

## Directors' Report 2022

Your Directors have the pleasure of submitting their Report and Audited Financial Statements of the Company for the year ended 31 December 2022

### Industry Outlook

Although the global economy's strong recovery from the COVID-19 pandemic, the war in Ukraine has posed a setback to the ongoing recovery. This is due to a rise in global commodity prices and the sluggish economic activities resulting from war-induced supply chain disruptions.

Like other developing countries, Bangladesh is experiencing rising inflation, increasing production costs, interest rates and foreign exchange pressure. These factors are making consumers wary of making purchases, which can adversely affect the manufacturing sector and the overall market potential.

The increasing economic growth in Bangladesh is encouraging the growth of the footwear sector. This creates an environment where all competitors getting stronger through new product inclusion and business expansion. This competition has also encouraged companies to produce quality products that meet customers' satisfaction.

Despite global and national disruptions to the supply chain and competition in the footwear industries, the Company has maintained its continuous growth trend. In the financial year 2022, the Company's turnover growth was 27% compared to the previous year. The resulting gross profit increased by 53% against the previous year and total profit reached to BDT 410.11 million in 2022 from a loss of BDT 68.48 million in 2021. It is worth mentioning that during the year ended 2022, the Company's net operating cash flow increased to BDT 1,475 million from BDT 1,254 million in 2021. The Company is now placed in a strong position in terms of solvency and liquidity and has sufficiently accumulated retained earnings, cash, and bank balances in its financial position.

### Segment-wise performance

The Company's segment-wise performance in accordance with "IFRS 8 - Operating Segments" has been presented in note no 6 in this annual report.

### Risks and concerns

Every business faces uncertainties or risks in its operating environment which, if not managed and mitigated, could disrupt the achievement of its strategic and operational objectives and cause financial and reputational losses. Like other companies, Bata's business is also exposed to diverse risks that arise from both internal and external factors.

#### External factors

The Company's results may be affected by factors outside its control, such as global economic risks, regulatory risks, changing customer needs/demands, political unrest, strikes, civil commotions, and acts of terrorism.

#### Changes in income tax and value-added tax

Changes in income tax and VAT laws, as well as sudden, unpredictable changes in other business-related laws, may adversely impact the results of operations and cash flows.

#### Changes in environmental, health, and safety laws and regulations

In line with global practice, the government has been initiating notable changes in environmental, health, and safety laws and regulations. The Company may require additional investment and expenditure to ensure conformity with future changes.

#### Exchange rate fluctuation

Since a large proportion of the Company's raw materials are imported, changes in currency exchange rates influenced the result of the Company's operations.

#### Management perception of the risks

While many of the risk areas are beyond the control of any single Company, Bata closely monitors trends and developments in each of the risk areas and takes the best possible measures to mitigate them. These measures include product and market diversification, efficient sourcing of materials, use of the latest technology, focus on quality and pricing, ensuring human safety, and investment in research and development to gain a sustained competitive advantage.

As a strictly compliant Company, Bata is aware of global best practices in environmental friendly manufacturing processes. Bata played a pioneering role in the incinerator of the global standard at its plants in conformity with environment-related regulations. There is no threat to the sustainability of the business.

### Cost of Sales & Gross Profit

In 2022, the economic condition has improved gradually and so, the economy has experienced a normal business trend. As a result, this positive change in the economy has led the business to grow by 27% against last year. Aligned with revenue, the cost of sales also increased by almost 13% during this year. The resulting gross profit increased by 53% against last year.

### Extraordinary gain or loss

As per IAS 1, Presentation of Financial Statements, no items of income and expenses are to be presented as 'extraordinary gain or loss' in the financial statements. Accordingly, no 'extraordinary gain or loss' has been recognized in the Financial Statements.

### Related Party Transactions

The detailed list of the related parties with whom transactions have taken place and their relationship as identified and certified by management is disclosed in related part disclosures under IAS 24 in note no 34 in this annual report.

### Statement of Director Remuneration

The detailed disclosure of remuneration paid to the directors has been taken place in note no 15 in this annual report.

