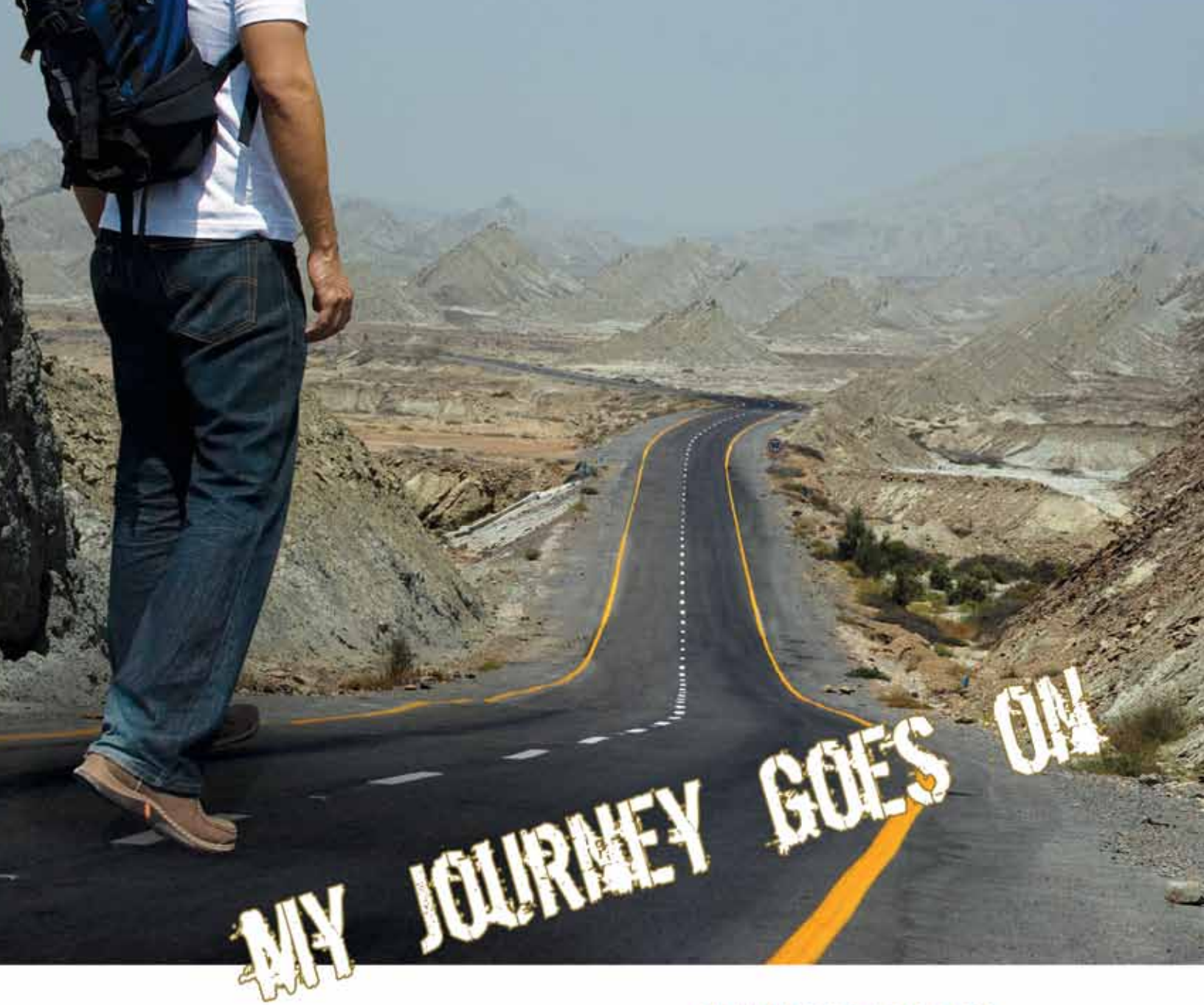


Bata[®]

ANNUAL REPORT 2011



Bata PAKISTAN LIMITED



THINK OUTDOORS
WEINBRENNER®
• SINCE 1892 •

by **Bata**

CONTENTS

10	Corporate Information
11	Notice of Meeting
12	Key Operating Highlights
14	Value Added and its Distribution
15	Operational Statistics
16 — 19	Chairman's Review
23 — 24	Directors' Report to the Members
27 — 28	Statement of Compliance with the Code of Corporate Governance
31	Review Report to the Members on Statement of Compliance with Best Practices of the Code of Corporate Governance
35	Auditors' Report to the Members
38	Balance Sheet
39	Profit and Loss Account
40	Cash Flow Statement
41	Statement of Changes in Equity
42 — 68	Notes to the Financial Statements
71 — 72	Pattern of Shareholding

FORM OF PROXY



DANCE TO MY LOVE
TUNE AND LET'S HAVE LOTS OF FUN

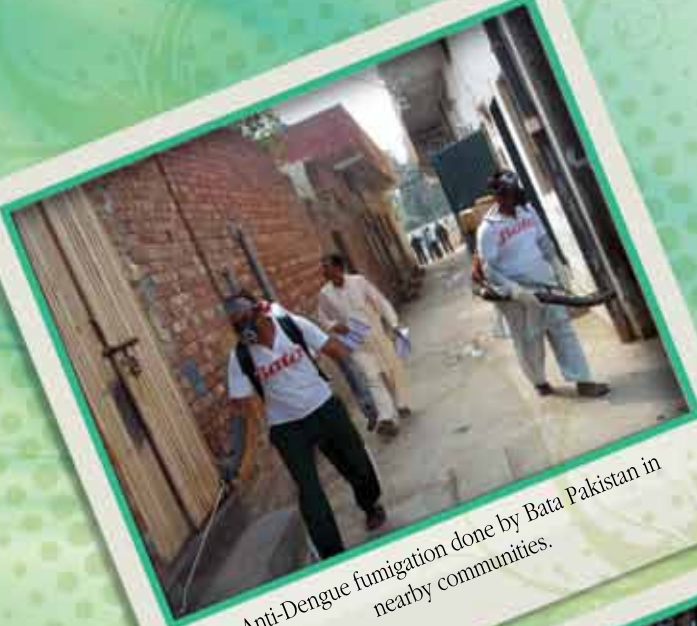


LIFESTYLE IS...
NORTH  **STAR**[®]
by *Bata*

Corporate Social Responsibility







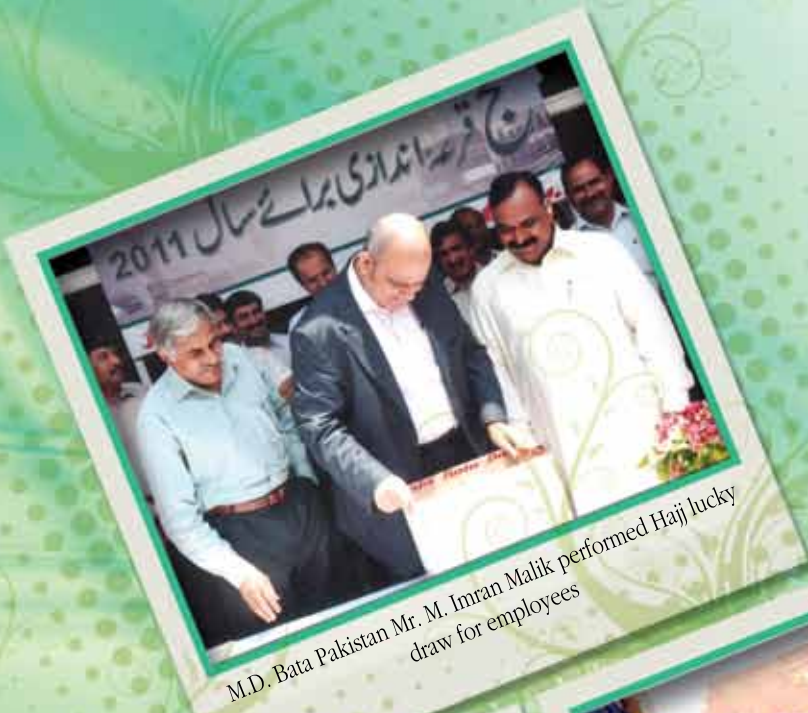
Anti-Dengue fumigation done by Bata Pakistan in nearby communities.



M.D. Bata Pakistan Mr. M. Imran Malik, along with other Bata officials, standing near a hand pump installed by Bata Pakistan in a village near Charsadda.



