

## **Bata Pakistan Limited**

### **Annual Report 2000**

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#### **BOARD OF DIRECTORS**

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

**Company Secretary**  
**Salahuddin Niazi**

Auditors & Tax Advisor,  
Gardezi & Co.  
Chartered Accountants  
65, Shahrah-e-Quaid-e-Azam, Lahore.

**Registered Office & Factory**  
**Batapur, G. T. Road,**  
**P.O. Batapur, Lahore.**

Bankers  
Habib Bank Limited  
Citibank N. A.  
Standard Chartered Grindlays Bank Limited  
Emirates Bank International  
Habib Bank AG Zurich  
National Bank of Pakistan  
Bank Alfalah Limited  
Muslim Commercial Bank Limited

#### **NOTICE OF MEETING**

NOTICE IS HEREBY GIVEN that the 49th Annual General Meeting of Bata Pakistan Limited will be held at the Registered Office of the Company at Batapur, District Lahore on 31st May, 2001 at 10.00 a.m. to transact the following business.

1. To confirm the minutes of the Extraordinary General Meeting held on 5th October, 2000.
2. To receive, consider, and adopt the Directors' Report, Audited Accounts of the Company and Auditors' Report thereon, for the year ended 31st December, 2000.
3. To declare dividend as recommended by the Directors.
4. To appoint Auditors and fix their remuneration for the year ending 31st December, 2001.

**By Order of the Board**

Batapur  
LAHORE: April 26, 2001

**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 25th May to 31st May, 2001 (both days inclusive). The transfer received in order at the Registered Office of the Company upto 24th May 2001 will be entitled for payment of the Final Dividend.

## COMPANY'S FINANCIAL HIGHLIGHTS

YEAR ENDED DECEMBER 31,	(RUPEES IN THOUSAND)		% INCREASE/ (DECREASE)
	2000	1999	
NET SALES	2,187,951	2,007,224	9
RESULT			
PROFIT BEFORE TAX	65,112	47,262	38
PROFIT AFTER TAX	46,534	33,954	37
% OF NET RETURN ON TURNOVER	2.13	1.69	--
CURRENT ASSETS	1,174,261	1,038,542	13
CURRENT LIABILITIES	1,017,223	843,973	21
CURRENT RATIO ASSETS: LIABILITIES	1.15:1	1.23:1	--
DISTRIBUTABLE RESERVES	249,098	223,354	12
SHAREHOLDERS' EQUITY	325,181	299,437	9
NUMBER OF SHARES	7,560	7,560	--
EARNING PER SHARE OF RS. 10 EACH	6.16	4.49	37
		<b>Rs. '000s</b>	<b>%</b>
REVENUE PAID TO GOVERNMENT		402,742	15.2
COST OF SALES EXCLUDING WAGES AND GOVERNMENT TAXES		1,301,780	49.1
SALARIES, WAGES, BENEFITS AND WELFARE EXPENSES		426,048	16.0
OVERHEADS		474,059	17.9
TRANSFER TO APPROPRIATION ACCOUNT		25,744	1.0
DIVIDEND		20,790	0.8
GROSS SALES		2,651,163	100.0

## CHAIRMAN'S REVIEW

On behalf of the Board of Directors, it is a privilege and pleasure for me to welcome you to the Company's 49th Annual General Meeting and present the Company's Annual Report and financial statements for the year ended 31st December, 2000.

During the period under review, Pakistan's economy experienced further difficulties. Inflationary pressures continued unabated and resulted in escalations in petroleum product prices and the prices of other inputs, increases in the tariff on Sui-gas and electricity, as well as depreciation of the Pak Rupee. This further deterioration brought the economy close to a collapse.

The new Government in the country is laying great

emphasis on documentation of the economy and is making all out efforts to bring about a cultural change so that people contribute to the National Exchequer by paying taxes on their income. The Government has also committed to make prudent use of revenues.

Traders in some parts of the country are still opposing the Government Tax Survey documentation and are staging demonstrations. Strikes have occurred in many markets around the country as a protest against the Sales Tax Scheme. Your Company will be a beneficiary of the Government's policy since the economy will lead to a level playing field to all the players in the footwear business.

Some positive corrective decisions taken by the Government during year 2000 have encouraged some hope that professionally managed industries will produce better results. The resolution of the dispute between the Water and Power Development Authority and the Hub Power Company Limited over the tariff rate will not only open the gates for foreign investment but certainly help the Government in carrying out privatization of large public sector enterprises.

The law and order situation in the country continued to deteriorate. During the year, there were 20 robberies or thefts in Bata Stores. We lost 1,168 shop days due to strikes, demonstrations, disturbances, and forced closures.

Through effective controls, the management successfully mitigated some of the adverse effects of these pressures and your Company closed the financial year at new heights in various areas of its activities. The Company achieved a sales revenue of Rs.2.2 billion thereby registering growth of Rs. 180.7 million over the previous year. The Company earned a pre-tax profit of Rs.65.1 million as compared with Rs.47.3 million in the previous year, an increase of 38%. After making provision for current and deferred taxation of Rs.18.6 million, your Company was able to register a 37% growth in its net profit over the previous year from Rs.34.0 million to Rs.46.5 million.

Due to an increase in working capital requirements, it is necessary for the Company to build up its reserves. Your Directors have, therefore, decided to declare a 27.50% final dividend amounting to Rs.20.8 million, and Rs.26 million are being transferred to General Reserve. Your Board considers this imperative to meet the Company's future fund requirements.

Due to prudent employment of financial resources during the year under review financial charges were 2% lower than in the previous year, the current ratio was 1.15:1 while other financial indicators also showed an improved trend.

During the year under review, the Company's contribution to the National Exchequer amounted to Rs.403 million in the form of payments of Corporate Income Tax, Sales Tax, Customs Duty and other taxes. We are pleased to be conserving foreign exchange reserves by limiting our dependence on imported raw materials and through greater use of locally fabricated machinery.

