



Bata

Zambia Bata Shoe Company PLC.
Incorporated in the Republic of Zambia
Company Registration Number: 2557
SHARE CODE: BATA
ISIN: ZM0000000102

CIRCULAR TO SHAREHOLDERS

Regarding:

- The consideration of entering into an Agreement with Bata Brands SA who provide the right to use the Trademarks, technical Know-How and the grant of Sourcing and Marketing Rights for the "Bata" Brand.
- And including:
- A notice convening a General Meeting of Zambia Bata Shoe Company Plc Shareholders; and
- A form of proxy

Advisors/Agents To The Proposed Transaction

Transaction Advisor



Reporting Accountant



Independent Expert



This Circular is only available in English and copies thereof may be obtained from Zambia Bata Shoe Company Plc, the Transaction Adviser and Sponsoring Broker, Pangaea Securities Limited, whose addresses are set out in the "Corporate Information" section of the Circular document being sent out by Zambia Bata Shoe Company Plc. The Circular will also be available in electronic form from 7 June, 2024.

Date of Issue: 7 June, 2024

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2 CORPORATE INFORMATION

Company's Registered Address

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Plot No. 6437, Mukwa Road,
P.O Box 30479,
Lusaka,
Zambia.

Company Secretary

Noah Mwansa
Zambia Bata Shoe Company Plc
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Independent Expert

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Independent Reporting Accountant

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P.O. Box 30885,
Lusaka
Zambia

Transaction Advisor and Sponsoring Broker

Pangaea Securities Limited,
Pangaea Office Park,
First Floor, Great East Road,
P.O. Box 30163,
Lusaka,
Zambia.

Transfer Agent

ShareTrack Zambia,
Spectrum House, Stand No,10,
P.O Box 37283,
Lusaka,
Zambia

3 ACTION REQUIRED BY SHAREHOLDERS

The definitions and interpretations commencing on page 9 of this Circular apply *mutatis mutandis* to this section.

This Circular is important and requires your immediate attention.

Please take careful note of the following provisions regarding the action required by Shareholders

This Circular is important and requires your immediate attention. Please take careful note of the following provisions regarding the action required by Bata Zambia Plc Shareholders.

- (a) If you are in any doubt as to the action you should take in relation to this Circular, please consult your stockbroker, banker, legal adviser, accountant or other professional adviser immediately. If you have disposed of all your Bata Zambia Plc shares, then this Circular, together with the accompanying Form of Proxy should be forwarded to the stockbroker, banker or agent through whom you disposed of such shares except that this Circular should not be forwarded or transmitted by you to any person in any territory other than Zambia unless the Circular can lawfully be distributed to such person or in such territory.
- (b) This Circular contains information pertaining to the consideration of entering into an Agreement with Bata Brands SA who provide the right to use the Trademarks, technical Know-How and the grant of Sourcing and Marketing Rights for the "Bata" Brand.
- (c) The Bata Annual General Meeting has been convened in terms of the Notice commencing on page 96 of this Circular for considering and, if deemed fit, passing with or without modification, the resolutions necessary to approve and implement the Transaction. The Bata Zambia Plc Annual General Meeting will be held at Neelkanth Sarovar Premiere at 10.00AM Zambian time on 4 July, 2024.

4 IMPORTANT INFORMATION

The definitions as set out in the "Definitions and Interpretations" section of this Circular apply to this section regarding important information.

No person has been authorised by Zambia Bata Shoe Company Plc to give any information or to make any representation not contained in or not consistent with this Circular or any other information supplied in connection with the Transaction. If given or made, such information or representation must not be relied upon as having been authorised by Zambia Bata Shoe Company Plc, the Transaction Advisor, the Independent Expert and the Reporting Accountant. The delivery of this Circular shall not create any implication that there has been no change in the affairs of Zambia Bata Shoe Company Plc since the date of the publication of this Circular, or that any other financial statement or other information supplied in connection with the Circular is correct at any time subsequent to the date indicated in the document containing the same.

The distribution of this Circular in certain jurisdictions may be restricted by law. Persons into whose possession this Circular comes are required by Zambia Bata Shoe Company Plc, the Transaction Advisor, the Independent Expert and the Reporting Accountant to inform themselves about and to observe any restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Market And Industry Data

Market and other statistical information used throughout this Circular are based on independent industry publications, government publications or other published independent sources. Although Zambia Bata Shoe Company Plc believes these sources are reliable, the Company has not verified the information independently and cannot guarantee its accuracy and completeness.

Forward Looking Statements

This Circular includes certain "forward-looking information". All statements other than statements of historical fact are or may be deemed to be, forward-looking statements, including, without limitation those concerning Zambia Bata Shoe Company Plc's strategy, financial results, growth prospects and outlook of Zambia Bata Shoe Company Plc's operations, individually or in the aggregate, Zambia Bata Shoe Company Plc's liquidity and financial position, and the outcome and consequences of any pending litigation proceedings. These forward-look statements are not based on historical facts, but rather reflect Zambia Bata Shoe Company Plc's current expectations concerning future and generally may be identified by the use of forward-looking words or phrases such as "believe", "aim", "expect", "anticipate", "intend", "foresee", "forecast", "likely", "should", "planned", "may", "estimated", "potential" or similar words and phrases. Similarly, statements that describe Zambia Bata Shoe Company Plc's objectives, plans or goals are or may be forward looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Zambia Bata Shoe Company Plc's actual results, performance or achievements to differ materially from the anticipated results, performance achievements expressed or implied by these forward-looking statements. Although Zambia Bata Shoe Company Plc believes that the expectations reflected in these forward-looking statements are reasonable, no assurance can be given that such expectations prove to have been correct.

