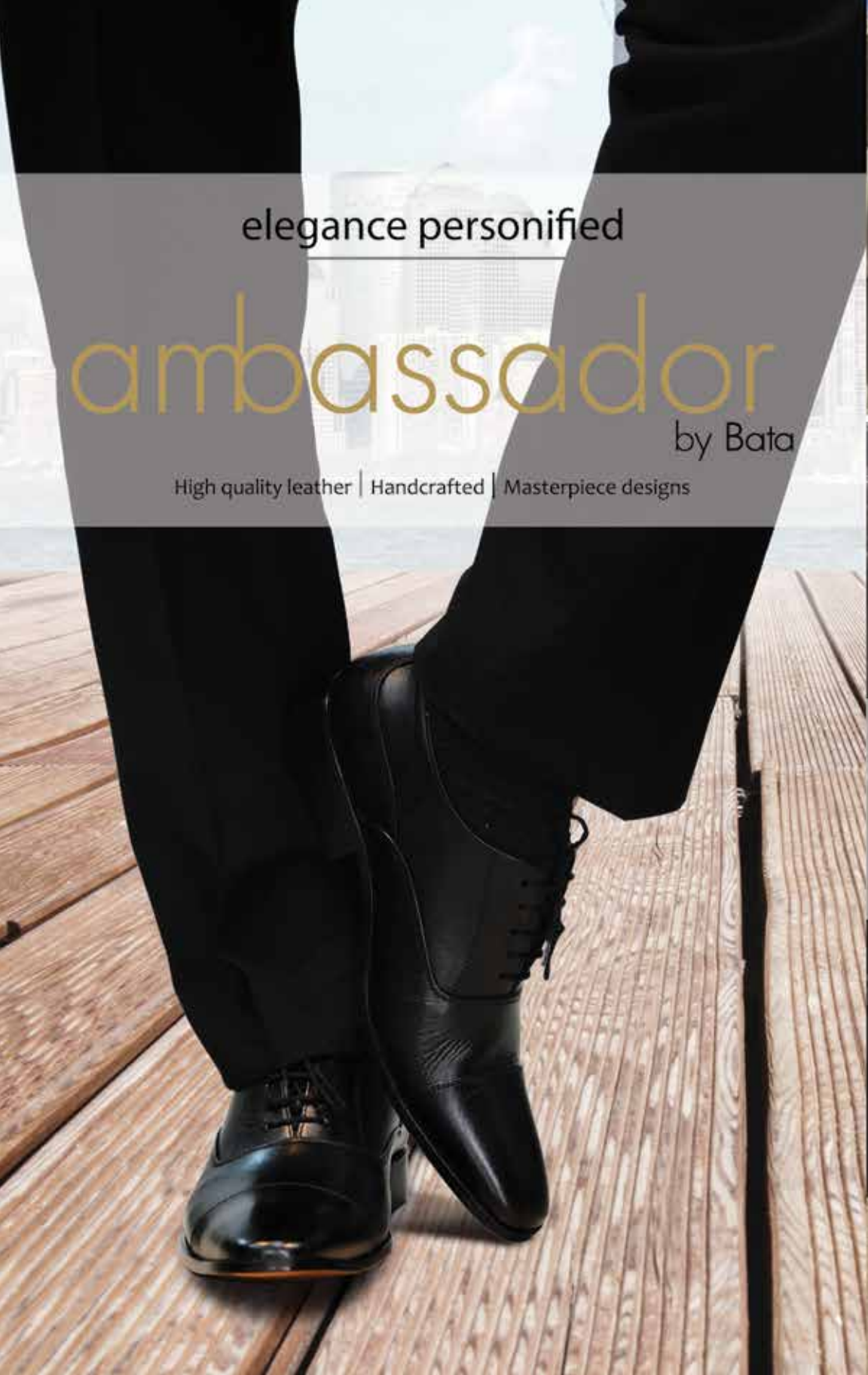


Bata[®]
QUARTERLY REPORT
2014
JANUARY - MARCH



Bata PAKISTAN LIMITED



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CORPORATE INFORMATION

Board of Directors

Mr. Fernando Garcia	Chairman
Mr. Muhammad Qayyum	Chief Executive
Mr. M. G. Middleton	Director
Mr. Cesar Panduro	Director and 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. Malik Arif Hayat (Nominee of NIT)	Director

