FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31 2010

BALANCE SHEET
AS AT 31 DECEMBER 2010

	Note	2010	2009
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	**630,754**	582,411
Intangible assets	7	**9,960**	-
Long term investments	8	**37,823**	35,830
Long term deposits and prepayments	9	**39,216**	34,498
		717,753	652,739
CURRENT ASSETS			
Stores and spares	10	**1,157**	768
Stock in trade	11	**1,527,032**	1,281,862
Trade debts - unsecured	12	**22,325**	23,735
Advances - unsecured	13	**13,259**	3,191
Deposits, short term prepayments and other receivables	14	**410,517**	233,399
Interest accrued		**489**	3,851
Short term investments	15	**500,000**	350,000
Tax refunds due from Government	16	**445,479**	219,393
Cash and bank balances	17	**539,039**	461,249
		3,459,297	2,577,448
TOTAL ASSETS		**4,177,050**	3,230,187
SHARE CAPITAL AND RESERVES			
Authorized share capital	18.1	**100,000**	100,000
Issued, subscribed and paid up capital	18.2	**75,600**	75,600
Reserves			
Capital reserve	19	**483**	483
Revenue reserves	20	**2,665,217**	1,884,644
		2,665,700	1,885,127
		2,741,300	1,960,727
NON-CURRENT LIABILITIES			
Long term deposits	21	**37,823**	35,830
Deferred liability - employee benefits	22	**74,211**	69,196
Deferred taxation	23	**22,849**	17,098
		134,883	122,124
CURRENT LIABILITIES			
Trade and other payables	24	**988,890**	924,020
Short term borrowings - secured	25	**-**	-
Provision for taxation		**311,977**	223,316
		1,300,867	1,147,336
CONTINGENCIES AND COMMITMENTS	26		
TOTAL EQUITY AND LIABILITIES		**4,177,050**	3,230,187

The annexed notes from 1 to 44 form an integral part of these financial statements.

Chief Executive

Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010	2009
		(Rupees in '000)	
SALES	27	**8,329,829**	6,428,490
COST OF SALES	28	**4,997,901**	3,756,277
GROSS PROFIT		**3,331,928**	2,672,213
DISTRIBUTION COST	29	**1,597,220**	1,367,249
ADMINISTRATIVE EXPENSES	30	**468,339**	403,640
OTHER OPERATING EXPENSES	31	**92,660**	65,757
		2,158,219	1,836,646
OTHER OPERATING INCOME	32	**55,047**	12,638
OPERATING PROFIT		**1,228,756**	848,205
FINANCE COSTS	33	**39,735**	35,183
PROFIT BEFORE TAXATION		**1,189,021**	813,022
TAXATION	34	**317,728**	227,510
PROFIT AFTER TAXATION		**871,293**	585,512
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**871,293**	585,512
EARNINGS PER SHARE - BASIC AND DILUTED	35	**Rs. 115.25**	Rs. 77.45

The annexed notes from 1 to 44 form an integral part of these financial statements.

Chief Executive

Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010	2009
		(Rupees in '000)	
CASH GENERATED FROM OPERATIONS			
Profit before taxation		1,189,021	813,022
Non-cash adjustment to reconcile profit before tax to net cash flows:			
Depreciation of property, plant & equipment		86,593	82,270
Amortization of intangible assets		1,511	-
Provision for gratuity		6,831	8,386
Loss on disposal of property, plant and equipment		80	1,041
Profit on long and short term investments		(52,945)	(3,851)
Exchange gain		(212)	(888)
Finance costs		39,735	35,183
Provision for obsolescence - stores & spares		1,924	13,883
		83,517	136,024
Operating profit before working capital changes		1,272,538	949,046
Working capital adjustments:			
(Increase) / decrease in current assets:			
Stores and spares		(2,313)	(14,511)
Stock in trade		(245,170)	(7,573)
Trade debts - unsecured		1,622	71,671
Advances - unsecured		(10,068)	(2,299)
Deposits, short term prepayments and other receivables		(8,467)	2,262
Tax refunds due from Government		(226,086)	(93,386)
		(490,482)	(43,836)
Increase in current liabilities:			
Trade and other payables		64,408	246,926
Cash generated from operations		846,464	1,152,136
Finance costs paid		(39,735)	(37,545)
Income tax paid		(391,967)	(223,639)
Gratuity paid		(1,816)	(1,970)
Interest income received		56,307	-
		(377,211)	(263,154)
Net (decrease)/increase in long term deposits		(2,725)	16,475
Net cash generated from operating activities		466,528	905,457
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	(141,653)	(121,176)
Purchase of intangible assets	7	(11,471)	-
Proceeds from sale of property, plant and equipment	6.5	6,637	3,676
Increase in long term investments		(1,993)	(5,180)
Net cash used in investing activities		(148,480)	(122,680)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		(90,258)	(60,480)
Net cash used in financing activities		(90,258)	(60,480)
NET INCREASE IN CASH AND CASH EQUIVALENTS		227,790	722,297
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		811,249	88,952
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	36	1,039,039	811,249

The annexed notes from 1 to 44 form an integral part of these financial statements.

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital	Capital reserve	General reserve	Unappropriated profits	Total
	Rupees in '000				
Balance as at 31 December 2008	75,600	483	880,000	479,612	1,435,695
Final dividend for 2008 @ Rs. 8.00 per share	-	-	-	(60,480)	(60,480)
Transfer to general reserve for 2008	-	-	418,000	(418,000)	-
Total comprehensive income for the year	-	-	-	585,512	585,512
Balance as at 31 December 2009	75,600	483	1,298,000	586,644	1,960,727
Final dividend for 2009 @ Rs. 12.00 per share	-	-	-	(90,720)	(90,720)
Transfer to general reserve for 2009	-	-	494,000	(494,000)	-
Total comprehensive income for the year	-	-	-	871,293	871,293
Balance as at 31 December 2010	75,600	483	1,792,000	873,217	2,741,300

The annexed notes from 1 to 44 form an integral part of these financial statements.

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

1. LEGAL STATUS AND OPERATIONS

Bata Pakistan Limited (the Company) was incorporated in Pakistan as a public limited company and its shares are 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

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards.

2.2.1 Amendments to published standards effective in 2010

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2010.

	Standard or Interpretation	Effective date (periods beginning on or after)
IAS - 27	Consolidated and separate Financial Statements (Revised)	01 July 2009
IAS - 39	Financial Instruments: Recognition and measurement: Eligible hedged items: (Amendment)	01 July 2009
IFRS - 2	Share-based Payments: Amendments Relating to Group Cash-setteled Share-based Payment Transactions	01 January 2010
IFRS - 3	Business Combinations (Revised)	01 July 2009
IFRIC - 17	Distribution of Non-cash Assets to owners	01 July 2009

In May 2008 and April 2009, International Accounting Standards Board issued ammendements to various standards primarily with a view to removing inconsistencies and clarifying wording.

Thses improvements are listed below:

Issued in May 2008

IFRS 5 -Non-Current Assets Held for Sale and Discontinued Operations

Issued in April 2009

IFRS 2 -Share-based Payments
IFRS 5 -Non-Current Assets Held for Sale and Discontinued Operations
IFRS 8 -Operating Segments
IAS 1 -Presentation of Financial Statements
IAS 7 -Statement of Cash Flows
IAS 17 -Leases
IAS 36 -Impairment of Assets
IAS 38 -Intangible Assets
IAS 39 -Financial Instruments: Recognition and Measurement
IFRIC 9 -Reassessment of Embedded Derivatives
IFRIC 16 -Hedges of a Net Investment in a Foreign Operation

The adoption of the above standards, amendments / improvements and interpretations did not have any effect on the financial statements of the Company.