Zambia Bata Shoe Company Plc Shareholders should review carefully all information, including the pro forma financial statements and the notes to the pro forma financial statements, included in this Circular. The forward-looking statements included in this Circular are made only as of the Last Practicable Date. The delivery of this Circular does not at any time imply that the Information contained herein is correct at any time subsequent to the Last Practicable Date or that any information supplied in connection with this Transaction is correct as of any time subsequent to the date indicates the document containing the same.

Zambia Bata Shoe Company Plc undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Circular or to reflect the occurrence of unanticipated events. All forward looking statements in this Circular and all subsequent written and oral forward-looking statements attributable to Zambia Bata Shoe Company Plc

or any person acting on its behalf have not been reviewed and reported on by Zambia Bata Shoe Company Plc's auditors in accordance with ISAE3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included prospectus.

5 SALIENT DATES AND TIMES

Milestone	Date
Announcement relating to the issue of the Circular released on the SENS	28 March, 2024
Circular posted to Zambia Bata Shoe Company Plc Shareholders on	7 June, 2024
Last day to lodge forms of proxy for the general meeting with the Transfer Secretaries, by no later than 10:00 hours. (Forms of proxy not lodged with the Company or Transfer Secretaries in time may be handed to the Chairman of the general meeting immediately before the commencement thereof)	3 July, 2024
The General Meeting of Zambia Bata Shoe Company Plc Shareholders	4 July, 2024
Results of the General Meeting released on SENS	5 July, 2024
Results of the General Meeting published in the press	6 July, 2024

Please take notes of the following:

1. All times referred to in this Circular are Zambian times.
2. The above dates and times are subject to amendment. Any material variation of the above dates and/or times will be published in the local press.

Queries

If you have any questions on any aspects of this Circular, please contact your legal practitioner or other professional advisor, or Sponsoring Broker, Pangaea Securities Limited.

6 DEFINITIONS AND INTEPRETATIONS

The following definitions apply throughout this Circular, unless otherwise stated or the context requires otherwise. In this Circular, unless otherwise indicated, the words or phrases in the left-hand column bear the meaning stipulated in the right-hand column. Words in the singular shall include the plural and vice versa, words importing natural persons shall include juristic persons (whether corporate or unincorporated and vice versa) and words in the masculine shall import both the feminine and neuter.

Term, Phrase or Word	Definition or interpretation
'Affiliate Company"	Companies that have conferred the right to design, develop, manufacture, source, distribute or sell their branded products in Zambia subject to Zambia Bata Shoe Company.
'Agreement"	The contract between Bata Brands SA and Zambia Bata Shoe Company that confers the exclusive right to design, develop, manufacture, source, distribute or sell the branded products in Zambia subject to Terms and Conditions contained therein
'Bata Zambia" or "the Company"	Zambia Bata Shoe Company Plc
'Bata"	The Bata brand and all trademarks, trade names, service marks, logos, designs, copyright, domain names and goodwill.
'BBSA"	Bata Brands SA.
'Branded Products"	Certain footwear and other related goods (including associated packaging and labels) which embody the Know-How and bear one or more of the Trademarks.
'Know-How"	All information and data, of any kind, owned, controlled, developed or communicated by Bata Brands SA to Bata Zambia during the Term of this Agreement that, in Bata Brand SA's opinion, will enable Bata Zambia to design, develop, manufacture, source or sell Branded Products.
'LuSE" or "the Exchange"	Lusaka Securities Exchange
'PLC" or "Plc"	Public Limited Company
'Related Party"	The party, BBSA," that Bata Zambia seeks to enter an Agreement with.
'SEC" or "the Commission"	Securities Exchange Commission
'Transaction"	The process of Bata Zambia entering into an Agreement with BBSA.
'Shareholder"	Individuals who and/or institutions that have invested finances in Bata Zambia in exchange for a share of the ownership.
'USD" or "US Dollars"	United States Dollars
'ZMW" "Kwacha"	Zambian Kwacha

7 CIRCULAR TO SHAREHOLDERS

7.1 Introduction

Bata Zambia is a company incorporated and domiciled in Zambia and listed on the LuSE. The Company is engaged in the business of manufacturing and trading in shoes, and other leather and plastic products.

Since its founding, Bata Zambia has been at the forefront of innovation; not only in the production and design of new styles of shoes, but in the creation of business models that permit a quick response to the ever-changing wants and needs of our customers. Bata Zambia continues to be guided by the same core principle it has followed for many years: to know its customers and to create the best possible products to meet their needs. As a result, Bata Zambia enjoys a long history as a leading manufacturer and retailer of quality footwear.

Currently, Bata Zambia operates one manufacturing facility in Lusaka, where it produces Zambia's favourite Gumboots the Mukuba and Rain Master. Internationally recognized brands under Bata Zambia other than Bata; include among others, Bata Comfit, Power, North Star and Bubblegummers.

7.2 Bata Brands SA Overview

Bata Brands SA is a company established and incorporated in Switzerland. BBSA is a part of the overall Bata Group of companies, operating as the licensor of all the trademark and trade name, "Bata" and other associated trademarks and trade names utilized by the group in their operations. BBSA grants the subsidiaries of the Bata Group of companies rights to use the name "Bata" as their trading name and in connection with all their business activities.

Bata Zambia licenses the "Bata" brand from Bata Brands SA, acquiring the right to operate under the "Bata" brand and to manufacture, distribute, retail and wholesale products under the "Bata" brand.