Audit Committee

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

Human Resource and Remuneration Committee

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

Company Secretary

Mr. S. M. Ismail

Auditors

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

Legal Advisor

Surrige & 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
United 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.

DIRECTORS' REVIEW

It is my pleasure to present the un-audited Condensed Financial Information and brief review of the Company's operations for the 1st Quarter ended 31 March 2014.

The Company continues to grow in business and the net turnover in the period under review was Rs. 2.984 billion as compared to Rs. 2.837 billion for the corresponding period of last year. Due to unusual weather in March, the summer sales could not pick up and were below than anticipation. However, management is confident that Company will be able to recover the business in coming months.

Retail division showed a good growth during the first quarter with current setup and was able to achieve 8% increase in turnover with respect to corresponding period. Our focus as a part of our strategy will remain on expansion of big format stores by closing low turnover and non profitable stores which are under minimum benchmark. In the period under review, we opened five new stores and renovated six stores.

Our Wholesale division showed a slight increase in turnover during this quarter as compared to corresponding period. They are striving to develop new products and customers base to maintain its growth.

During the period under review, our manufacturing units at Batapur and Maraka were fully loaded to meet the demand for popular items. We are continually making investment in new moulds, the majority of which are proved very succesfull in the market.

The Company continued its Corporate Social Responsibilities (CSR) activities during the period under review and donated shoes and computers and furnished class room for underprivileged communities and orphanage. The Company is also investing a considerable time and money on human resource and training of employees has always been considered as an investment for the future with the objective to provide them with safe and healthy work place.

With all divisions performing well, the Company was able to achieve year to date profit after tax of Rs 282.9 million as compared to Rs. 232.3 million in the corresponding period of last year. As we have our major selling period still to come, it is thus, expected that the full year will reflect record sales and profits for the Company.

On behalf of the Board

Batapur:
Lahore: 24 April 2014

(MUHAMMAD QAYYUM)
Chief Executive

CONDENSED INTERIM BALANCE SHEET - UNAUDITED

AS AT 31 MARCH 2014

	Note	(UN - AUDITED) 31 March 2014	(AUDITED) 31 December 2013
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,103,010	1,116,281
Intangible assets		4,031	4,941
Long term investments		38,001	38,001
Long term deposits and prepayments		32,792	23,509
		1,177,834	1,182,732
CURRENT ASSETS			
Stores and spares		1,225	-
Stock in trade	3	3,155,417	2,368,302
Trade debts - unsecured		987,189	363,975
Advances - unsecured		24,494	27,979
Deposits, short term prepayments and other receivables		192,074	522,131
Interest accrued		7,770	7,615
Short term investment		578,000	968,000
Tax refunds due from Government	5	508,597	508,597
Cash and bank balances		225,543	439,939
		5,680,309	5,206,538
TOTAL ASSETS		6,858,143	6,389,270
SHARE CAPITAL AND RESERVES			
Authorized share capital		100,000	100,000
Issued, subscribed and paid up capital		75,600	75,600
Reserves			
Capital reserve		483	483
Revenue reserves		4,707,509	4,424,564
		4,707,992	4,425,047
		4,783,592	4,500,647
NON-CURRENT LIABILITIES			
Long term deposits		38,001	38,001
Deferred liability - employee benefits	6	55,804	54,424
Deferred taxation		51,123	49,855
		144,928	142,280
CURRENT LIABILITIES			
Trade and other payables		1,815,007	1,275,552
Provision for taxation		114,616	470,791
		1,929,623	1,746,343
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		6,858,143	6,389,270

The annexed notes from 1 to 15 form an integral part of this financial information.