Earnings per share increased from Rs.4.49 to Rs.6.16 and the break up value of each share rose to Rs.43.55 from Rs.39.61 last year. Your Company continues to maintain close contact with the Karachi and Lahore Stock Exchanges where the Company's shares have been listed. Your Company's shares of Rs.10 each

were quoted at Rs.19 on 31st December 2000.

Our marketing team, in its constant effort to provide excellent service to customers has again been very active. It is pleasing for me to report that the marketing team generally achieved good business results.

The retail business contributed to the increased sales. As compared with 1999 the retail business increased by 115%.

On the domestic market, in addition to our retail operations, we have an extensive wholesale network. We have a dedicated and experienced group of Distributors, and Dealers whose loyal and unstinted co-operation merits our gratitude. In 2000, there was an improvement of 105% in Wholesale and 103% in Dealers' business.

Throughout the year, the amounts receivable from wholesale Distributors and Dealers remained on the higher side, which affected the Company's cashflow. Constant efforts are being made to collect overdue amounts as quickly as possible.

We are facing severe competition in export markets. We exported 0.73 million pairs during 2000, which was 31% lower than in the previous year. Our export business was affected mainly by low priced merchandise from China, Taiwan and Vietnam. However, all-out efforts are being made to meet the challenge.

As indicated in our Annual Report for 1999, your Company received ISO 9001 certification for the export oriented canvas shoe production unit. The benefits associated with this quality management system should be reflected in improved export results.

While maintaining its leading position in its traditional market, your Company continues to seek new avenues for expansion. To achieve this vital corporate objective, your Managing Director, Mr. G. Stricker, continues to pursue expansion of the Company's retail network and the introduction of innovative product ranges to further improve the quality of the products and services offered to our customers.

During the year 2000, 11 new retail stores were opened while 6 non-progressive stores were closed. Similarly 13 agencies were opened and 12 non-progressive agencies closed. At the end of the year, the Company had 223 retail stores, 120 agencies and 23 wholesale depots.

We continue to make our outlets even more attractive so that they compare favourably with international standards. In the year under review, at a cost of Rs.25.2 million, sales outlets throughout Pakistan were enhanced in order to provide a better atmosphere and improved service for our customers.

Promotional programmes were vigorously pursued in a number of areas. Sponsorship of sports activities is one method which the Company is utilizing very successfully to promote its products generally. In the year under review, the 'Power' Division, organized the International Power Master Open Golf Tournament in which Lt. Gen. (R) M. Tariq, Minister for Housing, Planning & Communication, was the Guest-of-Honour and presented prizes to the winners. The event received wide coverage on T.V. and in the press and further enhanced the Company's reputation.

During the year under review, the Company spent Rs.43.02 million on advertising and other sales

promotional activities. These activities resulted in wider market penetration and increased brand awareness by the public.

During the year 2000, the Company launched a Back-to-School campaign all over the country to stimulate the purchase of school shoes. 2700 Prizes, including a bumper prize of a Honda car, were offered. Various companies provided the prizes free of cost in joint ventures to promote their own products. The campaign was supported by television, newspaper and magazine advertising. For effective in-store display, the stores were decorated with posters, buntings, shelf talkers and show cards. The campaign generated great publicity and awareness in the minds of school children.

In view of the continuing uncertain economic scenario in the country, the management decided to place all expansion plans on hold. Investments were made only in essential areas. During the year under review, the Company incurred capital expenditure of Rs.13.9 million. In addition to the replacement of existing assets, funding was focused on programmes to improve in quality and efficiency.

The International Tanners and Industries (Private) Limited, a 100% subsidiary of the Company, suffered losses from its inception. Its accumulated losses had reached Rs.103.9 million. In order to avoid further losses, and under the authorization given to the Managing Director in an Extraordinary General Meeting of Shareholders, held on 5th October 2000, the Company's entire investment in the ordinary share capital of ITI (Pvt) Ltd was sold.

We maintain our vigorous efforts to improve and upgrade our shoeline. Our resourceful designers in the Product Development Department have, during the year under review, introduced a range of elegant, stylish and quality products in the Leather, Sandak and Canvas categories. Introduction of new, technically oriented designs will enhance the uniqueness of your Company's products and will help your Company to stay ahead of its competitors.

The Company's investment in fixed assets and intensification of product development will, I believe, enable us to offer an improved range of products to our customers.

The total production of shoes during the year from the factories at Batapur was 12.56 million pairs as against 12.64 million pairs in 1999. Our Branch Factory at Maraka produced 1.93 million pairs in 2000.

On 2nd March, 2001, after my appointment as a Director of the Company, I was appointed as Chairman of the Board of Directors of your Company, succeeding Mr. K. Weston who deserves our gratitude for all his guidance to the Company.

Your Company continues to benefit from its association with many other footwear manufacturing and distributing companies of the worldwide Bata Shoe Organization and in particular from the valuable technical, commercial and other assistance and services from Bata Limited of Toronto, Canada. We are thankful to Bata Limited for their continued support.

The growth of our business is dependent not only upon the enthusiasm but also the skills imparted to our personnel through sound training. A high level of investment in our human resources was maintained through training at different levels in all sectors of our activities. 26 Employees participated in international courses outside Pakistan organized by Bata Limited, Canada, covering subjects such as

rubber and plastic technology, finance, accounting and purchasing, and 726 employees participated in various in-Company and in-country courses.

During the year, the newly elected Collective Bargaining Agent (C.B.A.) served the Company with a Charter of Demands on behalf of certain employees of the Company. A two-year agreement, expiring in December, 2002 was negotiated and signed with the elected C.B.A., Pakistan Bata Employees Union, which provided increased benefits and higher incomes. I hope that the Management and the C.B.A. will maintain a satisfactory relationship to achieve better result for the benefit of all concerned.

I wish to assure you that continued growth and reasonable profitability remain our goals and it will be our constant endeavour to offer new quality shoelines at competitive prices in order to also reach the higher segments of customers in the country. The Board of Directors and the Management of the Company will continue their efforts to achieve the steady growth of the Company and we are confident that in the absence of unforeseen adverse factors, the current year will show further improvements.