7.3 Relationship Between BBSA And Bata Zambia

Bata Zambia is primarily owned by Bafin Nederland B.V. who are owned by the Bata Group of Companies. Bata Brands SA is also owned by the Bata Group of Companies. This makes Bata Zambia and BBSA related parties.

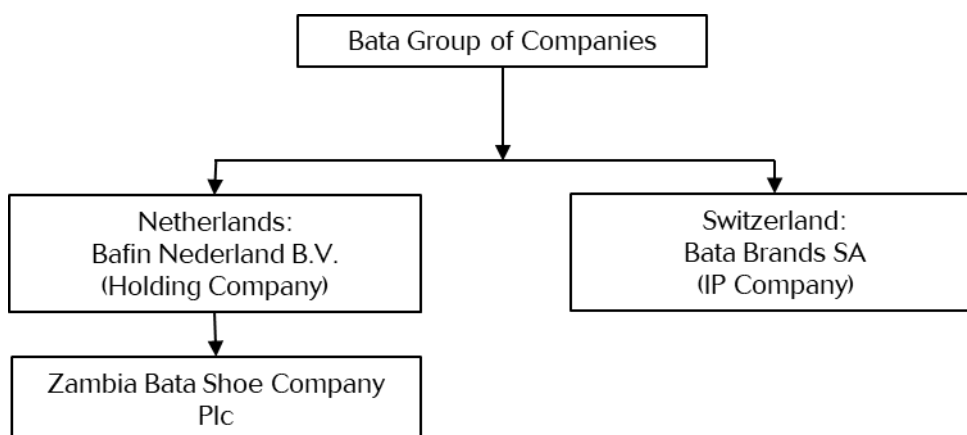


Figure 1 Relationship between Zambia Bata Shoe Company Plc and Bata Brands SA

7.4 Ownership

The Company shareholding and beneficial ownership is represented as follows:

Shareholder	Shareholding
Bafin Nederland BV	74.70%
Hilda's Hens Family Trust	7.30%
LuSE Free Float	13.90%
Others	4.10%

7.5 Background to and the Rationale for the Transaction

Bata Brands SA holds rights to the tradename and trademark, "Bata" together with rights to various other registered and unregistered trademarks, trade names, service marks, logos, designs, copyright, domain names and goodwill. Bata Brands SA has also developed and acquired valuable propriety technical know-how relating to the design, marketing and promotion of footwear and other related goods.

Bata Brands SA has over the years conferred the exclusive right to design, develop, manufacture, source, distribute or sell the branded products in Zambia subject to the Agreement Terms and Conditions.

The last agreement between Bata Brands SA and Bata Zambia has since expired and a new agreement has been agreed upon subject to Bata Zambia Shareholder approval. All royalties accrued from January 2024 to date have not been paid and are pending shareholder approval.

Through the Agreement Bata Brands SA will provide Bata Zambia exclusive rights relating to:

- Sourcing Rights:** this includes the use of the Trademarks in association with Branded Products manufactured by or on behalf of Bata Brands SA. The sourcing Rights also include the right to manufacture the Branded products or to source the Branded Products from other suppliers or to import the Branded Products which are supplied by foreign manufacturers.
- Marketing, Distribution and Promotion:** to use the Trademarks in Zambia for the purpose of marketing, distribution and promotion of Branded Products. This includes:
 - the right to use of the word and name "Bata" in the Corporate name;
 - the right to use the word and name "Bata" in connection with all business activities;
 - the right to use the Trademarks in association with any services falling within Bata's respective class of application or registration and in particular the right to use any of the Trademarks designated by Bata Brands SA as a retail concept as a retail banner;
 - the right, at its own expense, to apply the Trademarks to advertising, display (including point-of-sale) material, retail stores, wholesale and other distribution outlets, vehicles and other equipment, stationary and otherwise in connection with the marketing, distribution and promotion of Branded Products in Zambia in a manner consistent with any applicable brand positioning statement and/or brand guidelines for the respective Trademarks; and,
 - the right to access and take advantage in the territory of Bata Brands SA's global commercial presence and know-how in relation to Trademarks.

Other Significant Terms of the Agreement

- Duration:** This Agreement shall commence on the date of signature and shall continue unless terminated by either part. Which means the agreement shall automatically renew on a year-to-year basis.
- Consideration:** In consideration of the right to use the Trademark, Know-How, Sourcing Rights and Marketing Rights, Bata Zambia Plc shall remit to Bata Brands SA, a royalty, in US Dollars, which shall be equal to:
 - a monthly royalty percentage of 7% multiplied by the net sales of Bata Zambia during the year; and
 - Less 5% of the Sales by Bata Zambia of third party branded products during the year.

7.6 Effects of the Transaction

Bata Zambia's revenue is expected to increase 34% by 2026. Given this forecast, the estimated royalty fees at 7% and 4%, along with the difference between the two in each of the three years are shown below:

ZMW	2024	2025	2026
Revenue	298,332,000	350,593,167	401,253,880
Royalty fees at 7%	20,883,240	24,541,522	28,087,772
Royalty fees at 4%	11,933,280	14,023,727	16,050,155
Difference	8,949,960	10,517,795	12,037,617

Note: To date no royalty fees have been paid pending shareholder approval. If the Transaction is approved, the fees will be paid on an accrual basis.

