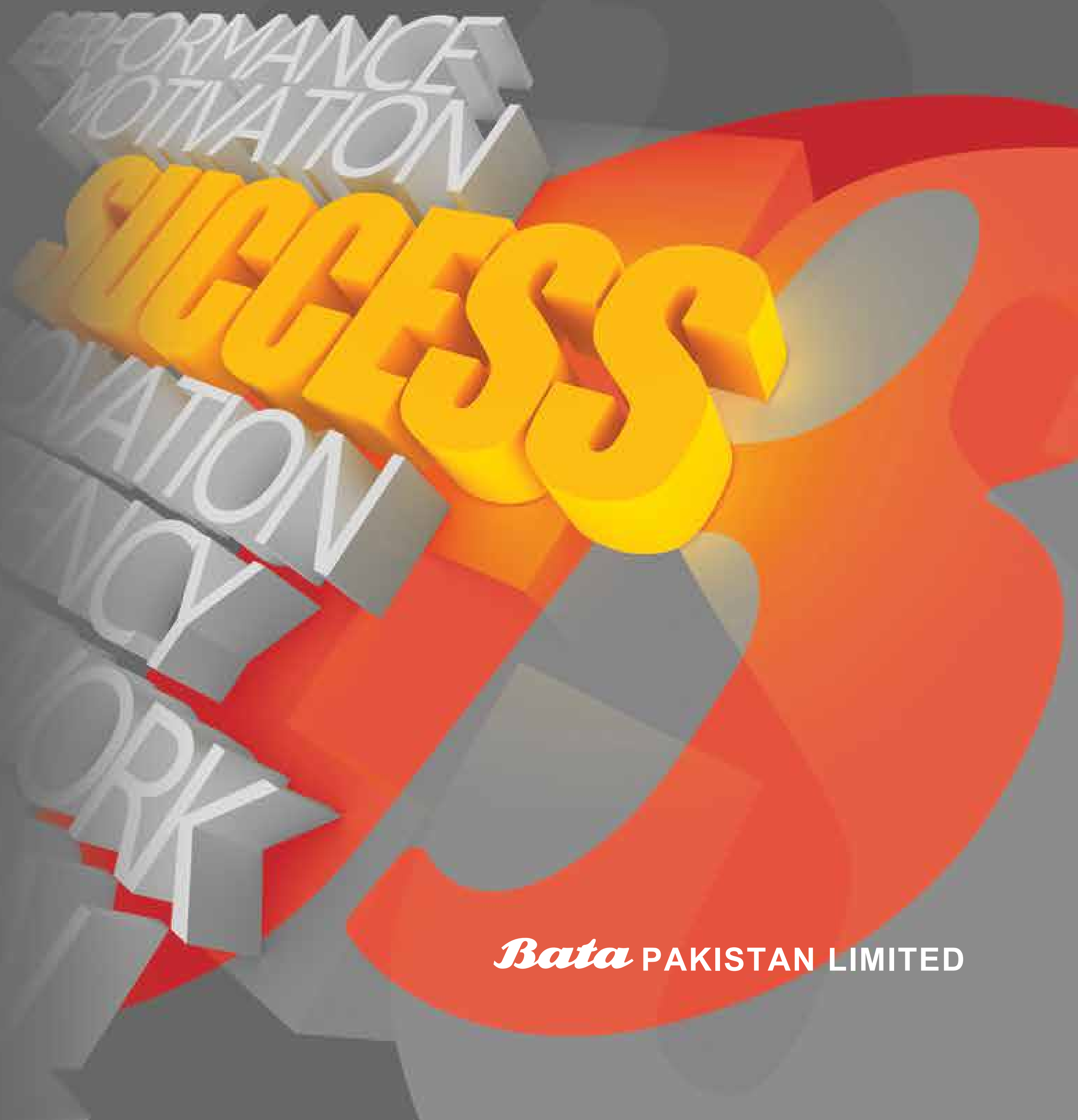
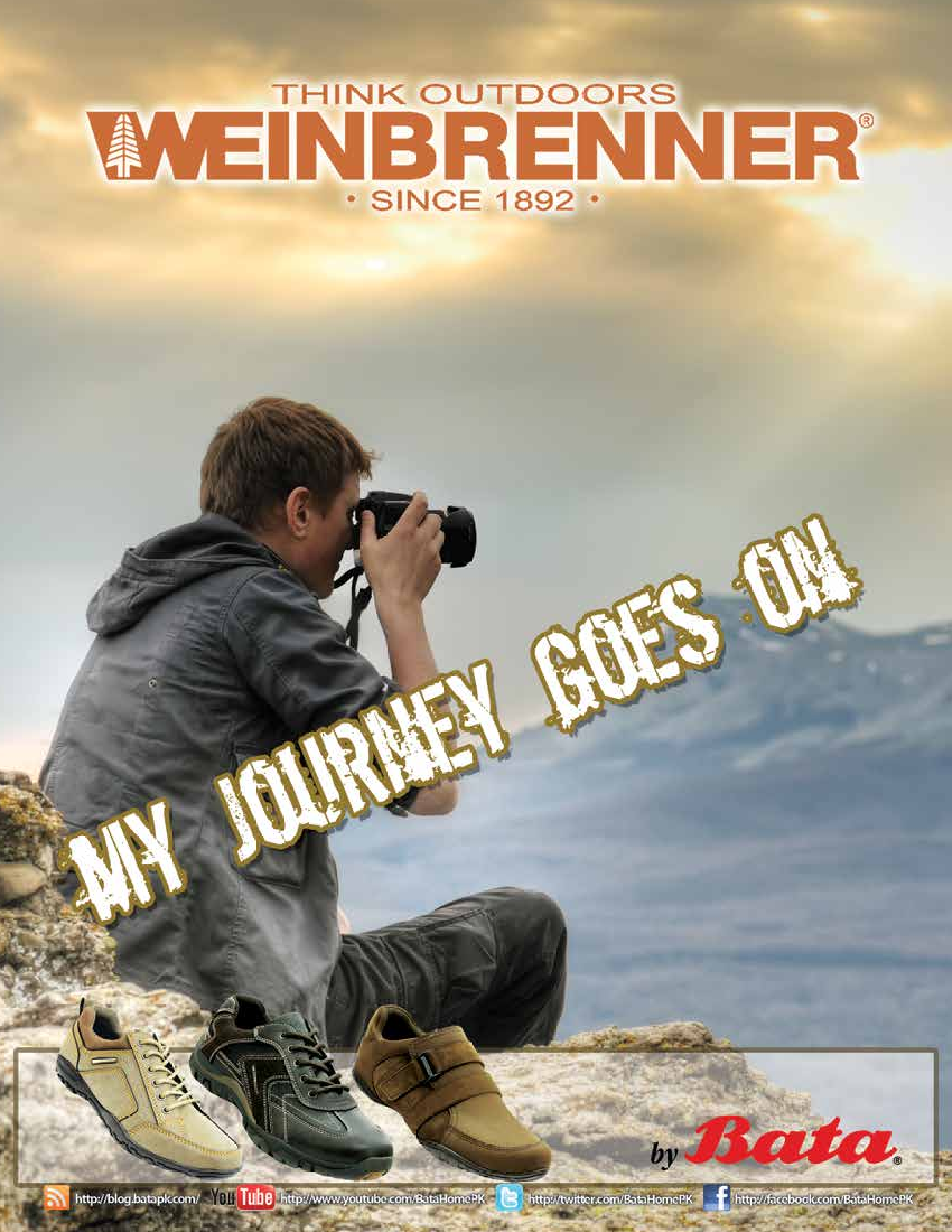
Bata ANNUAL REPORT 2012



Bata PAKISTAN LIMITED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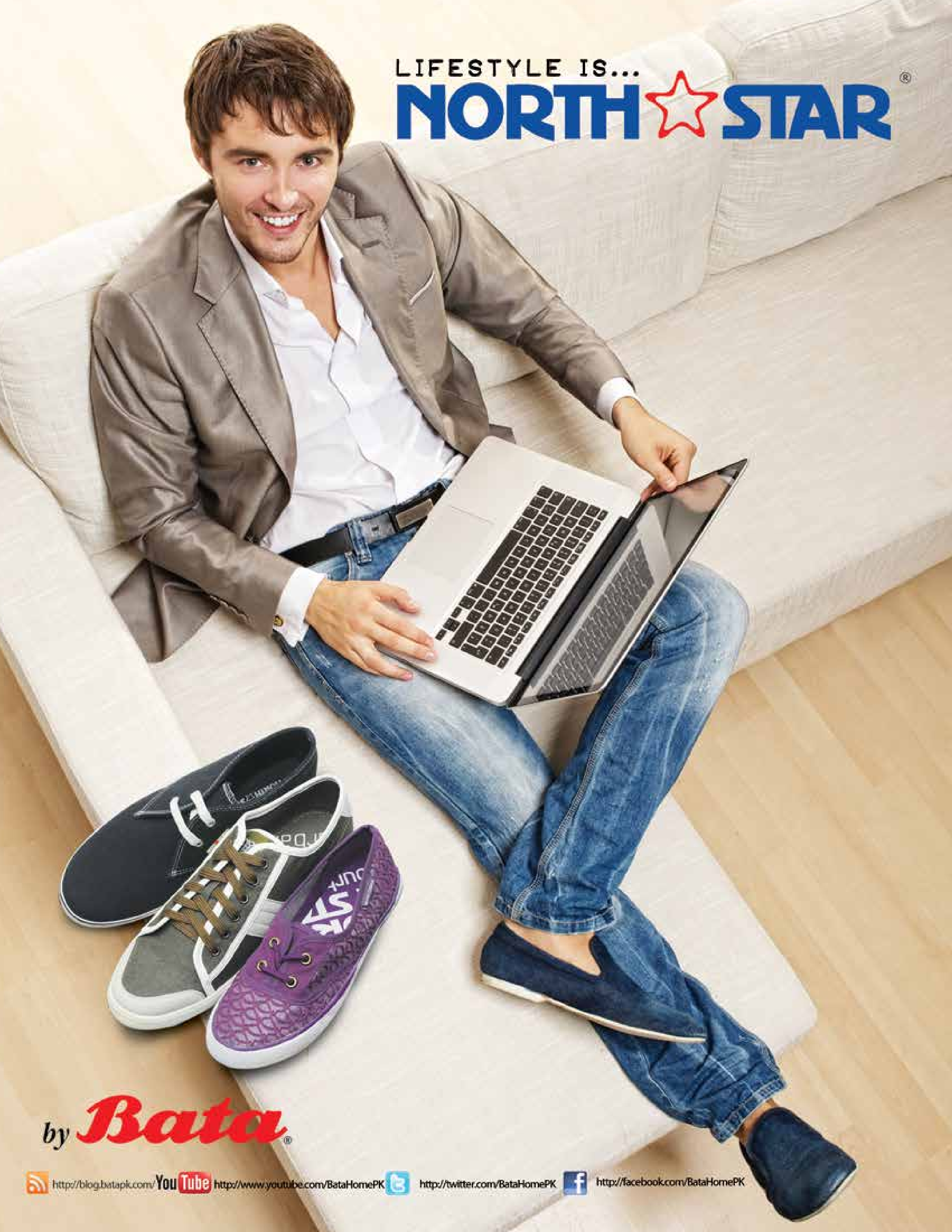
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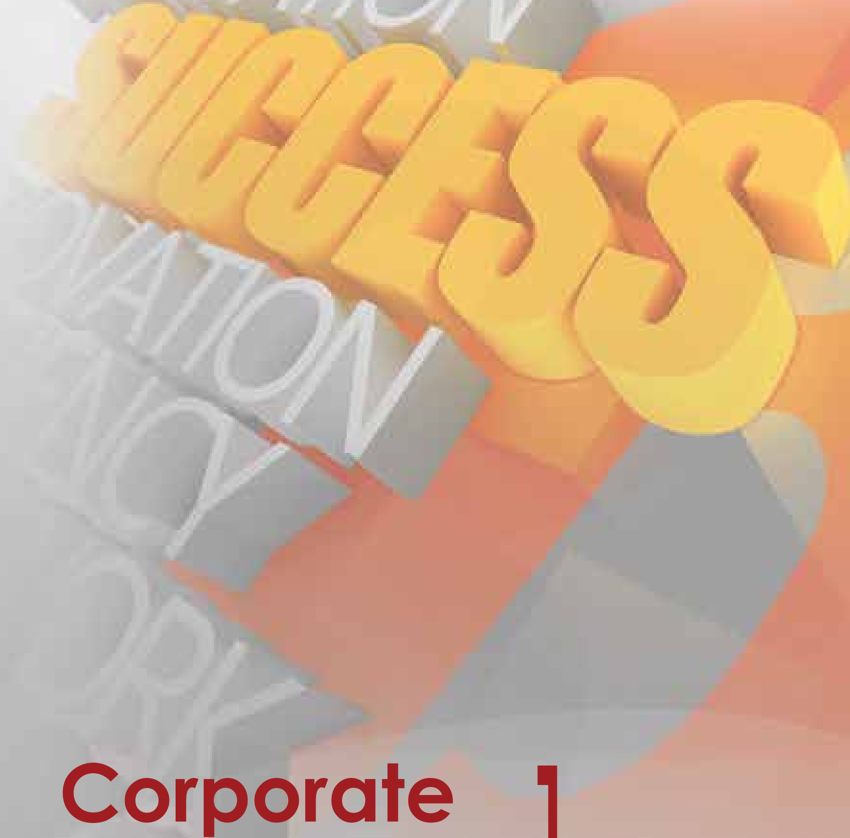