Finally, I take this opportunity to express my thanks to all my colleagues on the Board, shareholders, customers, Dealers, Distributors, suppliers and Union representatives for their contribution and assistance during 2000. The Company firmly believes that, as partners in progress, the Company will continue to enjoy the full confidence, co-operation and support from all concerned in the development and progress of the Company to achieve even better results and to meet the challenges in the years ahead.

**C. MORZARIA**  
**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, 2000.
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	65,112
Less: Provision for taxation	
Current	14,856
Prior years	(364)
Deferred	4,086
	-----
	18,578
	-----
Profit after tax	46,534
To this must be added Unappropriated Profit brought forward from last year	1,354
	-----
Profit available for appropriations	47,888
The Directors have recommended the following appropriations	
Transfer to general reserve	26,000
Proposed final dividend @ 27.50 % (1999 @ 20%)	20,790
	-----
	46,790
	-----
Leaving an unappropriated profit to be carried forward to next year	1,098
	=====

4. The pattern of shareholding is provided on page 36

5. Earning per share of Rs. 10 each is Rs. 6.16

6. Messrs Gardezi & Co., Chartered Accountants, Lahore retire and being eligible, offer themselves for reappointment as Auditors of the Company.

**On behalf of the  
BOARD OF DIRECTORS**

Batapur  
LAHORE: April 26, 2001

**G. STRICKER  
MANAGING DIRECTOR**

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **BATA PAKISTAN LIMITED** as at December 31, 2000 and the related profit and loss account, cash flow statement and statement of changes in equity 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 purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, 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, 2000 and of the profit, its cash flows and changes in equity for the year then ended; and

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

LAHORE: April 26, 2001

**GARDEZI & CO.  
CHARTERED ACCOUNTANTS**

## BALANCE SHEET AS AT DECEMBER 31, 2000

	<i>Note</i>	<i>2000 Rs. '000s</i>	<i>1999 Rs. '000s</i>
<b>CAPITAL AND RESERVES</b>			
Authorized 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	248,000	222,000
Unappropriated profit		1,098	1,354

		249,581	223,837
<b>SHAREHOLDERS' EQUITY</b>		325,181	299,437
<b>LONG TERM FINANCE</b>	6	25,000	150,000
<b>DEFERRED LIABILITIES</b>			
Provision for gratuity	7	59,505	57,132
Deferred taxation	8	4,086	--
		63,591	57,132
<b>LONG TERM DEPOSITS</b>		13,015	12,503
<b>OBLIGATION UNDER FINANCE LEASE</b>	10	9,615	14,760
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Short term running finances	11	372,716	291,927
Current portion of long term finance	6	50,000	
Current portion of obligation under finance lease	10	5,146	18,488
Creditors, accrued and other liabilities	12	568,571	518,438
Proposed dividend		20,790	15,120
		1,017,223	843,973
<b>CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS</b>	14	1,453,625	1,377,805

The annexed notes form an integral part of these accounts.

**C. MORZARIA  
CHAIRMAN**

<b>FIXED CAPITAL EXPENDITURE</b>			
Operating fixed assets	15	247,617	267,965
<b>LONG TERM INVESTMENTS</b>	16	13,015	58,570
<b>LONG TERM DEPOSITS AND PREPAYMENTS</b>	17	18,732	12,728
<b>CURRENT ASSETS</b>			
Stores and spares	18	53,382	64,775
Stock in trade	19	391,249	539,293
Trade debts	20	531,543	330,089
Loans and advances	21	2,962	1,440
Deposits, short term prepayments and other receivables	22	29,493	41,175
Cash and bank balances	23	165,632	61,770
		1,174,261	1,038,542
		1,453,625	1,377,805

**G. STRICKER  
MANAGING DIRECTOR**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2000**

	<i>Note</i>	<i>2000 Rs.'000s</i>	<i>1999 Rs.'000s</i>
<b>NET SALES</b>	24	2,187,951	2,007,224
<b>COST OF SALES</b>	25	1,539,021	1,425,761
<b>GROSS PROFIT</b>		648,930	581,463
<b>OPERATING EXPENSES</b>			
Administrative	26	189,296	167,483
Selling and distribution	27	320,286	290,941
		509,582	458,424
<b>OPERATING PROFIT</b>		139,348	123,039
<b>OTHER INCOME</b>	28	2,948	776
<b>FINANCIAL AND OTHER CHARGES</b>		142,296	123,815



Financial charges	29	71,861	73,051
Workers' profit participation fund		3,522	2,538
Workers' welfare fund		1,801	964
		-----	-----
		77,184	76,553
		-----	-----
<b>PROFIT BEFORE TAXATION</b>		65,112	47,262
<b>PROVISION FOR TAXATION</b>			
Current		14,856	11,147
Prior years		(364)	2,161
Deferred		4,086	--
		-----	-----
		18,578	13,308
		-----	-----
<b>PROFIT AFTER TAXATION</b>		46,534	33,954
<b>UNAPPROPRIATED PROFIT FROM PREVIOUS YEAR</b>		1,354	1,520
		-----	-----
		47,888	35,474
<b>APPROPRIATIONS</b>			
Transfer to general reserve		26,000	19,000
Proposed final dividend @ 27.50 % (1999 @ 20 %)		20,790	15,120
		-----	-----
		46,790	34,120
		-----	-----
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b>		1,098	1,354
		=====	=====
<b>EARNING PER SHARE OF RS. 10 EACH</b>	30	Rs. 6.16	Rs. 4.49
		=====	=====

The annexed notes form an integral part of these accounts.