7.7 Benefits of the Agreement

The Agreement will provide Bata Zambia with the following benefits:

i.Branding Rights: The most visible illustration of Bata Zambia's intangibles is the Bata logo which creates traffic, bringing customers to the stores. The Bata brand and associated trademarks and trade names can also be used in connection with all business activities of Bata Zambia. This includes packaging, advertising, display material, retail stores and other distribution outlets, vehicles and other equipment in connection with distribution and promotion of the products. This in turn increases sales.

ii.Access to Trademarks: The Agreement grants Bata Zambia access to Trademarks such as:

- | | |
|--------------------|---------------|
| (a) Bata | (b) Comfit |
| (c) Mukuba | (d) Safari |
| (e) Rain Master | (f) NorthStar |
| (g) Bata Comfit | (h) Patapata |
| (i) Bubble Gummers | (j) Power |
| (k) Baby Bubbles | (l) Toughies |

iii.Sourcing and Manufacturing Rights: Bata Zambia under this Agreement can use the Trademarks in association with Branded Products manufacturing on behalf of BBSA. The sourcing rights includes the rights to manufacture the Branded Products or to source from other suppliers through imports.

iv.Quality Assurance: Bata Zambia may choose to receive and use the brand manuals and architecture guidelines provided by and at the discretion of BBSA. BBSA may also support Bata Zambia to assess the landscape, brand targets and support the definition of potential brand names, colours, fonts and other relevant key characteristics of the trademarks. By following the manuals and architecture guidelines provided, Bata Zambia would benefit by ensuring consistent branding, alignment with global standards and efficiency through utilization of pre-established guidelines.

v.Global Shoe Collections: Bata Zambia can choose to participate in all of BBSA's global product review meetings and choose to purchase and resale branded products from the Global Shoe Collection. This grants Bata Zambia access to a diverse product range and a competitive edge by providing latest innovation, design trends and international offerings.

vi.Other Benefits: Access to Fashion Trend Reports, store concepts for design, lay-out, fixturing and furnishing and developed loyalty reward programs.

7.8 Conditions Precedent of the Transaction

- i. The Transaction is subject to shareholder approval
- ii. The Transaction is subject to execution of the Royalty Agreement

7.9 Royalty Transaction Resolutions Pending Shareholder Approval

- i. **Resolution 1 (Ordinary Resolution): Approval Of The Royalty Agreement Between Bata Zambia PLC And Bata Brands SA (The “Royalty Agreement”)**

Approval for the execution of the newly proposed Royalty Agreement with Bata Brands SA, which entails an adjustment in the royalty fee from the current rate of 4% to a revised rate of 7% on the net sales, enabling Bata Zambia to continue utilizing the Bata Brand and realizing associated benefits thereof.

- ii. **Resolution 2 (Ordinary Resolution): Directors Authority To Give Effect To The Royalty Agreement**

Approval of the Directors authority to be granted the full and unrestricted authority to execute, on behalf of the Company, any and all documents, instruments, and agreements necessary or incidental to the implementation and enforcement of the Royalty Agreement. This authority includes, but is not limited to, the execution, delivery, and performance of any amendments, supplements, or modifications to the Royalty Agreement as may be deemed necessary.

- iii. **Resolution 3 (Ordinary Resolution): The Director’s Authority To Give Effect To All Future Royalty Transactions On Behalf Of The Company Not Exceeding 10% In Annual Royalty Fees**

To approve the authority of the Directors of Bata Zambia to renew or execute new Royalty Agreements on behalf of the Company, either on an annual basis or as required, for a term not exceeding five (5) years. Any extension of such authority shall be contingent upon obtaining prior approval from the shareholders. The royalty fees to be negotiated and entered into by the Directors on behalf of the Company shall not exceed ten percent (10%) per annum.

7.10 Historical Financials

7.10.1 Three-Year Historical Income Statement

ZMW	2021	2022	2023
Revenue	164,339,886	224,035,217	260,692,781
Cost of Sales	(87,354,406)	(95,461,688)	(121,284,062)
Gross Profit	76,985,480	128,573,529	139,408,719
Royalty and Management Fees	8,804,159	10,463,626	11,017,585
Operating Profit	11,279,196	58,239,416	64,999,219
Profit Before Income Tax	6,579,981	56,413,039	62,898,027
Profit for the Year	3,934,073	39,205,478	42,174,093

Over the period 2021 to 2023, Bata Zambia has grown its Revenue by an average of 17% Year-on-Year. Approximately, 99% of this Revenue is domestic while 1% is from export sales. The Company’s revenue increase over the years is mainly attributed to retail business turnaround and marketing reactivation and advertisement which has created a new sense of awakening the “Bata” brand. During the same period, with a reduction in the cost to revenue ratio, the Gross Profit of the Company grew at an average of 22%, in the same period. Likewise, as the revenue grew, so did the Royalty and Management Fees paid to affiliate companies.

Additionally, through the prudent management of Administration and Operating Expenses and the increase in interest income received on investments such as fixed deposits and treasury bills, Bata Zambia saw a significant increase in Profit After Tax of 120%, YoY in the same period.

7.10.2 Four-Year Historical Balance Sheet

ZMW	2021	2022	2023
Non-current Assets	78,626,021	79,527,356	89,320,688
Current Assets	98,923,094	132,093,450	143,103,829
Total Assets	177,549,115	211,620,806	232,424,517
Non-current Liabilities	17,910,148	19,802,372	19,363,717
Current Liabilities	46,437,502	47,799,506	82,306,020
Total Liabilities	64,347,650	67,601,878	101,669,737

Over the years under review, Bata Zambia's Total Assets have increased by an average of 9% through the years. This is attributed to increases in Inventories of finished goods and Trade Receivables. The Total Liabilities of the Company have also increased by an average of 16%, under the same period. This is primarily due to unclaimed dividends.

7.11 Litigation Statement

There are currently no material litigation cases against the Company.