Chief Executive

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - UNAUDITED
FOR THE THREE MONTHS ENDED 31 MARCH 2014

	Note	Jan - Mar 2014	Jan - Mar 2013
(Rupees in '000)			
SALES	8	2,984,093	2,837,183
COST OF SALES	9	1,852,527	1,771,054
GROSS PROFIT		1,131,566	1,066,129
DISTRIBUTION COST		580,629	543,602
ADMINISTRATIVE EXPENSES		194,489	197,707
OTHER EXPENSES		29,369	26,065
OTHER INCOME		804,487	767,374
		79,404	24,215
OPERATING PROFIT		406,483	322,970
FINANCE COST		7,461	7,074
PROFIT BEFORE TAXATION		399,022	315,896
TAXATION	10	116,077	83,644
PROFIT AFTER TAXATION		282,945	232,252
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		282,945	232,252
EARNINGS PER SHARE - BASIC AND DILUTED		Rs.37.43	Rs.30.72

The annexed notes from 1 to 15 form an integral part of this financial information.

Chief Executive

Director

CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED

FOR THE THREE MONTHS ENDED 31 MARCH 2014

Note	Jan - Mar 2014	Jan - Mar 2013
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	399,022	315,896
Non-cash adjustment to reconcile profit before tax to net cash flows:		
Depreciation of property, plant & equipments	35,555	28,795
Amortization of intangible assets	910	1,781
Provision for gratuity	1,750	1,507
Provision for doubtful debts	(92)	69
Profit on disposal of property, plant and equipment	(43,102)	(2,807)
Profit on long and short term investments	(31,948)	(19,509)
Finance cost	7,461	12,866
	(29,466)	22,702
Operating profit before working capital changes	369,556	338,598
Working capital adjustments:		
(Increase) / decrease in current assets:		
Stores and spares	(1,225)	(118)
Stock in trade	(787,115)	(484,305)
Trade debts - unsecured	(622,208)	(484,412)
Advances - unsecured	3,485	(31,860)
Deposits, short term prepayments and other receivables	(33,169)	(19,440)
	(1,440,232)	(1,020,135)
Increase in current liabilities:		
Trade and other payables	537,136	467,681
Cash used in operations	(533,540)	(213,856)
Finance costs paid	(4,862)	(10,909)
Income taxes paid	(108,673)	(95,240)
Gratuity paid	(370)	(1,640)
Interest income received	31,794	16,495
	(82,111)	(91,294)
Net decrease in long term deposits	(9,283)	(2,428)
Net cash used in operating activities	(624,934)	(307,578)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(22,644)	(22,326)
Proceeds from sale of property, plant and equipment	43,462	5,156
Net cash generated from / (used in) investing activities	20,818	(17,170)
CASH FLOW FROM FINANCING ACTIVITIES		
Net cash used in financing activities	(280)	(528)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(604,396)	(325,276)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,407,939	1,233,193
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD 11	803,543	907,917

The annexed notes from 1 to 15 form an integral part of this financial information.

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED

FOR THE THREE MONTHS ENDED 31 MARCH 2014

	Share capital	Capital reserve	General reserve	Unappropriated profits	Total
	Rupees in '000'				
Balance as at 31 December 2012 (restated)	75,600	483	3,047,000	810,422	3,933,505
Total comprehensive income for the three months ended 31 March 2013	-	-	-	232,252	232,252
Balance as at 31 March 2013 (restated)	75,600	483	3,047,000	1,042,674	4,165,757
Final dividend for 2012 @ Rs. 23.00 per share	-	-	-	(173,880)	(173,880)
Transfer to general reserve for 2012	-	-	620,000	(620,000)	-
Interim dividend for 2013 @ Rs. 65.00 per share	-	-	-	(491,400)	(491,400)
Total comprehensive income for the nine months ended 31 December 2013	-	-	-	1,000,170	1,000,170
Balance as at 31 December 2013	75,600	483	3,667,000	757,564	4,500,647
Total comprehensive income for the three months ended 31 March 2014	-	-	-	282,945	282,945
Balance as at 31 March 2014	75,600	483	3,667,000	1,040,509	4,783,592

The annexed notes from 1 to 15 form an integral part of this financial information.