**C. MORZARIA**  
CHAIRMAN

**G. STRICKER**  
MANAGING DIRECTOR

#### **CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2000**

	<i>2000</i>	<i>1999</i>
	<i>Rs. '000s</i>	<i>Rs. '000s</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	65,112	47,262
Adjustment for:		
Depreciation	26,850	29,449
Provision for gratuity (net)	2,373	4,015
Provision for doubtful debts	1,778	9,108
Profit on fixed assets sold and scrapped	(2,162)	(55)
Loss on sale of long term investment in wholly owned subsidiary	20,856	--
Financial charges	71,861	73,051
	-----	-----
	121,556	115,568
	-----	-----
Operating profit before working capital change and financial charges	186,668	162,830
Net changes in operating assets and liabilities (Schedule attached)	8,066	(89,271)
Interest / mark up paid	(73,918)	(69,497)
Income taxes paid	(9,595)	(17,169)
	-----	-----
Net cash generated from / (utilized in) operating activities	111,221	(13,107)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(13,866)	(42,680)
Proceeds of fixed assets sold	9,526	1,051
Sale proceeds of long term investment in wholly owned subsidiary	25,200	--
Long term investment	(501)	(501)
	-----	-----
Net cash provided by / (used in) investing activities	20,359	(42,130)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of obligation under finance lease	(18,487)	(20,785)
Short term running finances	80,789	116,365
Dividend paid	(15,020)	(4,087)
Long term finance	(75,000)	--
	-----	-----

Net cash (used in) / provided by financing activities	(27,718)	91,493
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	103,862	36,256
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	61,770	25,514
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note - 23)</b>	165,632	61,770

**C. MORZARIA**  
CHAIRMAN

**G. STRICKER**  
MANAGING DIRECTOR

### SCHEDULE OF NET CHANGES IN OPERATING ASSETS AND LIABILITIES FOR THE YEAR ENDED DECEMBER 31, 2000

	2000 Rs. '000s	1999 Rs. '000s
Stores and spares	11,393	(6,218)
Stock in trade	148,044	(14,447)
Trade debts	(202,863)	(216,789)
Loans and advances	(1,522)	(827)
Deposits, short term prepayments and other receivables	6,524	(10,511)
Creditors, accrued and other liabilities	52,982	164,078
Long term deposits - employees securities	512	(291)
Long term deposits and prepayments	(6,004)	(4,266)
	8,066	(89,271)

### STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT DECEMBER 31, 2000

(Amounts in thousand Rupees)

	Share capital	Capital reserve	General reserve	Unappropriated profit	Total
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
Net profit for the year	--	--	--	46,534	46,534
Dividend	--	--	--	(20,790)	(20,790)
Transferred during the year	--	--	26,000	(26,000)	--
Balance at December 31, 2000	75,600	483	248,000	1,098	325,181

**C. MORZARIA**  
CHAIRMAN

**G. STRICKER**  
MANAGING DIRECTOR

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2000

#### 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 Basis of Preparation

These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards as applicable in Pakistan.

##### 2.2 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.

##### 2.3 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.

### **2.4 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 were not being recognized in the accounts upto December 31, 1999.

### **2.5 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.

### **2.6 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.

### **2.7 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.

### **2.8 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.

**2.9 Trade Debts**

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

**2.10 Commitments and Contingencies**

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

**2.11 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.

**2.12 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>2000</i> <i>Rs.'000s</i>	<i>1999</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.

**5. GENERAL RESERVE**

Balance at January 1,	222,000	203,000
Transferred from profit and loss account	26,000	19,000
	-----	-----
	248,000	222,000
	=====	=====

**6. LONG TERM FINANCE - SECURED****6.1 This finance is obtained from:**

Citibank N.A.	75,000	--
The Bank of Punjab	--	150,000
	-----	-----
	75,000	150,000
Less: Current portion shown under current liabilities	(50,000)	--
	-----	-----
	25,000	150,000
	=====	=====

6.2 The term finance from Citibank N. A. is secured against first pari passu hypothecation charge over the company's present and future fixed assets and demand promissory note for the amount of the finance executed.

6.3 This carries markup at the rate of 14.75% per annum, payable quarterly and is repayable in four bi-annually equal installments commencing from September 20, 2000.

**7. PROVISION FOR GRATUITY**

Balance at January 1,	57,132	53,117
Add: Provision for the year	5,410	5,314
	-----	-----
	62,542	58,431
Less: Payments made during the year	(3,037)	(1,299)
	-----	-----
	59,505	57,132
	=====	=====

**8. DEFERRED TAXATION**

The provision for deferred taxation comprises of credit / (debit) balances arising due to timing differences in respect of:

Accelerated tax depreciation and allowance on assets subject to finance lease	26,076	25,507
Provision for gratuity	(20,619)	(18,853)

Provision for doubtful debts	(1,371)	(719)
Unutilized Tax losses	--	(13,044)
	-----	-----
Total credit / (debit)	4,086	(7,109)
	=====	=====
Accounted for / recognized in the accounts	4,086	--
	=====	=====

**9. LONG TERM DEPOSITS**

Employees' securities and personal accounts	13,015	12,503
	=====	=====

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 10 % 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**

Balance at January 1,	33,248	54,033
Repaid during the year	(18,487)	(20,785)
	-----	-----
	14,761	33,248
Less: Current portion shown under current liabilities	(5,146)	(18,488)
	-----	-----
	9,615	14,760
	=====	=====

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 19 % 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% shall immediately become due and payable by the lessee to lessor. The lease agreement is renewable at the option of lessee.