8 INFORMATION RELATING TO THE DIRECTORS AND SENIOR MANAGEMENT OF BATA ZAMBIA

8.1 Director's Curriculum Vitae's

Name	Qualifications and Summary Profile
Faisal Sabzwari Board Chairman	Mr. Sabzwari, a Management Specialist by profession, joined Bata Group in April 2022 as its Africa and Middle East Regional President. He previously served in various capacities over 23 years in Procter and Gamble, with the most recent being four years as leader of the business in Sub Saharan Africa.
Wilson Chola Non-Executive Director, Audit Committee Chairman	Mr. Chola, a Banker by profession, joined Bata Zambia as Non-Executive Director in 2017. Prior to this he worked as a Director for CitiBank as Risk Management Head for Africa based at the Africa Regional Office in Johannesburg, South Africa. Mr. Chola started his career at CitiBank Zambia now with over 30 year's experience has held various senior positions in Citibank branches in Gabon, Ivory Coast, Cameroon, Tanzania, South Africa and Nigera. In the last 5 years he has been the Board Chairman of Citibank Zambia Limited.
Elias Mpondela Non-Executive Director	Mr. Mpondela, an Economist by profession, currently serves as the President of the Zambia Amateur Athletics Association. Formerly, he was the Chief Executive Officer for Mulungushi International Conference Center, National Housing Authority, Shelter Afrique, Phonix Contractors International and Duly Motors Limited.
Octavia Bwalya Sakala Managing Director	Ms. Sakala, a Marketer by profession, having attained a Marketing Degree from the Copperbelt University. She has been with Bata Zambia for over 13 years, serving in various capacities with the most recent being Merchandising and Marketing Manager. She holds an Advanced Diploma in Business Administration and Management.
Noah Mwansa Finance Director	Mr. Mwansa is a chartered accountant with a Masters Degree in Business Administration. He has over 14 years experience in accounting, finance and management, spanning across several industries and sectors including audit, agriculture, mining and manufacturing.

8.2 Directors Interests in Bata Zambia

None of the Directors of Bata Zambia have an interest in the securities of the Company.

8.3 Directors Interest in the Transaction

Neither the Directors of Bata Zambia or any person acting in concert with the Directors, has control or is interested, beneficially or otherwise, in the Transaction.

8.4 Directors Responsibility Statement

The Directors, whose names are set out above of this Circular, collectively and individually accept full responsibility for the accuracy of the information given in this Circular in relation to Bata Zambia and certify that, to the best of their knowledge and belief, no facts have been omitted which would make any statement in this Circular false or misleading, that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by law, the Listing Requirements and the Companies Act.

8.5 Directors Opinion, Fairness Statement and Recommendations

The Directors consider the Proposed Transaction to be fair and reasonable so far as the Shareholders of Bata Zambia are concerned and to be in the best interest of the Company's future performance. The Directors sought an independent expert opinion of the proposed Transaction and in addition, based on the opinion, accordingly, unanimously recommend that the Shareholders authorize the Board of Directors of Bata Zambia to proceed with the Agreement.

8.6 Directors Statement Regarding the Annual General Meeting

The Related Party and its associates will be taken into account in determining a quorum at the Annual General Meeting but their votes will not be taken into account in determining the results of the voting in relation to any resolution in connection with the Transaction.

8.7 Directors Declaration

None of the Directors mentioned above have ever been:

- i. Convicted of an offence resulting from dishonesty, fraud or embezzlement;
- ii. Declared bankrupt or have been sequestrated in any jurisdiction;
- iii. At any time been a party to a scheme or an arrangement or made any other form of compromise with their creditors;
- iv. Found guilty in disciplinary proceedings by an employer or regulatory body, due to dishonest activities;
- v. Involved in any receivership, compulsory liquidations or creditors' voluntary liquidations;
- vi. Received public criticisms from statutory or regulatory authorities, including professional bodies, and have ever been disqualified by a court from acting as a Director of a company or from acting in the management or conduct of the affairs of any company;
- vii. Barred from entry into a profession or occupation; or
- viii. Convicted in any jurisdiction for any criminal offence.

8.8 Documents Available For Inspection

The following documents will be available for inspection at the offices of Pangaea Securities Limited during regular business hours:

- i. The Agreement;
- ii. Audited financials from 2020 to 2023;
- iii. Independent Expert Fairness Opinion; and
- iv. Reporting Accountants Report.

9 Annexure I: Bata Brands SA and Zambia Bata Shoe Company Agreement

TRADE MARK AND KNOW-HOW LICENSE AGREEMENT

TERRITORY:	ZAMBIA
COMMENCEMENT DATE:	January 1, 2024
TERM:	From the COMMENCEMENT DATE until December 31, 2024
ROYALTY PERCENTAGE:	7.0%
DESIGNATED CURRENCY:	United States Dollars
LICENSOR:	BATA BRANDS SA
ADDRESS:	Avenue d'Ouchy 61, 1006 Lausanne, Switzerland
EMAIL ADDRESS:	license@bata.com
LICENSEE:	ZAMBIA BATA SHOE COMPANY
ADDRESS:	Mukwa Road Stand n°6437 Lusaka Zambia
EMAIL ADDRESS:	noah.mwansa@bata.com

LICENSOR and LICENSEE are the "Parties" and are each a "Party". All upper-case terms in this Agreement have the meanings set forth above.

THE TERMS AND CONDITIONS ATTACHED HERETO FORM PART OF THIS AGREEMENT AND ARE INCORPORATED HEREIN BY REFERENCE.