Corporate Social Responsibility

Mrs. Saqib Kayani PDO is presenting the prize to one of the winners of the contest during Girls Day. Also present are Mr. Muhammad Rashid Head of HR, Mr. Zil Hasnain Retail Manager, Mr. Amjad Farooq Manager Finance & Accounts and Mr. Naeem Saad Plant Manager

Mr. M. Imran Malik Managing Director is distributing the prizes among the winners of the contest. Also present are Mr. Muhammad Rashid Head of HR and Mr. Zil Hasnain Retail Manager

Flower wreath from Bata Pakistan is being laid down by the army contingent on Defence Day on the mausoleum of Martyrs at Batapur

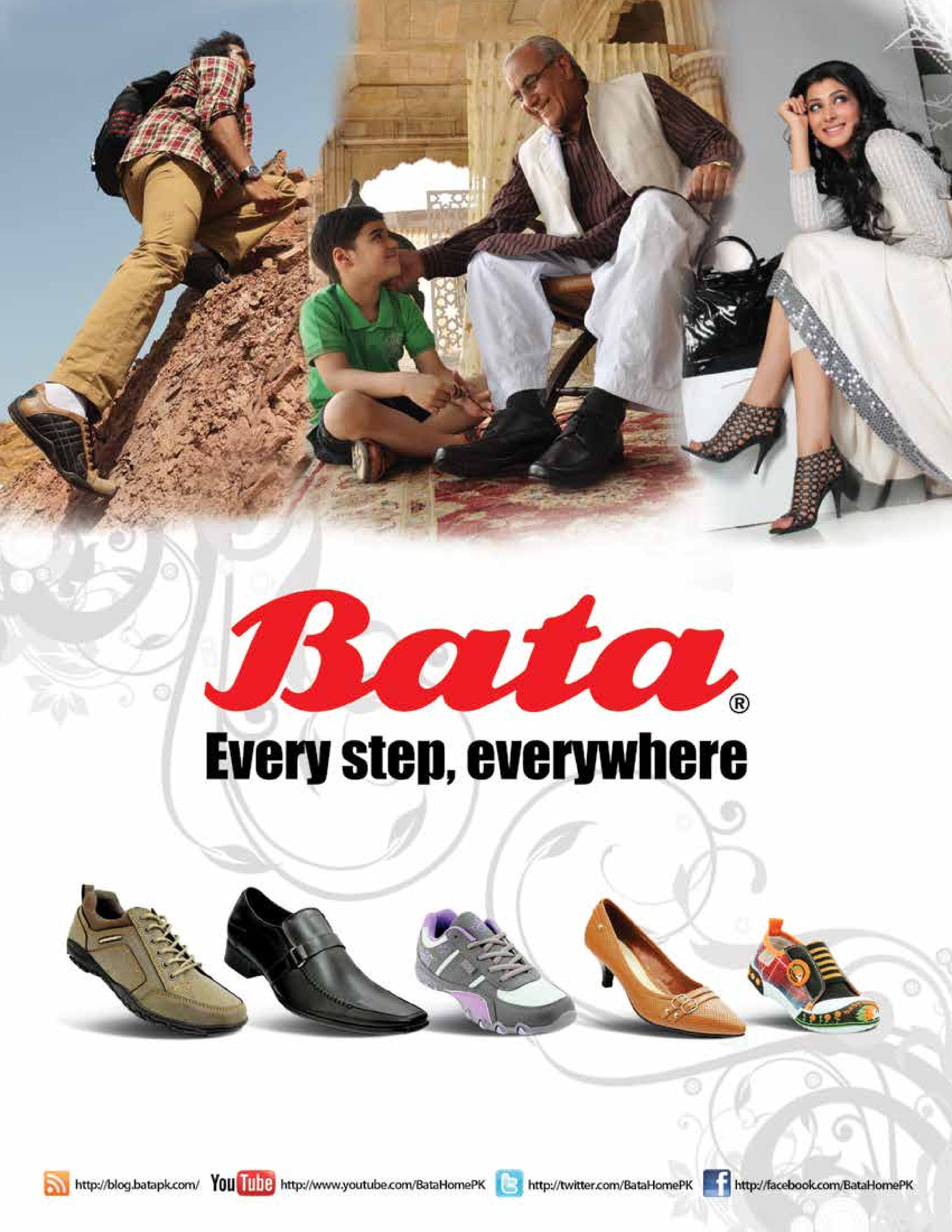
Bata Offcials Mr. Muhammad Rashid Head of HR, Mr. Rana Muhammad Ahmad Noon and Major (Rtd.) Nasir Zaidi are paying tribute to the Martyrs of 1965 war.

Mr. M. Imran Malik Managing Director Bata Pakistan along with Bata Children's Program team at SOS Village of Pakistan on Eid

Group photo of children on Independence Day celebrations

View of tug of war between Warehouse and Leather factory held during Winter Tournament at Bata Colony

Group photo of SOS Village children along with Managing Director Mr. M. Imran Malik, BCP Bata Pakistan team and SOS Village Staff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Vision

To grow as a dynamic,
innovative and market driven
domestic manufacturer
and distributor,
with footwear as
our core business,
while maintaining
a commitment to the country,
culture and environment
in which we operate.

Mission

To be successful as the most dynamic, flexible and market responsive organization, with footwear as its core business.

Corporate Information

Board of Directors

Mr. Fernando Garcia		Chairman
Mr. Muhammad Qayyum		Chief Executive
Mr. M. G. Middleton		Director
Mr. Carlos Gomez		Director & Chief Financial Officer
Mr. Muhammad Ali Malik		Director
Mr. Syed Waseem-ul-Haq Haqqie		Director
Mr. Fakir Syed Aijazuddin		Director
Mr. Ijaz Ahmad Chaudhry		Director
Mr. Shahid Anwar	(Nominee of NIT)	Director
Mr. M. Riyazul Haque	(Nominee of NIT)	Director

Audit Committee

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

Human Resource and Remuneration Committee

Mr. Ijaz Ahmad Chaudhry	Chairman
Mr. Muhammad Qayyum	Member
Mr. Fakir Syed Aijazuddin	Member

Company Secretary

Mr. S. M. Ismail

Auditors

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

Legal Advisor

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

Stock Exchange Listing

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

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

Bankers

Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Bank Al Habib Limited
National Bank of Pakistan Limited
Summit Bank Limited
United Bank Limited
Silk Bank Limited
Barclays Bank PLC

Registered Office

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

Share Registrar

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

Factories

Batapur,

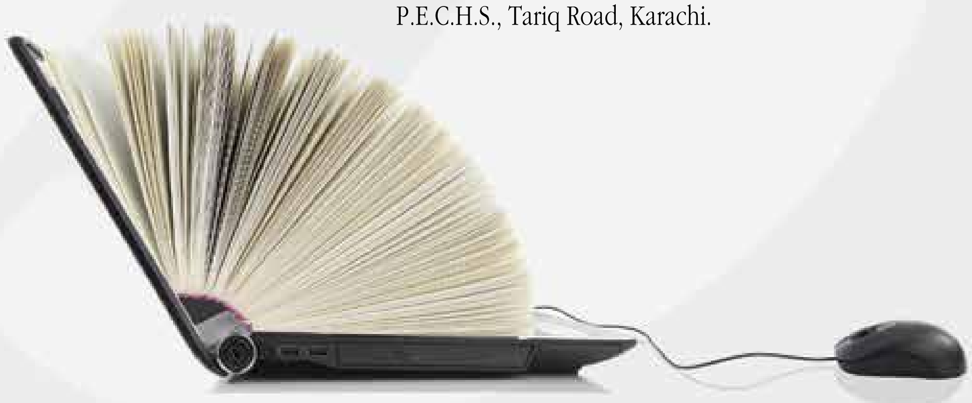
G. T. Road,
P.O. Batapur, Lahore.

Maraka,

26 - Km, Multan Road, Lahore.

Liaison Office

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



Notice of Meeting

NOTICE IS HEREBY GIVEN that the 61st Annual General Meeting of Bata Pakistan Limited will be held at the Registered Office of the Company at Batapur, District Lahore on 11th April, 2013 at 11.00 a.m. to transact the following business:

1. To confirm the minutes of the Annual General Meeting held on 19th April, 2012.

2. To receive, consider, and adopt the Directors' Report, Audited Accounts of the Company and Auditors' Reports thereon, for the year ended 31st December, 2012.

3. To declare dividend as recommended by the Directors.

4. To appoint Auditors and fix their remuneration for the year ending 31st December, 2013.

5. To transact any ordinary business of the Company with the permission of the Chairman.

By order of the Board
Bata Pakistan Limited

Batapur
Lahore: 21.02.2013

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.

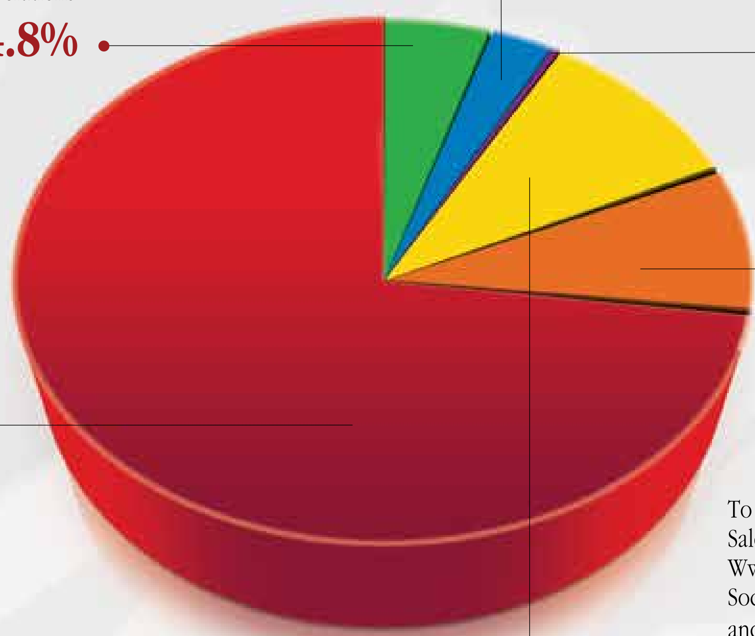
3. Shareholders (non-CDC) are requested to promptly notify the Company of any change in their addresses. All the CDC shareholders are requested to please update their address with the CDC participants.