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

	<b>2000</b>	<b>1999</b>
	<b>Rs. '000s</b>	<b>Rs. '000s</b>
Due within one year	8,644	24,028
Due after one year but not later than five years	12,291	20,932
	-----	-----
	20,935	44,960
Less: Finance charges allocated to future periods	(6,174)	(11,712)
	-----	-----
	14,761	33,248
	=====	=====

**11. SHORT TERM RUNNING FINANCES****Cash finance**

Secured against hypothecation of stock in trade, stores & spares and receivables of the Company	287,716	256,927
---	---------	---------

**Demand finance**

Secured against a first legal mortgage on present and future immovable properties of Branch Factory, a first charge by way of hypothecation in respect of all machinery of Branch Factory and demand promissory note for the amount of the loan executed.	50,000	--
---	--------	----

**Export refinance**

Secured against hypothecation of stock of finished goods	35,000	35,000
	-----	-----
	372,716	291,927
	=====	=====

11.1 The cash finance, demand finance and export refinance from total credit facilities available to the company aggregating to Rs. 520 Million (1999: Rs. 370 Million) are provided in consortium by Habib Bank Limited, Citibank N.A., Bank Alfalah Limited, Standard Chartered Grindlays Bank, Emirates Bank International, Habib Bank AG Zurich and Muslim Commercial Bank Limited.

11.2 Mark up on cash finance, demand finance and export refinance has been charged at the rate of 11 to 16 %, 13% and 7.5 % per annum respectively.

## 12. CREDITORS, ACCRUED AND OTHER LIABILITIES

Deposits (Note - 12.1)	24,976	24,872
Creditors	358,214	318,590
Due to associated undertakings (Note - 12.2)	1,377	555
Accrued liabilities	98,317	89,530
Markup accrued on secured finances	15,075	17,132
Workers' profit participation fund (Note - 12.3)	3,522	2,538
Due to provident fund trust (Note - 12.4)	4,114	5,055
Advances from customers	2,717	1,457
Sales tax payable	41,646	43,160
Taxes deducted at source payable	14,036	11,203
Unclaimed dividend	937	837
Other liabilities	3,640	3,509
	-----	-----
	568,571	518,438
	=====	=====

### 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 10 % per annum. These are repayable on termination/completion of the contract and no returning the company's property already provided to them.

### 12.2 Due to associated undertakings

Bata Limited, Canada	271	404
Bata Malaysia	1,106	--
Bata Engineering, France	--	7
I.T.I. (Pvt) Limited	--	144
	-----	-----
	1,377	555
	=====	=====

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

### 12.3 Workers' profit participation fund

Balance at January 1,	2,538	--
Allocation for the year	3,522	2,538
Interest paid on funds utilized in company's business	232	--
	-----	-----
	6,292	2,538
Less: Amount paid to fund's trustees	(2,770)	--
	-----	-----
	3,522	2,538
	=====	=====

12.4 The balance due to provident fund trust has been paid on January 14, 2001.

## 13. PROVISION FOR TAXATION

### Income tax

Balance at January 1,	(12,998)	(9,137)
Income tax paid for prior years	(1,591)	(3,254)
Provision (written back) / made for prior years	(364)	2,161
	-----	-----
	(14,953)	(10,230)
Provision for the year	14,856	11,147
	-----	-----
	(97)	917
Advance tax paid and tax deducted at source	(8,004)	(13,915)
	-----	-----
	(8,101)	(12,998)

### Other taxes

Workers' welfare fund		
Balance at January 1,	964	--
Payments / adjustments made during the year	(909)	--
	-----	-----
	55	--
Provision for the year	1,801	964
	-----	-----
	1,856	964
	-----	-----
	(6,245)	(12,034)
	=====	=====

**14. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS****14.1 The Company is contingently liable for:**

Counter Guarantees given to banks	6,338	3,245
Indemnity Bonds given to Custom Authorities	6,298	6,652
Acquirer charges claimed by WASA - under appeal	1,604	1,419
Claims not acknowledged as debt - under appeal	2,505	2,455
	-----	-----
	16,745	13,771
	=====	=====

14.2 Besides the above, the Sales Tax Department had issued a show cause notice to the company as to why the sale 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 sale of contracted footwear.

Against this show cause notice, the company had filed a writ petition in the Lahore High Court. The Lahore High Court had admitted the company's petition for regular hearing and had directed the Sales Tax Authorities to continue the proceedings but they should not pass any final order.

The learned adjudicating officer of sales tax department had heard the detailed arguments of the company and after rejecting these, had issued an order for the recovery of so called evasion of sale tax amounting to Rs. 348 million by the company.

The company has obtained a stay order from the Lahore High Court against this recovery order and is pursuing hard its earlier appeal before this court for deletion of these sales tax levies. An appeal before the Appellate Tribunal, Sales Tax, Lahore has also been filed against the above said order. At present, these appeals are pending for adjudication.

The company and its legal advisor are, however, positive and affirmed that such sales tax levies being entirely in excess of law will be deleted in its appeals before the higher courts, particularly in view of the following legal and factual grounds:

(a) No tax can be charged on self consumption of goods as it would be unconstitutional in view of the fact that parliament is not competent to tax supplies other than sale of goods to other persons.

(b) The goods mentioned in the show cause notice i.e. PVC granules, rubber cement and dyed cloth are exempted from payment of sales tax under SRO 555 (I) of 1994.

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 accounted for in the books accordingly.

14.3 Commitments in respect of contracts for capital expenditure	3,501	2,670
	=====	=====

**15. OPERATING FIXED ASSETS**

DESCRIPTION	COST				Rate %	DEPRECIATION			BOOK VALUE	
	As at Jan. 1, 2000	Additions	Disposal/ Adjustment	As at Dec. 31, 2000		As at Jan. 1, 2000	Adjustment	Charge for the year	As at Dec. 31, 2000	as at Dec. 31, 2000
<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	56,635	--	(7,550)	49,085	10	44,657	(5,362)	979	40,274	8,811
Others	61,667	--	(20)	61,647	5	24,339	(17)	1,866	26,188	35,459
<b>Plant and machinery</b>										
Owned	363,851	18,166	(15,119)	366,898	10	235,473	(5,721)	13,714	243,466	123,432
Leased	35,667	(11,791)	--	23,876	10	9,365	(4,829)	1,935	6,471	17,405
<b>Boiler</b>	3,332	--	(312)	3,020	10	2,424	(219)	81	2,286	734
<b>Gas installations</b>	1,411	--	(263)	1,148	10	1,037	(173)	28	892	256
<b>Office equipment</b>	2,917	77	(38)	2,956	10	1,846	(23)	114	1,937	1,019
<b>Computers</b>										
Owned	15,326	2,292	(68)	17,550	25	7,675	877	2,250	10,802	6,748
Leased	1,798	(1,798)	--	--	25	913	(913)	--	--	--
<b>Furniture, fixtures and fittings</b>	82,944	6,920	(1,422)	88,442	10	34,217	(1,048)	5,527	38,696	49,746
<b>Vehicles</b>	9,060	--	--	9,060	20	7,278	--	356	7,634	1,426
<b>Rs. '000s 2000</b>	637,189	13,866	(24,792)	626,263		369,224	(17,428)	26,850	378,646	247,617