2.2.2 Standards issued but not yet effective

The following revised standards, amendments and interpretations have been published that are mandatory for the Company's accounting periods beginning on or after dates published below:

	Standard or Interpretation	Effective date (periods beginning on or after)
IAS - 12	Income Taxes: Deferred Tax Amendment – Recognition of Underlying Assets	01 January 2012
IAS - 24	Related Party Disclosures (Revised)	01 January 2011
IAS - 32	Financial Instruments: Presentation - Classification of Rights Issues (Amendment)	01 February 2010
IFRIC - 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendments)	01 January 2011
IFRIC - 19	Extinguishing Financial Liabilities with Equity Instruments	01 July 2010

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosure in the financial statements.

In addition to the above, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

3. BASIS OF PREPARATION

3.1 Basis of measurement

These financial statements have been prepared under the historical cost convention except that certain employee benefits are recognized on the basis mentioned in note 5.1. In these financial statements, except for cash flow statement, all the transactions have been accounted for on accrual basis.

3.2 Presentation currency

These financial statements are presented in Pak Rupee, which is the Company's functional currency.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors involving a higher degree of expectations of future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if revision affects both current and future periods. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

4.1 Employee benefits

The cost of defined benefit retirement plan (gratuity) is determined using actuarial valuations (projected unit credit method) performed by independent actuaries. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. All assumptions are reviewed at each reporting date.

4.2 Taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the decisions by appellate authorities on certain issues in the past.

4.3 Useful lives, residual values, pattern of flow of economic benefits and impairment

Estimates with respect to depreciable lives, residual values, and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, as explained in Note 5.4, the Company reviews the value of the assets for possible impairments on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

4.4 Provision for obsolescence of stores and spares

Provision for obsolescence of stores and spares is made on the basis of management's estimate of net realizable value and ageing analysis prepared on an item-by-item basis.

4.5 Provision for doubtful debts

The Company reviews its trade and other receivables at each reporting date to assess whether provision should be recorded in profit and loss account. Especially, judgment by management is required in the estimation of the amount and timing of future cash flows while determining the extent of provision required. Such estimates are based on assumption about a number of factors including credit history of counter party. Actual cash flows may differ resulting in subsequent changes to the provisions.

Other areas where estimates and judgments are involved have been disclosed in respective notes to the financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Employee benefits

Defined benefit plan

A defined benefit involves a defined amount of gratuity that an employee will receive on retirement, which is usually dependent on one or more factors such as age, years of service and compensation.

The Company operates an un-funded gratuity scheme covering all employees, excluding managerial staff. The entitlement to gratuity is determined as follows:

a) For employees, who are members of the provident fund scheme, the provision is calculated with reference to 3 weeks' basic salary for each completed year of service.

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

Actuarial valuation of defined benefit scheme is conducted annually and the most recent valuation was carried out as of 31 December 2010 using projected unit credit method.

The Company's policy with regards to recognition of actuarial gains / losses is to follow minimum recommended approach as defined in IAS 19. These gains and losses are recognized over the expected average remaining working lives of the employees.

The defined benefit asset or liability comprises the present value of defined benefit obligation less unrecognized past service cost and is disclosed in Note 22.

Defined contribution plan

The Company operates a recognized provident fund scheme for its employees. Equal monthly contributions by the Company and employees at the rates of 8% and 10% of the basic salary are made to employees' provident fund and managerial staff provident fund, respectively.

5.2 Taxation

Current

The charge for current taxation is provided on taxable income relatable to local sales at current rate of tax after recognizing tax credit, rebates and exemptions available, if any. In case of import and export of shoes, the current taxation is provided on the basis of presumptive tax regime in accordance with the provisions of the Income Tax Ordinance, 2001.

Deferred

Deferred income tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liability is recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, if any, to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference, carry-forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled based on tax rates that have been enacted or substantially enacted at the balance sheet date.

Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax except;

– Where the sales tax incurred on purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of expense as applicable.

– Receivables and payable that are stated with the amount of sales tax included.

The net amount of sales tax receivable from, or payable to, the taxation authority is included as part of receivable or payable in the financial statements.

5.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except land which is stated at cost.

Depreciation is charged to income applying reducing balance method at the rates prescribed in note 6.1 of these financial statements to write off the cost over the useful lives of these assets. Depreciation on additions to property, plant and equipment is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is disposed off.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other expenditure in the form of normal repair and maintenance is charged to profit and loss account as and when incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Capital work in progress

Capital work in progress represents expenditure on property, plant and equipment in course of construction, installation and in transit. Transfers are made to relevant category of property, plant and equipment as and when assets are available for use. Capital work in progress is stated at cost, less any identified impairment loss.

5.4 Impairment of non-financial assets

At each balance sheet date, the carrying amount of assets is reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account as incurred. The recoverable amount is higher of an asset's fair value less cost to sell and value in use.

When conditions giving rise to impairment loss subsequently reverse, impairment loss is reversed and carrying amount of the asset is increased to the revised recoverable amount. Revised carrying amount is limited to carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of impairment loss is immediately recognized in profit and loss account.

5.5 Operating leases

Asset leased out under operating lease represents the Company's rubber factory that has been leased out to a third party for processing of the Company's products and is included in fixed assets of the Company under the head plant and machinery as referred to in note 6.1. These are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

5.6 Intangibles

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit and loss account when the asset is derecognized.

5.7 Investments

These represent investments with fixed maturity in respect of which Company has the positive intent and ability to hold till maturity. These are initially recognized at cost including transaction costs and are subsequently carried at amortized cost.

5.8 Stores and spares

These have been valued on the following basis subject to an estimated obsolescence reserve.

Purchased - at weighted average cost.
In transit - at actual cost.

5.9 Stock in trade

These are stated at lower of cost and net realizable value. The methods used for calculation of cost are as follows:

Raw material

Own production - at weighted average cost.
Purchased - at weighted average cost.
In transit - at actual cost.

Work in process - at production cost

Finished goods

Own production - at production cost on first in first out (FIFO) basis.
Purchased - at actual cost on first in first out (FIFO) basis.
In transit - at actual cost

Cost is calculated as the cost of materials, direct labour and appropriate production overheads estimation based on normal capacity levels. Net realizable value is based on estimated selling price in the ordinary course of business less estimated cost to completion and estimated cost necessary to make the sale.

5.10 Provision for doubtful debts

A provision for doubtful debts / other receivables is based on management's assessment of customers' outstanding balances and credit worthiness. The amount of the provision is recognized in the profit and loss account. Trade debts and other receivables are written off when considered irrecoverable.

5.11 Contingencies and commitments

Contingent liabilities are disclosed when:

- There is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.
- There is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

5.12 Foreign currency transactions and translations

Foreign currency transactions are recorded at the rate of exchange approximating those prevailing on the dates of transactions. Monetary assets and liabilities in foreign currency are reported in Pak rupees at the rate of exchange approximating those prevailing at the balance sheet date. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

Foreign exchange gains and losses are presented in the profit and loss account within "other operating income" and "other operating expenses" respectively.

5.13 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of borrowings using the effective interest method.

5.14 Provisions

Provisions are recognized when the company has a present obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is made using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

5.15 Revenue recognition

(i) Sale of goods - Wholesale

The Company manufactures, imports and sells a range of footwear products in the wholesale market. Sales of goods are recognized when the Company has delivered products to the wholesaler.

(ii) Sale of goods - Retail

The Company operates a chain of retail outlets for selling shoes and other products. Sales are recognized when product is sold to the customer. Sales are usually in cash or by credit card.

(iii) Loyalty Programmes

IFRIC 13 requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognized as revenue over the period that the award credits are redeemed.

(iv) Profit on investments

Profit on investments is accounted for on accrual basis using effective interest method.

(v) Profit on bank deposits

Profit on bank deposits is accounted for on accrual basis.

(vi) Operating lease arrangement

Rental income is recognized on accrual basis over the period of lease agreement.

5.16 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits with banks, other short term investments with original maturities of three months or less and bank overdrafts.