4. The Share Transfer Books of the Company will remain closed from 5th to 11th April, 2013 (both days inclusive).

Key Operating Highlights

Year		2012	2011	2010	2009	2008	2007	2006
Financial Position								
Authorized capital	Rs. ' 000s	**100,000**	100,000	100,000	100,000	100,000	100,000	100,000
Paid up capital	Rs. ' 000s	**75,600**	75,600	75,600	75,600	75,600	75,600	75,600
Shareholders' equity	Rs. ' 000s	**3,920,591**	3,277,790	2,741,300	1,960,727	1,435,695	973,040	697,563
Total assets	Rs. ' 000s	**5,638,165**	4,626,288	4,177,050	3,230,187	2,276,936	1,873,011	1,414,731
Property, plant and equipment	Rs. ' 000s	**833,259**	733,695	630,754	582,411	548,222	409,363	332,726
Provision for gratuity	Rs. ' 000s	**85,010**	79,262	74,211	69,196	62,780	67,403	66,610
Current assets	Rs. ' 000s	**4,733,714**	3,808,438	3,459,297	2,577,448	1,652,271	1,398,003	1,013,982
Current liabilities	Rs. ' 000s	**1,554,782**	1,198,488	1,300,867	1,147,336	734,907	808,720	628,422
Trading Results								
Sales	Rs. ' 000s	**11,476,817**	9,816,296	8,329,829	6,428,490	5,106,578	3,964,187	2,989,474
Gross profit	Rs. ' 000s	**4,258,771**	3,540,677	3,331,928	2,672,213	2,164,146	1,637,053	1,112,821
Operating profit	Rs. ' 000s	**1,439,035**	1,076,214	1,228,756	848,205	691,095	571,912	262,586
Profit before tax	Rs. ' 000s	**1,385,586**	1,025,008	1,189,021	813,022	663,822	503,999	166,820
Profit after tax	Rs. ' 000s	**1,020,801**	748,170	871,293	585,512	477,775	358,637	109,621
Distribution								
Interim cash dividend - paid	%	**300.00**	-	-	-	-	60.00	-
Final cash dividend - proposed	%	**230.00**	200.00	280.00	120.00	80.00	20.00	50.00
Financial Ratios and Values								
Gross profit	%	**37.11**	36.07	40.00	41.57	42.38	41.30	37.22
Operating profit	%	**12.54**	10.96	14.75	13.19	13.53	14.43	8.78
Profit before tax	%	**12.07**	10.44	14.27	12.65	13.00	12.71	5.58
Profit after tax	%	**8.89**	7.62	10.46	9.11	9.36	9.05	3.67
Return on equity	%	**26.04**	22.83	31.78	29.86	33.28	36.86	15.71
Price earning ratio	Times	**9.99**	8.27	5.73	12.64	11.82	10.23	8.90
Dividend yield	%	**3.71**	2.44	4.24	1.23	1.07	1.65	3.88
Earnings per share	Rs.	**135.03**	98.96	115.25	77.45	63.20	47.44	14.50
Interest cover	Times	**26.92**	21.05	30.92	24.11	25.34	22.54	6.03
Debt : equity ratio	Times	**0.00 : 1**	0.00 : 1	0.00 : 1	0.00 : 1	0.00 : 1	0.00 : 1	0.00 : 1
Current ratio	Times	**3.04 : 1**	3.18 : 1	2.66 : 1	2.25 : 1	2.25 : 1	1.73 : 1	1.61 : 1
Average stock turns - value	Times	**3.24**	3.33	3.56	2.94	2.88	3.13	2.84
Debtors turnover	Times	**34.04**	75.44	373.12	270.84	54.03	16.31	23.10
Average collection period	Days	**11**	5	1	1	7	22	16
Property, plant and equipment turnover	Times	**13.77**	13.38	13.21	11.04	9.31	9.68	8.98
Break up value per share	Rs.	**518.60**	433.57	362.61	259.36	189.91	128.71	92.27
Market price per share	Rs.	**1,349.50**	818.00	660.00	979.00	747.00	485.45	129.00
Market capitalization	Rs. ' 000s	**10,202,220**	6,184,080	4,989,600	7,401,240	5,647,320	3,670,002	975,240
Other information								
Permanent employees	Number	**2,400**	2,495	2,585	2,652	2,712	2,792	2,912
Retail outlets	Number	**386**	396	380	369	365	366	373
Wholesale depots	Number	**13**	13	13	12	12	12	12
Installed capacity	Pairs ' 000s	**14,079**	12,881	11,154	8,050	8,737	9,350	12,450
Actual production	Pairs ' 000s	**11,837**	11,204	11,540	10,394	9,476	8,286	10,398
Capacity utilization	%	**84.08**	86.98	103.46	129.12	108.46	88.62	83.52
Capital expenditure	Rs. ' 000s	**217,054**	209,712	142,222	119,255	214,200	127,970	91,515
Contribution to the National Exchequer	Rs. ' 000s	**1,361,259**	1,060,068	814,445	555,950	453,885	456,538	303,328

Value Added and its Distribution



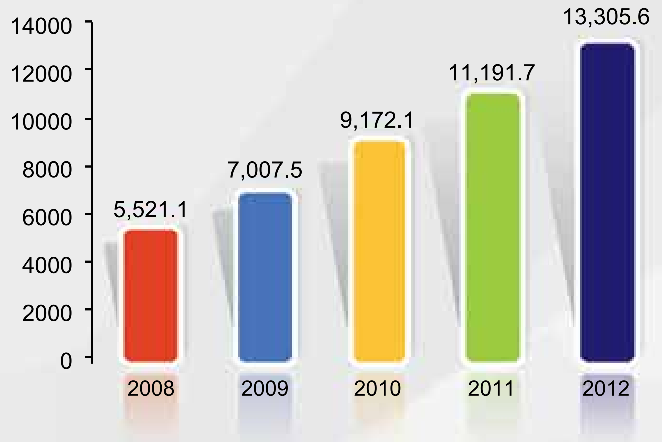
Revenue Generated	2012 Rs. '000s	%	2011 Rs. '000s	%
Sales	13,305,608		11,191,742	
Other Income	56,744		42,546	
	13,362,352	**100%**	**11,234,288**	**100%**

Revenue Distributed	2012 Rs. '000s	%	2011 Rs. '000s	%
To Buy Material, Finished Goods and Services	9,741,297	72.9%	8,311,585	74.0%
To Employees - Salaries, Wages and Benefits	1,185,546	8.9%	1,063,257	9.5%
To Government - Income Tax, Sales Tax, Custom & Excise Duties, WWF, WPPF, EOBI, Social Security, Professional and Local Taxes	1,361,259	10.2%	1,060,068	9.4%
Finance Cost	53,449	0.4%	51,206	0.4%
To Shareholders - Dividend	378,000	2.8%	211,680	1.9%
Retained in Business - For Retail Expansion and Operations	642,801	4.8%	536,492	4.8%
	13,362,352	**100%**	**11,234,288**	**100%**

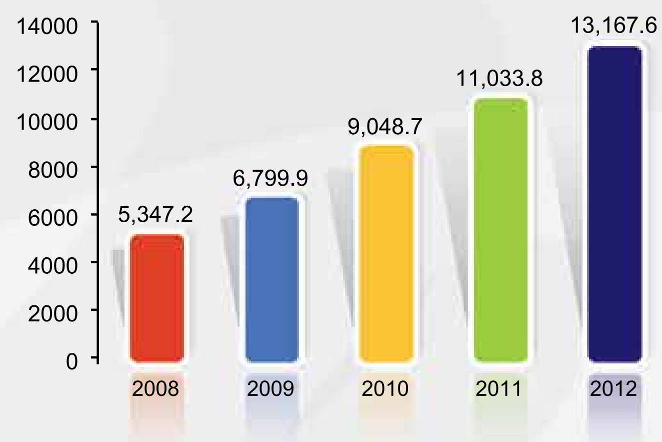
Operational Statistics

(Rupees in million)

Total Turnover (Gross)

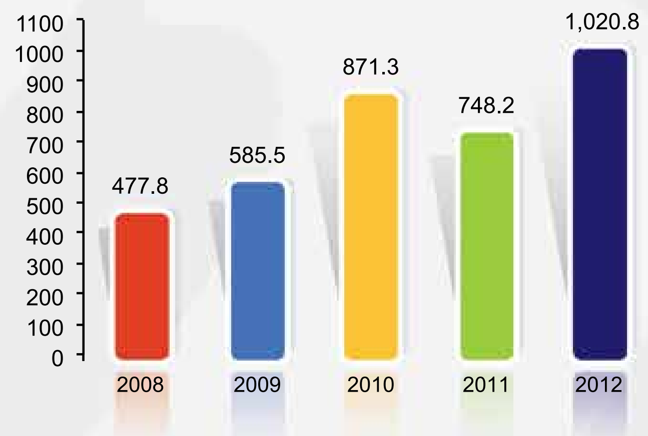


Domestic Turnover (Gross)



Export Turnover (Gross)

Profit After Tax



Chairman's Review

On behalf of the Board, I welcome you all to the 61st Annual General Meeting of the Company and feel pleased to present the annual review of the Company's performance and the audited financial statements for the year ended December 31, 2012.

The year 2012 was yet another landmark in the history of the Company. The record operational performance, in terms of production, sales and profitability were achieved under the incredible guidance of our management team despite, constant power crises, bleak law and order situation in the country and persistent inflationary pressure coupled with depreciation of rupee against dollar, negatively impacted the business.

The Company business witnessed its record level with net turnover of Rs. 11.477 billion signifying a growth of 17% over last year. The Gross profit was recorded at Rs. 4.259 billion (37.11% of turnover) against last year of Rs. 3.541 billion (36.07% of turnover). Operating profit increased from Rs. 1,076.214 million (10.96% of turnover) to Rs. 1,439.035 million (12.54% of turnover) showing a healthy increase of 33.71% as compared to previous year. Profit after taxation was Rs. 1,020.801 million (8.89% of turnover) compared to Rs. 748.170 million (7.62% of turnover) of last year. It is also worth mentioning here that our Company achieved return on equity of 26.04% and earnings per share of Rs. 135.03.

The Company has an effective cash flow management system in place whereby cash inflows and outflows are projected on regular basis. The profit on short term investment and bank deposits was Rs. 47.953 million as compared to Rs. 34.047 million of last year. Board is satisfied that there are no short or long term financial constraints at the close of the period.

Based on the performance and progress made by the Company, your Directors have decided to recommend a final dividend of Rs. 23 per share which is in addition to an interim dividend of Rs. 30 per share and also proposed that Rs. 620 million to be transferred to general reserve to utilize for further growth of the business in the coming years.

Our Retail division continues to grow with the current setup along with the new stores having achieved a growth of 18%. In order to sustain this growth and to provide friendly and modern atmosphere in the stores, an amount of Rs. 101.864 million has been spent to open and renovate nine new and fifteen existing stores respectively at key business locations. Much of the expansion was focused on the big format stores concept. As part of our strategy to exit from low turnover and non profitable stores, we closed a total of eighteen stores which were under minimum benchmark.

The wholesale division which had shown average turnover growth of approximately 50% per annum during the years from 2007 to 2011 has consolidated its business during this year and the turnover has increased by 16% as compared to previous year. We have succeeded in Company business to significantly manage to grow unit sales, market share and also average selling price. All this has been achieved without the need to buy the business through extended credit having absolute control over account receivables from dealers and distributors.

In our manufacturing operations we undertook some further restructuring in line with Company objectives. As a result, our production facilities at Batapur and Maraka remained fully loaded throughout the period to meet the demand of higher value products particularly in PU and DIP footwear. These facilities produced 11.837 million pairs against 11.204 million pairs in last year.

The Company continues to be a significant contributor to the National Exchequer and during 2012, paid Rs. 1,361.259 million in Corporate Tax, Sales Tax, Custom Duty and other levies which was 28% more than the last year.

The growth of our business is highly dependent on the skills imparted to our personnel through sound training. The Company has invested a considerable time and money on human resource during the period to acquire latest development in the field of technology and business administration. This would be the ongoing process for future periods. Training of our employees has always been considered as an investment for the future with the objective to provide them with safe and healthy working environment.

During the year, the newly elected Collective Bargaining Agent (C.B.A.) served the Company with a Charter of Demand. A two-year agreement, expiring on March 08, 2014 was negotiated and signed with them, which would provide increased benefits and higher income to our unionized staff. I hope that the Management and The C.B.A. will maintain a satisfactory relationship to achieve better results for the benefit of all concerned.

We have a responsibility to the people and the communities in which we live and work. Our Company makes sure that it provides a safe and healthy workplace along with minimum impact to environment. Therefore, our Company is committed to working with its employees and business associates to achieve its objective.