Rs. '000s 1999	506,893	42,680	(4,384)	637,189	343,163	(3,388)	29,449	369,224	267,965
----------------	---------	--------	---------	---------	---------	---------	--------	---------	---------

**2000**  
**Rs. '000s**

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

**15.1 The depreciation charge for the year has been allocated to:**

Cost of goods manufactured	15,848	17,655
Administrative expenses	2,685	3,237
Selling and distribution expenses	8,317	8,557
	26,850	29,449

**15.2 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 proceeds</i>	<i>Profit/(loss)</i>	<i>Mode of sale</i>	<i>Particulars of purchasers</i>
<b>Buildings</b>							
Factory	7,550	5,362	2,188	5,500	3,312	Negotiation	Haji Munawar Hussain, Ravi Road, Lahore
Others	20	17	3	--	(3)	Scrapped	
	7,570	5,379	2,191	5,500	3,309		
<b>Plant and machinery</b>							
	7,707	5,367	2,340	800	(1,540)	Negotiation	Sh. Muhammad Saleem, Lahore
	4,879	3,314	1,565	2,530	965	Negotiation	Haji Munawar Hussain, Ravi Road, Lahore
	313	154	159	200	41	Negotiation	A I Bader International, Lahore
	2	2	--	--	--	Auction	Mr. Mubarak Ali, Rampura, Lahore
	2,218	1,713	505	--	(505)	Scrapped	
	15,119	10,550	4,569	3,530	(1,039)		
<b>Boiler</b>	312	219	93	150	57	Negotiation	Haji Munawar Hussain, Ravi Road, Lahore
<b>Gas installations</b>	251	165	86	200	114	Negotiation	Mr. Mubarak Ali, Rampura, Lahore
	6	4	2	1	(1)	Auction	Mr. Mansha, Attoke Awan, Lahore
	3	2	1	--	(1)	Auction	Mr. Khalid Waheed, Darogha Wala, Lahore
	3	2	1	--	(1)	Auction	Mr. Mubarak Ali, Rampura, Lahore
	263	173	90	201	111		
<b>Computers</b>	28	12	16	8	(8)	Negotiation	Digital Automation Services, Lahore
	40	24	16	--	(16)	Scrapped	
	68	36	32	8	(24)		
<b>Office equipment</b>	30	16	14	27	13	Negotiation	Haji Munawar Hussain, Ravi Road, Lahore
	8	7	1	1	--	Negotiation	Employee - Mr. Muhammad Yonas
	68	23	15	28	13		
<b>Furniture, fixtures and fittings</b>	115	77	38	93	55	Negotiation	Haji Munawar Hussain, Ravi Road, Lahore
	2	--	2	2	--	Negotiation	K.U. Electric Works, Lahore
	8	6	2	8	6	Negotiation	Mr. M. Ramzan, Samanabad, Faisalabad
	18	8	10	2	(8)	Negotiation	Employee - Mr. Z.R. Kallue
	12	6	6	2	(4)	Negotiation	Employee - Mr. Sarfaraz Khan
	7	5	2	2	--	Negotiation	Employee - Various
	1,260	1,048	314	--	(314)	Scrapped	
	1,422	1,048	374	109	(265)		
Rs. '000s 2000	24,792	17,428	7,364	9,526	2,162		
Rs. '000s 2000	4,384	3,388	996	1,051	55		

**2000**  
**Rs. '000s**

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

**16. LONG TERM INVESTMENTS**

In wholly owned subsidiary - I.T.I. (Pvt) Limited

15,000,000 ordinary shares of

Rs. 10 each (Note - 16.1)

Less: Provision for diminution in the value

--	150,000
--	(103,944)
--	46,056

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



In PLS saving bank account (Note - 16.2)	13,015	12,514
	-----	-----
	13,015	58,570
	=====	=====

16.1 During the year the company has sold the entire investment in ordinary share capital of International Tanners and Industries (Pvt)Limited to Sheikh Muhammad Saleem of New Muslim Town, Lahore for Rs. 25.2 million. Reference to note 26.3 may also be made here.

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

Advance rent	24,582	17,994
Security deposits against finance lease	--	1,359
	-----	-----
	24,582	19,353
Less: Adjustable within one year (Note - 22)		
Advance rent	5,850	5,266
Security deposits against finance lease	--	1,359
	-----	-----
	5,850	6,625
	-----	-----
	18,732	12,728
	=====	=====

#### 18. STORES AND SPARES

Stores	2,837	5,822
Spares	50,417	58,489
	-----	-----
	53,254	64,311
Spares in transit	128	464
	-----	-----
	53,382	64,775
	=====	=====

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

#### 19. STOCK IN TRADE

Raw material	71,579	79,238
Goods in process	27,820	19,747
Finished goods		
Own production	183,635	282,198
Purchased	58,041	104,534
	-----	-----
	241,676	386,732
	-----	-----
	341,075	485,717
Raw material in transit	50,174	53,576
	-----	-----
	391,249	539,293
	=====	=====

#### 20. TRADE DEBTS - UNSECURED

Considered good		
Due from customers	531,315	329,351
Due from associated undertakings (Note - 20.1)	228	738
	-----	-----
	531,543	330,089
Considered doubtful		
Due from customers	2,934	1,525
	-----	-----
	534,477	331,614
Less: Provision for doubtful debts	2,934	1,525
	-----	-----
	531,543	330,089
	=====	=====

20.1 The highest aggregated amount due from associated undertakings at the end of any month in 2000 was Rs. '000s 652 (1999: Rs. '000s 806). No interest has been charged on the amounts due from associated undertakings.