For the purposes of cash flow statement, cash and cash equivalents comprise of cash in hand, cash in transit, bank balances and short term investments.

5.17 Financial Instruments

Recognition and measurement

All the financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All the financial assets and liabilities are initially measured at fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be.

Major categories of financial assets represent investments, advances, deposits, trade debts, other receivables and cash and bank balances.

Financial liabilities are classified according to substance of the contractual arrangements entered into and mainly comprise of creditors, accrued expenses and other payables.

The Company derecognizes financial assets or a portion of financial assets when, and only when, the Company loses control of the contractual rights that comprise the financial asset or portion of financial asset. A financial liability or part of financial liability is derecognized from the balance sheet when, and only when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

Any gain / (loss) on the recognition and de-recognition of the financial assets and liabilities is included in the profit and loss for the period in which they arise.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in profit and loss account.

Held-to-maturity investments represent financial instruments which the Company has the positive intent and ability to hold to maturity. These are measured at amortized cost using the effective interest method, less any impairment.

.

5.18 Offsetting of financial assets and financial liabilities

A financial asset and liability is offset against each other and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the asset and settle the liability simultaneously. Corresponding income from the financial asset and charge on the financial liability is also off set.

5.19 Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of the impairment may include indicators that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Company first assesses whether objective evidence of impairment exists or not.

The amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the profit and loss account.

5.20 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length price on the same terms and conditions as third party transactions using comparable uncontrolled price method.

Parties are said to be related if they are able to influence the operating and financial decisions of the Company and vice versa.

5.21 Dividend and appropriation to reserves

Dividend and other appropriation to reserves are recognized in the financial statements in the period in which these are approved.

5.22 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decision. The management has determined that the Company has a single reportable segment as Board of Directors views the Company's operations as one reportable segment.

6. PROPERTY, PLANT AND EQUIPMENT

	Note	2010	2009
		(Rupees in '000)	
Operating assets	6.1	629,402	580,490
Capital work-in-progress	6.2	1,352	1,921
		630,754	582,411

6.1 Operating assets

DESCRIPTION	Note	2010 COST: As at 01 Jan 2010	Additions	Disposals	As at 31 Dec. 2010	ACCUMULATED DEPRECIATION: As at 01 Jan 2010	Charge for the year	Disposals	As at 31 Dec 2010	Book value As at 31 Dec. 2010	Depreciation Rate %
		(Rupees in '000)									
Land											
Freehold		2,508	-	-	2,508	-	-	-	-	2,508	-
Leasehold with super structure		35	-	-	35	-	-	-	-	35	-
Buildings on freehold land											
Factory		65,311	756	-	66,067	51,980	1,381	-	53,361	12,706	10
Others		72,265	-	-	72,265	38,437	1,691	-	40,128	32,137	5
Plant and machinery	6.3	413,474	43,749	(9,322)	447,901	282,383	14,740	(7,753)	289,370	158,531	10
Boiler		2,967	-	-	2,967	2,683	28	-	2,711	256	10
Gas installations		1,090	15	-	1,105	932	17	-	949	156	10
Office equipment		4,969	337	(37)	5,269	2,764	231	(11)	2,984	2,285	10
Computers		50,297	13,018	(5,839)	57,476	28,610	6,636	(5,043)	30,203	27,273	25
Furniture, fixtures and fittings		606,298	80,660	(5,454)	681,504	236,224	60,366	(1,132)	295,458	386,046	15
Vehicles		11,451	3,687	(123)	15,015	6,162	1,503	(119)	7,546	7,469	20
		1,230,665	142,222	(20,775)	1,352,112	650,175	86,593	(14,058)	722,710	629,402	

DESCRIPTION	Note	2009 COST: As at 01 Jan 2009	Additions	Disposals	As at 31 Dec. 2009	ACCUMULATED DEPRECIATION: As at 01 Jan 2009	Charge for the year	Disposals	As at 31 Dec 2009	Book value As at 31 Dec. 2009	Depreciation Rate %
		(Rupees in '000)									
Land											
Freehold		2,508	-	-	2,508	-	-	-	-	2,508	-
Leasehold with super structure		35	-	-	35	-	-	-	-	35	-
Buildings on freehold land											
Factory		65,313	-	(2)	65,311	50,501	1,481	(2)	51,980	13,331	10
Others		71,443	822	-	72,265	36,685	1,752	-	38,437	33,828	5
Plant and machinery	6.3	422,295	12,539	(21,360)	413,474	287,113	14,060	(18,790)	282,383	131,091	10
Boiler		2,967	-	-	2,967	2,651	32	-	2,683	284	10
Gas installations		1,063	27	-	1,090	916	16	-	932	158	10
Office equipment		4,587	382	-	4,969	2,540	224	-	2,764	2,205	10
Computers		41,763	8,891	(357)	50,297	22,710	6,058	(158)	28,610	21,687	25
Furniture, fixtures and fittings		514,502	95,355	(3,559)	606,298	180,304	57,595	(1,675)	236,224	370,074	15
Vehicles		12,403	1,239	(2,191)	11,451	7,237	1,052	(2,127)	6,162	5,289	20
		1,138,879	119,255	(27,469)	1,230,665	590,657	82,270	(22,752)	650,175	580,490	

6.2 Capital work-in-progress

	Note	2010 (Rupees in '000) Opening Balance	Additions	Transfers	Closing Balance
Tangible					
Plant and machinery		34	-	(34)	-
Vehicles		1,725	889	(1,725)	889
		1,759	889	(1,759)	889
Inangible					
Advance for software development	6.2.1	162	301	-	463
		1,921	1,190	(1,759)	1,352

	2009 (Rupees in '000) Opening Balance	Additions	Transfers	Closing Balance
Tangible				
Plant and machinery	-	34	-	34
Vehicles	-	1,725	-	1,725
	-	1,759	-	1,759
Inangible				
Advance for software development	-	162	-	162
	-	1,921	-	1,921

6.2.1 This relates to payments made for development and implementaion of Purchase Order Processing, Production Tracking and Inventory Control software. It is to be classified as intangible asset on completion.

6.3 Included in plant and machinery above are amounts aggregating to Rs. ('000) 13,150 (2009: Rs. ('000) 14,355) representing net book value of assets held by The Unique Rubber Kraft (TURK), a third party under an operating lease arrangement.

6.4 Allocation of depreciation expense

The depreciation charge for the year has been allocated as follows:

	Note	2010	2009
		(Rupees in '000)	
Cost of sales	28	16,158	15,581
Distribution cost	29	64,213	61,283
Administrative expenses	30	6,222	5,406
		86,593	82,270

6.5 Disposal of property, plant and equipment

Description of assets	Name of Buyer	Original cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss)	Mode of disposal
Plant and machinery							
Generators, water pumps and air compressors	Mr. Malik Zulfiqar Ali, Lahore	2,852	2,474	378	656	278	Negotiation
Various equipment	Mr. Tanveer Ali, Lahore	184	146	38	41	3	Negotiation
Air conditioners and chillers	Mr. Ghulam Muhayuddin, Lahore	2,253	1,850	403	857	454	Negotiation
Various equipment	Mr. Malik Zulfiqar Ali, Lahore	3,707	2,982	725	562	(163)	Negotiation
Insole trollies	Mr. Khalid Waheed & Sons, Lahore	326	301	25	171	146	Negotiation
		9,322	7,753	1,569	2,287	718	
Office equipment							
Cameras	M/s New Jubilee Insurance Company Limited, Lahore	37	11	26	26	-	Insurance Claim
		37	11	26	26	-	
Computers							
Dot matrix printers, scanners and jet printers	Mr. Syed Ibrar Hussain, Narowal	3,138	2,818	320	112	(208)	Negotiation
Laptops and monitors	M/s New Jubilee Insurance Company Limited, Lahore	103	53	50	88	38	Insurance Claim
Laptop and computer sets	Various	2,598	2,172	426	-	(426)	Scrapped
		5,839	5,043	796	200	(596)	
Furniture, fixtures and fittings							
Steel cabinets, chairs and tables	Mr. Tanveer Ali, Lahore.	9	8	1	12	11	Negotiation
Carpets	Mr. Bashir Khan, Lahore	44	37	7	-	(7)	Negotiation
Various items	Mr. Muhammad Akram, Lahore	147	137	10	78	68	Negotiation
Chairs, stools, and hosiery units	Mr. Malik Zulfiqar Ali, Lahore	177	158	19	24	5	Negotiation
Various items	M/s New Jubilee Insurance Company Limited, Lahore	5,077	792	4,285	3,810	(475)	Insurance Claim
		5,454	1,132	4,322	3,924	(398)	
Vehicles							
Nissan pick - up	Mr. Muhammad Ayub, Lahore	123	119	4	200	196	Negotiation
		123	119	4	200	196	
Rs. ('000) - 2010		20,775	14,058	6,717	6,637	(80)	
Rs. ('000) - 2009		27,469	22,752	4,717	3,676	(1,041)	