The Company along with Bata Children Foundation (BCF) continued its Corporate Social Responsibility (CSR) activities during this year also. We are working with those schools that are providing free education to the underprivileged children. We joined hands with the administration of these schools and arranged annual sports function in football stadium of the city in which almost 900 students participated. Similarly we also provided shoes and computers to children of these schools. Moreover Company is also providing financial help to special children schools. Dengue fever in the recent past has played havoc in Punjab especially in Lahore, Company in order to create awareness among the residents of its own residential colonies

and nearby communities, organized an "Anti-Dengue Walk" in which a lot of people participated and made this walk very successful.

The Bata Environmental Mission Statement is "To protect our people, customers and communities and to protect our natural environment in order to help sustain human development globally". For implementations of this mission statement, our company is committed to providing a safe and healthy working environment to our employees. Company took a lot of initiatives and has made substantial amount of investments in Environment, Health & Safety related activities. More than 300 workers, office and sales staff were provided training for fire safety and first aid. All supervisory staff and machine operators form PU factory and Chemical stock handling operators were trained for safe handling of PU materials and its storage. Solvent based adhesives are replaced with environmentally safe water based primers and adhesives in factories to eliminate hazardous volatile organic compounds. Use of PPE's (Personal Protective Equipment) like masks, goggles, gloves, ear plugs and safety shoes were provided to all workers as per operational need. Three water filtration plants were installed for safe clean drinking water for workers. All effluent waste water and air emission are monitored, tested and are within National Environmental Quality Standards limits.

As we move forward, we are certain to face competitions and challenges due to ever changing economic and marketing conditions. Based on our strengths we are confident to successfully overcome all the challenges in future.

On behalf of your Board, I take this opportunity to express my gratitude and appreciation to our customers for their confidence in our products, our employees for their efforts and all other stakeholders for their continued support.

Fernando Garcia

Chairman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elegance personified
ambassador
by Bata
High quality leather | Hand crafted | Masterpiece designs
Bata

Directors' Report to the Members

DIRECTORS' REPORT TO THE MEMBER

Your Directors have pleasure in submitting their report and financial statements of the Company for the year ended 31 December 2012.

1. The Chairman's Review which is an integral part of this report deals with the year's activities, financial affairs and future prospects of the Company, the contents of which are endorsed by the directors.

2. **Financial results**

The financial results of the Company are as under:

	Rs. ('000)
Profit before taxation	1,385,586
Less: Provision for taxation	
Current	364,479
Prior years	(6,322)
Deferred	6,628
	364,785
Profit after tax	1,020,801
To this must be added	
Unappropriated profit brought forward from last year	749,707
Profit available for appropriations	1,770,508
To this the following must be deducted:	
Final dividend 2011 @ Rs. 20.00 per share	151,200
Interim dividend 2012 @ Rs. 30.00 per share	226,800
Transfer to general reserve	595,000
	973,000
Leaving an unappropriated profit to be carried forward to next year	797,508

The directors in their meeting held on 21 February 2013 have also proposed a final cash dividend @ Rs. 23 per share (In addition to interim dividend of Rs. 30 per share). (2011: Final @ Rs. 20.00 per share) and transfer to general reserve amounting to Rs. 620 million for approval of members in the Annual General Meeting to be held on 11 April, 2013.

3. **Earning per share - Basic and diluted**

Earning per share for the year ended 31 December, 2012 was Rs. 135.03 as against Rs. 98.96 of preceding year.

4. **The pattern of shareholding**

The pattern of shareholding as on 31 December 2012 and its disclosure according to the requirement of Code of Corporate Governance is annexed to this report.

5. **Auditors**

The present Auditors, Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and offer themselves for re-appointment. The Board of Directors, on recommendation of Audit Committee, proposes the re-appointment of Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, for the year ending 31 December 2013.

6. **Statement pursuant to clause XIX of Corporate Governance**

The Company had complied with all the requirements of the Code of Corporate Governance as required by the listing regulations. Accordingly, the Directors are pleased to confirm the following:

a) The financial statements together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984. These statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.

b) Proper books of account of the Company have been maintained.

c) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accordingly estimates are based on reasonable and prudent judgment.

d) International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from, if any, has been adequately disclosed.

e) The system of internal controls is sound in design and has been effectively implemented and is being consistently reviewed by the internal audit.

f) There are no significant doubts upon the Company's ability to continue as a going concern.

g) There has been no material departure from the best practices of corporate governance as detailed in listing regulations of Stock Exchanges in Pakistan.

h) Key operating and financial data of last six years is annexed to this report.

i) Statement of compliance with the Code of Corporate Governance is annexed.

j) Value of assets of Provident Fund Trusts was Rupees ('000) 1,508,624 as on 31 December 2012 as per its audited accounts. The value of assets includes accrued interest.

k) Attendance at four meetings of the Board of Directors held during the year under review was as under:

Name of Director	Meetings Attended
Mr. Fernando Garcia	-
Mr. Muhammad Qayyum	-
Mr. M. G. Middleton	2
Mr. Carlos Gomez	4
Mr. Muhammad Ali Malik	4
Mr. Fakir Syed Aijazuddin	4
Mr. Shahid Anwar	3
Mr. Ijaz Ahmad Chaudry	4
Mr. Waseem-ul-Haq Haqqie	2
Mr. M. Riyazul Haque	2
Resigned	
Mr. M. Imran Malik	4
Mr. Istaqbal Mehdi	1
Mr. S. M. Ismail	1

l) Subsequent to year end Mr. Muhammad Qayyum was co-opted as a director and chief exceutive with effect from 07 January 2013 in place of Mr. Muhammad Imran Malik whose resignation was accepted on the same date.

m) No trading in the shares of the Company was carried out by the Directors, CEO, CFO and Company Secretary, their spouses and minor children.

n) The Audit Committee met four times during the year under reference. The Audit committee reviewed the quarterly, half yearly and annual financial statements before submission to the Board and their publication. CFO, Head of Internal Audit and a representative of external auditors attended the meetings where issues relating to accounts and audit were discussed. The Audit Committee also reviewed internal audit findings and held separate meetings with internal and external auditors as required under the Code of Corporate Governance. The Audit Committee also discussed with the external auditors their letter to the management. Related Parties Transactions were also placed before the Audit Committee prior to approval of the Board.

o) Outstanding taxes and levies are given in the relevant notes to the audited financial statements.

p) An orientation course was arranged for the Directors to acquaint them with their duties & responsibilities and enable them to manage affairs of the Company on behalf of the shareholders.

q) The directors of the Company having 15 years of experience on the board of directors of a listed company are exempt from the requirements of directors training programme. One of the directors of the Company is undergoing directors training programme being conducted by the Pakistan Institute of Corporate Governance.

r) No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which these financial statements relate and the date of directors' report.

7. Related party transactions

The transactions with the related parties and associated undertakings were made at arm's length prices.

On behalf of the
BOARD OF DIRECTORS

Batapur
LAHORE: 21 February 2013

MUHAMMAD QAYYUM
CHIEF EXECUTIVE

Corporate Governance

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER, 2012

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent directors, non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	Mr. Fakir Syed Aijazuddin
	Mr. Ijaz Ahmad Chaudhry
	Mr. Syed Waseem-ul-Haq Haqqie
Non-Executive Directors	Mr. Fernando Garcia
	Mr. M. G. Middleton
	Mr. Muhammad Ali Malik
	Mr. Shahid Anwar
	Mr. M. Riyazul Haque
Executive Directors	Mr. M. Imran Malik - resigned *
	Mr. Carlos Gomez

*Mr. M. Imran Malik resigned as the Chief Executive and Director on 7 January 2013 and was replaced by Mr. Muhammad Qayyum on the same date.

The Independent directors meet the criteria of independence under clause I (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. During the year, Mr. Waseem-ul-Haq Haaqqie and Mr. M. Riyazul Haque were co-opted as directors with effect from 27 February 2012 and 19 April 2012 respectively in place of Mr. S.M. Ismail and Mr. Istaqbal Mehdi respectively whose resignations were accepted on the same dates.

5. The Company has prepared a "Code of Conduct" and has insured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or ammended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by the Chief Executive and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged orientation and training programs for its directors to apprise them of their duties and responsibilities.

10. The Board has approved all the transactions entered into by the Company with related parties during the year. A complete party wise record of related party transactions has been maintained by the Company.

11. Officers having positions of Company Secretary, Head of Internal Audit and Chief Financial Officer were appointed prior to the implementation of the Code of Corporate Governance 2012 and, meet the relevant experience and required qualificiation.

12. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

13. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.

14. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

15. The Company has complied with all the corporate and financial reporting requirements of the CCG.

16. The board has formed an Audit Committee. All the members, except one, are independent directors including chairman of the committee.

17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

18. The board has formed an HR and Remuneration Committee. It comprises three members, of whom one is executive director and the chairman of the committee is an independent director.

19. The board has set-up an effective internal audit function with suitably qualified and experienced staff for the purpose and are conversant with the policies and procedures of the company.

20. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

23. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

24. We confirm that all other material principles enshrined in the CCG have been complied.

Batapur:
LAHORE: 21 February 2013

MUHAMMAD QAYYUM
CHIEF EXECUTIVE

Review Report to the Members

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2012 prepared by the Board of Directors of Bata Pakistan Limited (the Company) to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulation of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited require the Company to place before the Board of Directors for their consideration and approval of related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether or not the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code, for the year ended 31 December 2012.

ERNST & YOUNG FORD RHODES SIDAT HYDER
CHARTERED ACCOUNTANTS
Audit Engagement Partner's Name: Mohammed Junaid

LAHORE: 21 February 2013


Bata
COMFIT
GET COMFORTABLE TODAY
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YouTube http://www.youtube.com/BataHomePK
http://twitter.com/BataHomePK
http://facebook.com/BataHomePK

Auditors' Report to the Members

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Bata Pakistan Limited (the Company) as at 31 December 2012 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, except for the changes as stated in note 2.2 with which we concur;

  (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 31 December 2012 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.

ERNST & YOUNG FORD RHODES SIDAT HYDER
CHARTERED ACCOUNTANTS

LAHORE: 21 February 2013

Audit Engagement Partner's Name: Mohammed Junaid

Financial Statements

BALANCE SHEET

AS AT 31 DECEMBER 2012

	Note	2012	2011
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	833,259	733,695
Intangible assets	7	8,012	10,503
Long term investments	8	37,000	36,594
Long term deposits and prepayments	9	26,180	37,058
		904,451	817,850
CURRENT ASSETS			
Stores and spares	10	247	-
Stock in trade	11	2,205,030	2,247,616
Trade debts - unsecured	12	337,155	130,112
Advances - unsecured	13	8,880	24,181
Deposits, short term prepayments and other receivables	14	435,564	343,694
Interest accrued		5,046	1,339
Short term investment	15	500,000	100,000
Tax refunds due from Government	16	508,597	530,678
Cash and bank balances	17	733,195	430,818
		4,733,714	3,808,438
TOTAL ASSETS		5,638,165	4,626,288
EQUITY AND LIABILITY			
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	3,844,508	3,201,707
		3,844,991	3,202,190
		3,920,591	3,277,790
NON-CURRENT LIABILITIES			
Long term deposits	21	37,000	36,594
Deferred liability - employee benefits	22	85,010	79,262
Deferred taxation	23	40,782	34,154
		162,792	150,010
CURRENT LIABILITIES			
Trade and other payables	24	1,190,303	945,337
Short term borrowings	25	-	-
Provision for taxation		364,479	253,151
		1,554,782	1,198,488
CONTINGENCIES AND COMMITMENTS	26		
TOTAL EQUITY AND LIABILITIES		5,638,165	4,626,288

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 2012

	Note	2012	2011
		(Rupees in '000)	
SALES	27	11,476,817	9,816,296
COST OF SALES	28	7,218,046	6,275,619
GROSS PROFIT		4,258,771	3,540,677
DISTRIBUTION COST	29	2,055,701	1,831,314
ADMINISTRATIVE EXPENSES	30	701,593	599,158
OTHER OPERATING EXPENSES	31	119,186	76,537
		2,876,480	2,507,009
OTHER OPERATING INCOME	32	56,744	42,546
OPERATING PROFIT		1,439,035	1,076,214
FINANCE COST	33	53,449	51,206
PROFIT BEFORE TAXATION		1,385,586	1,025,008
TAXATION	34	364,785	276,838
PROFIT AFTER TAXATION		1,020,801	748,170
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,020,801	748,170
EARNINGS PER SHARE - BASIC AND DILUTED	35	Rs. 135.03	Rs. 98.96