#### 21. LOANS AND ADVANCES - UNSECURED

Considered good		
Advances to employees	1,785	795
Advances to suppliers	1,177	645
	-----	-----

	2,962	1,440
	=====	=====

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

### Deposits

#### Considered good

Custom duty and taxes	68	343
Letters of credit - Margin	2,882	385
Letters of guarantee - Margin	1,852	--
Security deposits against finance lease (Note - 17)	--	1,359
Others	2,153	2,022

	-----	-----
	6,955	4,109

#### Short term prepayments

Advance rent (Note - 17)	5,850	5,266
Prepaid sales tax	5,813	17,779
Prepaid Insurance	939	1,304

	-----	-----
	12,602	24,349

#### Other receivables

##### Considered good

Advance income tax paid (Note - 13)	6,245	12,034
Others	3,691	683

	-----	-----
	9,936	12,717

##### Considered doubtful

Others	1,024	655
--------	-------	-----

	-----	-----
	10,960	13,372

#### Less: Provision for doubtful balances

	-----	-----
	1,024	655

	-----	-----
	9,936	12,717

	-----	-----
	29,493	41,175
	=====	=====

## 23. CASH AND BANK BALANCES

Cash in hand	8	6
Bank balances - in current accounts	1,705	5,147
Cash in transit	163,919	56,617

	-----	-----
	165,632	61,770
	=====	=====

## 24. NET SALES

### Shoes and accessories

Local	2,586,463	2,365,713
Export	60,176	74,572

	-----	-----
	2,646,639	2,440,285

### Sundry articles and scrap material

	-----	-----
	4,524	4,164

	-----	-----
	2,651,163	2,444,449

Less: Sales tax paid	345,468	331,071
Discounts to dealers and distributors	74,217	69,259
Commission to agents / business associates	43,527	36,895

	-----	-----
	463,212	437,225

	-----	-----
	2,187,951	2,007,224
	=====	=====

## 25. COST OF SALES

Cost of goods manufactured (Note - 25.1)	1,155,717	11,791,032
Finished goods purchased	238,248	284,213
Add: Opening stock of finished goods	386,732	349,248

	-----	-----
	1,780,697	1,812,493

#### Less: Closing stock of finished goods

	-----	-----
	241,676	386,732

	-----	-----
	1,539,021	1,425,761
	=====	=====

### 25.1 Cost of goods manufactured

Raw material consumed		
Opening stock	132,814	141,744
Add: Purchases	846,412	831,775

	979,226	973,519
Less: Closing stock	121,753	132,814
	857,473	840,705
Spares consumed	8,862	10,449
Fuel and power	54,622	54,622
Salaries, wages and benefits	201,888	212,943
Repairs and maintenance	22,401	24,223
Insurance	2,696	4,328
Depreciation	15,848	17,655
	1,163,790	1,164,925
Add: Opening goods in process	19,747	33,854
	1,183,537	1,198,779
Less: Closing goods in process	27,820	19,747
	1,155,717	1,179,032

**26. ADMINISTRATIVE EXPENSES**

Salaries and benefits	94,383	86,371
Employees' welfare	7,126	7,195
Fuel and power	5,352	5,536
Telephone and postage	10,714	9,295
Insurance	1,640	1,406
Travelling	20,864	20,319
Repairs and maintenance	5,299	5,526
Printing and stationery	11,191	9,986
Donations and subscription (Note - 26.1)	375	493
Legal and professional charges	2,750	2,642
Auditors' remuneration (Note - 26.2)	1,500	1,145
Business and property taxes	964	972
Loss on sale of long term investment (Note - 26.3)	20,856	--
Provision for diminution in the value of investment	--	8,790
Miscellaneous	3,597	4,570
Depreciation	2,685	3,237
	189,296	167,483

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.	72	45
Physical verification of stock at sale outlets	450	450
Consulting, accounting and tax advisory services	388	75
Out of pocket expenses	90	75
	1,500	1,145

**26.3 Loss on sale of long term investment**

This represents the loss incurred on sale of company's investment in the shares of its wholly owned subsidiary - ITI (Pvt) Limited during the year, arrived at as under:

Investment in shares - at cost	150,000	--
Less: Provision for diminution in the value of shares upto December 31, 1999	(103,944)	--
	46,056	--
Less: Sale proceeds received	25,200	--
	20,856	--

**27. SELLING AND DISTRIBUTION EXPENSES**

Salaries and benefits	119,129	106,012
Freight and octroi	33,944	38,065
Advertising and sales promotion	43,024	44,781
Rent	46,968	41,773
Insurance	4,424	4,394
Royalty	1,104	1,391
Fuel and power	30,727	25,760
Repairs and maintenance	25,216	14,469

Entertainment	3,908	3,704
Business and property taxes	709	784
Provision for doubtful debts	1,778	318
Miscellaneous	1,038	933
Depreciation	8,317	8,557
	-----	-----
	320,286	290,941
	=====	=====

**28. OTHER INCOME**

Rent received	786	721
Profit on fixed assets sold / scrapped	2,162	55
	-----	-----
	2,948	776
	=====	=====

**29. FINANCIAL CHARGES**

Interest / mark-up on:		
Long term finance	20,271	27,748
Short term running finances	38,872	29,618
Finance lease	5,541	9,009
Workers' profit participation fund	232	--
Provident fund trust	872	621
Employees / agents' securities and personal accounts	2,461	2,888
	-----	-----
	68,249	69,884
Bank charges and commission	3,612	3,167
	-----	-----
	71,861	73,051
	=====	=====

