

## Corporate Information

### Board of Directors

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

### Audit Committee

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

### Company Secretary

Mr. S. M. Ismail

### Auditors

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

### Legal Advisor

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

### Stock Exchange Listing

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

The Company's shares are quoted in leading  
Newspapers under "Leather and Tannery" sector.

### Bankers

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

### Registered Office

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

### Share Registrar

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

### Factories

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

### Maraka

26 - Km, Multan Road, Lahore.

### Liaison Office

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

## Directors' Review

It is my pleasure to present the un-audited Condensed Financial Statements and brief review of the Company's operations for the 1st Quarter ended 31 March, 2010.

The Company continues to sustain growth trend that it carried previously. Net turnover in the period under review was Rs. 1.652 billion as compared to Rs. 1.213 billion for the corresponding period of last year. This signifies a vigorous growth of 36% specially under the current power crisis and current political circumstances prevailing within the country.

Retail division with the opening of four new stores and by renovating three major stores during the first quarter was able to achieve 30% growth in business. Our focus as a part of our strategy will remain on expansion of big format stores by closing low turnover stores.

Our Wholesale division again achieved remarkable sales during this quarter as the demand for our best selling, factory produced PU articles was particularly high. This division has now developed into a significant contributor to the Company's overall business and profitability. They are striving to develop new products and customers base to maintain its strong growth.

During the period under review, our manufacturing units were fully loaded to meet the high demand for popular items. Our newly acquired PU machine was fully operational and will assist in meeting the increased demand for these products. Our investment in many new moulds introduced this year is also being rewarded as the majority have proved to be winners in the marketplace.

With all divisions performing well, the Company was able to achieve year to date profit after tax of Rs 146.3 Million as compared to Rs. 71.7 Million in the corresponding period of last year. As we have our major selling period still to come in the 3rd quarter of the year, it is thus, expected that the full year will reflect all time record sales and profits for the Company.

On behalf of the Board

Batapur:  
Lahore: April 22, 2010

(M. IMRAN MALIK)  
Chief Executive

# Condensed Interim Balance Sheet - Unaudited

## as at 31 March, 2010

|  | Note | (Un-Audited)<br>31 March<br>2010 | (Audited)<br>31 December<br>2009 |
|--|------|----------------------------------|----------------------------------|
| (Rupees in thousand)                                   |      |                                  |                                  |
| <b>ASSETS</b>  |      |                                  |                                  |
| <b>NON-CURRENT ASSETS</b>                              |      |                                  |                                  |
| Property, plant and equipment                          | 4    | 572,340                          | 580,490                          |
| Capital work in progress                               |      | 8,061                            | 1,921                            |
| Long term investments                                  |      | 36,765                           | 35,830                           |
| Long term deposits and prepayments                     |      | 32,308                           | 34,498                           |
|  |      | 649,474                          | 652,739                          |
| <b>CURRENT ASSETS</b>                                  |      |                                  |                                  |
| Stores and spares                                      |      | 707                              | 768                              |
| Stock in trade   |      | 1,415,338                        | 1,281,862                        |
| Trade debts - unsecured                                |      | 301,549                          | 23,735                           |
| Advances - unsecured                                   |      | 3,208                            | 3,191                            |
| Deposits, short term prepayments and other receivables |      | 78,825                           | 69,060                           |
| Tax refunds due from Government                        | 5    | 275,394                          | 219,393                          |
| Short term investment                                  |      | 300,000                          | 350,000                          |
| Cash and bank balances                                 |      | 221,391                          | 461,249                          |
|  |      | 2,596,412                        | 2,409,258                        |
| <b>TOTAL ASSETS</b>                                    |      | 3,245,886                        | 3,061,997                        |
| <b>SHARE CAPITAL AND RESERVES</b>                      |      |                                  |                                  |
| Authorized share capital                               |      | 100,000                          | 100,000                          |
| Issued, subscribed and paid up capital                 |      | 75,600                           | 75,600                           |
| Reserves   |      |                                  |                                  |
| Capital reserve  |      | 483                              | 483                              |
| Revenue reserves                                       |      | 2,030,960                        | 1,884,644                        |
|  |      | 2,031,443                        | 1,885,127                        |
|  |      | 2,107,043                        | 1,960,727                        |
| <b>NON-CURRENT LIABILITIES</b>                         |      |                                  |                                  |
| Long term deposits                                     |      | 36,765                           | 35,830                           |
| Deferred liability - employee benefits                 | 6    | 70,213                           | 69,196                           |
| Deferred taxation                                      |      | 16,073                           | 17,098                           |
|  |      | 123,051                          | 122,124                          |
| <b>CURRENT LIABILITIES</b>                             |      |                                  |                                  |
| Trade and other payables                               |      | 958,319                          | 907,760                          |
| Mark - up accrued                                      |      | 2,929                            | -                                |
| Provision for taxation                                 |      | 54,544                           | 71,386                           |
|  |      | 1,015,792                        | 979,146                          |
| <b>CONTINGENCIES AND COMMITMENTS</b>                   | 7    |                                  |                                  |
| <b>TOTAL EQUITY AND LIABILITIES</b>                    |      | 3,245,886                        | 3,061,997                        |