### Going Concern

The Directors' believe that the Company is a going concern entity and there is no significant doubts about the Company's ability to continue as a going concern. Accordingly, Financial Statements are prepared on a going-concern basis.

### Operational results

The Directors take the opportunity to report the Financial Results of the Company for the year ended 31 December 2022 and recommend the following:

Particulars	2022 Taka '000	2021 Taka '000	Changed %
Revenue	9,855,150	7,744,936	27%
Cost of Sales	(5,546,027)	(4,926,836)	13%
Gross profit	4,309,123	2,818,100	53%
Profit/(loss) for the year	410,111	(68,479)	699%
Total comprehensive income/(loss)	387,550	(106,197)	465%

Since revenue increased by 27%, the cost of sales increased by 13% and operating expenses increased by almost 23% due to effective management of cost control by the Company. Above all, an increase in revenue and cost-controlling measurements has led the business to a huge net profit after tax during the year.

### Financial Performance

For the year ended 31 December

	2022	2021
Earnings per share (EPS) (Taka)*	29.98	(5.01)
Net Operating Cash Flow Per Share (NOCFPS) (Taka)*	107.84	91.70
Net Asset Value Per Share (Taka)	252.16	252.33
Gross Profit Margin (%)	43.72	36.39
Net Profit After Tax Margin (%)	4.16	(0.88)

\*Earning per share (EPS) increased compared to last year driven by revenue growth, especially due to Eid, school and winter seasonal businesses and other promotional activities. Net operating cash flow per share increased compared to last year driven by revenue growth and timely collection of receivables and also restriction over foreign payments for shortage in foreign currency reserve of Central Bank.

### Key Operating & Financial Information

Your Directors have pleasure in submitting the key operating and financial data of the Company for the year ended 31 December 2022 along with the preceding five years below:

Financial results	2022 Taka '000	2021 Taka '000	2020 Taka '000	2019 Taka '000	2018 Taka '000	2017 Taka '000
Net profit before tax	819,790	48,261	(1,593,770)	792,275	1,405,861	1,588,279
Income Tax (expense)/income	(409,679)	(116,740)	269,072	(298,309)	(411,383)	(442,468)
Net profit after tax	410,111	(68,479)	(1,324,698)	493,966	994,478	1,145,811
Un-appropriated profit brought forward	3,204,584	3,447,580	4,741,076	4,501,175	3,977,406	3,309,294
Earlier year adjustment	-	-	-	-	-	-
Other comprehensive Income/(Loss)	(22,562)	(37,718)	3,215	60,574	1,252	(19,419)
Profit available for appropriation	3,202,253	3,204,584	3,447,580	5,055,715	4,973,136	4,435,686

#### From which the Directors recommended the following appropriations:

Final dividend paid (previous year)	(34,200)	(34,200)	-	(143,640)	(143,640)	(143,640)
Interim dividend paid (current year)	(355,680)	(102,600)	-	(171,000)	(328,320)	(314,640)
Total dividend	(389,880)	(138,600)	-	(314,640)	(471,960)	(458,280)
Un-appropriated profit carried forward	3,202,253	3,204,584	3,447,580	4,741,076	4,501,175	3,977,406

### Dividend

For the year ended 31 December 2022, the Board of Directors recommended an interim dividend of BDT 26 per share amounting to BDT 355,680,000 and now recommends a final dividend of BDT 10.50 per share amounting to BDT 143,640,000 thus making a total dividend of BDT 36.50 per share amounting to BDT 499,320,000.

### Directors Proposed for Re-Election

The Directors retiring as per Article 104 of the Company's Articles of Association are Mr. Rajeev Gopalakrishnan, Mr. Shaibal Sinha, Mr. K M Rezaul Hasanat, and Ms. Rupali Haque Chowdhury, and are eligible to offer themselves for re-election.