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 2012

	Note	2012	2011
		(Rupees in '000)	
CASH GENERATED FROM OPERATIONS			
Profit before taxation		1,385,586	1,025,008
Non-cash adjustment to reconcile profit before tax to net cash flows:			
Depreciation of property, plant & equipment		112,481	96,562
Amortization of intangible assets		6,372	5,477
Provision for gratuity		8,259	7,142
(Gain) on disposal of property, plant and equipment		(2,813)	(2,278)
Income from short term investments		(47,953)	(34,047)
Income from long term investments		(3,501)	(3,638)
Exchange loss		19,001	9,296
Finance cost		5,282	6,023
Provision for doubtful debts		6,037	-
Provision for slow moving and obsolete stock		(859)	859
Provision for obsolescence - stores & spares		1,702	925
		104,008	86,321
Operating profit before working capital changes		1,489,594	1,111,329
Working capital adjustments:			
(Increase) / decrease in current assets:			
Stores and spares		(1,949)	232
Stock in trade		43,445	(721,443)
Trade debts - unsecured		(213,080)	(107,787)
Advances - unsecured		15,301	(10,922)
Deposits, short term prepayments and other receivables		(25,116)	12,015
Tax refunds due from Government		22,081	(85,199)
		(159,318)	(913,104)
Increase / (decrease) in current liabilities:			
Trade and other payables		222,320	(53,899)
Cash generated from operations		1,552,596	144,326
Finance costs paid		(5,282)	(6,023)
Income tax paid		(313,583)	(269,551)
Gratuity paid		(2,511)	(2,091)
Interest income received		47,747	36,835
		(273,629)	(240,830)
Decrease in long term prepayments		10,878	1,750
Net decrease / (Increase) in long term deposits		406	(821)
Net cash generated from / (used in) operating activities	A	1,290,251	(95,575)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	(216,165)	(209,712)
Purchase of intangible assets	7	(3,881)	(5,557)
Proceeds from sale of property, plant and equipment	6.5	6,933	12,024
(Increase) / decrease in long term investments		(406)	1,229
Net cash used in investing activities	B	(213,519)	(202,016)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(374,355)	(210,630)
Net cash used in financing activities	C	(374,355)	(210,630)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	A+B+C	702,377	(508,221)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		530,818	1,039,039
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	36	1,233,195	530,818

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 2012

	Share capital	Capital reserve	General reserve	Unappropriated profits	Total
	Rupees in '000				
Balance as at 31 December 2010	75,600	483	1,792,000	873,217	2,741,300
Final dividend for 2010 @ Rs. 28.00 per share	-	-	-	(211,680)	(211,680)
Transfer to general reserve for 2010	-	-	660,000	(660,000)	-
Total comprehensive income for the year	-	-	-	748,170	748,170
Balance as at 31 December 2011	75,600	483	2,452,000	749,707	3,277,790
Final dividend for 2011 @ Rs. 20.00 per share	-	-	-	(151,200)	(151,200)
Transfer to general reserve for 2011	-	-	595,000	(595,000)	-
Interim dividend for 2012 @ Rs. 30.00 per share	-	-	-	(226,800)	(226,800)
Total comprehensive income for the year	-	-	-	1,020,801	1,020,801
Balance as at 31 December 2012	75,600	483	3,047,000	797,508	3,920,591

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 2012

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 effective in 2012

The Company has adopted the following new and amended IFRS interpretations which became effective during the year.

	Standard or Interpretation
IFRS - 7	Financial Instruments: Disclosures - Enhanced De-recognition Disclosures Requirements (Amendment) (see note 3 below)
IAS - 12	Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements except for improvement in certain disclosures.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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 decision 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 impairment 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 for any doubtful receivables. 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

The accounting policies applied are consistent with prior year except as stated in note 2.2.

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 2012 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 schemes 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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/or in transit. Transfers are made to relevant category of property, plant and equipment as and when assets become available for use. Capital work in progress is stated at cost, less any identified impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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 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 temporarily to a third party for processing of the Company's raw material 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 Intangible assets

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 if any.

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 profit and loss account 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 for net realizable value.

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.
Goods in process	- at production cost

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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 labor 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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 Instrument

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, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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 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.

5.23 Standards issued but not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Standard or Interpretation	Effective date (Periods beginning on or after)
IFRS 7	Financial Instruments: Disclosures - (Amendments)	
	- Amendments enhancing disclosures about transfers of financial assets	01 July 2011
	- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 1	Presentation of Financial Statements - Presentation of items of comprehensive income	01 July 2012
IAS 32	Offsetting Financial Assets and Financial liabilities - (Amendment)	01 January 2014
IAS 19	Employee Benefits - (Amendment)	01 January 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	01 January 2013

The Company expects that the adoption of the above revisions and amendments of the standards will not materially affect the Company's financial statements in the period of initial application other than the amendments to IAS-19 'Employee Benefits'. Such amendments range from fundamental changes to simple clarifications and re-wording. The significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.

- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The Company is currently assessing the impact of the above amendments which are effective from 1 January 2013 on the financial statements. However, it is expected that the adoption of the said amendments will result in change in the Company's accounting policy related to recognition of actuarial gains and losses as referred to in note 5.1 to the financial statements. The potential impact of the same however, cannot be presently be determined.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

	Standards	IASB effective date (annual beginning on or after)
IFRS 9	Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10	Consolidated Financial Statements	01 January 2013
IFRS 11	Joint Arrangements	01 January 2013
IFRS 12	Disclosure of Interests in Other Entities	01 January 2013
IFRS 13	Fair Value Measurement	01 January 2013

6. PROPERTY, PLANT AND EQUIPMENT

	Note	2012 (Rupees in '000)	2011 (Rupees in '000)
Operating fixed assets	6.1	833,259	732,806
Capital work-in-progress	6.2	-	889
		833,259	733,695

6.1 Operating fixed assets

DESCRIPTION	Note	2012 COST As at 01 Jan 2012	Additions	Disposals / Adjustments	As at 31 Dec. 2012	ACCUMULATED DEPRECIATION As at 01 Jan 2012	Charge for the year	Disposals	As at 31 Dec 2012	Book value As at 31 Dec. 2012	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		66,962	1,164	-	68,126	54,661	1,284	-	55,945	12,181	10
Others		73,631	530	-	74,161	41,792	1,604	-	43,396	30,765	5
Plant and machinery	6.3	488,727	55,269	(21,360)	522,636	280,111	23,593	(19,237)	284,467	238,169	10
Boiler		2,967	-	(24)	2,943	2,736	23	(22)	2,737	206	10
Gas installations		1,255	21	-	1,276	920	36	-	956	320	10
Office equipment		5,113	571	(144)	5,540	2,927	248	(139)	3,036	2,504	10
Computers		66,567	22,834	(5,622)	83,779	36,472	10,769	(4,543)	42,698	41,081	25
Furniture, fixtures and fittings		793,378	136,634	(3,330)	926,682	354,693	73,728	(2,419)	426,002	500,680	15
Vehicles		15,015	31	-	15,046	9,040	1,196	-	10,236	4,810	20
		1,516,158	217,054	(30,480)	1,702,732	783,352	112,481	(26,360)	869,473	833,259	

DESCRIPTION	Note	2011 COST As at 01 Jan 2011	Additions	Disposals / Adjustments	As at 31 Dec. 2011	ACCUMULATED DEPRECIATION As at 01 Jan 2011	Charge for the year	Disposals	As at 31 Dec 2011	Book value As at 31 Dec. 2011	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		66,067	895	-	66,962	53,361	1,300	-	54,661	12,301	10
Others		72,265	1,366	-	73,631	40,128	1,664	-	41,792	31,839	5
Plant and machinery	6.3	447,901	77,837	(37,011)	488,727	289,370	19,425	(28,684)	280,111	208,616	10
Boiler		2,967	-	-	2,967	2,711	25	-	2,736	231	10
Gas installations		1,105	218	(68)	1,255	949	24	(53)	920	335	10
Office equipment		5,269	205	(361)	5,113	2,984	238	(295)	2,927	2,186	10
Computers		57,476	12,333	(3,242)	66,567	30,203	8,814	(2,545)	36,472	30,095	25
Furniture, fixtures and fittings		681,504	116,858	(4,984)	793,378	295,458	63,578	(4,343)	354,693	438,685	15
Vehicles		15,015	-	-	15,015	7,546	1,494	-	9,040	5,975	20
		1,352,112	209,712	(45,666)	1,516,158	722,710	96,562	(35,920)	783,352	732,806	

6.2 Capital work-in-progress

2012	Opening Balance	Additions	Transfers	Closing Balance
	(Rupees in '000)			
Tangible				
Vehicles	889	-	(889)	-

2011	Opening Balance	Additions	Transfers	Closing Balance
	(Rupees in '000)			
Tangible				
Vehicles	889	-	-	889
	889	-	-	889
Inangible				
Advance for software development	463	-	(463)	-
	1,352	-	(463)	889

6.3 Included in plant and machinery above are amounts aggregating to Rs. ('000) 10,652 (2011: Rs. ('000) 11,835) representing net book value of assets held by The Unique Rubber Kraft (TURK) under an operating lease arrangement.

6.4 Allocation of depreciation expense

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

	Note	2012	2011
		(Rupees in '000)	
Cost of sales	28	24,918	20,763
Distribution cost	29	79,900	68,335
Administrative expenses	30	7,663	7,464
		112,481	96,562

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
		(Rupees in '000)					
Plant and machinery							
Lasting, Drill, Grinding Machine & Different Equipment	Mr. Mian Khalid Waheed, Lahore	2,332	2,160	172	220	48	Negotiation
CANPAK, Cutting, Sole press, Sewing & Different Equipment	M/S Dastaghir Shoe Processing, Lahore	8,152	7,439	713	2,263	1,550	Negotiation
Mixing Mill, Trollies, Fans & Different Equipment	Mr. Malik Zulfiqar Ali, Lahore	1,442	1,247	195	1,495	1,300	Negotiation
Telephone Exchange and Sets & VCR	Mr. Maqsood Alam, Lahore	3,566	3,045	521	118	(403)	Negotiation
Sewing, Press and Conveyor	M/S Tec-Expo Industries, Lahore	1,143	1,050	93	518	425	Negotiation
Air Conditioners	Mr. Tanvir Ali, Lahore	1,123	1,052	71	86	15	Negotiation
Diesel Generator	Mr. Abul Sattaar, Lahore	590	536	54	448	394	Negotiation
Diesel Generator	M/S Unicat Eng. & Serv., Lahore	2,995	2,697	298	698	400	Negotiation
Various miscellaneous items	Various employees	17	11	6	7	1	Negotiation
		21,360	19,237	2,123	5,853	3,730	
Boiler							
Gas analyzer	Mr. Mian Khalid Waheed, Lahore	24	22	2	11	9	Negotiation
		24	22	2	11	9	
Office equipment							
Canon fax machine, Projector & Photocopier	Mr. Maqsood Alam, Lahore	144	139	5	12	7	Negotiation
		144	139	5	12	7	
Computers							
Computers	M/s New Jubilee Insurance Company Limited, Lahore	178	62	116	163	47	Insurance Claim
Main Frame Printer	M/s Somy Enterprises, Lahore	959	946	13	12	(1)	Negotiatioin
Computer	SOS Village, Lahore	56	47	9	-	(9)	Management Decision
Laptop	Mr. M. Junaid, Ex. Costing Manager, Lahore	156	60	96	-	(96)	Management Decision
Various	M/s HP Solutions, Lahore	4,273	3,428	845	125	(720)	Negotiation
		5,622	4,543	1,079	300	(779)	
Furniture, fixtures and fittings							
Air Conditioners	Mr. Maqsood Alam, Lahore	1,919	1,426	493	328	(165)	Negotiation
Air Conditioners & Generators	M/s New Jubilee Insurance Company Limited, Lahore	757	460	297	397	100	Insurance Claim
Sofa Sets	Various employees	37	35	2	9	7	Negotiation
Old Furniture	Mr. Malik Zulfiqar Ali, Lahore	12	10	2	5	3	Negotiation
Old Furniture	M/s Rashid Butt, Lahore	37	34	3	1	(2)	Negotiation
Old Furniture	M/s Lal Din, Lahore	27	8	19	17	(2)	Negotiation
Various miscellaneous items	Various	541	446	95	-	(95)	Scrapped
		3,330	2,419	911	757	(154)	
2012		30,480	26,360	4,120	6,933	2,813	
2011		45,666	35,920	9,746	12,024	2,278	

7. INTANGIBLE ASSETS

Software Licences	COST			ACCUMULATED AMORTIZATION			BOOK VALUE	Amortization
	As at 01 Jan	Additions / Transfers	As at 31 Dec.	As at 01 Jan	Charge for the year	As at 31 Dec	As at 31 Dec.	Rate %
	(Rupees in '000)							
2012	17,491	3,881	21,372	6,988	6,372	13,360	8,012	33
2011	11,471	6,020	17,491	1,511	5,477	6,988	10,503	33

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012	2011
		(Rupees in '000)	
8. LONG TERM INVESTMENTS			
Held to maturity at amortized cost			
PLS Term Deposit Receipts	8.1	37,000	36,594

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 12.05% to 12.10% (2011: 12% to 13%) per annum.