New block constructed at Govt. Elementary School Chanwala, Kot Addu by Bata Pakistan



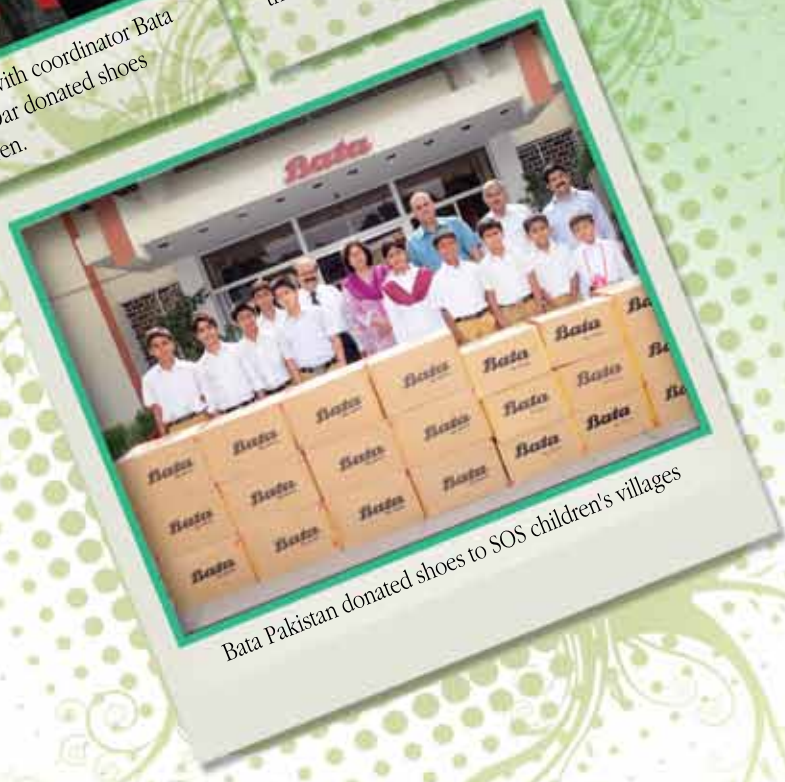
M.D. Bata Pakistan Mr. M. Imran Malik performed Hajj lucky draw for employees



Finance Director Bata Pakistan Mr. Carlos Gomez inaugurated the new block at Govt. Elementary School Chanwala, Kot Addu



Retail Manager Mr. Zil Hasnain along with coordinator Bata Children's program Mr. Ifrikhar Dar donated shoes to special children.



Bata Pakistan donated shoes to SOS children's villages



Bata[®]

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. M. Imran Malik	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. Istaqbal Mehdi (Nominee of NIT)	Director

Audit Committee

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

Company Secretary

Mr. S. M. Ismail

Auditors

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

Legal Advisor

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

Stock Exchange Listing

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

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

Bankers

Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Bank Al Habib Limited
National Bank of Pakistan Limited
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 60th Annual General Meeting of Bata Pakistan Limited will be held at the Registered Office of the Company at Batapur, District Lahore on 19th April, 2012 at 12.00 (noon) to transact the following business:

1. To confirm the minutes of the Extraordinary General Meeting held on 20th September, 2011.
2. To receive, consider, and adopt the Directors' Report, Audited Accounts of the Company and Auditors' Reports thereon, for the year ended 31st December, 2011.
3. To declare dividend as recommended by the Directors.
4. To appoint Auditors and fix their remuneration for the year ending 31st December, 2012.
5. To transact any ordinary business of the Company with the permission of the Chairman.

Batapur
Lahore: 27.02.2012

By order of the Board
Bata Pakistan Limited

Company Secretary

NOTES:

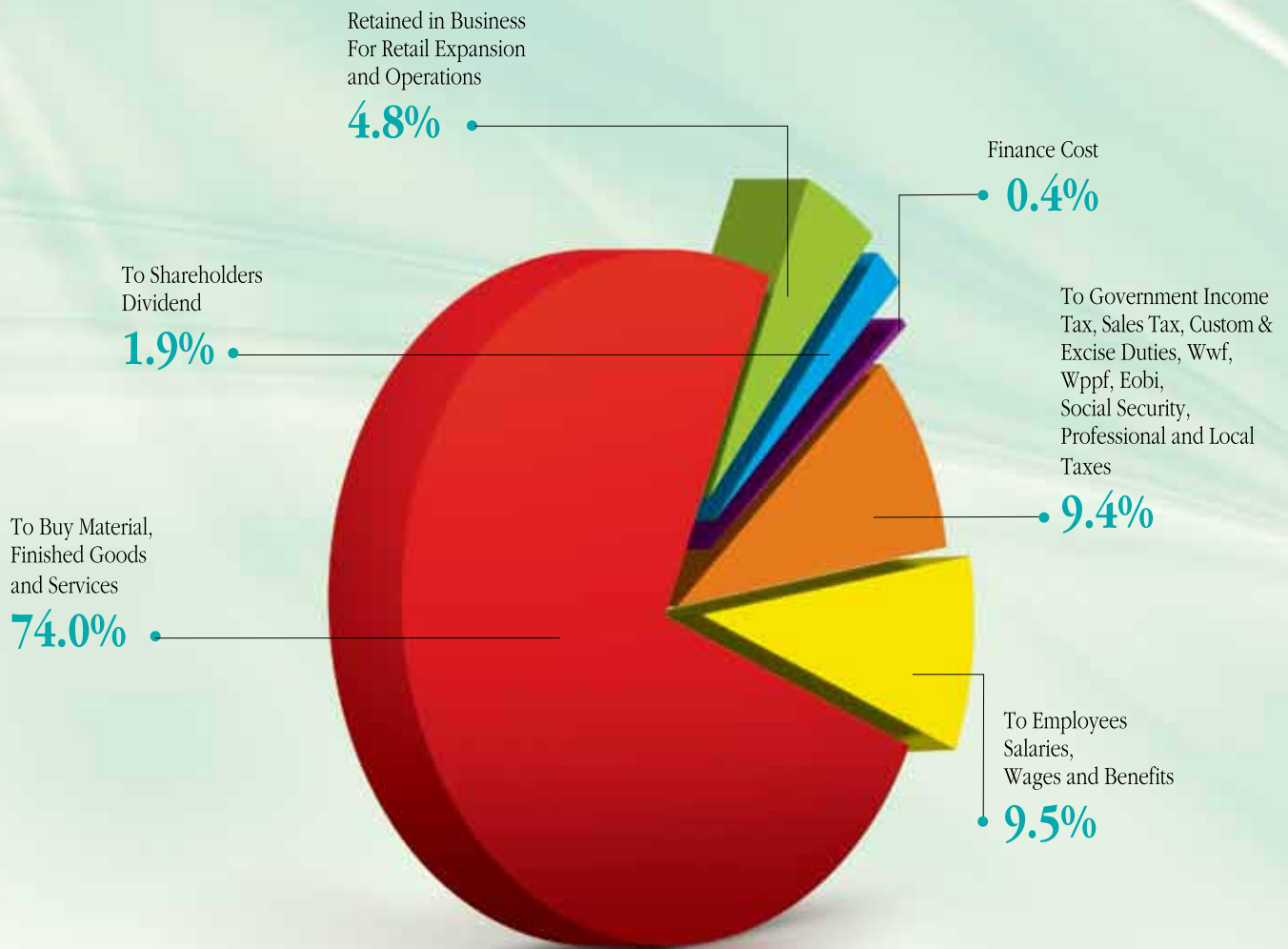
1. A member entitled to attend and vote at the meeting may appoint any person as his proxy to attend the meeting and vote instead of him. The proxy shall have the right to attend, speak and vote in place of the member appointing him at the meeting. A proxy need not be a member of the Company. Proxy form 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 13th to 19th April, 2012 (both days inclusive).

Key Operating Highlights

Year		2011	2010	2009	2008	2007	2006
Financial Position							
Authorized capital	Rs. ' 000s	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
Shareholders' equity	Rs. ' 000s	3,277,790	2,741,300	1,960,727	1,435,695	973,040	697,563
Total assets	Rs. ' 000s	4,626,288	4,177,050	3,230,187	2,276,936	1,873,011	1,414,731
Property, plant and equipment	Rs. ' 000s	733,695	630,754	582,411	548,222	409,363	332,726
Provision for gratuity	Rs. ' 000s	79,262	74,211	69,196	62,780	67,403	66,610
Current assets	Rs. ' 000s	3,808,438	3,459,297	2,577,448	1,652,271	1,398,003	1,013,982
Current liabilities	Rs. ' 000s	1,198,488	1,300,867	1,147,336	734,907	808,720	628,422
Trading Results							
Sales	Rs. ' 000s	9,816,296	8,329,829	6,428,490	5,106,578	3,964,187	2,989,474
Gross profit	Rs. ' 000s	3,540,677	3,331,928	2,672,213	2,164,146	1,637,053	1,112,821
Operating profit	Rs. ' 000s	1,076,214	1,228,756	848,205	691,095	571,912	262,586
Profit before tax	Rs. ' 000s	1,025,008	1,189,021	813,022	663,822	503,999	166,820
Profit after tax	Rs. ' 000s	748,170	871,293	585,512	477,775	358,637	109,621
Distribution							
Interim cash dividend - paid	%	-	-	-	-	60.00	-
Final cash dividend - proposed	%	200.00	280.00	120.00	80.00	20.00	50.00
Financial Ratios and Values							
Gross profit	%	36.07	40.00	41.57	42.38	41.30	37.22
Operating profit	%	10.96	14.75	13.19	13.53	14.43	8.78
Profit before tax	%	10.44	14.27	12.65	13.00	12.71	5.58
Profit after tax	%	7.62	10.46	9.11	9.36	9.05	3.67
Return on equity	%	22.83	31.78	29.86	33.28	36.86	15.71
Price earning ratio	Times	8.27	5.73	12.64	11.82	10.23	8.90
Dividend yield	%	2.44	4.24	1.23	1.07	1.65	3.88
Earnings per share	Rs.	98.96	115.25	77.45	63.20	47.44	14.50
Interest cover	Times	21.02	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
Current ratio	Times	3.18:1	2.66 : 1	2.25 : 1	2.25 : 1	1.73 : 1	1.61 : 1
Average stock turns - value	Times	3.33	3.56	2.94	2.88	3.13	2.84
Debtors turnover	Times	75.44	373.12	270.84	54.03	16.31	23.10
Average collection period	Days	5	1	1	7	22	16
Property, plant and equipment turnover	Times	13.38	13.21	11.04	9.31	9.68	8.98
Break up value per share	Rs.	433.57	362.61	259.36	189.91	128.71	92.27
Market price per share	Rs.	818.00	660.00	979.00	747.00	485.45	129.00
Market capitalization	Rs. ' 000s	6,184,080	4,989,600	7,401,240	5,647,320	3,670,002	975,240
Other information							
Permanent employees	Number	2,495	2,585	2,652	2,712	2,792	2,912
Retail outlets	Number	396	380	369	365	366	373
Wholesale depots	Number	13	13	12	12	12	12
Installed capacity	Pairs ' 000s	12,881	11,154	8,050	8,737	9,350	12,450
Actual production	Pairs ' 000s	11,204	11,540	10,394	9,476	8,286	10,398
Capacity utilization	%	86.98	103.46	129.12	108.46	88.62	83.52
Capital expenditure	Rs. ' 000s	209,712	142,222	119,255	214,200	127,970	91,515
Contribution to the National Exchequer	Rs. ' 000s	1,060,068	814,445	555,950	453,885	456,538	303,328