7. INTANGIBLE ASSETS

DESCRIPTION	2010							
	COST			ACCUMULATED AMORTIZATION			BOOK VALUE	
	As at 01 Jan 2010	Additions	As at 31 Dec. 2010	As at 01 Jan 2010	Charge for the year	As at 31 Dec 2010	As at 31 Dec. 2010	Amortisation Rate %
	(Rupees in '000)							
Computer software licenses	-	11,471	11,471	-	1,511	1,511	9,960	33
	-	11,471	11,471	-	1,511	1,511	9,960	

7.1 The amortization charge for the year has been allocated to administrative expenses as referred to in note 30.

	Note	2010	2009
		(Rupees in '000)	

8. LONG TERM INVESTMENTS

Held to maturity at amortized cost

	Note	2010	2009
PLS Term Deposit Receipts	8.1	37,823	35,830

8.1 These deposits are earmarked against the balances due to employees held as securities and personal accounts as stated in note 21. These carry mark-up at the rates ranging from 11.5% to 12.5% (2009: 11.5% to 16.5%) per annum.

9. LONG TERM DEPOSITS AND PREPAYMENTS

	Note	2010	2009
Security deposits	9.1	12,427	12,915
Prepaid rent	9.2	67,530	67,032
Less: Adjustable within one year	14	40,741	45,449
		26,789	21,583
		39,216	34,498

9.1 This includes the amounts given as securities to landlords in respect of operating leases of shops.

9.2 Prepaid rent is amortized as rent expense is incurred, in accordance with the terms of rent agreements.

10. STORES AND SPARES

	2010	2009
Stores	2,692	1,775
Spares	23,195	22,188
	25,887	23,963
Less: Obsolescence reserve	25,887	23,963
	-	-
Spares in transit	1,157	768
	1,157	768

10.1 The Company does not hold any stores and spares for specific capitalization.

11. STOCK IN TRADE

	2010	2009
Raw Material		
In hand	175,914	117,677
In transit	101,222	87,806
	277,136	205,483
Goods in process	59,483	41,249
Finished Goods		
Own production	426,512	343,071
Purchased	726,170	584,647
	1,152,682	927,718
In transit	37,731	107,412
	1,527,032	1,281,862

12. TRADE DEBTS - UNSECURED

Considered Good

	Note	2010	2009
Due from customers	12.1	17,267	18,931
Due from related parties	12.2	5,058	4,804
		22,325	23,735

12.1 No provision for doubtful debts is made because no customers were past due or impaired at the balance sheet date. Further, these customers have no recent history of default. For age analysis of these trade debts, refer to Note 38.2.2.

	Note	2010	2009
		(Rupees in '000)	
12.2 Due from related parties - unsecured			
Bata Shoe Company (Sri Lanka)		4,726	3,979
Futura Footwear (South Africa) Limited		-	825
Bata Brands Switzerland		332	-
		5,058	4,804

12.3 Maximum aggregate amount due from related parties at the end of any month in the year was Rs. ('000) 10,142 (2009: Rs. ('000) 9,963). No interest has been charged on the amounts due from related parties.

12.4 Aggregate amount due from Directors, Chief Executives and Executives of the Company is nil (2009: Nil)

13. ADVANCES - UNSECURED

	Note	2010	2009
Considered good, non-interest bearing			
Advances to employees		1,679	912
Advances to suppliers		10,867	2,279
Letters of credit - Margin		713	-
		13,259	3,191

13.1 Aggregate amount due from Directors, Chief Executives and Executives of the Company is nil (2009: Nil)

13.2 Aggregate amount due from related parties is nil (2009: Nil)

14. DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES

	Note	2010	2009
Deposits - Considered good			
Custom duty and taxes		6,374	7,067
Letters of guarantee - Margin		3,911	4,139
Others		5,786	3,298
		16,071	14,504
Short term prepayments			
Prepaid rent	9	40,741	45,449
Prepaid sales tax		698	527
Other prepaid expenses		3,313	1,566
		44,752	47,542
Other receivables			
Considered good			
Export rebates		3,283	1,895
Insurance claims		8,537	1,018
Advance tax	14.1	336,841	168,190
Others		1,033	250
		349,694	171,353
Considered doubtful			
Advance rent		1,585	1,585
Others		486	486
		2,071	2,071
Less: Provision for doubtful balances		(2,071)	(2,071)
		-	-
		410,517	233,399

	Note	2010	2009
		(Rupees in '000)	

14.1 Advance tax

Balance as at 01 January		168,190	113,374
Advance tax paid during the year		391,967	223,639
		560,157	337,013
Adjustment against provision for tax		(223,316)	(168,823)
Balance as at 31 December		336,841	168,190

14.2 Other receivables do not include any amounts receivable from Directors, Chief Executives, Executives and related parties (2009: Nil).

15. SHORT TERM INVESTMENTS

These include the following term deposits receipts:

	Rate of return	Period of deposit	2010	2009
United Bank Limited	12.75%	1 month	500,000	-
Bank Al Habib Limited	11.85%	1 month	-	100,000
Habib Metropolitan Bank Limited	11.70%	3 months	-	150,000
Habib Bank Limited	12.50%	3 months	-	100,000
			500,000	350,000

16. TAX REFUNDS DUE FROM GOVERNMENT

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

17. CASH AND BANK BALANCES

	Note	2010	2009
Bank balances - in current accounts	17.1	505,142	446,646
Cash in transit		30,916	12,651
Cash in hand		2,981	1,952
		539,039	461,249

17.1 This includes over-night saving facility bearing mark up at the rate of 5% to 10% per annum (2009: nil).

18. SHARE CAPITAL

18.1 Authorized share capital

2010	2009		2010	2009
(Number of shares in '000)			(Rupees in '000)	
10,000	10,000	Ordinary shares of Rs. 10/- each	100,000	100,000
10,000	10,000		100,000	100,000

18.2 Issued, subscribed and paid up capital

2010	2009		2010	2009
(Number of shares)			(Rupees in '000)	
1,890,000	1,890,000	Ordinary shares of Rs. 10/- each fully paid in cash	18,900	18,900
300,000	300,000	Ordinary shares of Rs. 10/- each issued for consideration other than cash	3,000	3,000
5,370,000	5,370,000	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	53,700	53,700
7,560,000	7,560,000		75,600	75,600

18.2.1 Bafin B.V. (Nederland) (the parent company) holds 4,536,000 (2009: 4,536,000) ordinary shares of Rs. 10 each.

19. CAPITAL RESERVE

This represents the balance of foreign shareholders' equity in Globe Commercial Enterprises Limited (a related party) gifted to the Company on its winding up, and is not available for distribution.