The annexed notes from 1 to 15 form an integral part of these financial statements.

**Batapur:**  
Lahore: April 22, 2010

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

## Condensed Interim Profit and Loss Account - Unaudited for the three months ended 31 March, 2010

|  | <u>Note</u> | <u>Jan - Mar<br/>2010</u> | <u>Jan - Mar<br/>2009</u> |
|--|-------------|---------------------------|---------------------------|
|  |             | (Rupees in thousand)      |                           |
| SALES                                  | 8           | 1,652,359                 | 1,213,220                 |
| COST OF SALES                          | 9           | 977,412                   | 726,071                   |
| GROSS PROFIT                           |             | 674,947                   | 487,149                   |
| DISTRIBUTION COST                      |             | 347,716                   | 277,712                   |
| ADMINISTRATIVE EXPENSES                |             | 110,219                   | 89,831                    |
| OTHER OPERATING EXPENSES               |             | 16,575                    | 8,866                     |
| OTHER OPERATING INCOME                 |             | 474,510                   | 376,409                   |
|  |             | 9,235                     | 1,556                     |
| OPERATING PROFIT                       |             | 209,672                   | 112,296                   |
| FINANCE COST                           |             | 9,407                     | 11,132                    |
| PROFIT BEFORE TAXATION                 |             | 200,265                   | 101,164                   |
| TAXATION                               | 10          | 53,949                    | 29,470                    |
| PROFIT AFTER TAXATION                  |             | 146,316                   | 71,694                    |
| EARNINGS PER SHARE - BASIC AND DILUTED |             | Rs.19.35                  | Rs.9.48                   |

The annexed notes from 1 to 15 form an integral part of these financial statements.