Value Added and its Distribution



Revenue Generated	2011	%	2010	%
	Rs. '000s		Rs. '000s	
Sales	11,191,742		9,172,115	
Other Income	42,546		55,047	
	11,234,288	100%	9,227,162	100%

Revenue Distributed	2011	2010
	Rs. '000s	Rs. '000s
To Buy Material, Finished Goods and Services	8,311,585	6,465,665
To Employees - Salaries, Wages and Benefits	1,063,257	1,036,024
To Government - Income Tax, Sales Tax, Custom & Excise Duties, Wwf, Wppf, Eobi, Social Security, Professional and Local Taxes	1,060,068	814,445
Finance Cost	51,206	39,735
To Shareholders - Dividend	211,680	90,720
Retained in Business - For Retail Expansion and Operations	536,492	780,573
	11,234,288	9,227,162

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 60th 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, 2011.

The year 2011 was a mix year for the Company. The Company continued to sustain growth trend in turnover which it carried from previous years despite devastating floods, severe epidemic of dengue fever in Punjab, constant and grave power crises, bleak law and order situation and persistent inflationary pressure. On the other hand, depreciation of rupee against dollar, overall increase in raw material prices and changes in sales tax laws affected the cost structure, the impact of which could not be fully passed on to the customers. As a result margins were adversely affected which ultimately reduced the overall profitability of the Company with respect to previous year.

Although subdued business conditions persisted throughout the year but the net turnover during the year under review witnessed its record level with figure of Rs. 9,820 billion signifying growth of 18% over last year. The Gross profit was recorded at Rs. 3,541 billion (36% of turnover) against last year of Rs. 3,332 billion (40% of turnover). Operating profit decreased from Rs. 1,228,756 million (15% of turnover) to Rs. 1,076,214 million (11% of turnover) showing a decrease of 12% as compared to previous year. Profit after taxation was Rs. 748,170 million compared to Rs. 871,293 million of last year. It is also worth mentioning here that our Company achieved return on equity of 22.83% and earnings per share of Rs. 98.96.

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. 34.047 million as compared to Rs. 47.609 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. 20 per share and also proposed that Rs. 595 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 12%. In order to sustain this growth and to provide friendly and modern atmosphere in the stores, an amount of Rs. 58.699 million has been spent to open twenty six new stores 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 ten stores which were under minimum benchmark.

The remarkable performance came from our wholesale division which recorded a growth of 30% as compared to last 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. Export business showed an increase of 28% over the last year.

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 in particular PU sole footwear. These facilities produced 11.2 million pairs against 11.5 million pairs in last year.

The Company continues to be a significant contributor to the National Exchequer and during 2011, paid Rs. 1,060.1 million in Corporate Tax, Sales Tax, Custom Duty and other levies which was 30% 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.

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 with the help of Bata Children Foundation continued its rehabilitation work in flood affected areas of Punjab and constructed class rooms in one of the schools in Kot Addu Distt. Muzaffar Garh and also distributed school bags, stationery and school shoes among children of different schools. The Company came forward during Dengue Fever epidemic in Lahore and carried out special measures to control and eliminate the dengue mosquito in Bata colonies and adjoining areas.





The Company also established a separate outdoor medical facility exclusively for dengue fever related complaints and treated 1,565 patients during the period.

On 20 September, 2011 at an Extraordinary General Meeting, the following ten Directors were elected for a three year term, under the provisions of the Companies Ordinance, 1984:

Mr. Fernando Garcia
Mr. M. Imran Malik
Mr. M. G. Middleton
Mr. Carlos Gomez
Mr. Muhammad Ali Malik
Mr. S. M. Ismail
Mr. Fakir Syed Aijazuddin
Mr. Ijaz Ahmad Chaudhry
Mr. Shahid Anwar
Mr. Istaqbal Mehdi

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



Stylize your Ties

ambassador

High quality leather | Hand crafted | Masterpiece designs



by **Bata**

Directors' Report to the Members





DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in submitting their report and financial statements of the Company for the year ended 31 December 2011.

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	1,025,008
Less: Provision for taxation	
Current	253,151
Prior years	12,382
Deferred	11,305
	<u>276,838</u>
Profit after tax	748,170
To this must be added	
Unappropriated profit brought forward from last year	873,217
Profit available for appropriations	<u>1,621,387</u>
To this the following must be deducted:	
Final dividend 2010 @ Rs. 28.00 per share	211,680
Transfer to general reserve	660,000
	<u>871,680</u>
Leaving an unappropriated profit to be carried forward to next year	<u><u>749,707</u></u>

The directors in their meeting held on 27 February 2012 have proposed a final cash dividend @ Rs. 20 per share (2010: Final @ Rs. 28.00 per share) and transfer to general reserve amounting to Rs. 595 million for approval of members in the Annual General Meeting to be held on 19 April, 2012.

3. Earning per share -Basic and diluted

Earning per share for the year ended 31 December, 2011 was Rs. 98.96 as against Rs. 115.25 of preceding year.

4. The pattern of shareholding

The pattern of shareholding as on 31 December 2011 and its disclosure according to the requirement of Code of Corporate Governance is annexed to this report.

5. Auditors

The present Auditors, Messrs Ernst & Yong 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 & Yong Ford Rhodes Sidat Hyder, Chartered Accountants, for the year ending 31 December 2012.

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) 1,414,470 as on 31 December 2011 as per its audited accounts. The value of assets includes accrued interest.
- k) Attendance at five meetings of the Board of Directors held during the year under review was as under:

Name of Director	Meetings Attended
Mr. Fernando Garcia	1
Mr. M. Imran Malik	5
Mr. M. G. Middleton	3
Mr. Carlos Gomez	5
Mr. Muhammad Ali Malik	5
Mr. Fakir Syed Aijazuddin	4
Mr. Shahid Anwar	4
Mr. Ijaz Ahmad Chaudry	4
Mr. Istaqbal Mehdi	3
Mr. S. M. Ismail	2
Resigned	
Mr. Shamshad Ahmad	-

- l) Subsequent to year end Mr. Syed Waseem-ul-Haq Haqqie was co-opted as a director with effect from 27 February 2012 in place of Mr. S.M.Ismail 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 five 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) 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.

Batapur
LAHORE: 27 February 2012

On behalf of the
BOARD OF DIRECTORS

M. IMRAN MALIK
CHIEF EXECUTIVE

Corporate Governance





STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER, 2011

This statement is being presented to comply with the Code of Corporate Governance (the code) contained in the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a frame work of good governance, whereby a company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present, the Board comprises of seven non-executive directors of whom five are independent directors including two directors representing institutional equity interest and minority share holders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the resident directors of the Company are registered as tax payers and none of them have 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. Since the last report there has been a change in the composition of the board. Mr. Istaqbal Mehdi was co-opted as a director with effect from 19 January 2011 in place of Mr. Shamshad Ahmad whose resignation was accepted on the same date. On 20 September 2011, at an Extraordinary General Meeting ten persons were elected as directors for a three year term, under the provision of Companies Ordinance, 1984.
5. The Company has prepared a Statement of Ethics and Business Practices, which has been signed by the directors and most of the employees of the Company.
6. The Board has developed a vision / mission statement. Overall corporate strategy and significant policies of the Company are duly approved by the Board.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration, terms and conditions of employment of the CEO and other executive directors, if any, have been taken by the Board.
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 the 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 has arranged an orientation course for the directors to apprise them of their duties and responsibilities.
10. Officers having positions of Company Secretary and Head of Internal Audit were appointed prior to the implementation of the Code of Corporate Governance. Terms of appointment, including remuneration in case of subsequent appointments on these positions are approved by the Board.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. 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.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. All the members are non-executive directors including the Chairman of the committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function. The staff is considered to be suitably qualified and experienced for this purpose and is conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan, 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 Institute of Chartered Accountants of Pakistan.
19. 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.
20. We confirm that all other material principles contained in the Code have been complied with.