### Audit Committee Meeting

The Audit Committee is a sub-committee of the Board. All members of the Audit Committee were appointed by the Board of Directors from among the members. They met 4 times during the year 2022. The Company Secretary is the Secretary of the Committee. The Audit Committee is comprised of:

#### Name of Members

K M Rezaul Hasanat

Rupali Haque Chowdhury

Anirban Asit Kumar Ghosh

#### Status

– Chairman, Independent Director

– Member, Independent Director

– Member

### Reports on Activities of the Audit Committee

The Audit Committee has performed regularly the following activities:

- ◆ Oversee financial reporting.
- ◆ Monitoring the choice of accounting policies, principles, internal control, and risk management process.
- ◆ Oversee the performance of statutory auditors.
- ◆ Review the annual financial statements before submission to the Board for approval.
- ◆ Reviewing the statement of significantly related party transactions.

### Internal Control

The Company maintains a sound internal control system that provides reasonable assurance that the Company's resources are safeguarded, and its financial position is well managed. The internal control framework is regularly reviewed by the audit committee at each meeting and reported to the Board of Directors. The group internal audit team conducts an audit to evaluate the appropriateness of internal control. The findings and subsequent follow-up with remedial status are reported to the audit committee and are escalated to the group internal audit. This report also includes a detailed discussion on corporate governance.

**Pattern of Shareholdings**

Names of the shareholders along with their position in the shares are listed below:

Names of the shareholders	Number of share held	% holding
i) Parent/subsidiary/associate/related parties: ♦ Bafin Nederland (B.V.)	9,576,000	70.000
ii) Directors/CEO/CS/CFO/Audit Head and their spouses and minor children	Nil	Nil
iii) Executives (Head of Functions)	Nil	Nil
iv) Shareholders, who hold 10% or more	Nil	Nil
v) Others Shareholders, who hold less than 10% ♦ Non-resident shareholders ♦ Local shareholders	185,739 3,918,261	1.36 28.64
<b>Total</b>	<b>13,680,000</b>	<b>100.00</b>

**Board Meetings**

The Board met 4 (four) times during the year 2022. The Company Secretary and Chief Financial Officer were also present at the Board meetings. The attendance by each Director is stated below:

<u>Attended Directors' Name</u>	<u>No. of Attendance</u>
Rajeev Gopalakrishnan	3 meetings
Anirban Asit Kumar Ghosh	4 meetings
Shaibal Sinha	4 meetings
K M Rezaul Hasanat	4 meetings
Rupali Haque Chowdhury	3 meetings

**Additional statements on regulatory disclosure:**

The Directors of the Company have included the other following disclosures:

- The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows, and changes in equity;
- Proper books of accounts of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards (IFRSs) have been followed in the preparation of the Financial Statements and any departure therefrom has been adequately disclosed;
- Applying appropriate accounting policies and making accounting estimate that is reasonable in the circumstances;
- No situation has arisen with minority shareholders who are protected from abusive actions by or in the interest of, controlling shareholders acting either directly or have effective means of redress.
- All deviations from the last year's operating results of the Company have been highlighted under the above Financial Results;
- Utilization of proceeds from public issues is not applicable;
- Explanation of financial results after IPO is not applicable;
- No significant deviation in operation results of those quarterly and year-end operational results is noticed as a whole;
- The 'Management Discussion and Analysis required by condition 1(5)(xxv) of BSEC notification BSEC/CMRRCD/2006-158/207/Admin/80 of 3 June 2018 is an integral part of this report.

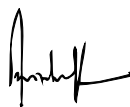
**The Directors also report that:**

- The Managing Director and Chief Financial Officer have certified to the Board that they have reviewed the financial statements for the year and to the best of their knowledge believe that these statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading;
- The Managing Director and Chief Financial Officer have certified to the Board that they have reviewed the financial statements for the year and to the best of their knowledge believe that these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws;
- The Managing Director and Chief Financial Officer have further certified to the Board that there are to the best of their knowledge and belief, no transactions entered into by the Company during the year which is fraudulent, illegal, or in violation of the Company's Code of Conduct.

**External Auditors**

Hussain Farhad & Co. Chartered Accountants and Arun & Company Chartered Accountants have offered their willingness to be re-appointed as statutory auditors and corporate governance compliance auditors of the Company respectively. The Board recommends their appointment for the year 2023 and to continue till the next Annual General Meeting.

On behalf of the Board of Directors,



**Anirban Asit Kumar Ghosh**  
Managing Director