IN WITNESS WHEREOF THE PARTIES HERETO HAVE DULY EXECUTED THIS AGREEMENT TO BECOME EFFECTIVE UPON THE COMMENCEMENT DATE.

BATA BRANDS SA

LICENSEE

Signature

Signature

Name

Name

Title

Title

Date

Date

TERMS AND CONDITIONS

WHEREAS the LICENSOR holds or is entitled to hold rights to the word and name "BATA" together with rights to various other registered and unregistered trade marks, trade names, service marks, logos, designs, copyright, domain names and goodwill appertaining thereto, all of which have become extremely valuable in identifying Branded Retail and Branded Products (as defined below) and which are supplemented by the trade mark applications and registrations, in their respective class, held or to be held by LICENSOR in the TERRITORY as set out in Schedule 1 attached hereto (hereinafter collectively referred to as the "Trade Marks").

AND WHEREAS the LICENSOR has developed, or acquired, valuable proprietary technical know-how relating to the design, merchandising, marketing, and promotion of footwear and other related goods. In this Agreement, "Know-How" means all information and data, of any kind, owned, controlled, developed or communicated by LICENSOR to LICENSEE during the Term of this Agreement that, in LICENSOR's opinion, will enable LICENSEE to design, develop, manufacture, source or sell Branded Products (as defined below). Know-How includes, without limitation, the LICENSOR's confidential and proprietary technical information, experience, specifications, trade secrets, processes, procedures and standards relating to the design and other related goods as well as the collection development, visual merchandising, marketing, packaging, distribution and promotion of footwear and other related goods at retail or at wholesale.

AND WHEREAS the LICENSEE desires to distribute in the TERRITORY the Branded Products and Third Party Branded Products upon the terms and conditions set forth in this Agreement.

NOW THEREFORE THE PARTIES HAVE AGREED AS FOLLOWS:

1. DEFINITIONS

In this Agreement the definitions below shall have the following meanings:

"**Affiliates**" means any company or other legal entity which (i) controls either directly or indirectly, a Party; or (ii) is controlled, directly or indirectly, by a Party' or (iii) is directly or indirectly controlled by a company or entity which directly or indirectly controls a Party. For these purposes, "control" means the right to exercise more than fifty percent (50%) of the voting or similar right of ownership, but only for so long as such control shall continue to exist.

"**Branded Products**" means certain footwear and other related goods (including associated packaging and labels) which embody the Know-How and bear one or more of the Trade Marks

"**Branded Retail**" has the meaning set forth in Section 3(c) of these Terms and Conditions

"**Confidential Information**" means any commercially sensitive, proprietary or otherwise confidential information or data, including the Know How, relating to a Party which is not in the public domain which shall include the existence and terms of this Agreement

"**CRM**" means customer retention management

"**Know How**" means all information and data, of any kind, owned, controlled, developed or communicated by LICENSOR to LICENSEE during the Term of this Agreement that, in LICENSOR's opinion, will enable LICENSEE to design, develop, manufacture, source or sell Branded Products, and includes the LICENSOR's confidential and proprietary and technical information, experience, specifications, trade secrets, strategies, practices, processes, procedures and standards relating to brands, product designs, collection development, merchandising, visual merchandising, marketing, distribution and promotion of footwear and other related goods at retail, ecommerce or at wholesale

"**Inventory**" has the meaning set forth in Section 14(f) of these Terms and Conditions

“**Late Payment Administrative Charge**” has the meaning set forth in Section 5(h) of these Terms and Conditions

“**Late Payment Charge**” has the meaning set forth in Section 5(h) of these Terms and Conditions

“**Marketing Rights**” has the meaning set forth in Section 3 of these Terms and Conditions

“**Net Sales**” means the total sales of the LICENSEE, determined in accordance with generally accepted accounting principles less the value of sales (if any) of Branded Products or Third Party Branded Products to any other licensee of the LICENSOR

“**Sourcing Rights**” has the meaning set forth in Section 2 of these Terms and Conditions

“**Third Party Branded Products**” means third party branded foot wear and related goods

“**Year**” means the calendar-year unless otherwise indicated

2. GRANT OF EXCLUSIVE RIGHTS FOR SOURCING

LICENSOR hereby grants to LICENSEE during the TERM of this Agreement only, the exclusive and non-transferrable right in the TERRITORY to use the Trade Marks in association with Branded Products manufactured by or on behalf of the LICENSEE which are to be sold by the LICENSEE within the TERRITORY (hereinafter collectively referred to as the “**Sourcing Rights**”). Sourcing Rights includes the right of LICENSEE to manufacture the Branded Products itself or to source the Branded Products from other suppliers in the TERRITORY or to import Branded Products into the TERRITORY which are supplied by foreign manufacturers.

PROVIDED THAT:

- i. LICENSEE shall only use the design and graphic layout of the Trade Marks specified by LICENSOR;
- ii. LICENSEE shall observe all instructions given by LICENSOR on the proper brand positioning and requirements for use of the Trade Marks on Branded Products;
- iii. LICENSEE shall not apply the Trade Marks or any of them to Branded Products which are or will be branded with any third party brands or other trademarks without the prior approval in writing of LICENSOR;
- iv. LICENSEE shall comply with the then current brand manual(s) in respect of the Trade Marks, as updated from time to time by the LICENSOR;
- v. LICENSEE shall be responsible for ensuring that all of the Branded Products are of first-class merchantable quality and meet or exceed the quality standards established by the LICENSOR;
- vi. LICENSEE shall conduct its businesses in a manner consistent with the corporate ethics, human rights, sustainability and other policies of the LICENSOR which have been communicated to LICENSEE from time to time. LICENSOR shall further procure that its third party partners including but not limited to domestic franchisees conduct their businesses in a manner consistent with the corporate ethics, human rights, sustainability and other such policies of the LICENSOR in particular the Bata Supplier Code of Conduct, which have been communicated to LICENSEE from time to time;
- vii. LICENSEE shall procure the manufacture of Branded Products from suppliers of its own choice provided that each such supplier:
 - A) complies with the quality standards referred to in subsection (iv) herein; and
 - B) complies with the corporate ethics, human rights, sustainability and other such policies of the LICENSOR;