Batapur:
LAHORE: 27 February 2012

M. IMRAN MALIK
CHIEF EXECUTIVE

Review Report to the Members

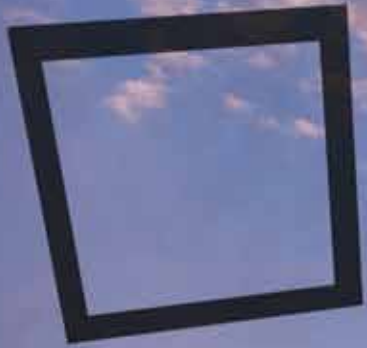


OUTSTANDING

Excellent

Very Good

Average



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 2011 prepared by the Board of Directors of Bata Pakistan Limited (the Company) to comply with the Listing Regulation No. 35 (Chapter XI) 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 of Compliance 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 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, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 and subregulation (xiii a) of Listing Regulation 35 of Lahore Stock Exchange (Guarantee) Limited requires 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 the related part 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 of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended 31 December 2011.

LAHORE: 27 February 2012

**ERNST & YOUNG FORD RHODES SIDAT HYDER
CHARTERED ACCOUNTANTS**



G-17

VISA
Accepted here

Pakistan's Largest
Bata
Mega Store... More
M. Alam Road, 19
Tel: 042-58753
Website: www.

Bata
COMFIT
GET COMFORTABLE TODAY

Bata
COMFIT
Ladies & Gents

GET COMFORTABLE TODAY

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 2011 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 2011 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

LAHORE: 27 February 2012

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



Financial Statements



BALANCE SHEET

AS AT 31 DECEMBER 2011

	Note	2011	2010
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	733,695	630,754
Intangible assets	7	10,503	9,960
Long term investments	8	36,594	37,823
Long term deposits and prepayments	9	37,058	39,216
		817,850	717,753
CURRENT ASSETS			
Stores and spares	10	-	1,157
Stock in trade	11	2,247,616	1,527,032
Trade debts - unsecured	12	130,112	22,325
Advances - unsecured	13	24,181	13,259
Deposits, short term prepayments and other receivables	14	343,694	410,517
Interest accrued		1,339	489
Short term investment	15	100,000	500,000
Tax refunds due from Government	16	530,678	445,479
Cash and bank balances	17	430,818	539,039
		3,808,438	3,459,297
TOTAL ASSETS		4,626,288	4,177,050
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	3,201,707	2,665,217
		3,202,190	2,665,700
		3,277,790	2,741,300
NON-CURRENT LIABILITIES			
Long term deposits	21	36,594	37,823
Deferred liability - employee benefits	22	79,262	74,211
Deferred taxation	23	34,154	22,849
		150,010	134,883
CURRENT LIABILITIES			
Trade and other payables	24	945,337	988,890
Short term borrowings	25	-	-
Provision for taxation		253,151	311,977
		1,198,488	1,300,867
CONTINGENCIES AND COMMITMENTS	26		
TOTAL EQUITY AND LIABILITIES		4,626,288	4,177,050

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 2011

	Note	2011	2010
(Rupees in '000)			
SALES	27	9,816,296	8,329,829
COST OF SALES	28	6,275,619	4,997,901
GROSS PROFIT		3,540,677	3,331,928
DISTRIBUTION COST	29	1,831,314	1,597,220
ADMINISTRATIVE EXPENSES	30	599,158	468,339
OTHER OPERATING EXPENSES	31	76,537	92,660
		2,507,009	2,158,219
OTHER OPERATING INCOME	32	42,546	55,047
OPERATING PROFIT		1,076,214	1,228,756
FINANCE COSTS	33	51,206	39,735
PROFIT BEFORE TAXATION		1,025,008	1,189,021
TAXATION	34	276,838	317,728
PROFIT AFTER TAXATION		748,170	871,293
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		748,170	871,293
EARNINGS PER SHARE - BASIC AND DILUTED	35	Rs. 98.96	Rs. 115.25

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 2011

Note	2011	2010
	(Rupees in '000)	
CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,025,008	1,189,021
Non-cash adjustment to reconcile profit before tax to net cash flows:		
Depreciation of property, plant & equipment	96,562	86,593
Amortization of intangible assets	5,477	1,511
Provision for gratuity	7,142	6,831
(Profit) / Loss on disposal of property, plant and equipment	(2,278)	80
Income from financial assets	(37,685)	(52,945)
Exchange loss / (gain)	9,296	(212)
Finance cost	51,206	39,735
Provision for slow moving and obsolete stock	859	-
Provision for obsolescence - stores & spares	925	1,924
	131,504	83,517
Operating profit before working capital changes	1,156,512	1,272,538
Working capital adjustments:		
(Increase) / decrease in current assets:		
Stores and spares	232	(2,313)
Stock in trade	(721,443)	(245,170)
Trade debts - unsecured	(107,787)	1,622
Advances - unsecured	(10,922)	(10,068)
Deposits, short term prepayments and other receivables	12,015	(8,467)
Tax refunds due from Government	(85,199)	(226,086)
	(913,104)	(490,482)
(Decrease) / increase in current liabilities:		
Trade and other payables	(53,899)	64,408
Cash generated from operations	189,509	846,464
Finance costs paid	(51,206)	(39,735)
Income tax paid	(269,551)	(391,967)
Gratuity paid	(2,091)	(1,816)
Interest income received	36,835	56,307
	(286,013)	(377,211)
Decrease / (increase) in long term prepayments	1,750	(5,206)
Net (increase) / decrease in long term deposits	(821)	2,481
Net cash (used in) / generated from operating activities	(95,575)	466,528
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	6	(141,653)
Purchase of intangible assets	7	(11,471)
Proceeds from sale of property, plant and equipment	6.5	6,637
Decrease / (increase) in long term investments	1,229	(1,993)
Net cash used in investing activities	(202,016)	(148,480)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(210,630)	(90,258)
Net cash used in financing activities	(210,630)	(90,258)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(508,221)	227,790
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,039,039	811,249
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	36	1,039,039

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 2011

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

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 2011

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.

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

	<u>Standard or Interpretation</u>
IAS - 24	Related Party Disclosures (Revised)
IAS - 32	Financial Instruments: Presentation - Classifications of Rights Issues (Amendment)
IFRIC - 14	Prepayments of a Minimum Funding Requirement (Amendment)
IFRIC - 19	Extinguishing Financial Liabilities with Equity Instruments

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to the moving inconsistencies and clarifying wording. These improvements are listed below:

IFRS 3	Business Combinations - Transition requirements for contingent considerations from a business combination that occurred before the effective date of the revised IFRS - Measurement of non-controlling interests (NCI) Un-replaced and voluntarily replaced share-based payment awards
IFRS 7	Financial Instruments: Disclosures - Clarification of disclosures
IAS 1	Presentation of Financial Statements - Clarification of statement of changes in equity
IAS 27	Consolidated and Separate Financial Statements - Transition requirements for amendments made as a result of IAS 27 Consolidated and Separate Financial Statements
IAS 34	Interim Financial Reporting - Significant events and transactions
IFRIC 13	Customer Loyalty Programmes - Fair value of award credits

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

3. BASIS OF PREPARATION

3.1 Basis of measurement

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

3.2 Presentation currency

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

4.1 Employee benefits

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

4.2 Taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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 2011 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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.

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 products and is included in fixed assets of the Company under the head plant and machinery as referred to in note 6.1. These are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

5.6 Intangibles

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

5.14 Provisions

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

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

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

5.15 Revenue recognition

(i) Sale of goods - Wholesale

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

(ii) Sale of goods - Retail

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

(iii) Loyalty Programmes

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

(iv) Profit on investments

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

(v) Profit on bank deposits

Profit on bank deposits is accounted for on accrual basis.

(vi) Operating lease arrangement

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

5.16 Cash and cash equivalents

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

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

5.17 Financial 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

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

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

5.18 Offsetting of financial assets and financial liabilities

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

5.19 Impairment of financial assets

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

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

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

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

5.20 Related party transactions

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

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

5.21 Dividend and appropriation to reserves

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

5.22 Operating segments

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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:

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 12 Income Taxes (Amendment) - Recovery of Underlying Assets	01 January 2012
IAS 19 Employee Benefits - (Amendment)	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.