**Batapur:**  
**Lahore: April 22, 2010**

\_\_\_\_\_  
**Chief Executive**

\_\_\_\_\_  
**Director**

# Condensed Interim Cash Flow Statement - Unaudited for the three months ended 31 March, 2010

| Note  | Jan - Mar<br>2010    | Jan - Mar<br>2009 |
|---|----------------------|-------------------|
|   | (Rupees in thousand) |                   |
| <b>CASH GENERATED FROM OPERATIONS</b>                                 |                      |                   |
| Profit before taxation  | 200,265              | 101,164           |
| Non-cash adjustment to reconcile profit before tax to net cash flows: |                      |                   |
| Depreciation of property, plant & equipments                          | 19,919               | 18,753            |
| Provision for gratuity  | 1,685                | 1,724             |
| Profit on disposal of property, plant and equipment                   | (258)                | (194)             |
| Finance cost  | 9,407                | 11,132            |
|   | <u>30,753</u>        | <u>31,415</u>     |
| <b>Operating profit before working capital changes</b>                | <b>231,018</b>       | <b>132,579</b>    |
| Working capital adjustments:  |                      |                   |
| <b>(Increase) / decrease in current assets:</b>                       |                      |                   |
| Stores and spares   | 61                   | (452)             |
| Stock in trade  | (133,476)            | (40,459)          |
| Trade debts - unsecured   | (277,814)            | (143,628)         |
| Advances - unsecured  | (17)                 | (619)             |
| Deposits, short term prepayments and other receivables                | (9,765)              | (10,840)          |
| Tax refunds due from Government                                       | (56,001)             | (8,311)           |
|   | <u>(477,012)</u>     | <u>(204,309)</u>  |
| <b>(Decrease) / increase in current liabilities:</b>                  |                      |                   |
| Trade and other payables  | 54,564               | 105,039           |
| <b>Cash (used in) / generated from operations</b>                     | <b>(191,430)</b>     | <b>33,309</b>     |
| Finance costs paid  | (6,478)              | (9,532)           |
| Income taxes paid   | (75,821)             | (80,200)          |
| Gratuity paid   | (668)                | (505)             |
|   | <u>(82,967)</u>      | <u>(90,237)</u>   |
| Net increase in long term deposits                                    | 3,125                | 835               |
| <b>Net cash used in operating activities</b>                          | <b>(271,272)</b>     | <b>(56,093)</b>   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                            |                      |                   |
| Purchase of property, plant and equipment                             | (17,930)             | (25,427)          |
| Proceeds from sale of property, plant and equipment                   | 279                  | 290               |
| Increase in long term investments                                     | (935)                | (914)             |
| <b>Net cash used in investing activities</b>                          | <b>(18,586)</b>      | <b>(26,051)</b>   |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                            |                      |                   |
| Short term borrowings   | -                    | 35,000            |
| <b>Net cash generated from financing activities</b>                   | <b>-</b>             | <b>35,000</b>     |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                      | <b>(289,858)</b>     | <b>(47,144)</b>   |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>           | <b>811,249</b>       | <b>88,952</b>     |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b> 11              | <b>521,391</b>       | <b>41,808</b>     |

The annexed notes from 1 to 15 form an integral part of these financial statements.

**Batapur:**  
Lahore: April 22, 2010

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

## Condensed Interim Statement of Changes in Equity - Unaudited for the three months ended 31 March, 2010

|   | Share capital                | Capital reserve | General reserve  | Unappropriated profits | Total            |
|---|------------------------------|-----------------|------------------|------------------------|------------------|
|   | (..... Rupees in '000' ..... |                 |                  |                        |                  |
| <b>Balance as at 31 December 2008</b>                 | 75,600                       | 483             | 880,000          | 479,612                | 1,435,695        |
| Net profit for the three months ended 31 March 2009   | -                            | -               | -                | 71,694                 | 71,694           |
| <b>Balance as at 31 March 2009</b>                    | 75,600                       | 483             | 880,000          | 551,306                | 1,507,389        |
| Final dividend for 2008 @ Rs. 8.00 per share          | -                            | -               | -                | (60,480)               | (60,480)         |
| Transfer to general reserve for 2008                  | -                            | -               | 418,000          | (418,000)              | -                |
| Net profit for the nine months ended 31 December 2009 | -                            | -               | -                | 513,818                | 513,818          |
| <b>Balance as at 31 December 2009</b>                 | 75,600                       | 483             | 1,298,000        | 586,644                | 1,960,727        |
| Net profit for the three months ended 31 March 2010   | -                            | -               | -                | 146,316                | 146,316          |
| <b>Balance as at 31 March 2010</b>                    | <b>75,600</b>                | <b>483</b>      | <b>1,298,000</b> | <b>732,960</b>         | <b>2,107,043</b> |

The annexed notes from 1 to 15 form an integral part of these financial statements.

**Batapur:**  
**Lahore: April 22, 2010**

Chief Executive

Director

# Notes to the Condensed Interim Financial Statements - Unaudited for the three months ended 31 March, 2010

## 1. LEGAL STATUS AND OPERATIONS

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

2. These condensed interim financial statements are un-audited and have been prepared in accordance with the requirements of Section 245 of the Companies Ordinance, 1984 and International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan. These should be read in conjunction with the financial statements of the company for the year ended 31 December, 2009.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The present accounting policies and method of computation adopted for the preparation of these financial statements are the same as those applied in preparation of the annual audited and published financial statements of the Company for the year ended 31 December, 2009.