	Note	2012	2011
9. LONG TERM DEPOSITS AND PREPAYMENTS			
Security deposits	9.1	14,527	12,019
Prepaid rent	9.2	54,361	66,681
Less: Adjustable within one year	14	42,708	41,642
		11,653	25,039
		26,180	37,058

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.

	Note	2012	2011
10. STORES AND SPARES			
Stores		2,589	2,655
Spares		25,925	24,157
		28,514	26,812
Less: Obsolescence reserve	10.1	28,514	26,812
		-	-
Spares in transit		247	-
		247	-
10.1 Opening reserve		26,812	25,887
Charge for the year		1,702	925
Closing reserve		28,514	26,812

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

	Note	2012	2011
11. STOCK IN TRADE			
Raw Material			
In hand		139,917	239,785
In transit		37,531	55,188
		177,448	294,973
Goods in process	11.1	45,867	102,145
Finished Goods			
Own production		784,473	643,700
Purchased		1,138,072	1,159,053
		1,922,545	1,802,753
Less: Provision for slow moving and obsolete items	11.2	-	(859)
		1,922,545	1,801,894
In transit		59,170	48,604
		2,205,030	2,247,616

11.1 This includes amounts aggregating to Rs. ('000) 15,898 (2011: Rs. ('000) 57,353) representing stock held by third parties.

	Note	2012	2011
11.2 Opening provision		859	-
Charge for the year		-	859
Reversals during the year		(859)	-
Closing provision		-	859

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012	2011
		(Rupees in '000)	
12. TRADE DEBTS - UNSECURED			
Considered good			
Due from customers	12.1	336,211	127,907
Due from associated undertakings	12.2	944	2,205
		337,155	130,112
Considered doubtful			
Due from customers	12.3	6,037	-
Less: Provision for doubtful debts		(6,037)	-
		-	-
		337,155	130,112

12.1 These customers have no recent history of default. For age analysis of these trade debts, referred to Note 38.2.2.

12.2 Due from associated undertakings - unsecured	2012	2011
Bata Shoe Company (Sri Lanka)	557	2,205
Bata Shoe Company (Malawi)	387	-
	944	2,205

12.2.1 Maximum aggregate amonut due from associated undertakings at the end of any month in the year was RS. ('000) 1,666 (2011: Rs.('000) 8,541. No interest has been charged on the amounts due form associated undertakings.

12.3 Movement in the provision - Individual for impairment of receivables is as follows:

	Individually Impaired	Collectively Impaired	Total
	(Rupees in '000)		
At 1 January 2012	-	-	-
Charge for the year	6,037	-	6,037
At 31 December 2012	6,037	-	6,037

	Note	2012	2011
		(Rupees in '000)	
13. ADVANCES - UNSECURED			
Considered good, non-interest bearing			
Advances to employees		1,922	1,437
Advances to suppliers		6,958	22,744
		8,880	24,181

13.1 Aggregate amount due from Directors, Chief Executives and Executives of the Company is Rs. ('000) Nil (2011: Rs. ('000) Nil)

13.2 Aggregate amount due from related parties is Rs. ('000) Nil (2011: Rs. ('000) Nil)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012	2011
		(Rupees in '000)	
14. DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES			
Deposits - Considered good, unsecured			
Custom duty and taxes		5,419	923
Letters of guarantee - Margin		5,681	4,911
Others		3,793	2,773
		14,893	8,607
Short term prepayments			
Prepaid rent	9	42,708	41,642
Prepaid sales tax		2,367	1,210
Other prepaid expenses		3,995	2,025
		49,070	44,877
Other receivables			
Considered good, unsecured			
Export rebates		4,717	5,008
Insurance claims		15,675	2,364
Advance tax	14.1	348,787	282,033
Others	14.2	2,422	805
		371,601	290,210
Considered doubtful			
Advance rent		1,585	1,585
Others		486	486
		2,071	2,071
Less: Provision for doubtful balances		(2,071)	(2,071)
		-	-
		435,564	343,694

14.1 Advance tax

		2012	2011
Balance as at 01 January		282,033	336,841
Advance tax paid during the year		313,583	269,551
		595,616	606,392
Adjustment against:			
Provision for tax		(253,151)	(311,977)
Prior Year		6,322	(12,382)
		(246,829)	(324,359)
Balance as at 31 December		348,787	282,033

14.2 Other receivables do not include any amounts receivable from Directors, Chief Executive, Executives and related parties (2011: Rs. ('000) Nil).

15. SHORT TERM INVESTMENTS (HELD TO MATURITY)

This includes the following term deposits receipts:

	Rate of return	Period of deposit	2012	2011
Habib Metropolitan Bank Ltd.	9.25%	1 month	200,000	-
Bank Al-Habib Limited	9.40%	1 month	300,000	-
United Bank Limited	11.75%	1 month	-	100,000
			500,000	100,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

16. TAX REFUNDS DUE FROM GOVERNMENT

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

	Note	2012	2011
		(Rupees in '000)	
17. CASH AND BANK BALANCES			
Bank balances in			
Current accounts		29,754	47,870
Daily profit accounts	17.1	640,635	338,579
Cash in transit		60,393	39,950
Cash in hand		2,413	4,419
		733,195	430,818

17.1 The rate of mark-up on these accounts ranges from 6.15% to 8.00% (2011: 5% to 9.5%) per annum.

18. SHARE CAPITAL

18.1 Authorized share capital

2012	2011		2012	2011
(Number of shares 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

2012	2011		2012	2011
(Number of shares in '000)				
1,890	1,890	Ordinary shares of Rs. 10/- each fully paid in cash	18,900	18,900
300	300	Ordinary shares of Rs. 10/- each issued for consideration other than cash	3,000	3,000
5,370	5,370	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	53,700	53,700
7,560	7,560		75,600	75,600

18.2.1 Bafin B.V. (Nederland) (the parent company) held 5,685,866 (2011: 5,098,366) ordinary shares of Rs. 10 each fully paid up which represents 75.21% (2011: 67.44%) of total paid up capital.

19. CAPITAL RESERVE

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

20. REVENUE RESERVES

	2012	2011
General Reserve		
Balance as at 01 January	2,452,000	1,792,000
Transfer from Profit and loss account	595,000	660,000
	3,047,000	2,452,000
Unappropriated profit	797,508	749,707
	3,844,508	3,201,707

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012	2011
		(Rupees in '000)	
21. LONG TERM DEPOSITS			
Employees' securities and personal accounts		37,000	36,594

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% (2011: 9.5%) 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:

	2012	2011
Present Value of defined benefit obligation	73,032	66,655
Add: Actuarial gains to be recognized in later periods	11,978	12,607
	85,010	79,262

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

	2012	2011
Current service cost	641	613
Interest cost	8,155	7,186
Actuarial gains recognized during the year	(537)	(657)
	8,259	7,142

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

	2012	2011
Opening liability	79,262	74,211
Amount recognized during the year	8,259	7,142
Payments made by the Company during the year	(2,511)	(2,091)
Closing liability	85,010	79,262

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:

	2012	2011
Contribution rates	As per Rules	As per Rules
Expected rate of salary increase in future years	10.5%	12%
Discount rate	11.5%	13%
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	2012	2011	2010	2009	2008
			(Rupees in '000)		
Present value of defined benefit obligation	85,010	79,262	74,211	69,196	62,780
Experience adjustments on plan liabilities	11,978	12,607	13,099	12,270	10,278
Experience adjustments on plan liabilities as a percentage of defined benefit obligation	14%	16%	18%	18%	16%

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	Note	2012	2011
		(Rupees in '000)	
23. DEFERRED TAXATION			
Deferred tax liabilities			
Accelerated tax depreciation		83,354	72,005
Deferred tax assets			
Provision for:			
Gratuity		(29,754)	(27,742)
Doubtful debts		(2,838)	(725)
Obsolescence of inventory		(9,980)	(9,384)
		(42,572)	(37,851)
Net deferred tax liability		40,782	34,154
24. TRADE AND OTHER PAYABLES			
Creditors	24.1	747,459	592,213
Accrued liabilities	24.2	202,436	167,230
Advances from customers		612	314
Due to provident fund trust		9,625	9,086
Deposits	24.3	53,280	39,211
Workers' profit participation fund	24.4	74,004	54,712
Workers' welfare fund		20,047	13,472
Sales tax payable		35,916	31,428
Taxes deducted at source payable		20,919	19,121
Unclaimed dividend		7,764	4,119
Other liabilities	24.5	18,241	14,431
		1,190,303	945,337

24.1 This includes amounts due to the following related parties:

		2012	2011
Bata Shoe Singapore Pte Limited		57,993	71,262
Bata Brand (Switzerland)		59,905	51,036
Global Footwear Services (Singapore)		11,158	9,692
Compass Limited (Bermuda)		-	275
		129,056	132,265

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) 1,280 (2011: ('000) 1,188) in relation to deferred revenue pertaining to Bata Loyalty Cards scheme.

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% (2011: 9.50%) 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

		2012	2011
Balance as at 01 January		54,712	63,896
Allocation for the year		74,004	54,712
Interest on funds utilized in Company's business		450	1,052
		129,166	119,660
Less: Amount adjusted / paid to fund's trustees		55,162	64,948
Balance as at 31 December		74,004	54,712

24.5 This includes Rs. ('000) Nil (2011: ('000) 1,981) received from Bata Children Foundation, a related party, on accounts for flood relief victims.

NOTES TO THE FINANCIAL STATEMENTS

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25. SHORT TERM BORROWINGS

The credit facilities available to the Company from various commercial banks aggregate to Rs.735 million (2011: Rs. 735 million). These include cash finance facilities of Rs 700 million (2011: Rs 700 million) and export finance facility of Rs 35 million (2011: Rs. 35 million).

Mark up on cash finance is based on 3 months KIBOR plus 0.75% to 1% (2011: 3 months KIBOR plus 0.75% to 1%) as per agreements with banks. While mark up on export finance is charged at 9.30% (2011: 12%) per annum.

In addition, non funded facilities of letters of guarantee and letters of credit amounting to Rs. 405 million (2011: Rs. 405 million) were also provided by these banks. The un-utilized facility for letter of credits and guarantees at year end amounts to Rs. 291 million (2011: Rs. 286 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 (2011: Rs. 1,194 million).