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:

Standard or Interpretation	IASB Effective date (annual periods 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	2011	2010
(Rupees in '000)			
Operating assets	6.1	732,806	629,402
Capital work-in-progress	6.2	889	1,352
		733,695	630,754

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

6.1

Operating assets

DESCRIPTION	COST			ACCUMULATED DEPRECIATION			Book value As at 31 Dec. 2011	Depreciation Rate %
	As at 01 Jan 2011	Additions	Disposals / Adjustments	As at 01 Jan 2011	Charge for the year	Disposals		
Land	2,508	-	-	-	-	-	2,508	-
Freehold	35	-	-	-	-	-	35	-
Leasehold with super structure	66,067	895	-	53,361	1,300	-	12,301	10
Buildings on freehold land	72,265	1,366	-	40,128	1,664	-	31,839	5
Factory	447,901	77,837	(37,011)	289,370	19,425	(28,684)	208,616	10
Others	2,967	-	-	2,711	25	-	231	10
Plant and machinery	1,105	218	(68)	949	24	(53)	335	10
Gas installations	5,269	205	(361)	2,984	238	(295)	2,186	10
Office equipment	57,476	12,333	(3,242)	30,203	8,814	(2,545)	30,095	25
Computers	681,594	116,858	(4,984)	293,458	63,578	(4,343)	438,685	15
Furniture, fixtures and fittings	15,015	-	-	7,546	1,494	-	5,975	20
Vehicles	1,352,112	209,712	(45,666)	722,710	96,562	(35,920)	732,806	-

(Rupees in '000)

2011

Note

6.3

DESCRIPTION

DESCRIPTION	COST			ACCUMULATED DEPRECIATION			Book value As at 31 Dec. 2010	Depreciation Rate %
	As at 01 Jan 2010	Additions	Disposals / Adjustments	As at 01 Jan 2010	Charge for the year	Disposals		
Land	2,508	-	-	-	-	-	2,508	-
Freehold	35	-	-	-	-	-	35	-
Leasehold with super structure	65,311	756	-	51,980	1,381	-	53,361	10
Buildings on freehold land	72,265	-	-	38,437	1,691	-	32,137	5
Factory	413,474	43,749	(9,322)	282,383	14,740	(7,753)	138,531	10
Others	2,967	-	-	2,683	28	-	256	10
Plant and machinery	1,090	15	-	932	17	-	156	10
Gas installations	4,969	337	(37)	2,764	231	(11)	2,284	10
Office equipment	50,297	13,018	(5,839)	28,610	6,636	(5,043)	30,203	25
Computers	606,298	80,660	(5,454)	256,224	60,366	(1,132)	295,458	15
Furniture, fixtures and fittings	11,451	3,687	(123)	6,162	1,503	(119)	7,469	20
Vehicles	1,230,665	142,222	(20,775)	650,175	86,593	(14,058)	722,710	-

(Rupees in '000)

2010

6.2 Capital work-in-progress

Tangible	2011 (Rupees in '000)	
Vehicles	Transfers	Closing Balance
	889	889
	889	889
	463	(463)
	1,352	(463)

Intangible	2010 (Rupees in '000)	
Advance for software development	Transfers	Closing Balance
	34	(34)
	1,725	(1,725)
	1,759	(1,759)
	162	-
	1,921	(1,759)

6.3

Included in plant and machinery above are amounts aggregating to Rs. (000) 11,835 (2010: Rs. (000) 13,150) representing net book value of assets held by The Unique Rubber Kraft (TURK) under an operating lease arrangement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

6.4 Allocation of depreciation expense

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

	Note	2011 (Rupees in '000)	2010 (Rupees in '000)
Cost of sales	28	20,763	16,158
Distribution cost	29	68,335	64,213
Administrative expenses	30	7,464	6,222
		96,562	86,593

6.5 Disposal of property, plant and equipment

Description of assets	Name of Buyer	Original cost	Accumulated depreciation	Written down value	Sale proceeds	Gain/(loss)	Mode of disposal
Plant and machinery							
Trimming, Lasting, Sewing & Different Equipment	Mr. Malik Zulfikar Ali, Lahore	21,723	18,866	2,857	6,495	3,638	Negotiation
Air conditioners, Refrigerators, TV & VCR	Various employees	410	335	75	43	(32)	Negotiation
Conveyor, Sewing & Lasting Machines	M/S Dastaghir Shoe Processing, Lahore	4,509	3,783	726	1,705	979	Negotiation
Different Sewing Machines	M/S Habib Enterprises, Lahore	723	653	70	128	58	Negotiation
Photocopiers, Scales & Different Equipment	Mr. Muhammad Akram, Lahore	448	413	35	210	175	Negotiation
Desma Machine	Mr. M Saleem, Lahore	7,349	3,026	4,323	1,872	(2,451)	Negotiation
Generator	TURK, Lahore	620	554	66	700	634	Negotiation
Various miscellaneous items	Various	1,229	1,055	174	12	(162)	Scrapped
		37,011	28,685	8,326	11,165	2,839	
Gas installation							
Water boiler, Heater and Cooking range	Various employees	68	53	15	15	-	Negotiation
Office equipment							
Canon fax machine	Mr. Sagheer Ahmed, Supervisor HR	86	64	22	1	(21)	Negotiation
Photo copy machine	Mr. Muhammad Akram, Lahore	275	230	45	14	(31)	Negotiation
		361	294	67	15	(52)	
Computers							
Laptop	Mr. Shuaib Ahmad, ex-Retail Manager	136	34	102	-	(102)	Management Decision
Laptop	Mr. Muhammad Ali Malik, ex-CFO	100	73	27	-	(27)	Management Decision
Laptop	Mrs. Najma Nadeem, ex-Merchandiser, Karachi Office	65	38	27	-	(27)	Management Decision
Computer	Akram Alfah Goods Transport Company, Lahore	78	10	68	78	10	Negotiation
Various	Mr. M. Saleem, Lahore	2,863	2,390	473	162	(311)	Negotiation
		3,242	2,515	697	240	(457)	
Furniture, fixtures and fittings							
Various items	Various employees	446	381	65	77	12	Negotiation
Fire Extinguishers	Mr. Malik Zulfikar Ali, Lahore	76	72	4	74	70	Negotiation
Shop Furniture	M/S New Jubilee Insurance Company Limited, Lahore	107	65	42	71	29	Insurance Claim
Shop Furniture	Mr. Umer & Mr. Faisal, Karachi	2,874	2,520	354	354	-	Negotiation
Various miscellaneous items	Various	1,481	1,305	176	13	(163)	Scrapped
		4,984	4,343	641	589	(52)	
		45,666	35,920	9,746	12,024	2,278	
2011		20,775	14,058	6,717	6,637	(80)	

7. INTANGIBLE ASSETS

Software Licences	COST		ACCUMULATED AMORTIZATION		BOOK VALUE		Amortisation Rate %
	As at 01 Jan	Additions / Transfers	As at 01 Jan	Charge for the year	As at 31 Dec.	As at 31 Dec.	
2011	11,471	6,020	17,491	5,477	6,988	10,503	33
2010	-	11,471	-	1,511	1,511	9,960	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 2011

	Note	2011	2010
(Rupees in '000)			
8. LONG TERM INVESTMENTS			
Held to maturity at amortized cost			
PLS Term Deposit Receipts	8.1	36,594	37,823
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 12.00% to 13.00% (2010: 11.5% to 12.5%) per annum.			
9. LONG TERM DEPOSITS AND PREPAYMENTS			
Security deposits	9.1	12,019	12,427
Prepaid rent	9.2	66,681	67,530
Less: Adjustable within one year	14	41,642	40,741
		25,039	26,789
		37,058	39,216
9.1			
This includes the amounts given as securities to landlords in respect of operating leases of shops.			
9.2			
Prepaid rent is amortized as rent expense is incurred, in accordance with the terms of rent agreements.			
10. STORES AND SPARES			
Stores		2,655	2,692
Spares		24,157	23,195
		26,812	25,887
Less: Obsolescence reserve	10.1	26,812	25,887
		-	-
Spares in transit		-	1,157
		-	1,157
10.1			
Opening reserve		25,887	23,963
Charge for the year		925	1,924
Closing reserve		26,812	25,887
10.2			
The Company does not hold any stores and spares for specific capitalization.			
11. STOCK IN TRADE			
Raw Material			
In hand		239,785	175,914
In transit		55,188	101,222
		294,973	277,136
Goods in process		102,145	59,483
Finished Goods			
Own production		643,700	426,512
Purchased		1,159,053	726,170
		1,802,753	1,152,682
Less: Provision for slow moving and obsolete items	11.1	(859)	-
		1,801,894	1,152,682
In transit		48,604	37,731
		2,247,616	1,527,032
11.1			
Opening provision		-	-
Charge for the year		859	-
Closing provision		859	-
12. TRADE DEBTS - UNSECURED			
Considered Good			
Due from customers	12.1	127,907	17,267
Due from associated undertakings	12.2	2,205	5,058
		130,112	22,325

