comprehensive income	-	-	-	454,836	454,836
<b>Balance as at 30 September 2009</b>	<b>75,600</b>	<b>483</b>	<b>1,298,000</b>	<b>455,968</b>	<b>1,830,051</b>
Net profit for the three months ended 30 September 2009	-	-	-	130,676	130,676
<b>Balance as at 31 December 2009</b>	<b>75,600</b>	<b>483</b>	<b>1,298,000</b>	<b>586,644</b>	<b>1,960,727</b>
Final dividend 2009 @ Rs. 12 per share	-	-	-	(90,720)	(90,720)
Transfer to general reserve	-	-	494,000	(494,000)	-
Total comprehensive income	-	-	-	683,983	683,983
<b>Balance as at 30 September 2010</b>	<b>75,600</b>	<b>483</b>	<b>1,792,000</b>	<b>685,907</b>	<b>2,553,990</b>

The annexed notes from 1 to 14 form an integral part of this interim financial information.

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**Chief Executive**

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**Director**

**BATA PAKISTAN LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010**

**1 LEGAL STATUS AND OPERATIONS**

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

**2 STATEMENT OF COMPLIANCE**

This condensed interim financial report of the Company for the nine months ended 30 September 2010 has been prepared in accordance with the requirements of the International Accounting Standard 34 -Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended 31 December 2009.

**4 ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT**

	Buildings - Factory	Plant and machinery	Office equipment	Vehicles	Computers	Furniture, fixture and fittings	Gas Installations	(UN - AUDITED)	
								30 September 2010 Rs. '000	30 September 2009 Rs. '000
Additions	756	20,733	122	2,397	6,166	44,632	15	74,821	99,149
Disposals (cost)	-	9,322	12	123	3,323	456	-	13,236	19,772
								(UN - AUDITED) 30 September 2010 Rs. '000	(AUDITED) 31 December 2009 Rs. '000
								Note	

**5 TAX REFUNDS DUE FROM GOVERNMENT**

Sales tax refundable							5.1	<u>391,641</u>	<u>219,393</u>
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5.1 This represents sales tax paid on raw materials used in zero-rated taxable shoes for which refund claims have been lodged with the Sales Tax Department.

**6 DEFERRED LIABILITY- EMPLOYEE BENEFITS**

Opening liability								69,196	62,780
Amount recognized during the period/year								5,083	8,386
Payment made by the Company during the period/year								(1,683)	(1,970)
Closing liability								<u>72,596</u>	<u>69,196</u>

The latest actuarial valuation was carried out as at 31 December 2009.

**7 CONTINGENCIES AND COMMITMENTS**

7.1 The Company is contingently liable for:									
Counter Guarantees given to banks								8,182	6,311
Indemnity Bonds given to Custom Authorities								42,905	31,319
Claims not acknowledged as debts - under appeal								21,230	20,848
Law suit by ex-employee - damages for malicious prosecution								3,000	3,000
Show cause notices by sales tax department-under appeals (Note 7.2)								-	138,851
Show cause notices by income tax department								-	3,659
								<u>75,317</u>	<u>203,988</u>
7.2 The case has been decided in favour of the company by Appellate Tribunal.									
7.3 Commitments in respect of:									
- Capital expenditure								66,007	6,612
- Letters of credit								334,819	175,641
								<u>400,826</u>	<u>182,253</u>

**BATA PAKISTAN LIMITED**

	(UN - AUDITED) Nine Months ended		(UN - AUDITED) Quarter ended	
	30 September 2010 Rs. '000	30 September 2009 Rs. '000	30 September 2010 Rs. '000	30 September 2009 Rs. '000
	<b>8 NET SALES</b>			
Shoes and accessories				
Local	6,647,958	5,003,325	2,671,647	2,020,886
Export	95,169	148,642	14,859	31,430
Sundry articles and scrap material	6,743,127	5,151,967	2,686,506	2,052,316
	17,234	6,627	920	2,110
	6,760,361	5,158,594	2,687,426	2,054,426
Less: Sales tax	97,986	72,617	24,192	20,618
Discount to dealers and distributors	477,320	300,879	198,408	128,790
Commission to agents/business associates	66,412	51,767	25,786	21,217
	641,718	425,263	248,386	170,625
	<b>6,118,643</b>	<b>4,733,331</b>	<b>2,439,040</b>	<b>1,883,801</b>