20. REVENUE RESERVES

	2010	2009
General Reserve		
Balance as at 01 January	1,298,000	880,000
Transfer from profit and loss account	494,000	418,000
	1,792,000	1,298,000
Unappropriated profit	873,217	586,644
	2,665,217	1,884,644

21. LONG TERM DEPOSITS

	2010	2009
Employees' securities and personal accounts	37,823	35,830

21.1 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% (2009: 9%) per annum is being paid on the monthly outstanding balances.

21.2 In accordance with provisions of Section 226 of the Companies Ordinance, 1984, this amount has been invested in PLS Term Deposit Receipts and is shown separately as long term investments in Note 8.

22. DEFERRED LIABILITY - EMPLOYEE BENEFITS

22.1 Provision for gratuity - un-funded defined benefit plan

The amount recognized in the balance sheet is as follows:

	2010	2009
Present Value of defined benefit obligation	61,112	56,926
Add: Actuarial gains to be recognized in later periods	13,099	12,270
	74,211	69,196

22.2 The amount recognized in the profit and loss account is as follows:

	2010	2009
Current service cost	616	574
Interest cost	6,831	7,926
Actuarial gains recognized during the year	(616)	(454)
Non-vested past service cost charge	-	340
	6,831	8,386

	2010	2009
	(Rupees in '000)	

22.3 Movement in the net liability recognized in the balance sheet is as follows:

	2010	2009
Opening liability	69,196	62,780
Amount recognized during the year	6,831	8,386
Payments made by the Company during the year	(1,816)	(1,970)
Closing liability	74,211	69,196

22.4 Principal actuarial assumptions

The principal actuarial assumptions used in the actuarial valuation of this scheme by applying projected unit credit method as on 31 December are as follows:

	2010	2009
Expected rate of salary increase in future years	11%	11%
Discount rate	12%	12%
Average expected remaining working life time of employees	11 Years	11 Years
Expected mortality rate	EFU (61-66) Mortality table	EFU (61-66) Mortality table

22.5 Historical information

As at 31 December	2010	2009	2008	2007	2006
			(Rupees in '000)		
Present value of defined benefit obligation	74,211	69,196	62,780	67,403	66,610
Experience adjustments on plan liabilities	13,099	12,270	10,278	5,851	3,539

23. DEFERRED TAXATION

	Note	2010	2009
		(Rupees in '000)	
Deferred tax liabilities			
Accelerated tax depreciation		58,608	50,429
Deferred tax assets			
Provision for:			
Gratuity		(25,974)	(24,219)
Doubtful debts		(725)	(725)
Obsolescence of stores and spares		(9,060)	(8,387)
		(35,759)	(33,331)
Net deferred tax liability		22,849	17,098

24. TRADE AND OTHER PAYABLES

	Note	2010	2009
Trade Creditors	24.1	604,867	613,561
Accrued liabilities	24.2	219,473	193,374
Advances from customers		7,824	3,189
Due to provident fund trust		8,627	5,728
Deposits	24.3	26,571	22,276
Workers' profit participation fund	24.4	63,896	43,688
Workers' welfare fund		23,780	16,260
Sales tax payable		2,771	968
Taxes deducted at source payable		15,251	12,436
Unclaimed dividend		3,069	2,607
Other liabilities		12,761	9,933
		988,890	924,020

	2010	2009
	(Rupees in '000)	
24.1 This includes amounts due to the following related parties:		
Bata Shoe Singapore Pte Limited	38,043	107,240
Bata Brands (Switzerland)	44,099	33,666
Global Footwear Services (Singapore)	3,070	2,763
Bata Compar S.P.A. (Italy)	-	3,987
Bata Marketing Sdn. Bhd., (Malaysia)	217	293
Bata Shoe Company (Kenya)	-	271
	85,429	148,220

24.1.1 No interest has been paid / accrued on the amounts due to related parties.

24.2 These include an amount of Rs. ('000) 1,014 (2009: ('000) 837) in relation to deferred revenue pertaining to Bata Loyalty Cards scheme, which has been recently launched by the Company.

24.3 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% (2009: 9%) per annum. These are repayable on termination / completion of the contract and on returning the Company's property already provided to them. The Company has a right to utilize these deposits in accordance with the terms of the agreements entered with agency holders.

24.4 Workers' profit participation fund

	2010	2009
Balance as at 01 January	43,688	35,678
Allocation for the year	63,896	43,688
Interest on funds utilized in company's business	1,218	789
	108,802	80,155
Less: Amount adjusted / paid to fund's trustees	(44,906)	(36,467)
Balance as at 31 December	63,896	43,688

25. SHORT TERM BORROWINGS - SECURED

The credit facilities available to the Company from various commercial banks aggregate to Rs.735 million (2009: Rs. 735 million). These include cash finance facilities of Rs. 700 million (2009: Rs. 700 million) and export finance facility of Rs. 35 million (2009: Rs. 35 million). Both the above facilities remained unutilized at the year end.

Mark up on cash finance is based on 1 to 3 months KIBOR plus 0.75% to 1% (2009: 1 to 3 months KIBOR plus 0.75% to 2.25%) as per agreements with banks. Mark up on export finance is charged at 11.00% (2009: 7.25%) per annum.

In addition, non funded facilities of letters of guarantee and letters of credit amounting to Rs. 305 million (2009: Rs. 235 million) were also provided by these banks. The un-utilized facility for letter of credits and guarantees at year end amounts to Rs. 246 million (2009: Rs. 59 million).

These finances are secured against hypothecation of stock in trade, store and spares and receivables of the Company amounting to Rs. 1,194 million (2009: Rs. 1,194 million).

	Note	2010	2009
		(Rupees in '000)	

26. CONTINGENCIES AND COMMITMENTS

26.1 The Company is contingently liable for:

	Note	2010	2009
Counter guarantees given to banks		7,204	6,311
Indemnity bonds given to Custom Authorities		26,790	31,319
Claims not acknowledged as debts - under appeal		76,413	20,848
Law suit by ex-employee - damages for malicious prosecution		3,000	3,000
Show cause notices by sales tax department-under appeals	26.1.1	-	138,851
Order by income tax department	26.1.2	3,659	3,659
Order by income tax department	26.1.3	2,702	-
		119,768	203,988

26.1.1 The case has been decided in favour of the Company by Appelate Tribunal Inland Revenue (ATIR) during the year.

26.1.2 The Company has received an order from Federal Board of Revenue (FBR) in respect of inadequacy of advance tax paid by the Company for the tax year 2008. The FBR has thus levied additional tax u/s 205 (IB) of the Income Tax Ordinance, 2001 amounting to Rs. 8.566 million.

The Company had provided an amount of Rs. 4.907 million on the basis of tax advisor's opinion and also filed an appeal with Commissioner Inland Revenue (CIR)(Appeals). CIR(Appeals) decided the case against the Comapny after which an appeal was filed with ATIR which is pending adjudication. The management expects a favorable outcome of the matter and accordingly no provision for the remaining amount has been made.

26.1.3 The Company has received an order from Federal Board of Revenue (FBR) in respect of alleged default that the tax at source was not properly deducted by the Company for the tax year 2005. The FBR after charging additional tax u/s 205(3) of the Income Tax Ordinance, 2001 created a demand of Rs. 2.702 million. The Company filed an appeal with CIR(Appeals) which is pending adjudication. The management expects a favorable outcome of the matter and accordingly no provision has been made.