viii. LICENSEE shall, upon the written request of the LICENSOR, at its own expense, engage the services of a third-party, reasonably acceptable to LICENSOR, to audit the LICENSEE's use of the Sourcing Rights so as to ensure that such use conforms to the terms of this Agreement. LICENSEE shall promptly provide a copy of the audit report to LICENSOR. Any corrective action required by such audit shall be immediately implemented by LICENSEE;

ix. LICENSEE shall not use the Trade Marks on Branded Products intended for export from the TERRITORY without the prior written consent of LICENSOR;

x. LICENSEE shall promptly comply with such other reasonable policies as are established from time to time by LICENSOR and which are necessary for the proper protection and defence of the Trade Marks in the TERRITORY and elsewhere;

The Sourcing Rights granted herein shall automatically extend to any new trade mark which LICENSOR may apply for or register in the TERRITORY, unless LICENSOR specifically notifies LICENSEE within sixty (60) days after filing the application for registration that the new trade mark will be excluded from this Agreement. In the absence of such notice, such new trade mark shall be deemed to be one of the Trade Marks as if such new trade mark was enumerated in Schedule 1 hereto.

3. GRANT OF EXCLUSIVE RIGHTS FOR MARKETING, DISTRIBUTION AND PROMOTION

LICENSOR hereby grants to LICENSEE during the TERM of this Agreement only, the following exclusive and non-transferrable rights in the TERRITORY to use the Trade Marks in the TERRITORY for the purposes of marketing, distribution, and promotion of Branded Products within the TERRITORY (hereinafter collectively referred to as the "**Marketing Rights**"), namely:

- A) the right to use the word and name "BATA" in the corporate name of LICENSEE;
- B) the right to use the word and name "BATA" in connection with all the business activities of LICENSEE;
- C) the right to use the Trade Marks in association with any services falling within their respective class of application or registration and in particular the right to use any of the Trade Marks designated by LICENSOR as a retail concept and as a retail banner (hereinafter referred to as "**Branded Retail**") in the following circumstances;

i. Concept stores: stand alone retail stores using the Trade Marks banner or signage,

ii. Shop in Shop: separate departments using the Trade Marks banner or signage in third party stores, and

iii. Temporary shops: namely temporary pop-up and roadshow stores using the Trade Marks banner or signage.

b) the right, at its own expense, to apply the Trade Marks to advertising, display (including point-of-sale) material, retail stores, wholesale and other distribution outlets, vehicles and other equipment, stationery and otherwise in connection with the marketing, distribution and promotion of Branded Products in the TERRITORY in a manner consistent with any applicable brand positioning statement and/or brand guidelines for the respective Trade Marks;

c) the right to access and take advantage in the TERRITORY of the LICENSOR's global commercial presence and Know-How in relation to the Trade Marks and in particular, without limiting the generality of the foregoing, the right to the following:

i. Brand Manuals and Brand Architecture: where available, the LICENSEE may choose to receive and use the brand manuals, and the LICENSOR may, in its sole discretion, provide the brand architecture guidelines. The LICENSOR may also, in its sole discretion, further support to the LICENSEE to develop other brand curriculum which includes the assessment of the landscape, ambition and brand targets, and support the definition of potential brand names, colors, fonts and other relevant key characteristics of the trademarks;

ii. Global Shoe Collections: LICENSEE may choose to participate in all of the LICENSOR's Global Product Review Meeting (currently semi-annual) and choose to purchase, for resale in the TERRITORY, Branded Products from the Global Shoe Collection developed by the LICENSOR and presented at the Global Product Review Meeting ;

iii. Product Guidelines: Where available, the LICENSEE may choose to receive and use the manuals and guidelines for key product elements such as style and innovation. LICENSOR may also, in its sole discretion, provide input to LICENSEE on LICENSEE's proposed collections, during the paper collection preparation process if requested by LICENSEE;

iv. Product Designs: Where available, the LICENSEE may choose to receive new product designs and new product lines. LICENSOR may also, in its discretion, provide first insights, consumer validation data and product strategies associated with such new product designs and product lines. LICENSEE may submit its new product designs for the LICENSOR's review and for the LICENSOR to propose enhancement. LICENSOR will, from time to time, support in development of hero projects and key products with the appropriate consumer insights;

v. Approval of Styles: LICENSEE will not manufacture or offer on sale any Branded Product unless LICENSOR has granted its prior approval of the product design, materials and sample. LICENSEE will deliver samples to LICENSOR upon request at LICENSEE's cost in accordance with Section 8b of this Agreement;

vi. Global Fashion Trends: LICENSEE may choose to receive the LICENSOR's Global Fashion Trend Reports which will assist LICENSEE in its selection of Branded Products from the Global Shoe Collection as well as assist LICENSEE in the development of its own Branded Products for sale in its own retail stores and distribution business in the TERRITORY;

vii. Branded Retail: LICENSEE may choose to operate its retail stores as Branded Retail. In particular, LICENSEE may operate Branded Retail under the BATA retail banner and in such case utilize the significant drawing power of BATA Branded Retail to be able to offer its customers not only the Branded Products, but also Third Party Branded Products;