Chief Executive

Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED

FOR THE THREE MONTHS ENDED 31 MARCH 2014

1. LEGAL STATUS AND OPERATIONS

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

2. STATEMENT OF COMPLIANCE

This condensed interim financial report of the Company for the three months ended 31 March 2014 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation adopted in the preparation of this condensed interim financial report are the same as those applied in preparation of the annual audited and published financial statements of the Company for the year ended 31 December, 2013.

4. ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	(UN - AUDITED)			
	Addition		Disposal	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	(Rupees in '000)			
Buildings on free hold land - Factory	1,662	—	—	—
- Others	—	263	432	—
Plant and machinery	18,336	451	1,770	9,453
Boiler	—	—	—	500
Office Equipments	65	116	—	254
Computers	4,944	5,327	—	609
Furniture, fixtures and fittings	25,930	14,365	99	2,466
Vehicles	—	—	—	25
	<u>50,937</u>	<u>20,522</u>	<u>2,301</u>	<u>13,307</u>

5. 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.

	(UN - AUDITED)		(AUDITED)
	31 March		31 December
	2014	2013	2013
	(Rupees in '000)		
Opening liability	54,424	—	72,096
Amount recognized during the period/year	1,750	—	6,582
Payment made by the Company during the period/year	(370)	—	(3,932)
Actuarial adjustment	—	—	(20,322)
Closing Liability	<u>55,804</u>	<u>—</u>	<u>54,424</u>

The latest actuarial valuation was carried out as at 31 December, 2013

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED FOR THE THREE MONTHS ENDED 31 MARCH 2014

	Note	(UN - AUDITED)	(AUDITED)
		31 March 2014	31 December 2013
(Rupees in '000')			
7. CONTINGENCIES AND COMMITMENTS			
7.1			
7.1 The Company is contingently liable for:			
Counter Guarantees given to banks		5,474	5,474
Indemnity Bonds given to Custom Authorities		20,160	13,110
Claims not acknowledged as debts - under appeal		22,449	22,449
Order by sales tax department	7.1.1	138,851	138,851
Order by sales tax department - under appeal	7.1.2	201,252	201,252
Order by sales tax department - under appeal	7.1.3	237,370	237,370
Order by sales tax department - under appeal	7.1.4	25,820	25,820
Order by income tax department - under appeal	7.1.5	491	491
Order by income tax department - under appeal	7.1.6	954,859	954,859
Order by sales tax department - under appeal	7.1.7	18,697	18,697
Order by sales tax department - under appeal	7.1.8	8,225	8,225
		<u>1,633,648</u>	<u>1,626,598</u>

7.1.1 The Sales Tax Department has issued show-cause notice followed by an order amounting to Rs. 138.8 million in respect of the period from July 2005 to June 2007 for non payment of sales tax on certain items including disposal of fixed assets, inadmissible input tax claimed on electricity bills of retail outlets, inadmissible input tax adjustment claimed against zero rated retail supplies and less declaration of output sales tax in returns when compared with final accounts. The Company filed an appeal against the order before Commissioner Sales Tax (Appeals) who has dismissed the appeal vide order dated 31-01-2009. Thereafter, the Company filed an appeal against the stated order before Appellate Tribunal Inland Revenue (ATIR) who has decided the appeal in favor of the Company. The Sales Tax Department filed a reference application in Honorable Lahore High Court (LHC). LHC vide its order dated 16-05-2012 disposed off the reference application. However at the year end, the Company is not aware if any leave for appeal has been made by the Sales Tax Department. Moreover on 08-07-2013, Company received a letter from sales tax department asking for documentary evidence/record that no input tax has been claimed against retail sales during above mentioned period. The Company has given a comprehensive reply to this letter and is of the opinion that this matter has already been decided by ATIR in favor of the Company and has attained finality as has been quoted by Commissioner (Appeals) in one of his orders.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED FOR THE THREE MONTHS ENDED 31 MARCH 2014