26.2 Commitments

26.2.1 The Company has entered into rent agreements for retail shops. There are no restrictions placed upon the Company by entering into these agreements. Future minimum lease payable under these agreements as at 31 December are as follows:

	2010	2009
	(Rupees in '000)	
Within one year	427,571	339,593
After one year but not more than five years	1,386,432	1,200,267
More than five years	668,212	731,848
	2,482,215	2,271,708

26.2.2 Commitments in respect of:

	2010	2009
Capital expenditure	10,583	6,612
Letters of credit and bank contracts	326,932	175,641
	337,515	182,253

	Note	2010	2009
		(Rupees in '000)	

27. SALES

	Note	2010	2009
Shoes and accessories			
Local		9,029,556	6,790,440
Export		123,389	207,627
		9,152,945	6,998,067
Sundry articles and scrap material		19,170	9,459
		9,172,115	7,007,526
Less: Sales tax		121,641	89,228
Discounts to dealers and distributors		629,681	416,705
Commission to agents / business associates		90,964	73,103
		842,286	579,036
		8,329,829	6,428,490

28. COST OF SALES

	Note	2010	2009
Cost of goods manufactured	28.1	2,741,110	2,158,350
Finished goods purchased		2,412,074	1,741,708
Add: Opening stock of finished goods		1,035,130	891,349
Less: Closing stock of finished goods		(1,190,413)	(1,035,130)
		2,256,791	1,597,927
		4,997,901	3,756,277

28.1 Cost of goods manufactured

	Note	2010	2009
Raw material consumed			
Opening stock		205,483	322,978
Add: Purchases		2,386,004	1,648,409
		2,591,487	1,971,387
Less: Closing stock		277,136	205,483
		2,314,351	1,765,904
Store and spares consumed		8,835	8,638
Fuel and power		106,565	76,229
Salaries, wages and benefits	28.2	273,415	239,891
Repairs and maintenance	28.3	34,147	26,775
Insurance		5,873	6,619
Depreciation	6.4	16,158	15,581
		2,759,344	2,139,637
Add: Opening goods in process		41,249	59,962
		2,800,593	2,199,599
Less: Closing goods in process		59,483	41,249
		2,741,110	2,158,350

28.2 These include Rs. ('000) 7,503 (2009: Rs. ('000) 7,489) and Rs. ('000) 2,927 (2009: Rs. ('000) 3,669) in respect of contribution to provident fund trust and provision for gratuity respectively.

28.3 This includes write back / provision for obsolescence of stores and spares amounting to Rs. ('000) 1,924 (2009: Rs. ('000) 13,883).

	Note	2010	2009
		(Rupees in '000)	

29. DISTRIBUTION COST

	Note	2010	2009
Salaries and benefits	29.1	469,381	399,874
Freight		120,472	88,172
Advertising and sales promotion		108,414	105,700
Rent		429,702	360,987
Insurance		8,523	10,590
Trade mark license fee		195,536	150,766
Fuel and power		149,347	123,686
Repairs and maintenance		35,589	50,420
Entertainment		5,425	6,708
Business and property taxes		2,945	3,492
Excise duty		7,224	5,333
Depreciation	6.4	64,213	61,283
Miscellaneous		449	238
		1,597,220	1,367,249

29.1 These include Rs. ('000) 13,922 (2009: Rs. ('000) 12,521) and Rs. ('000) 1,934 (2009: Rs. ('000) 3,953) in respect of contribution to provident fund trust and provision for gratuity respectively.

30. ADMINISTRATIVE EXPENSES

	Note	2010	2009
Salaries and benefits	30.1	246,869	210,111
Employee welfare		17,998	17,517
Fuel and power		4,834	4,585
Telephone and postage		18,749	16,713
Insurance		2,215	1,279
Travelling		65,762	57,026
Repairs and maintenance		15,655	16,406
Printing and stationery		16,977	16,102
Donations and subscription	30.2	3,041	1,575
Legal and professional charges		9,256	3,734
Business and property taxes		606	415
Management service fee		48,014	41,485
Depreciation	6.4	6,222	5,406
Amortization on intangible assets	7.1	1,511	-
Miscellaneous		10,630	11,286
		468,339	403,640

30.1 These include Rs. ('000) 7,796 (2009: Rs. ('000) 4,311) and Rs. ('000) 1,970 (2009: Rs. ('000) 764) in respect of contribution to provident fund trust and provision for gratuity respectively.

30.2 None of the directors of the company or any of their spouses have any interest in the funds of donees.

	Note	2010	2009
		(Rupees in '000)	

31. OTHER OPERATING EXPENSES

	Note	2010	2009
Workers' profit participation fund		63,896	43,688
Workers' welfare fund		23,780	16,260
Auditors' remuneration	31.1	4,904	4,200
Payments under Voluntary Retirement Scheme		-	568
Loss on fixed assets sold / scrapped	6.5	80	1,041
		92,660	65,757

31.1 Auditors' remuneration

		2010	2009
Statutory audit		2,100	1,800
Review of six monthly accounts		700	600
Other reviews and certifications		1,304	1,122
Out of pocket expenses		800	678
		4,904	4,200

32. OTHER OPERATING INCOME

		2010	2009
Income from financial assets			
Profit on long term investments		5,336	6,146
Exchange gain		212	888
Profit on short term investments		25,919	3,851
Profit on bank deposits		21,690	-
		53,157	10,885
Income from non - financial assets			
Rent received		1,890	1,753
		55,047	12,638

33. FINANCE COSTS

	Note	2010	2009
Interest / mark-up on:			
Short term borrowings	25	-	1,815
Workers' profit participation fund		1,218	789
Provident fund trust		260	184
Employees / agents' securities and personal accounts	33.1	3,193	2,467
		4,671	5,255
Bank charges and commission	33.2	35,064	29,928
		39,735	35,183

33.1 These do not include any amounts on account of related parties (2009: Nil)

33.2 Included in bank charges and commission is an amount of Rs. ('000) 19,554 (2009: Rs. ('000) 16,813) in respect of excise duty paid on trade mark licence fee.

	Note	2010	2009
		(Rupees in '000)	

34. TAXATION

Current			
For the year		311,977	220,450
For prior years		-	2,866
		311,977	223,316
Deferred		5,751	4,194
		317,728	227,510
Relationship between tax expenses and accounting profit			
Accounting profit before taxation		1,189,021	813,022
Tax at applicable tax rate of 35% (2009: 35%)		416,157	284,558
Tax effect of expenses not allowed for tax		886	365
Effect of tax on export sales, imported finished goods and rental income under Final Tax Regime		(99,315)	(60,279)
Effect of prior years tax		-	2,866
Tax expense for the year		317,728	227,510

35. EARNINGS PER SHARE - BASIC AND DILUTED

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by weighted average number of ordinary shares outstanding during the year.
The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit after taxation - (Rupees in '000)		871,293	585,512
Weighted average number of ordinary shares (in thousands)	18.2	7,560	7,560
Earnings per share - basic and diluted (Rupees per share)		115.25	77.45

There is no dilutive effect on the basic earnings per share of the Company.

36. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

Bank balances - in current accounts		505,142	446,646
Short term investments		500,000	350,000
Cash in transit		30,916	12,651
Cash in hand		2,981	1,952
		1,039,039	811,249

37. REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for the year in respect of remuneration, including all benefits to Chief Executive, Directors and Executives of the Company are as follows:

	Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
			(Rupees in '000)			
Managerial remuneration	26,937	17,607	20,246	11,182	44,120	41,610
Company's contribution						
to provident fund	1,943	1,458	511	473	2,854	2,629
Perquisites and allowances						
Housing	-	-	438	406	11,254	9,205
Leave passage	1,575	1,220	512	341	-	-
Conveyance	-	-	194	180	2,719	2,349
Medical expenses reimbursed	125	78	766	91	1,634	2,317
Utilities	-	-	194	180	2,719	2,349
Others	-	-	4,556	2,305	8,050	7,662
	30,580	20,363	27,417	15,158	73,350	68,121
Number of persons	1	1	2	2	34	29

37.1 In addition to the above, 5 (2009: 5) non executive directors were paid aggregated fee of Rs. ('000) 180 (2009: Rs. ('000) 270) for attending meetings.

37.2 The Chief Executive and one director of the Company are provided with company-maintained cars.

38. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company's principal financial liabilities comprise long term deposits and trade and other payables. The Company's financial assets mainly comprise long term investments, security deposits, trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Company's principal financial liabilities and financial assets are exposed to a variety of financial risks including the effect of market risks relating to interest rates and foreign exchange, credit risk and liquidity risk.