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011	2010
(Rupees in '000)			
12.1	No provision for doubtful debts is made because no customer balance was considered impaired at the balance sheet date. Further, these customers have no recent history of default. For age analysis of these trade debts, refer to Note 38.2.2.		
12.2 Due from associated undertakings - unsecured			
Bata Shoe Company (Sri Lanka)		2,205	4,726
Bata Brands Switzerland		-	332
		2,205	5,058
12.3	Maximum aggregate amount due from associated undertakings at the end of any month in the year was Rs. ('000) 8,541 (2010: Rs. ('000) 10,142). No interest has been charged on the amounts due from associated undertakings..		
13. ADVANCES - UNSECURED			
Considered good, non-interest bearing			
Advances to employees		1,437	1,679
Advances to suppliers		22,744	10,867
Letters of credit - Margin		-	713
		24,181	13,259
13.1	Aggregate amount due from Directors, Chief Executives and Executives of the Company is nil (2010: Nil)		
13.2	Aggregate amount due from related parties is nil (2010: Nil)		
14. DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES			
Deposits - Considered good			
Custom duty and taxes		923	6,374
Letters of guarantee - Margin		4,911	3,911
Others		2,773	5,786
		8,607	16,071
Short term prepayments			
Prepaid rent	9	41,642	40,741
Prepaid sales tax		1,210	698
Other prepaid expenses		2,025	3,313
		44,877	44,752
Other receivables			
Considered good			
Export rebates		5,008	3,283
Insurance claims		2,364	8,537
Advance tax	14.1	282,033	336,841
Others	14.2	805	1,033
		290,210	349,694
Considered doubtful			
Advance rent		1,585	1,585
Others		486	486
		2,071	2,071
Less: Provision for doubtful balances		(2,071)	(2,071)
		-	-
		343,694	410,517

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011	2010
		(Rupees in '000)	
14.1 Advance tax			
Balance as at 01 January		336,841	168,190
Advance tax paid during the year		269,551	391,967
		606,392	560,157
Adjustment against provision for tax		(324,359)	(223,316)
Balance as at 31 December		282,033	336,841
14.2 Other receivables do not include any amounts receivable from Directors, Chief Executives, Executives and related parties (2010: Nil).			
15. SHORT TERM INVESTMENTS (HELD TO MATURITY)			
This includes the following term deposits receipts:			
	Rate of return	Period of deposit	
United Bank Limited	11.75%	1 month	100,000
United Bank Limited	12.75%	1 month	-
			500,000
			100,000
			500,000
16. TAX REFUNDS DUE FROM GOVERNMENT			
This represents sales tax paid on raw materials used in zero-rated taxable shoes for which refund claims have been lodged with the Sales Tax Department.			
17. CASH AND BANK BALANCES			
Bank balances in			
Current accounts		47,870	22,002
Daily profit accounts	17.1	338,579	483,140
Cash in transit		39,950	30,916
Cash in hand		4,419	2,981
		430,818	539,039
17.1 The rate of mark-up on these accounts ranges from 5% to 9.50% (2010: 5% to 10%) per annum.			
18. SHARE CAPITAL			
18.1 Authorized share capital			
2011	2010	2011	2010
(Number of shares in '000)		(Rupees in '000)	
10,000	10,000	100,000	100,000
Ordinary shares of Rs. 10/- each		100,000	100,000
10,000	10,000		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

18.2 Issued, subscribed and paid up capital

2011 (Number of shares)	2010		2011 (Rupees in '000)	2010
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
<u>7,560</u>	<u>7,560</u>		<u>75,600</u>	<u>75,600</u>

18.2.1 Bafin B.V. (Nederland) (the parent company) held 5,098,366 (2010: 4,536,000) ordinary shares of Rs. 10 each fully paid up which represents 67.44% (2010: 60%) 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

General Reserve

Balance as at 01 January
Transfer from profit and loss account

1,792,000	1,298,000
660,000	494,000

Unappropriated profit

2,452,000	1,792,000
749,707	873,217

<u>3,201,707</u>	<u>2,665,217</u>
------------------	------------------

21. LONG TERM DEPOSITS

Employees' securities and personal accounts

36,594	37,823
--------	--------

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 9.50% (2010: 10%) 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:

Present Value of defined benefit obligation
Add: Actuarial gains to be recognized in later periods

66,655	61,112
12,607	13,099

<u>79,262</u>	<u>74,211</u>
---------------	---------------

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

Current service cost
Interest cost
Actuarial gains recognized during the year

613	616
7,186	6,831
(657)	(616)

<u>7,142</u>	<u>6,831</u>
--------------	--------------

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

	2011	2010
	(Rupees in '000)	
Opening liability	74,211	69,196
Amount recognized during the year	7,142	6,831
Payments made by the Company during the year	(2,091)	(1,816)
Closing liability	<u>79,262</u>	<u>74,211</u>

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:

	2011	2010
Contribution rates	As per Rules	As per Rules
Expected rate of salary increase in future years	12%	11%
Discount rate	13%	12%
Average expected remaining working life time of employees	11 Years	11 Years
Expected mortality rate	EFU (61-66)	EFU (61-66)
	Mortality table	Mortality table

22.5 Historical information

As at 31 December	2011	2010	2009	2008	2007
	(Rupees in '000)				
Present value of defined benefit obligation	79,262	74,211	69,196	62,780	67,403
Experience adjustments on plan liabilities	12,607	13,099	12,270	10,278	5,851
Experience adjustments on plan liabilities as a percentage of defined benefit obligation	16%	18%	18%	16%	9%

	2011	2010
	(Rupees in '000)	
Accelerated tax depreciation	72,005	58,608
Provision for:		
Gratuity	(27,742)	(25,974)
Doubtful receivables	(725)	(725)
Obsolescence of inventory	(9,384)	(9,060)
	<u>(37,851)</u>	<u>(35,759)</u>
Net deferred tax liability	<u>34,154</u>	<u>22,849</u>

23. DEFERRED TAXATION

Deferred tax liabilities

Accelerated tax depreciation

Deferred tax assets

Provision for:

Gratuity

Doubtful receivables

Obsolescence of inventory

Net deferred tax liability

24. TRADE AND OTHER PAYABLES

Creditors	24.1	592,213	604,867
Accrued liabilities	24.2	167,230	219,473
Advances from customers		314	7,824
Due to provident fund trust		9,086	8,627
Deposits	24.3	39,211	26,571
Workers' profit participation fund	24.4	54,712	63,896
Workers' welfare fund		13,472	23,780
Sales tax payable		31,428	2,771
Taxes deducted at source payable		19,121	15,251
Unclaimed dividend		4,119	3,069
Other liabilities	24.5	14,431	12,761
		<u>945,337</u>	<u>988,890</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	(Rupees in '000)	
24.1 This includes amounts due to the following associated undertakings		
Bata Shoe Singapore Pte Limited	71,262	38,043
Bata Brand (Switzerland)	51,036	44,099
Global Footwear Services (Singapore)	9,692	3,070
Compass Limited (Bermuda)	275	-
Bata Marketing Sdn. Bhd., (Malaysia)	-	217
	132,265	85,429

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

24.2 These include an amount of Rs. ('000) 1,188 (2010: ('000) 1,014) 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 9.50% (2010: 10%) 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

Balance as at 01 January	63,896	43,688
Allocation for the year	54,712	63,896
Interest on funds utilized in company's business	1,052	1,218
	119,660	108,802
Less: Amount adjusted / paid to fund's trustees	64,948	44,906
Balance as at 31 December	54,712	63,896

24.5 This includes Rs. ('000) 1,981 (2010: ('000) 2,454) received from Bata Children Foundation, a related party, on account of donations for flood relief victims.

25. SHORT TERM BORROWINGS

The credit facilities available to the Company from various commercial banks aggregate to Rs.735 million (2010: Rs. 735 million). These include cash finance facilities of Rs 700 million (2010: Rs 700 million) and export finance facility of Rs 35 million (2010: Rs. 35 million).

Mark up on cash finance is based on 3 months KIBOR plus 0.75% to 1% (2010: 1 to 3 months KIBOR plus 0.75% to 1%) as per agreements with banks. While mark up on export finance is charged at 12.00% (2010: 11%) per annum.

In addition, non funded facilities of letters of guarantee and letters of credit amounting to Rs. 405 million (2010: Rs. 305 million) were also provided by these banks. The un-utilized facility for letter of credits and guarantees at year end amounts to Rs. 286 million (2010: Rs. 246 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 (2010: Rs. 1,194 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

26. CONTINGENCIES AND COMMITMENTS

26.1 The Company has contingent liabilities for:

	Note	2011	2010
(Rupees in '000)			
Counter Guarantees given to banks		5,859	7,204
Indemnity Bonds given to Custom Authorities		39,549	26,790
Claims not acknowledged as debts - under appeal		15,401	76,413
Law suit by ex-employee - damages for malicious prosecution		3,000	3,000
Order by sales tax department-under appeal	26.1.1	138,851	-
Order by sales tax department-under appeal	26.1.2	201,252	-
Order by income tax department-under appeal	26.1.3	1,645	-
Order by income tax department		-	3,659
Order by income tax department		-	2,702
		405,557	119,768

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 Collector 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 has preferred to file a reference application in Honorable Lahore High Court which is pending adjudication. However, based on tax advisor's opinion, the Company expects a favorable outcome of the case.