- 7.1.3** The Company has received 19 separate orders dated 17-10-2012 and 14-11-2012 in which sales tax refunds for the periods from November 2008 to December 2010 amounting to Rs. 237.37 million have been rejected on the grounds that input sales tax relating to retail turnover is not admissible. Company filed separate appeals against these orders with Commissioner (Appeals). The Commissioner (Appeals) decided 16 appeals against while 3 appeals in favor of the Company. The Company has filed 16 separate appeals while tax department has filed 3 separate appeals with Appellate Tribunal Inland Revenue (ATIR), which are pending adjudication. Based on legal advisor's opinion, the Company expects a favorable outcome of the matters.
- 7.1.4** The Company has received an order dated 18-10-2012 from Sales tax department demanding Rs. 25.820 million on the basis that Company has wrongly adjusted input sales tax against output sales tax for the month of April 2011. Company filed an appeal with Commissioner (Appeals) who decided the appeal in favor of the Company. However at the period end, Departments' appeal is pending for adjudication with ATIR.
- 7.1.5** The Company received a show cause notice from the income tax department in respect of understatement of tax liability under u/s 147(4) for the tax year 2009. Accordingly the Assistant Commissioner Inland Revenue (ACIR) charged additional tax u/s 205(IB) of the Income Tax Ordinance, 2001 and created a demand of Rs. 490,985. The Company has filed an appeal before the CIR (Appeals) and is pending adjudication. Based on legal advisor's opinion, the Company expects a favorable outcome for the matter.
- 7.1.6** On 21 August 2013, Company received an assessment order from Deputy Commissioner Inland Revenue (DCIR) for the tax year 2011, adding back different provisions and liabilities and also assessing that Company has suppressed turnover to the tune of PKR. 1.427 million. Based on these add backs the DCIR created a demand of PKR. 954.859 million. The Company filed an appeal with Commissioner (Appeals), who deleted almost all the add backs and there is no liability against the Company against this order. However Department filed an appeal against the order of Commissioner with ATIR which is pending for adjudication.
- 7.1.7** A show cause notice was issued to the Company requiring an explanation for claiming the benefit of zero rating on supplies, amounting to Rs. 18.697 million. The demand was subsequently raised by the department which was successfully challenged in the Lahore High Court through writ petition No. 16140/2013. In its order dated 25 June 2013, the court suspended the operation of show cause notice. Tax adviser is confident that the writ petition will be decided in favor of the Company.
- 7.1.8** The Company has received a demand notice of Rs. 8.225 million stating that the input tax claimed by the Company did not match with sales tax return of suppliers. The demand notice was however subsequently suspended by the decision of the Lahore High Court through writ petition No. 15721/2013. The Company based on the advice of its tax advisor is confident that the writ petition will be decided in the favor of the Company.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED
FOR THE THREE MONTHS ENDED 31 MARCH 2014**

7.2 Commitments

7.2.1 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 are as follows:

	(UN - AUDITED)	(AUDITED)
	31 March 2014	31 December 2013
	(Rupees in '000')	
With in one year	643,397	575,383
After one year but not more than five years	2,190,815	1,828,794
More than five years	738,221	1,083,789
	3,572,433	3,487,966
7.2.2 Commitments in respect of:		
- Capital expenditure	169,241	20,873
- Letters of credit and bank contracts	439,225	573,346
	608,466	594,219