The Company's Board of Directors (The Board) reviews and agrees policies for the management of these risks. The board has the responsibility for establishment of a financial risk governance frame work. They provide assurance that the financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies.

38.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices such as interest rate risk, currency risk and other price risk such as equity price risk. The objective of the market risk management is to manage and control market exposures with in acceptable range, while optimizing the return.

38.1.1 Interest rate risk exposure

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term debt obligations, which are borrowed at floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate borrowings and investments.

The Company's exposure to interest rate risk on its financial assets and liabilities is summarized below:

	Fixed or variable	2010	2009	2010	2009
		Effective rates		Rupees in ('000)	
Financial Assets					
Long term investments	Fixed	11.50 to 12.50%	11.50 to 16.50%	37,823	35,830
Short term investments	Variable	11.90 to 12.75%	11.70 to 12.50%	500,000	350,000
Cash and bank balances	Fixed	5.00 to 10.00%	-	501,110	461,249
				1,038,933	847,079
Financial Liabilities					
Long term deposits - employees' securities	Fixed	10.00%	9.00%	37,823	35,830
Trade and other payables					
Deposits - agents	Fixed	10.00%	9.00%	26,571	22,276
Workers' profit participation fund	Fixed	90.00%	60.00%	63,896	43,688
				128,290	101,794

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have changed Company's profit before tax for the year by an amount shown below, with all other variables held constant.

	Variation in basis points	2010 Rupees in '000 Effect on Profit Before Tax	2009 Effect on Profit Before Tax
Increase in basis points	+100	422	400
Decrease in basis points	-100	(422)	(400)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

38.1.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The management has assessed that hedging its foreign currency payables will be more expensive than self assuming the risk. The foreign exchange risk management policy is reviewed each year on the basis of market conditions. The Company is mainly exposed to fluctuations in US Dollar, Euro and Singapore Dollar against Pak Rupee.

The assets / liabilities subject to currency risk are detailed below:

	2010	2009
	(Rupees in '000)	
Financial assets		
Trade debts - Export customers		
US Dollar	7,711	4,804
Euro	6,918	-
	14,629	4,804
Financial liabilities		
Trade and other Payables - Foreign suppliers		
US Dollar	40,914	112,163
Euro	44,099	35,110
Singapore Dollar	3,070	2,763
	88,083	150,036

Foreign Currency Sensitivity analysis

The following table demonstrates the sensitivity of the Company's profit before tax to a reasonably possible change in exchange rates of the major currencies involved in transactions with the foreign parties, keeping all other variables constant. Range of variation has been taken after considering the variation in year 2010 in the currencies involved.

	2010	2009	2010	2009
	Percentage Change in Exchange Rate	Percentage Change in Exchange Rate	(Rupees in '000) Effect on Profit Before Tax	Effect on Profit Before Tax
			+ / -	+ / -
Variation in USD to PKR	5%	7%	1,660	7,515
Variation in EURO to PKR	5%	10%	1,859	3,511
Variation in Singapore Dollar to PKR	10%	10%	307	276

38.1.3 Equity price risk

Equity price risk is the risk of loss due to susceptibility of equity instruments towards market price risk arising from uncertainties about future values of the investment securities. The Company is not exposed to any equity price risk as the Company does not have any investment in equity shares at the balance sheet date.

38.2 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date, if counter parties fail to perform their contractual obligations. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Investments are allowed only in liquid securities and only with banks. Given their high credit ratings, management does not expect any counter party to fail to meet its obligation.

The management has a credit policy in place and exposure to credit risk is monitored on a continuous basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Company does not require collateral in respect of financial assets. 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. Out of total financial assets of Rs.('000) 1,135,139 (2009: Rs. ('000) 901,857) 90.93% of financial assets subject to credit risk are concentrated in eight parties (2009: 57.87% in 6 parties).

Following tables summaries the maximum exposure to credit risk at the reporting date:

	2010	2009
	(Rupees in '000)	
Financial assets		
Long term investments	37,823	35,830
Long term deposits	12,427	12,915
Trade debts - unsecured	22,325	23,735
Deposits	23,036	11,086
Interest accrued	489	3,851
Short term investments	500,000	350,000
Cash at bank	505,142	459,297
	1,101,242	896,714

38.2.1 Long term investments

Financial institution	Ratings			Carrying Values	
	Agency	Long Term	Short term	2010	2009
				(Rupees in '000)	
Silk Bank Limited	JCR-VIS	A-	A-2	28,761	-
Habib Metropolitan Bank	PACRA	AA+	A1+	9,062	35,830
				37,823	35,830

38.2.2 Trade debts

	Carrying Values	
	2010	2009
	(Rupees in '000)	
Neither past due nor impaired		
1-30 Days	22,325	23,735
31-60 days	-	-
61-90 days	-	-
Over 90 days	-	-
	22,325	23,735

38.2.3 Past due but not impaired

Past due but not impaired	-	-

38.2.4 Short term investments

Financial institution	Ratings Agency	Long Term	Short term	2010	2009
				(Rupees in '000)	
United Bank Limited	JCR-VIS	AA+	A-1+	500,000	-
Bank Al-Habib Limited	PACRA	AA+	A1+	-	100,000
Habib Metropolitan Bank Limited	PACRA	AA+	A1+	-	150,000
Habib Bank Limited	JCR-VIS	AA+	A-1+	-	100,000
				500,000	350,000

38.2.5 Cash at bank

Financial institution	Ratings Agency	Long Term	Short term	2010	2009
				(Rupees in '000)	
Habib Bank Limited	JCR-VIS	AA+	A-1+	492,893	458,750
MCB Bank Limited	PACRA	AA+	A1+	4,719	19,010
Habib Metropolitan Bank Limited	PACRA	AA+	A1+	1,375	197,868
Bank Al-Habib Limited	PACRA	AA+	A1+	1,312	120,770
Atlas Bank Limited	PACRA	A-	A2	9	10
National Bank of Pakistan Limited	JCR-VIS	AAA	A-1+	268	238
United Bank Limited	JCR-VIS	AA+	A-1+	1,505	-
Silk Bank Limited	JCR-VIS	A-	A-2	3,061	-
				505,142	796,646

38.3 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet its commitments associated with financial liabilities as they fall due. Prudence concept requires the management of liquidity risk by maintaining sufficient cash and marketable securities. The Company follows a cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. The company had short term borrowing facilities available from various Commercial banks aggregating to Rs. 735 million at 31 December 2010 (2009: Rs. 735 million).

The following table shows the maturity profile of the company's financial liabilities:

2010 (Rupees in '000)	On demand	Less than 1 year	1 to 5 years	Over 5 years	Total
Long term deposits	37,823	-	-	-	37,823
Trade and other payables	-	981,066	-	-	981,066

2009 (Rupees in '000)	On demand	Less than 1 year	1 to 5 years	Over 5 years	Total
Long term deposits	35,830	-	-	-	35,830
Trade and other payables	-	920,831	-	-	920,831

38.4 Fair value of the financial instruments

The carrying value of all the financial instruments reflected in the financial statements approximates their fair value. Fair value is measured on the basis of objective evidence at each reporting date.

39. CAPITAL RISK MANAGEMENT

The Company's policy is to safeguard the company's ability to remain as a going concern and ensure a strong capital base in order to maintain investors', creditors' and market's confidence and to sustain future development of the business. The Board of Directors monitors the returns on capital, which the Company defines as net operating income divided by total shareholders' equity.

The Company's objectives when managing capital are:

a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for others stakeholders; and

b) to provide an adequate return to shareholders by pricing products commensurately with the level of risk.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistent with the industry norms, the Company monitors its capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the balance sheet less cash and cash equivalent. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt (as defined above).

The debt - to- equity ratio as to 31 December is as follows:	2010	2009
	(Rupees in '000)	
Net debt	-	-
Total equity	2,741,300	1,960,727
Capital gearing ratio	0%	0%

The Company is not subject to any externally-imposed capital requirements.