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 has filed an appeal against the order before the Collector Sales Tax (Appeals) which is pending adjudication. The Company has also filed a complaint with Federal Tax Ombudsman (FTO) against departmental violation of binding legal precedent. The FTO in his recommendations dated 11-01-2012 has recommended the Federal Board of Revenue (FBR) to direct the Commissioner to vacate the above stated order and submit the compliance report with in 30 days from the date of recommendations. Based on legal advisor's opinion, the Company expects a favorable outcome of the matter.

26.1.3 The Company has received an order from income tax department in respect of alleged default that the company had willfully understated its admitted liability by not declaring FTR receipts as charged u/s 122(5A) vide order dated 30-09-2009 for the tax year 2004. The Deputy Commissioner Inland Revenue (DCIR) charged additional tax u/s 205(IB) of the Income Tax Ordinance, 2001 and created a demand of Rs. 1.645 million. The company filed an appeal with CIR (Appeals) which is pending adjudication. Based on legal advisor's opinion, the management expects a favorable outcome of the matter and accordingly, no provision has been made.

26.2 Commitments

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

	2011	2010
(Rupees in '000)		
Within one year	478,244	427,571
After one year but not more than five years	1,521,512	1,386,432
More than five years	788,627	668,212
	2,788,383	2,482,215
26.2.2 Commitments in respect of:		
Capital expenditure	14,872	10,583
Letters of credit and bank contracts	441,920	326,932
	456,792	337,515

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011	2010
(Rupees in '000)			
27. SALES			
Shoes and accessories			
Local		10,999,008	9,029,556
Export		157,946	123,389
		11,156,954	9,152,945
Sundry articles and scrap material		34,788	19,170
		11,191,742	9,172,115
Less: Sales tax		406,394	121,641
Discounts to dealers and distributors		852,631	629,681
Commission to agents / business associates		116,421	90,964
		1,375,446	842,286
		9,816,296	8,329,829
28. COST OF SALES			
Cost of goods manufactured	28.1	3,415,034	2,741,110
Finished goods purchased		3,520,670	2,412,074
Add: Opening stock of finished goods		1,190,413	1,035,130
		8,126,117	6,188,314
Less: Closing stock of finished goods	28.2	1,850,498	1,190,413
		6,275,619	4,997,901
28.1 Cost of goods manufactured			
Raw material consumed			
Opening stock		277,136	205,483
Add: Purchases		3,017,722	2,386,004
		3,294,858	2,591,487
Less: Closing stock		294,973	277,136
		2,999,885	2,314,351
Store and spares consumed		9,185	8,835
Fuel and power		126,162	106,565
Salaries, wages and benefits	28.3	258,278	273,415
Repairs and maintenance	28.4	37,484	34,147
Insurance		5,939	5,873
Depreciation	6.4	20,763	16,158
		3,457,696	2,759,344
Add: Opening goods in process		59,483	41,249
		3,517,179	2,800,593
Less: Closing goods in process		102,145	59,483
		3,415,034	2,741,110

28.2 This includes Rs. ('000) 859 (2010: Nil) in respect of provision for slow moving and obsolete stock.

28.3 These include Rs. ('000) 8,441 (2010: Rs. ('000) 7,503) and Rs. ('000) 3,738 (2010: Rs. ('000) 2,927) 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) 925 (2010: Rs. ('000) 1,924).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011	2010
(Rupees in '000)			
29. DISTRIBUTION COST			
Salaries and benefits	29.1	511,630	469,381
Freight		144,327	120,472
Advertising and sales promotion		163,478	108,414
Rent		503,562	429,702
Insurance		8,984	8,523
Trade mark license fee		231,787	195,536
Fuel and power		164,185	149,347
Repairs and maintenance		23,757	35,589
Entertainment		7,068	5,425
Business and property taxes		3,640	2,945
Excise duty		334	7,224
Depreciation	6.4	68,335	64,213
Miscellaneous		227	449
		1,831,314	1,597,220
29.1 These include Rs. ('000) 16,541 (2010: Rs. ('000) 13,922) and Rs. ('000) 2,328 (2010: Rs. ('000) 1,934) in respect of contribution to provident fund trust and provision for gratuity respectively.			
30. ADMINISTRATIVE EXPENSES			
Salaries and benefits	30.1	272,840	246,869
Employee welfare		20,509	17,998
Fuel and power		6,756	4,834
Telephone and postage		20,054	18,749
Insurance		2,059	2,215
Travelling		75,682	65,762
Repairs and maintenance		16,221	15,655
Printing and stationery		20,763	16,977
Donations and subscription	30.2	1,658	3,041
Legal and professional charges		4,655	9,256
Business and property taxes		956	606
Management service fee	30.3	139,756	48,014
Depreciation	6.4	7,464	6,222
Amortization on intangible assets	7.1	5,477	1,511
Miscellaneous		4,308	10,630
		599,158	468,339

30.1 These include Rs. ('000) 8,769 (2010: Rs. ('000) 7,796) and Rs. ('000) 1,076 (2010: Rs. ('000) 1,970) 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, for the provision of management services.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011	2010
(Rupees in '000)			
31. OTHER OPERATING EXPENSES			
Workers' profit participation fund		54,712	63,896
Workers' welfare fund		6,997	23,780
Auditors' remuneration	31.1	5,532	4,904
Loss on fixed assets sold / scrapped	6.5	-	80
Exchange loss		9,296	-
		76,537	92,660
31.1 Auditors' remuneration			
Statutory audit		2,370	2,100
Review of six monthly accounts		790	700
Other reviews and certifications		1,472	1,304
Out of pocket expenses		900	800
		5,532	4,904
32. OTHER OPERATING INCOME			
Income from financial assets			
Profit on long term investments		3,638	5,336
Exchange gain		-	212
Profit on short term investment		18,344	25,919
Profit on bank deposits		15,703	21,690
		37,685	53,157
Income from non - financial assets			
Rent received		2,583	1,890
Profit on sale of fixed assets	6.5	2,278	-
		4,861	1,890
		42,546	55,047
33. FINANCE COSTS			
Interest / mark-up on:			
Short term borrowings	25	1,440	-
Workers' profit participation fund		1,052	1,218
Provident fund trust		-	260
Employees / agents' securities and personal accounts	33.1	3,531	3,193
		6,023	4,671
Bank charges and commission	33.2	45,183	35,064
		51,206	39,735

33.1 These do not include any amounts on account of related parties (2010: Nil)

33.2 Included in bank charges and commission is an amount of Rs. ('000) 23,179 (2010: Rs. ('000) 19,554) in respect of excise duty paid on trade mark license fee

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011	2010
(Rupees in '000)			
34. TAXATION			
Current			
For the year		253,151	311,977
For prior years		12,382	-
		265,533	311,977
Deferred			
		11,305	5,751
		276,838	317,728
Relationship between tax expenses and accounting profit			
Accounting profit before taxation		1,025,008	1,189,021
Tax at applicable tax rate of 35% (2010: 35%)		358,753	416,157
Tax effect of expenses not allowed for tax		361	886
Effect of tax on export sales, imported finished goods and rental income under Final Tax Regime		(94,658)	(99,315)
Effect of prior years tax		12,382	-
Tax expense for the year		276,838	317,728
35. EARNINGS PER SHARE - BASIC AND DILUTED			
Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by weighted average number of ordinary shares outstanding during the year. The following reflects the income and share data used in the basic and diluted earnings per share computations:			
Profit after taxation - (Rupees in '000)		748,170	871,293
Weighted average number of ordinary shares (in thousands)	18.2	7,560	7,560
Earnings per share - basic and diluted (Rupees per share)		98.96	115.25
There is no dilutive effect on the basic earnings per share of the Company.			
36. CASH AND CASH EQUIVALENTS			
For the purpose of the cash flow statement, cash and cash equivalents comprise the following:			
Bank balances in			
Current accounts		47,870	22,002
Daily profit accounts		338,579	483,140
Short term investment		100,000	500,000
Cash in transit		39,950	30,916
Cash in hand		4,419	2,981
		530,818	1,039,039

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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	
	2011	2010	2011	2010	2011	2010
	(Rupees in '000)					
Managerial remuneration	19,488	26,937	12,620	20,246	36,512	44,120
Company's contribution to provident fund	1,738	1,943	353	511	3,427	2,854
Perquisites and allowances						
Housing	-	-	548	438	14,268	11,254
Leave passage	2,025	1,575	435	512	-	-
Conveyance	-	-	185	194	3,458	2,719
Medical expenses reimbursed	73	125	779	766	2,372	1,634
Utilities	-	-	185	194	3,392	2,719
Others	-	-	4,841	4,556	10,434	8,050
	23,324	30,580	19,946	27,417	73,863	73,350
Number of persons	1	1	3	2	40	34

37.1 In addition to the above, 5 (2010: 5) non executive directors were paid aggregated fee of Rs. (‘000) 310 (2010: Rs. (‘000) 180) 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 short-term deposits 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

	Fixed or variable	2011	2010	2011	2010
		Effective rates		(Rupees in '000)	
Financial Assets					
Long term investments	Fixed	12.00 to 13.00%	11.50 to 12.50%	36,594	37,823
Short term investments	Fixed	11.75%	11.90 to 12.75%	100,000	500,000
Cash and bank balances	Fixed	5.00 to 9.50%	5.00 to 10.00%	430,818	501,110
				567,412	1,038,933
Financial Liabilities					
Long term deposits - employees' securities	Fixed	9.50%	10.00%	36,594	37,823
Trade and other payables					
Deposits - agents	Fixed	9.50%	10.00%	39,211	26,571
				75,805	64,394

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:

	2011	2010
	(Rupees in '000)	
Financial assets		
Trade debts - Export customers		
US Dollar	2,882	7,711
Euro	424	6,918
	3,306	14,629
Financial liabilities		
Trade and other Payables - Foreign suppliers		
US Dollar	72,841	40,914
Euro	51,125	44,099
Singapore Dollar	9,692	3,070
	133,658	88,083

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 2011 in the currencies involved.