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

Profit after taxation for the year attributable to ordinary shareholders	46,534	33,954
	=====	=====
Weighted average number of ordinary shares (in '000s)	7,560	7,560
	=====	=====
Earning per share	Rs. 6.16	Rs. 4.49
	=====	=====

**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>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>Rs. '000s</i>	<i>Rs. '000s</i>	<i>Rs. '000s</i>	<i>Rs. '000s</i>	<i>Rs. '000s</i>	<i>Rs. '000s</i>	<i>Rs. '000s</i>	<i>Rs. '000s</i>
Directors' fee	--	--	2	3	--	--	2	--
Managerial remuneration	4,657	4,772	1,595	473	30,680	25,694	36,932	30,939
Company's contribution to provident fund	--	419	134	47	2,780	2,379	2,914	2,845
Perquisites and allowances								
Housing	180	180	138	44	4,563	4,156	4,881	4,380
Leave passage	344	--	--	--	532	--	876	--
Conveyance	466	419	132	46	3,015	2,542	3,613	3,007
Medical	47	122	60	3	1,402	1,585	1,509	1,710
Utilities	--	--	32	10	1,043	949	1,075	959
Others	--	--	6	2	634	581	640	583
	-----	-----	-----	-----	-----	-----	-----	-----
	5,694	5,912	2,099	628	44,649	37,886	52,442	44,426
	=====	=====	=====	=====	=====	=====	=====	=====
Number of persons	1	1	3	5	66	54	70	60
	=====	=====	=====	=====	=====	=====	=====	=====

**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>2000</i>			<i>1999</i>		
	<i>Rs. '000s</i>			<i>Rs. '000s</i>		
	<i>Interest bearing</i>	<i>Non</i>	<i>Total</i>	<i>Interest bearing</i>	<i>Non</i>	<i>Total</i>
	<i>Maturity</i>	<i>interest</i>		<i>Maturity</i>	<i>interest</i>	
	<i>more than</i>	<i>bearing</i>		<i>more than</i>	<i>bearing</i>	

	<i>Maturity with in one year</i>	<i>one year and less than five years</i>		<i>Maturity with in one year</i>	<i>one year and less than five years</i>		
<b>Financial assets</b>							
Long term investment	--	13,015	--	13,015	--	12,513	12,513
Trade debts	--	--	531,543	531,543	--	--	330,089
Loans and advances	--	--	2,962	2,962	--	--	1,440
Deposits, short term prepayments and other receivables	--	--	8,580	8,580	--	--	4,432
Cash and bank balances	--	--	165,632	165,632	--	--	61,770
	--	13,015	708,717	721,732	--	12,513	397,731
							410,244
<b>Financial liabilities</b>							
Long term finance	50,000	25,000	--	75,000	--	150,000	150,000
Long term deposits	--	13,015	--	13,015	--	12,503	12,503
Obligation under finance lease	5,146	9,615	--	14,761	18,488	14,760	33,248
Short term running finances	372,716	--	--	372,716	291,927	--	291,927
Creditors, accrued and other liabilities	15,564	--	486,972	502,536	23,030	--	431,995
Guarantees	--	--	12,636	12,636	--	--	9,897
Commitments	--	--	3,500	3,500	--	--	2,670
Letters of credit	--	--	74,870	74,870	--	--	31,256
	443,426	47,630	577,978	1,069,034	333,445	177,263	475,818
							986,526

### 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. 721.732 Million (1999: Rs. 410,244 Million) the financial assets which are subject to credit risk amounted to Rs. 530.277 Million (1999: Rs. 329.210 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>2000</i>	<i>1999</i>
<b>32.3 Effective interest rates and related risk</b>			
Long term finance	Fixed	14.75%	17.50%
Long term deposits	"	10.00%	12.70%
Obligation under finance lease	"	18.80 to 19%	18.80 to 20%
Short term running finances	Variable	7.50 to 16%	7.50 to 18.50%
Creditors, accrued and other liabilities	Fixed	10 to 18.75%	12.50 to 15%

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>2000</i>	<i>1999</i>
	<i>Rs. '000s</i>	<i>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	17,008	23,151
<b>Financial liabilities</b>		
Creditors, accrued and other liabilities - Foreign suppliers	9,870	9,538

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

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

<b>33.1 Associated undertakings</b>		
Purchases	9,999	11,697
Sales	574	1,163
Royalty - Bata Limited, Canada	1,104	1,391
<b>33.2 Wholly owned subsidiary</b>		
Purchases	--	600

### 34. 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>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
<b>Footwear in pairs</b>						
Rubber and canvas	1 to 2	1 to 2	3,100	3,100	2,215	2,629
Thongs	1 to 2	1 to 2	4,000	4,000	3,853	3,176
Leather	1	1	6,700	6,700	5,185	5,866
Plastic	3	3	4,200	4,200	3,238	3,185

34.1 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.

### 35. NUMBER OF EMPLOYEES

The number of permanent employees at the year end was 3,129 (1999: 3,171).

### 36. 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.

**C. MORZARIA**  
CHAIRMAN

**G. STRICKER**  
MANAGING DIRECTOR

### PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2000

<i>No. of Shareholders</i>	<i>Shareholding From To</i>		<i>Total Shares held</i>
660	1	100	35,985
660	101	500	168,686
107	501	1,000	78,133
60	1001	5,000	107,730
10	5,001	10,000	63,650
1	10,001	15,000	11,392
2	15,001	20,000	35,168
2	20,001	25,000	42,000
1	50,001	55,000	50,600
1	55,001	60,000	57,884
1	65,001	70,000	65,005
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
-----			-----
1,508			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	1,481	456,935	6.04
National Investment Trust	1	21,000	0.28
National Bank of Pakistan	1	2,107,767	27.88
Pakistan Industrial Credit and Investment Corporation	1	200,000	2.65
Investment Corporation of Pakistan	1	65,005	0.86
Insurance Companies	6	141,569	1.87
Joint Stock Companies	16	31,724	0.42
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	1,508	7,560,000	100.00
=====		=====	=====