40. TRANSACTIONS WITH RELATED PARTIES

40.1 The related parties and associated undertakings comprise parent company, related group companies, provident fund trust, directors and key management personnel. Remuneration of Chief Executive and directors is also shown in Note 37. Transactions with related parties during the year are as follows;

Relationship with the Company	Nature of transactions	2010	2009
		(Rupees in '000)	
Associated Companies	Purchase of goods and services	884,944	759,373
	Sale of goods and services	19,535	21,045
	Trade mark license fee	195,536	150,766
	Management service fee & IT charges	48,014	41,485
Holding company	Dividend paid	54,432	36,288
Staff Retirement Benefits	Contribution to provident fund trusts	29,221	24,322
Staff Retirement Benefits	Gratuity paid	1,816	1,970
Key Management Personnel	Remuneration	88,840	69,599

40.2 The Company in normal course of business conducts transactions with its related parties. Balances of related parties at the reporting date have been shown under payables and receivables. The Company continues to have a policy, where by, all transactions with related parties and associated undertakings are entered into at arm's length in the light of commercial terms and conditions.

41. CAPACITY AND ACTUAL PRODUCTION

	No. of shifts worked		Installed capacity based on actual shifts worked		Actual production	
			Pairs in '000		Pairs in '000	
	2010	2009	2010	2009	2010	2009
Footwear in pairs						
Leather	1 to 3	1 to 3	8,476	5,930	9,373	8,243
Plastic	1 to 3	1	2,678	2,120	2,167	2,151
			11,154	8,050	11,540	10,394

41.1 The deviation in actual production from installed capacity is due to rapidly growing trends as the Company has to change major shoe lines in accordance with the market trends. This involves change in manufacturing operations and product mix which causes variances not only between the installed capacity and actual production but also between the actual production of any two years.

42. POST BALANCE SHEET EVENTS

The Board of Directors at its meeting held on 21 February 2011 has approved a final dividend @ Rs. 28 per share for the year ended 31 December 2010 (2009: Rs. 12 per share) amounting to Rs. ('000) 211,680 (2009: Rs ('000) 90,720) and transfer to general reserve amounting to Rs. ('000) 660,000 (2009: Rs ('000) 494,000) for approval of the members at the Annual General Meeting to be held on 21 April 2011. The financial statements do not reflect the effect of the above events.

43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on 21 February 2011.

44. GENERAL

44.1 Figures have been rounded off to the nearest thousand Rupees, unless otherwise stated.

44.2 Figures have been re-arranged where considered necessary for the purpose of better presentation.

Chief Executive

Director

PATTERN OF SHAREHOLDING
AS AT 31 DECEMBER 2010

No. of Shareholders	Shareholding From	To	Total Shares held
632	1	100	28,273
433	101	500	108,384
66	501	1,000	49,307
41	1,001	5,000	74,968
4	5,001	10,000	25,790
1	10,001	15,000	11,392
1	20,001	25,000	21,000
2	25,001	30,000	54,900
1	30,001	35,000	35,000
1	100,001	105,000	103,783
1	110,001	115,000	111,757
1	195,001	200,000	197,207
1	230,001	235,000	231,717
1	305,001	310,000	309,776
1	570,001	575,000	570,512
1	1,090,001	1,095,000	1,090,234
1	4,535,001	4,540,000	4,536,000
		1,189	7,560,000

CATEGORIES OF SHAREHOLDERS

	Number of Shareholders	Total Shares held	Percentage
FOREIGN SHAREHOLDERS			
Bafin (Nederland) B.V.	1	4,536,000	60.00
LOCAL SHAREHOLDERS			
Individuals	1,150	292,544	3.87
National Investment Trust	2	49,076	0.65
National Bank of Pakistan	3	1,764,529	23.34
Industrial Development Bank of Pakistan	1	125	-
Banks, DFII's and NBFI's	2	428,924	5.67
Insurance Companies	6	465,782	6.16
Joint Stock Companies	20	14,390	0.20
Others	4	8,630	0.11
	1,189	7,560,000	100.00

PATTERN OF SHAREHOLDING

AS AT 31 DECEMBER 2010

Categories of Shareholders		Number of shares held
1.	**Directors, Chief Executive Officer, their spouses and minor children**	
	Chief Executive	-
	Directors	
	Mr. Fakir Syed Aijazuddin	1
	Mr. Ijaz Ahmad Chaudhry	1
	Directors' spouses and their minor children	-
2.	**Associated companies, undertakings and related parties**	
	Bafin (Netherlands) B.V.	4,536,000
3.	**NIT and ICP**	
	National Bank of Pakistan - Trustee department of NIT	1,090,234
	National Investment Trust Ltd.	28,076
	National Investment Trust Ltd. Admn. Fund	21,000
	Industrial Development Bank of Pakistan	125
4.	**Banks, DFI's and NBFI's**	
	National Bank of Pakistan	674,295
	Faysal Bank Limited	197,207
	The Bank of Punjab Treasury Division	231,717
5	**Insurance companies**	
	EFU General Insurance Limited	309,776
	EFU Life Assurance Limited	111,757
	Allianz EFU Health Insurance Limited	26,824
	State Life Insurance Corporation of Pakistan	11,392
	Habib Insurance Company Limited	6,000
	The Crescent Star Insurance Company Limited	33
6.	**Modarbas and mutual funds**	
	B.R.R Guardian Modaraba	7,800
	CDC-Trustee AKD Index Tracker Fund	496
	MCBFSL-Trustee Virsf-Equity Sub Fund	334
7.	**Other companies**	
	Horizon Investment (Pvt.) Limited	4,907
	Darson Securities (Pvt.) Limited	2,790
	Rah Securities (Pvt) Limited	1,752
	Jan Muhammad A. Latif Nini & Sons(Pvt.) Limited	1,000
	Others (16 companies holding less than 1,000 shares)	3,941
8.	**General public**	292,542
9.	**Executives, their spouses and minor children**	-
		7,560,000
Shareholders holding more than 10 % voting interest in the company		
	Bafin (Nederland) B.V.	4,536,000
	National Investment Trust	
	National Bank of Pakistan - Trustee department of NIT	1,090,234
	National Bank of Pakistan	674,295
	National Investment Trust Ltd. Admn. Fund	28,076
	National Investment Trust Ltd.	21,000
		1,813,605

FORM OF PROXY
59TH ANNUAL GENERAL MEETING

The Secretary
Bata Pakistan Limited
P.O. Batapur,
Lahore.

I/We ____

of ____

being a member of Bata Pakistan Limited and holder of ____________________________

____ Ordinary Shares as per Share Register Folio
(No. of Shares)

No. ____________________ and / or CDC Participant I.D. No. ____________________

and Sub Account No. ______________ hereby appoint ____________________________

of ____

or failing him ____________________ of ____________________________

as my/our proxy to vote for me/us and on my/our behalf at the 59th Annual General meeting of the Company to be hled on April 21, 2011 and at any adjournment thereof.

Signed this ______________ day of ______________ 2011.

WITNESSES:

1. **Signature** ______________
   Name ______________
   Address ______________
   ____
   NIC or
   Passport No. ______________

2. **Signature** ______________
   Name ______________
   Address ______________
   ____
   NIC or
   Passport No. ______________

Signature on
Rs. 5/-
Revenue stamp

(Signature should agree with the specimen signature registered with the Company)

Note:

1. A member entitled to be present and vote at the Meeting may appoint a proxy to attend and vote for him/her. A proxy need not be a member of the Company.

2. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the meeting.

3. CDC Shareholders and their Proxies must each attach an attested photocopy of their National Identity Card or passport with this proxy form.

AFFIX
CORRECT
POSTAGE

The company Secretary
BATA PAKISTAN LIMITED
P.O. BATAPUR,
LAHROE.