## 4. ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

|                  | Plant and machinery | Gas installation | Office equipment | Computers | Furniture, fixture and fittings | Vehicles | (UN - AUDITED) |                   |
|------------------|---------------------|------------------|------------------|-----------|---------------------------------|----------|----------------|-------------------|
|                  |                     |                  |                  |           |                                 |          | Quarter ended  |                   |
|                  |                     |                  |                  |           |                                 |          | 31 March 2010  | 31 March 2009     |
|                  |                     |                  |                  |           |                                 |          |                | (Rupees in '000') |
| Additions        | 1,841               | 15               | 34               | 1,839     | 6,338                           | 1,725    | 11,792         | 25,427            |
| Disposals (cost) | -                   | -                | 191              | -         | -                               | 123      | 314            | 233               |
|                  |                     |                  |                  |           |                                 |          | (UN - AUDITED) | (AUDITED)         |
|                  |                     |                  |                  |           |                                 |          | 31 March 2010  | 31 December 2009  |
|                  |                     |                  |                  |           |                                 |          | 2010           | 2009              |
|                  |                     |                  |                  |           |                                 |          |                | (Rupees in '000') |

## 5. TAX REFUNDS DUE FROM GOVERNMENT

|                      |         |         |
|----------------------|---------|---------|
| Sales tax refundable | 275,394 | 219,393 |
|----------------------|---------|---------|

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

|  | (UN - AUDITED)    | (AUDITED)     |
|--|-------------------|---------------|
|  | 31 March          | 31 December   |
|  | 2010              | 2009          |
|  | (Rupees in '000') |               |
| <b>6. PROVISION FOR GRATUITY - DEFINED BENEFITS PLAN</b> |                   |               |
| Opening liability  | 69,196            | 62,780        |
| Amount recognized during the period/year                 | 1,685             | 8,386         |
| Payment made by the Company during the period/year       | (668)             | (1,970)       |
|  | <u>70,213</u>     | <u>69,196</u> |

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

## 7. CONTINGENCIES AND COMMITMENTS

There is no change in contingencies and commitments disclosed in the annual financial statements for the year ended 31 December, 2009 except for the following:

### 7.1 The Company is contingently liable for:

|   |                |                |
|---|----------------|----------------|
| Counter Guarantees given to banks                                   | 7,432          | 6,311          |
| Indemnity Bonds given to Custom Authorities                         | 30,087         | 31,319         |
| Claims not acknowledged as debts - under appeal                     | 20,848         | 20,848         |
| Law suit by ex-employee - damages for malicious prosecution         | 3,000          | 3,000          |
| Show cause notices by sales tax department-under appeals (Note 7.2) | 138,851        | 138,851        |
| Show cause notices by income tax department                         | -              | 3,659          |
|   | <u>200,218</u> | <u>203,988</u> |

7.2 The Sales Tax Department has issued show-cause notice followed by an order amounting to Rs.138.851 million (2009: Rs. 138.851 million) 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 has filed an appeal against the order before the Collector Sales Tax (Appeals) which is pending adjudication. The Company has also referred this matter to Federal Board of Revenue for resolving the same through 'Alternative Dispute Resolution Committee' (ADRC), which has been duly constituted. The Company and its legal advisors expect a favorable outcome of the matter.



| (UN - AUDITED)   | (AUDITED)           |
|------------------|---------------------|
| 31 March<br>2010 | 31 December<br>2009 |

(Rupees in '000')

### 7.3 Commitments in respect of:

|                       |                |                |
|-----------------------|----------------|----------------|
| - Capital expenditure | 20,750         | 6,612          |
| - Letters of credit   | 288,029        | 175,641        |
|                       | <u>308,779</u> | <u>182,253</u> |

(UN - AUDITED)

Quarter ended

| 31 March<br>2010 | 31 March,<br>2009 |
|------------------|-------------------|
|------------------|-------------------|

(Rupees in '000')