**(UN - AUDITED)
Quarter ended**

	31 March 2014	31 March 2013
	(Rupees in '000')	
8. SALES		
Shoes and accessories		
Local	3,447,308	3,217,056
Export	37,338	36,454
	3,484,646	3,253,510
Sundry articles and scrap material	6,040	15,093
	3,490,686	3,268,603
Less: Sales tax paid	202,430	139,377
Discount to dealers and distributors	254,772	247,498
Commission to agents/business associates	49,391	44,545
	506,593	431,420
	2,984,093	2,837,183

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED
FOR THE THREE MONTHS ENDED 31 MARCH 2014

	(UN - AUDITED)	
	Quarter ended	
	31 March 2014	31 March 2013
	(Rupees in '000')	
9. COST OF SALES		
Raw material consumed	949,737	853,164
Store and spares consumed	2,324	3,888
Fuel and power	47,303	41,275
Salaries, wages and benefits	90,840	82,370
Repairs and maintenance	15,956	15,205
Insurance	2,919	1,378
Depreciation	7,782	6,265
	<u>1,116,861</u>	<u>1,003,545</u>
Add: Opening goods in process	73,510	45,867
	<u>1,190,371</u>	<u>1,049,412</u>
Less: Closing goods in process	71,789	48,684
	<u>1,118,582</u>	<u>1,000,728</u>
Cost of goods manufactured	1,118,582	1,000,728
Add: Opening stock of finished goods	2,113,219	1,981,716
Finished goods purchased	1,396,880	1,157,173
	<u>4,628,681</u>	<u>4,139,617</u>
Less: Closing stock of finished goods	2,776,154	2,368,563
	<u>1,852,527</u>	<u>1,771,054</u>
10. TAXATION		
Current		
- For the period	114,616	85,485
- For the prior year	193	-
	<u>114,809</u>	<u>85,485</u>
Deferred	1,268	(1,841)
	<u>116,077</u>	<u>83,644</u>
11. CASH AND CASH EQUIVALENTS		
For the purpose of the cash flow statement, cash and cash equivalents comprise the following:		
Bank balances in		
- Current accounts	6,541	38,575
- Daily profit accounts	154,241	303,717
Short term investment	578,000	500,000
Cash in transit	63,174	62,740
Cash in hand	1,587	2,885
	<u>803,543</u>	<u>907,917</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION - UNAUDITED FOR THE THREE MONTHS ENDED 31 MARCH 2014

12. TRANSACTIONS WITH RELATED PARTIES

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

		(UN - AUDITED) Quarter ended	
		31 March 2014	31 March 2013
		(Rupees in '000')	
<u>Relationship with the Company</u>	<u>Nature of transactions</u>		
Associated Companies	Purchase of goods and services	314,174	247,732
	Sale of goods and services	1,236	1,115
	Brand royalty	70,185	66,731
	Management service fee and IT charges	53,913	40,517
	Staff Retirement Benefits	Contribution to provident fund trusts	10,735

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

		(UN - AUDITED) Quarter ended	
		31 March 2014	31 March 2013
		(Rupees in '000')	
13 EARNINGS PER SHARE - BASIC AND DILUTED			
	Profit after taxation attributable to ordinary share holders (in '000)	282,945	232,252
	Weighted average number of ordinary shares - Number (in '000)	7,560	7,560
	Earnings per share - Basic (Rs.)	37.43	30.72

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

14. DATE OF AUTHORIZATION

This financial information was authorized for issue by the Board of Directors on 24 April 2014.


15. GENERAL

15.1 The figures in this financial information have been rounded off to the nearest thousand rupees unless otherwise stated.

15.2 Comparative figures have been re-arranged and reclassified wherever necessary.

Chief Executive

Director



Confident Femininity

marie claire®

INTERNATIONAL LADIES FASHION FOOTWEAR

Bata

PAKISTAN LIMITED

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PAKISTAN

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