26. CONTINGENCIES AND COMMITMENTS

26.1 The Company is contingently liable for:

	Note	2012	2011
		(Rupees in '000)	
Counter Guarantees given to banks		7,634	5,859
Indemnity Bonds given to Custom Authorities		26,188	39,549
Claims not acknowledged as debts - under appeal		10,474	15,401
Law suit by ex-employee - damages for malicious prosecution		-	3,000
Order by sales tax department	26.1.1	138,851	138,851
Order by sales tax department-under appeal	26.1.2	201,252	201,252
Order by sales tax department-under appeal	26.1.3	237,370	-
Order by sales tax department-under appeal	26.1.4	25,820	-
Order by income tax department-under appeal	26.1.5	491	1,645
		648,080	405,557

26.1.1 The Sales Tax Department has issued show-cause notice followed by an order amounting to Rs. 138.8 million in respect of the period from July 2005 to June 2007 for non payment of sales tax on certain items including disposal of fixed assets, inadmissible input tax claimed on electricity bills of retail outlets, inadmissible input tax adjustment claimed against zero rated retail supplies and less declaration of output sales tax in returns when compared with final accounts. The Company filed an appeal against the order before Commissioner Sales Tax (Appeals) who has dismissed the appeal vide order dated 31-01-2009. Thereafter, the Company filed an appeal against the stated order before Appellate Tribunal Inland Revenue (ATIR) who has decided the appeal in favor of the Company. The Sales Tax Department filed a reference application in Honorable Lahore High Court (LHC). LHC vide its order dated 16-05-2012 disposed off the reference application. However, at the year end, the Company is not aware if any leave for appeal has been made by the Sales Tax Department.

26.1.2 The Company has received an order from sales tax department amounting to Rs. 201 million for non-payment of retail tax on sales made through retail outlets and inadmissible input tax adjustment claimed against zero-rated retail supplies for the period from July 2007 to December 2008. The Company filed an appeal against the order before the Commissioner Sales Tax (Appeals) which was not decided in favour of the Company. The Company has filed an appeal with the Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication. Moreover, on 25-06-2012, Company received an additional order from Deputy Commissioner Inland Revenue (DCIR) amounting to Rs. 64 milion pertaining to period from July 2007 to December 2008 of the sales tax previously refunded to the Company. The case has been referred to concerned ACIR/DCIR enforcement against the order. Company has filed an appeal with CIR(Appeals) which is pending adjudication. Based on legal advisor's opinion, the Company expects a favorable outcome of the matter.

26.1.3 The Company has received 20 separate orders dated 17-10-2012 and 14-11-2012 in which sales tax refunds for the periods from November 2008 to December 2010 amounting to Rs. 237.37 million has been rejected on the grounds that input sales tax relating to retail turnover is not admissible. Company has filed seperate appeals against these orders with Commissioner (Appeals) which are pending adjudication. Based on legal advisor's opinion, the Company expects a favorable outcome of the matter.

26.1.4 The Company has received an order dated 18-10-2012 from Sales tax department demanding Rs. 25.820 million on the basis that Company has wrongly adjusted input sales tax against output sales tax for the month of April 2011. Company has filed an appeal with Commissioner (Appeals) which is pending adjudication. Based on legal advisor's opinion, the Company expects a favorable outcome of the matter.

26.1.5 The Company received a show cause notice from the income tax department in respect of understatement of tax liability under u/s 147 (4) for the tax year 2009. Accordingly the Assistant Commisioner Inland Revenue (ACIR) charged additional tax u/s 205(IB) of the Income Tax Ordinance, 2001 and created a demand of Rs. 490,985/-. The Company has filed an appeal before the CIR (Appeals) and is pending adjudication. Based on legal advisor's opinion, the Company expects a favorable outcome for the matter.

NOTES TO THE FINANCIAL STATEMENTS

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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:

	Note	2012	2011
		(Rupees in '000)	
Within one year		508,406	478,244
After one year but not more than five years		1,614,046	1,521,512
More than five years		946,040	788,627
		3,068,492	2,788,383
26.2.2 Commitments in respect of:			
Capital expenditure		4,691	14,872
Letters of credit and bank contracts		431,643	441,920
		436,334	456,792

27. SALES

	Note	2012	2011
Shoes and accessories			
Local		13,135,416	10,999,008
Export		138,043	157,946
		13,273,459	11,156,954
Sundry articles and scrap material		32,149	34,788
		13,305,608	11,191,742
Less: Sales tax		668,165	406,394
Discounts to dealers and distributors		988,126	852,631
Commission to agents / business associates		172,500	116,421
		1,828,791	1,375,446
		11,476,817	9,816,296

28. COST OF SALES

	Note	2012	2011
Cost of goods manufactured	28.1	3,672,889	3,415,034
Finished goods purchased		3,676,375	3,520,670
Add: Opening stock of finished goods		1,850,498	1,190,413
		9,199,762	8,126,117
Less: Closing stock of finished goods	28.2	1,981,716	1,850,498
		7,218,046	6,275,619

28.1 Cost of goods manufactured

	Note	2012	2011
Raw material consumed			
Opening stock		294,973	277,136
Add: Purchases		2,986,249	3,017,722
		3,281,222	3,294,858
Less: Closing stock		177,448	294,973
		3,103,774	2,999,885
Store and spares consumed		11,638	9,185
Fuel and power		138,265	126,162
Salaries, wages and benefits	28.3	284,937	258,278
Repairs and maintenance	28.4	45,777	37,484
Insurance		7,301	5,939
Depreciation	6.4	24,918	20,763
		3,616,610	3,457,696
Add: Opening goods in process		102,145	59,483
		3,718,755	3,517,179
Less: Closing goods in process		45,866	102,145
		3,672,889	3,415,034

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28.2 This includes reversal of Rs. ('000) 859 (2011: ('000) Nil) in respect of provision for slow moving and obsolete stock.

28.3 These include Rs. ('000) 9,284 (2011: Rs. ('000) 8,441) and Rs. ('000) 4,324 (2011: Rs. ('000) 3,738) in respect of contribution to provident fund trust and provision for gratuity respectively.

28.4 This includes provision for obsolescence of stores and spares amounting to Rs. ('000) 1,702 (2011: Rs. ('000) 925).

	Note	2012	2011
		(Rupees in '000)	
29. DISTRIBUTION COST			
Salaries and benefits	29.1	549,284	511,630
Freight		166,285	144,327
Advertising and sales promotion		167,844	163,478
Rent		565,324	503,562
Insurance		11,256	8,984
Trade mark license fee		269,955	231,787
Fuel and power		181,203	164,185
Repairs and maintenance		48,469	23,757
Entertainment		7,214	7,068
Business and property taxes		2,580	3,640
Excise duty		-	334
Depreciation	6.4	79,900	68,335
Provision for doubtful Debts		6,037	-
Miscellaneous		350	227
		2,055,701	1,831,314

29.1 These include Rs. ('000) 18,818 (2011: Rs. ('000) 16,541) and Rs. ('000) 2,877 (2011: Rs. ('000) 2,328) in respect of contribution to provident fund trust and provision for gratuity respectively.

	Note	2012	2011
30. ADMINISTRATIVE EXPENSES			
Salaries and benefits	30.1	328,596	272,840
Employee welfare		22,729	20,509
Fuel and power		19,581	6,756
Telephone and postage		18,083	20,054
Insurance		2,495	2,059
Travelling		86,848	75,682
Repairs and maintenance		18,894	16,221
Printing and stationery		17,799	20,763
Donations and subscription	30.2	1,967	1,658
Legal and professional charges		4,793	4,655
Business and property taxes		836	956
Management service fee	30.3	151,594	139,756
Depreciation	6.4	7,663	7,464
Amortization on intangible assets	7.1	6,372	5,477
Miscellaneous		13,343	4,308
		701,593	599,158

30.1 These include Rs. ('000) 9,225 (2011: Rs. ('000) 8,769) and Rs. ('000) 1,058 (2011: Rs. ('000) 1,076) 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.

30.3 This includes the monthly fee paid to Global Footwear Services Pte Limited, a related party, in respect of management services.

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	Note	2012	2011
		(Rupees in '000)	
31. OTHER OPERATING EXPENSES			
Workers' profit participation fund		74,004	54,712
Workers' welfare fund		20,047	6,997
Auditors' remuneration	31.1	6,134	5,532
Exchange loss		19,001	9,296
		119,186	76,537
31.1 Auditors' remuneration			
Statutory audit		2,622	2,370
Review of six monthly accounts		890	790
Other reviews and certifications		1,652	1,472
Out of pocket expenses		970	900
		6,134	5,532
32. OTHER OPERATING INCOME			
Income from financial assets			
Profit on long term investments		3,501	3,638
Profit on short term investment		16,471	18,344
Profit on bank deposits		31,482	15,703
		51,454	37,685
Income from non - financial assets			
Rental Income		2,477	2,583
Gain on disposal of fixed assets	6.5	2,813	2,278
		5,290	4,861
		56,744	42,546
33. FINANCE COSTS			
Interest / mark-up on:			
Short term borrowings	25	-	1,440
Workers' profit participation fund		450	1,052
Employees / agents' securities and personal accounts	33.1	4,832	3,531
		5,282	6,023
Bank charges and commission	33.2	48,167	45,183
		53,449	51,206

33.1 These do not include any amounts on account of related parties (2011: Rs. ('000) Nil)

33.2 Included in bank charges and commission is an amount of Rs. ('000) 26,996 (2011: Rs. ('000) 23,179) in respect of excise duty paid on trade mark license fee

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	Note	2012	2011
		(Rupees in '000)	
34. TAXATION			
Current			
For the year		364,479	253,151
For prior years		(6,322)	12,382
		358,157	265,533
Deferred		6,628	11,305
		364,785	276,838
Relationship between tax expenses and accounting profit			
Accounting profit before taxation		1,385,586	1,025,008
Tax at applicable tax rate of 35% (2011: 35%)		484,955	358,753
Tax effect of expenses not allowed for tax		(6,514)	361
Effect of tax on export sales, imported finished goods and rental income under Final Tax Regime		(107,334)	(94,658)
Effect of prior years tax		(6,322)	12,382
Tax expense for the year		364,785	276,838

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:

	Note	2012	2011
Profit after taxation - (Rupees in '000)		1,020,801	748,170
Weighted average number of ordinary shares (in thousands)	18.2	7,560	7,560
Earnings per share - basic and diluted (Rupees per share)		135.03	98.96

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:

	2012	2011
Bank balances in		
Current accounts	29,754	47,870
Daily profit accounts	640,635	338,579
Short term investment	500,000	100,000
Cash in transit	60,393	39,950
Cash in hand	2,413	4,419
	1,233,195	530,818

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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	
	2012	2011	2012	2011	2012	2011
	(Rupees in '000)					
Managerial remuneration	27,135	19,488	10,926	12,620	61,727	36,512
Company's contribution						
to provident fund	2,346	1,738	23	353	4,942	3,427
Perquisites and allowances						
Housing	-	-	88	548	19,970	14,268
Leave passage	2,233	2,025	582	435	-	-
Conveyance	-	-	23	185	4,594	3,458
Medical expenses reimbursed	36	73	721	779	3,062	2,372
Utilities	-	-	23	185	4,594	3,392
Others	-	-	4,826	4,841	14,667	10,434
	31,750	23,324	17,212	19,946	113,556	73,863
Number of persons	1	1	2	3	51	40

37.1 In addition to the above, 5 (2011: 5) non executive directors were paid aggregated fee of Rs. ('000) 925 (2011: Rs. ('000) 310) for attending meetings.

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise long term deposits and trade and other payables. The main purpose of these financial liabilities is to raise finances for the Company's operations. The Company's financial assets mainly comprise long term investments, security deposits, trade and other receivables, and cash and cash equivalent that arrive directly from its operations. The Company is exposed to market risk, 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 overall responsibility for the 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 risk management 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. Market risk comprise three types of risks: interest rate risk, currency risk and other price risk such as equity risk. The objective of market risk management is to manage and control market risk exposures within an acceptable range.

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's policy is to keep its short term running finances at the lowest level by effectively utilizing positive cash and bank balances. Further, the Company also minimizes the interest rate risk by investing in fixed rate investments like term deposit-receipts.

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

	Fixed or variable	2012	2011	2012	2011
		Effective rates		Rupees in ('000)	
Financial Assets					
Long term investments	Fixed	12.05 to 12.10%	12.00 to 13.00%	37,000	36,594
Short term investments	Fixed	9.25 to 9.40%	11.75%	500,000	100,000
Bank Balance in Daily profit account	Fixed	6.15 to 8.00%	5.00 to 9.50%	640,635	338,579
				1,177,635	475,173
Financial Liabilities					
Long term deposits - employees' securities	Fixed	10.00%	9.50%	37,000	36,594
Trade and other payables					
Deposits - agents	Fixed	10.00%	9.50%	53,280	39,211
				90,280	75,805

Sensitivity analysis for variable rate instruments

The Company has all its investments in fixed rate instruments hence it is not subject to any fluctuation in market interest rates.