### 8. SALES

#### Shoes and accessories

|  |                  |                  |
|--|------------------|------------------|
| Local                                    | 1,784,997        | 1,263,653        |
| Export                                   | 39,217           | 53,658           |
|  | <u>1,824,214</u> | <u>1,317,311</u> |
| Sundry articles and scrap material       | 4,838            | 2,041            |
|  | <u>1,829,052</u> | <u>1,319,352</u> |
| Less: Sales tax paid                     | 30,582           | 20,064           |
| Discount to dealers and distributors     | 128,207          | 72,938           |
| Commission to agents/business associates | 17,904           | 13,130           |
|  | 176,693          | 106,132          |
|  | <u>1,652,359</u> | <u>1,213,220</u> |

(UN - AUDITED)

Quarter Ended

| 31 March<br>2010 | 31 March<br>2009 |
|------------------|------------------|
|------------------|------------------|

(Rupees in '000')

**9. COST OF SALES**

|                                       |                  |                  |
|---------------------------------------|------------------|------------------|
| Raw material consumed                 | 442,215          | 424,024          |
| Store and spares consumed             | 2,127            | 1,439            |
| Fuel and power                        | 28,254           | 17,754           |
| Salaries, wages and benefits          | 64,399           | 50,146           |
| Repairs and maintenance               | 8,774            | 6,805            |
| Insurance                             | 1,519            | 1,474            |
| Depreciation                          | 3,638            | 3,773            |
|                                       | <u>550,926</u>   | <u>505,415</u>   |
| Add: Opening goods in process         | 41,249           | 59,962           |
|                                       | <u>592,175</u>   | <u>565,377</u>   |
| Less: Closing goods in process        | 61,461           | 51,691           |
|                                       | <u>530,714</u>   | <u>513,686</u>   |
| Cost of goods manufactured            | 530,714          | 513,686          |
| Add: Opening stock of finished goods  | 1,035,130        | 891,349          |
| Finished goods purchased              | 519,429          | 379,347          |
|                                       | <u>2,085,273</u> | <u>1,784,382</u> |
| Less: Closing stock of finished goods | 1,107,861        | 1,058,311        |
|                                       | <u>977,412</u>   | <u>726,071</u>   |

**10. TAXATION**

|                  |               |               |
|------------------|---------------|---------------|
| Current          |               |               |
| - For the period | 54,974        | 25,378        |
| Deferred         | (1,025)       | 4,092         |
|                  | <u>53,949</u> | <u>29,470</u> |

**11. CASH AND CASH EQUIVALENTS**

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

|                                     |                |               |
|-------------------------------------|----------------|---------------|
| Bank balances - in current accounts | 190,816        | 13,570        |
| Short term investment               | 300,000        | -             |
| Cash in transit                     | 26,160         | 27,811        |
| Cash in hand                        | 4,415          | 427           |
|                                     | <u>521,391</u> | <u>41,808</u> |

## 12. TRANSACTIONS WITH RELATED PARTIES

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

| <u>Relationship with the Companies</u> | <u>Nature of transactions</u>         | (UN - AUDITED)    |                 |
|--|---------------------------------------|-------------------|-----------------|
|  |                                       | Quarter ended     |                 |
|  |                                       | <u>31 March</u>   | <u>31 March</u> |
|  |                                       | <u>2010</u>       | <u>2009</u>     |
|  |                                       | (Rupees in '000') |                 |
| <b>Associated Companies</b>            | Purchase of goods and services        | 92,399            | 147,826         |
|  | Sale of goods and services            | 2,322             | 1,986           |
|  | Brand royalty                         | 38,824            | 28,593          |
|  | Service charges                       | 11,393            | 9,604           |
| <b>Staff Retirement Benefits</b>       | Contribution to provident fund trusts | 6,781             | 5,586           |
| <b>Staff Retirement Benefits</b>       | Gratuity paid                         | 668               | 505             |

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

## 13. EARNINGS PER SHARE - BASIC AND DILUTED

|   |                |               |
|---|----------------|---------------|
| Profit after taxation attributable to ordinary shareholders (in '000) | <u>146,316</u> | <u>71,694</u> |
| Weighted average number of ordinary shares - Number (in '000)         | <u>7,560</u>   | <u>7,560</u>  |
| Earnings per share - Basic (Rs.)                                      | <u>19.35</u>   | <u>9.48</u>   |

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

## 14. DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors on 22 April, 2010.

## 15. GENERAL

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

Batapour:  
Lahore: April 22, 2010

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director