	2011	2010	2011	2010
	Percentage Change in Exchange Rate	Percentage Change in Exchange Rate	(Rupees in '000)	
			Effect on Profit Before Tax	Effect on Profit Before Tax
			+ / -	+ / -
Variation in USD to PKR	5%	5%	3,498	1,660
Variation in EURO to PKR	5%	5%	2,535	1,859
Variation in Singapore Dollar to PKR	10%	10%	969	307

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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 financial 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) 727,230 (2010: Rs. ('000) 1,135,139) 71.92% of financial assets subject to credit risk are concentrated in nine parties (2010: 93.92% in 8 parties).

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

	2011	2010
	(Rupees in '000)	
Financial assets		
Long term investments	36,594	37,823
Long term deposits	12,019	12,427
Trade debts - unsecured	130,112	22,325
Deposits	16,347	23,036
Interest accrued	1,339	489
Short term investment	100,000	500,000
Cash at bank	386,449	505,142
	<u>682,860</u>	<u>1,101,242</u>

38.2.1 Long term investments

Financial institution	Ratings			Carrying Values	
	Agency	Long Term	Short term	2011	2010
	(Rupees in '000)				
Silk Bank Limited	JCR-VIS	A-	A-2	29,000	28,761
Habib Metropolitan Bank Limited	PACRA	AA+	A1+	7,594	9,062
				<u>36,594</u>	<u>37,823</u>

38.2.2 Trade debts

	Carrying Values	
	2011	2010
	(Rupees in '000)	
Neither past due nor impaired	102,347	22,325
Past due but no impaired		
1-30 Days	-	-
31-60 days	27,765	-
61-90 days	-	-
Over 90 days	-	-
	<u>27,765</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

38.2.3 Short term investments

Financial institution	Ratings			2011	2010
	Agency	Long Term	Short term	(Rupees in '000)	
United Bank Limited	JCR-VIS	AA+	A-1+	100,000	500,000

38.2.4 Cash at bank

Financial institution	Ratings			2011	2010
	Agency	Long Term	Short term	(Rupees in '000)	
Habib Bank Limited	JCR-VIS	AA+	A-1+	360,901	492,893
MCB Bank Limited	PACRA	AA+	A1+	1,173	4,719
Habib Metropolitan Bank Limited	PACRA	AA+	A1+	9,151	1,375
Bank Al-Habib Limited	PACRA	AA+	A1+	801	1,312
Summit Bank Limited	JCR-VIS	A	A-2	501	9
National Bank of Pakistan	JCR-VIS	AAA	A-1+	1,653	268
United Bank Limited	JCR-VIS	AA+	A-1+	3,464	1,505
Silk Bank Limited	JCR-VIS	A-	A-2	2,149	3,061
Barclays Bank PLC	Standard & Poor's	AA-	A-1+	6,656	-
				386,449	505,142

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 2011 (2010: Rs. 735 million).

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

	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

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

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.

The Company's objectives when managing capital are:

- 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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:

	2011	2010
	(Rupees in '000)	
Net debt	-	-
Total equity	3,277,790	2,741,300
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	2011	2010
		(Rupees in '000)	
Associated Companies	Purchase of goods and services	1,371,997	884,944
	Sale of goods and services	20,840	19,535
	Trade mark license fee	231,787	195,536
	Management service fee & IT charges	139,756	48,014
Holding company	Dividend paid	127,008	54,432
Staff Retirement Benefits	Contribution to provident fund trusts	33,752	29,221
Staff Retirement Benefits	Gratuity Paid	2,091	1,816
Key Management Personnel	Remuneration	70,353	88,840

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	
	2011	2010	Pairs in '000		Pairs in '000	
			2011	2010	2011	2010
Footwear in pairs						
Leather	1 to 3	1 to 3	10,203	8,476	9,300	9,373
Plastic	1 to 3	1	2,678	2,678	1,904	2,167
			12,881	11,154	11,204	11,540

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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 27 February 2012 has approved a final dividend @ Rs. 20 per share for the year ended 31 December 2011 (2010: Rs. 28 per share) amounting to Rs. ('000) 151,200 (2010: Rs. ('000) 211,680) and transfer to general reserve amounting to Rs. ('000) 595,000 (2010: Rs. ('000) 660,000) for approval of the members at the Annual General Meeting to be held on 19 April 2012. 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 27 February 2012.

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 2011

No. of Shareholders	From	Shareholding To	Total Shares held
623	1	100	26,680
397	101	500	96,854
62	501	1,000	45,957
36	1,001	5,000	67,025
3	5,001	10,000	17,990
2	10,001	15,000	23,392
1	20,001	25,000	21,000
3	25,001	30,000	80,903
1	100,001	105,000	103,783
1	305,001	310,000	309,776
1	560,001	565,000	562,366
1	575,001	580,000	578,040
1	1,090,001	1,095,000	1,090,234
1	4,535,001	4,540,000	4,536,000
1,133			7,560,000

CATEGORIES OF SHAREHOLDERS

	Number of Shareholders	Total Shares held	Percentage
FOREIGN SHAREHOLDERS			
Bafin (Nederland) B.V.	2	5,098,366	67.44
LOCAL SHAREHOLDERS			
Individuals	1,099	242,793	3.21
National Investment Trust	2	49,076	0.65
National Bank of Pakistan	3	1,772,057	23.44
Industrial Development Bank of Pakistan	1	125	0.01
Banks, DFII's and NBFIs	2	26,053	0.34
Insurance Companies	5	354,025	4.68
Joint Stock Companies	15	14,579	0.19
Others	4	2,926	0.04
	1,133	7,560,000	100.00

PATTERN OF SHAREHOLDING

AS AT 31 DECEMBER 2011

Categories of Shareholders	Number of shares held
1. Directors, Chief Executive Officer, their spouses and minor children	
Chief Executive	-
Directors	
Mr. Fakir Syed Ajjazuddin	1
Mr. Ijaz Ahmad Chaudhry	1
Directors' spouses and their minor children	-
2. Associated companies, undertakings and related parties	
Bafin (Netherlands) B.V.	5,098,366
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	681,823
Faysal Bank Limited	50
Deutsche Bank Suisse S.A.	26,003
5. Insurance companies	
EFU General Insurance Limited	309,776
Allianz EFU Health Insurance Limited	26,824
State Life Insurance Corporation of Pakistan	11,392
Habib Insurance Company Limited	6,000
The Crescent Star Insurance Company Limited	33
6. Modarbas and mutual funds	
B.R.R Guardian Modaraba	2,053
CDC-Trustee AKD Index Tracker Fund	473
MCBFSL-Trustee Virsf-Equity Sub Fund	400
7. 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	12,000
Darson Securities (Pvt.) Limited	153
General Investment & Securities (Pvt.) Limited	1
Montague International Trading Limited	821
NH Securities (Pvt.) Limited	135
Sarfraz Mahmood Securities (Pvt.) Limited	25
Stock Master Securities (Pvt.) Limited	50
Time Securities (Pvt.) Limited	370
Haral Sons (SMC-PVT) Limited	700
UHF Consulting (PVT) Limited	13
8. General public	242,791
9. Executives, their spouses and minor children	-
	7,560,000
Shareholders holding more than 10 % voting interest in the company	
Bafin (Nederland) B.V.	5,098,366
National Bank of Pakistan - Trustee department (CDC)	1,090,234
National Investment Trust	28,076
National Investment Trust Ltd. Admn. Fund	21,000
National Bank of Pakistan	103,783
National Bank of Pakistan	578,040
	1,821,133
	6,919,499

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

60TH 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 60th Annual General Meeting of the Company to be held on April 19, 2012 and at any adjournment thereof.

Signed this _____ day of _____ 2012.

WITNESSES:

1. **Signature** _____

Name _____

Address _____

NIC or _____

Passport No. _____

Signature on
Rs. 5/-
Revenue stamp

2. **Signature** _____

Name _____

Address _____

NIC or _____

Passport No. _____

(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.

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

AFFIX
CORRECT
POSTAGE

marie claire®



Brands
of the year
Award 

Bubblegummers



Fun shoes for Kids



POWER
INTERNATIONAL ATHLETIC FOOTWEAR

play Smart

by **Bata**



Brands
of the year
Award
IT'S ALL ABOUT CHAMPIONS





Bata
PAKISTAN LIMITED

P.O. Batapur, Lahore, Pakistan
UAN: +92-42-111-044-055
Fax: +92-42-36581176
Website: www.bata.pk
E-mail: bata@batapk.com