	(UN - AUDITED) Nine Months ended		(UN - AUDITED) Quarter ended	
	30 September 2010 Rs. '000	30 September 2009 Rs. '000	30 September 2010 Rs. '000	30 September 2009 Rs. '000
	<b>9 COST OF SALES</b>			
Raw material consumed	1,798,712	1,204,315	541,711	381,153
Salaries, wages and benefits	200,705	170,600	62,639	59,777
Fuel and power	84,877	56,729	27,712	20,241
Stores and spares consumed	6,588	4,840	2,229	1,419
Repairs and maintenance	26,771	20,546	8,530	7,405
Insurance	4,603	4,215	1,533	1,404
Depreciation	11,613	11,602	4,080	3,934
	2,133,869	1,472,847	648,434	475,333
Add: Opening goods in process	41,249	59,962	84,991	39,633
	2,175,118	1,532,809	733,425	514,966
Less: Closing goods in process	91,989	37,708	91,989	37,708
Cost of goods manufactured	2,083,129	1,495,101	641,436	477,258
Add: Opening stock of finished goods	1,035,130	891,349	1,519,330	1,115,697
Finished goods purchased	2,021,036	1,429,343	824,981	540,312
	5,139,295	3,815,793	2,985,747	2,133,267
Less: Closing stock of finished goods	1,523,853	1,062,278	1,523,853	1,062,278
	<b>3,615,442</b>	<b>2,753,515</b>	<b>1,461,894</b>	<b>1,070,989</b>

	(UN - AUDITED) Nine Months ended		(UN - AUDITED) Quarter ended	
	30 September 2010 Rs. '000	30 September 2009 Rs. '000	30 September 2010 Rs. '000	30 September 2009 Rs. '000
	<b>10 NET CHANGES IN WORKING CAPITAL</b>			
(Increase)/decrease in assets				
Stores and spares			(219)	(22)
Stock in trade			(607,069)	18,819
Trade debts			(267,228)	(249,915)
Loans and advances			(6,869)	(6,460)
Deposits, short term prepayments and other receivables			(11,983)	(9,246)
Tax refunds due from Government			(172,248)	(51,663)
Long term deposits and prepayments			2,955	9,385
Markup accrued			3,851	-
Increase in liabilities				
Trade and other payables			422,875	382,131
Long term deposits			5,318	1,822
			<b>(630,617)</b>	<b>94,851</b>

**11 TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise of parent company, related group companies, provident fund trusts, directors and key management personnel. Transactions with related parties 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) Nine Months ended		(UN - AUDITED) Quarter ended	
		30 September 2010 Rs. '000	30 September 2009 Rs. '000	30 September 2010 Rs. '000	30 September 2009 Rs. '000
		Associated Companies	Purchase of goods and services	769,804	552,790
	Sale of goods and services	9,746	9,199	1,214	1,214
	Dividend paid	54,432	36,288	54,432	-
	Brand royalty	143,655	111,159	57,305	44,387
	Service charges	35,040	30,909	12,571	10,873
Staff Retirement Benefits	Contribution to provident fund trusts	21,895	18,292	7,051	5,378
Staff Retirement Benefits	Gratuity paid	1,683	1,549	790	664

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

	(UN - AUDITED) Nine Months ended		(UN - AUDITED) Quarter ended	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Profit after taxation attributable to ordinary share holders (in '000)	<u>683,983</u>	<u>454,836</u>	<u>301,252</u>	<u>227,231</u>
Weighted average number of ordinary shares - Number (in '000)	<u>7,560</u>	<u>7,560</u>	<u>7,560</u>	<u>7,560</u>
Earnings per share - Basic (Rs.)	<u>90.47</u>	<u>60.16</u>	<u>39.85</u>	<u>30.06</u>

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 October 25, 2010.

## 14 GENERAL

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

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Chief Executive

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Director