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:

	2012	2011
	(Rupees in '000)	
Financial assets		
Trade debts - Export customers		
US Dollar	3,507	2,882
Euro	790	424
Pound sterling	3,764	-
	8,061	3,306
Financial liabilities		
Trade and other Payables - Foreign suppliers		
US Dollar	78,926	72,841
Euro	59,905	51,125
Singapore Dollar	11,158	9,692
	149,989	133,658

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 2012 in the currencies involved.

	2012	2011	2012	2011
			(Rupees in '000)	
	Percentage Change in Exchange Rate	Percentage Change in Exchange Rate	Effect on Profit Before Tax	Effect on Profit Before Tax
			+ / -	+ / -
Variation in USD to PKR	8%	5%	6,034	3,498
Variation in EURO to PKR	8%	5%	4,729	2,535
Variation in Pound Sterling to PKR	8%	5%	301	-
Variation in Singapore Dollar to PKR	10%	10%	1,116	969

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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 Company's 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) 1,648,955 (2011: Rs. ('000) 727,230) 73.79% of financial assets subject to credit risk are concentrated in nine parties (2011: 71.92% in nine parties).

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

	2012	2011
	(Rupees in '000)	
Financial assets		
Long term investments	37,000	36,594
Long term deposits	14,527	12,019
Trade debts - unsecured	337,155	130,112
Deposits	22,032	16,347
Interest accrued	5,046	1,339
Short term investment	500,000	100,000
Cash at bank	670,389	386,449
	1,586,149	682,860

38.2.1 Long term investments

Financial institution	Ratings			Carrying Values	
	Agency	Long Term	Short term	2012	2011
				(Rupees in '000)	
Silk Bank Limited	JCR-VIS	A-	A-2	-	29,000
Habib Metropolitan Bank Limited	PACRA	AA+	A1+	37,000	7,594
				37,000	36,594

38.2.2 Trade debts

	Carrying Values	
	2012	2011
	(Rupees in '000)	
Neither past due nor impaired		
	315,734	102,347
Past due but no impaired		
1-30 days	-	-
31-60 days	12,663	27,765
61-90 days	5,475	-
Over 90 days	3,283	-
	21,421	27,765
Past due and impaired		
1-30 days	-	-
31-60 days	-	-
61-90 days	-	-
Over 90 days	6,037	-
	6,037	-

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38.2.3 Short term investments

Financial institution	Ratings Agency	Long Term	Short term	2012 (Rupees in '000)	2011
Bank Al-Habib Limited	PACRA	AA+	A1+	300,000	-
Habib Metropolitan Bank Ltd.	PACRA	AA+	A1+	200,000	-
United Bank Limited	JCR-VIS	AA+	A-1+	-	100,000
				500,000	100,000

38.2.4 Cash at bank

Financial institution	Ratings Agency	Long Term	Short term	2012 (Rupees in '000)	2011
Habib Bank Limited	JCR-VIS	AA+	A-1+	631,635	360,901
MCB Bank Limited	PACRA	AA+	A1+	5,989	1,173
Habib Metropolitan Bank Limited	PACRA	AA+	A1+	12,613	9,151
Bank Al-Habib Limited	PACRA	AA+	A1+	6,571	801
Summit Bank Limited	JCR-VIS	A-	A-2	966	501
National Bank of Pakistan	JCR-VIS	AAA	A-1+	378	1,653
United Bank Limited	JCR-VIS	AA+	A-1+	11,587	3,464
Silk Bank Limited	JCR-VIS	A-	A-2	207	2,149
Barclays Bank PLC	Standard & Poor's	A+	A-1	443	6,656
				670,389	386,449

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. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions. 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 un-utilized short term borrowing facilities available from various Commercial banks aggregating to Rs. 735 million at 31 December 2012 (2011: Rs. 735 million).

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

2012 (Rupees in '000)

	On demand	Less than 1 year	1 to 5 years	Over 5 years	Total
Long term deposits	37,000	-	-	-	37,000
Trade and other payables	-	1,189,691	-	-	1,189,691

2011 (Rupees in '000)

	On demand	Less than 1 year	1 to 5 years	Over 5 years	Total
Long term deposits	36,594	-	-		36,594
Trade and other payables	-	945,023	-	-	945,023

38.4 Fair value of the financial instruments

Fair value is measured on the basis of objective evidence at each reporting date. The carrying value of all the financial instruments reflected in the financial statements approximates their fair value and accordingly, detailed disclosures of fair value are not being presented in these financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

The Company's objectives when managing:

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 other stakeholders; and
b) to provide an adequate return to shareholders by pricing products

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:	2012	2011
	(Rupees in '000)	
Net debt	-	-
Total equity	3,920,591	3,277,790
Capital gearing ratio	-	-

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	2012	2011
		(Rupees in '000)	
Associated Companies	Purchase of goods and services	1,381,734	1,371,997
	Sale of goods and services	3,738	20,840
	Trade mark license fee	269,955	231,787
	Management service fee & IT charges	151,594	139,756
Holding company	Dividend paid	272,543	127,008
Staff Retirement Benefits	Contribution to provident fund trusts	37,326	33,752
Staff Retirement Benefits	Gratuity Paid	2,511	2,091
Key Management Personnel	Remuneration	84,673	70,353

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	
	2012	2011	2012	2011	2012	2011
Footwear in pairs						
Leather	1 to 3	1 to 3	7,783	10,203	6,795	9,300
Plastic	3	1 to 3	6,296	2,678	5,042	1,904
			14,079	12,881	11,837	11,204

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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 2013 has approved a final dividend @ Rs. 23 per share for the year ended 31 December 2012 (2011: Rs. 20 per share) amounting to Rs. ('000) 173,880 (2011: Rs. ('000) 151,200) and transfer to general reserve amounting to Rs. ('000) 620,000 (2011: Rs. ('000) 595,000) for approval of the members at the Annual General Meeting to be held on 11 April 2013. The financial statements do not reflect the effect of the above events.

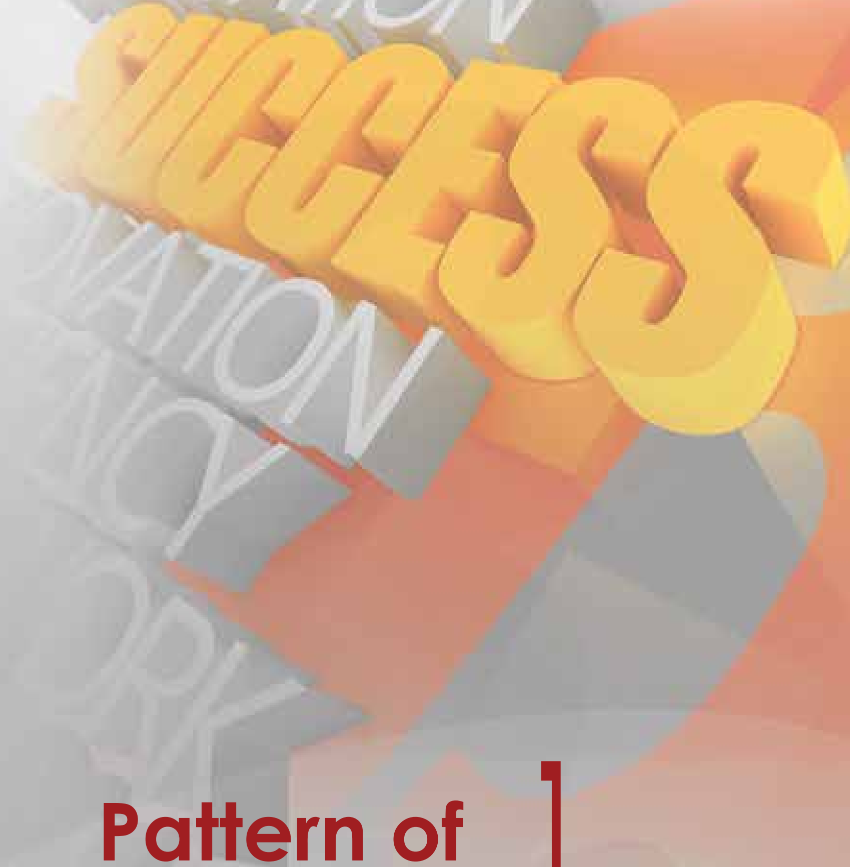
43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on 21 February 2013.

44. GENERAL

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

Chief Executive	Director



Pattern of Shareholding

PATTERN OF SHAREHOLDING

AS AT 31 DECEMBER 2012

No. of Shareholders	Shareholding From	Shareholding To	Total Shares held
609	1	100	26,168
394	101	500	96,801
61	501	1,000	45,025
37	1,001	5,000	69,914
3	5,001	10,000	17,990
1	10,001	15,000	11,392
1	20,001	25,000	21,000
3	25,001	30,000	82,051
1	100,001	105,000	103,783
1	305,001	310,000	309,776
1	1,090,001	1,095,000	1,090,234
1	5,685,001	5,690,000	5,685,866
1,113			7,560,000

CATEGORIES OF SHAREHOLDERS

	Number of Shareholders	Total Shares held	Percentage
FOREIGN SHAREHOLDERS			
Bafin (Nederland) B.V.	1	5,685,866	75.21
LOCAL SHAREHOLDERS			
Individuals	1,082	235,354	3.11
National Investment Trust	2	49,076	0.65
National Bank of Pakistan	3	1,194,057	15.79
Industrial Development Bank of Pakistan	1	125	0.01
Banks, DFII's and NBFI's	1	25,503	0.34
Insurance Companies	4	327,201	4.33
Joint Stock Companies	17	40,342	0.53
Others	2	2,476	0.03
	1,113	7,560,000	100.00

PATTERN OF SHAREHOLDING

AS AT 31 DECEMBER 2012

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.	5,685,866
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	103,783
	National Bank of Pakistan	40
	Deutsche Bank Suisse S.A.	25,503
5.	**Insurance companies**	
	EFU General Insurance Limited	309,776
	Habib Insurance Company Limited	6,000
	State Life Insurance Corporation of Pakistan	11,392
	The Crescent Star Insurance Company Limited	33
6.	**Investment Companies**	
	Tundra Pakistan Fond	28,472
7.	**Modarbas and mutual funds**	
	B.R.R Guardian Modaraba	2,053
	CDC-Trustee AKD Index Tracker Fund	423
8.	**Other companies**	
	IGI Finex Securities Limited	1
	Fateh Industries Limited	160
	Naeem's Securities Limited	50
	Service Sales Corp. (Pvt) Limited	100
	BMA Capital Management Limited	2,550
	General Investment & Securities (Pvt.) Limited	1
	M. Munir M. Ahmed Khanani Securities	4,750
	Montague International Trading Limited	821
	NH Securities (Pvt.) Limited	135
	Pearl Capital Management (Pvt.) Limited	6
	Sarfraz Mahmood Securities (Pvt.) Limited	25
	Sherman Securities (Pvt.) Limited	400
	Stock Master Securities (Pvt.) Limited	50
	Zillion Capital Securities (Pvt.) Limited	2,100
	Haral Sons (SMC-PVT) Limited	700
	UHF Consulting (PVT) Limited	21
9.	**General public**	235,352
10.	**Executives, their spouses and minor children**	-
		7,560,000
Shareholders holding more than 10 % voting interest in the company		
	Bafin (Nederland) B.V.	5,685,866
	National Bank of Pakistan - Trustee department of NIT	1,090,234
	National Bank of Pakistan	103,823
	National Investment Trust Ltd. Admn. Fund	21,000
	National Investment Trust Ltd.	28,076
		1,243,133
		6,928,999

During the financial year the trading in shares of the Company by the Directors, CEO, CFO, Company Secretary and their Spouses and minor children is NIL.

FORM OF PROXY

61ST 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 61st Annual General Meeting of the Company to be hled on April 11, 2013 and at any adjournment thereof.

Signed this ______________ day of ______________ 2013.

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
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