viii. Store Concepts: LICENSEE may choose to receive the LICENSOR's store concept recommendations and communications which will assist the LICENSEE in the design, lay-out, fixturing, and furnishing of its Branded Retail and distribution business in the TERRITORY;

ix. Global Visual Merchandising Recommendations: LICENSEE may choose to receive the LICENSOR's visual merchandising recommendations and communications which will assist the LICENSEE in proper merchandising of Branded Products in its own retail stores and distribution business in the TERRITORY;

x. Point of Sale: The LICENSEE may choose to receive the LICENSOR's point of sale ("POS") visual display guidelines developed by the LICENSOR. LICENSOR may, from time to time and in its sole discretion, develop and provide POS visual display projects, elevations and technical drawings for new design projects;

xi. Global Advertising, Marketing and Promotion Programs: LICENSEE may choose to receive LICENSOR'S advertising, marketing and promotional programs which may include customer experience playbooks, campaign playbooks, story lines, as well as seasonal and rituals related material, which will assist the LICENSEE in the operation of its own retail stores and distribution business in the TERRITORY;

xii. Global Web Presence: LICENSEE may choose to present itself to potential customers in the Territory through the LICENSOR's globalweb presence at bata.com and/or through other internet domains owned by the LICENSOR, including but not limited to the country-level domains owned by the LICENSOR in the TERRITORY;

xiii. Global Digital / Ecommerce Initiatives: LICENSEE may choose to participate in the digital and ecommerce initiatives developed by the LICENSOR which includes digital content and digital editorial lines. In this context, the LICENSOR may prepare editorial content for eCommerce, social media and online CRM in order to enable increase in ecommerce retail traffic in a more cost efficient manner for the LICENSEE and increase efficiency by using the LICENSOR's SEM, SEO, social media and CRM campaigns.

xiv. Loyalty Programs: LICENSEE may choose to participate in the initiatives developed by the LICENSOR to build and track customer loyalty and to communicate with customers with a view to increasing its sales in the TERRITORY.

xv. Customer Retention Management: LICENSEE may choose to receive materials, newsletters, loyalty rewards programs and monitoring tools developed by the LICENSOR, for customer retention and marketing purposes. LICENSOR may, from time to time and in its sole discretion, prepare e net promotor scores, CRM strategies and material, and data analytics playbooks;

xvi. Innovation: LICENSEE may choose to participate in the initiatives of the LICENSOR in the areas of footwear technology, manufacturing technology, materials technology, wearable technology, research and consumer engagement, as proposed by the LICENSOR to the LICENSEE from time to time;

xvii. Strategic Intelligence: LICENSEE may choose to receive support, input and recommendations developed by the LICENSOR in the review of its existing strategies with regards to the brands and Trade Marks based on changing conditions in the business environment. In this context, the LICENSOR may, from time to time and in its sole discretion, (a) provide reports on competitor benchmarks, industry intelligence, and consumer knowledge (b) monitor industry trends and analyzing data to forecast future business opportunities or risks (c) propose analysis on strategic opportunities with the long term objective of diversifying the consumer base and gaining an additional share of the market, (d) propose sales strategies for new products as well as existing ones in need of revitalization;

PROVIDED THAT:

- i. LICENSEE complies with the provisos set out in Section 2,
- ii. LICENSEE shall not make any changes to the Know-How communicated by LICENSOR to LICENSEE without the prior written approval of the LICENSOR;
- iii. LICENSEE shall not apply the Trade Marks or any of them to any marketing, distribution, promotional or other such material or communications which also utilize third party brands without the prior approval in writing of LICENSOR;
- iv. LICENSEE shall comply with all written policies and procedures for the operation of Retail Banners which have been communicated to LICENSEE by or on behalf of LICENSOR from time to time;
- v. LICENSEE shall promptly comply with such other reasonable policies as are established from time to time by LICENSOR and which are necessary for the proper protection and defence of the Know-How and/or the LICENSOR' rights to the Trade Marks in the TERRITORY and elsewhere;

vi. LICENSEE shall not use the Marketing Rights through the Internet or through other electronic commerce or mail or telephone or television order systems without the prior written consent of and upon such terms as may be established by the LICENSOR;

d) The Marketing Rights granted herein shall automatically extend to any new trade mark which LICENSOR may apply for or register in the TERRITORY, unless LICENSOR specifically notifies LICENSEE within sixty (60) days after filing the application for registration that the new trade mark will be excluded from this Agreement. In the absence of such notice, such new trade mark shall be deemed to be one of the Trade Marks as if such new trade mark was enumerated in Schedule 1 hereto.

e) Notwithstanding the Marketing Rights, LICENSEE may independently engage in activities described in Section 3(e) of this Agreement in the TERRITORY to further its business in the TERRITORY subject to LICENSEE's compliance with the terms and conditions, and limited rights granted in this Agreement. For the avoidance of doubt, such independent activity and/or any actions taken by the LICENSEE in respect of any activity described in this Agreement, does not grant to the LICENSEE any incremental rights to the Trade Marks or other intellectual property of the LICENSOR except as provided for in this Agreement.

f) The LICENSEE shall be responsible and bear all of its own costs and expenses for any activity it undertakes or implements, for the purpose of and pursuant to this Agreement. The LICENSEE is responsible for deciding and implementing its advertising, marketing, promotional, merchandizing, and channel expenses.

4. TERM OF AGREEMENT

This Agreement shall commence on the COMMENCEMENT DATE and shall continue until the end of the TERM unless sooner terminated in accordance with the provisions of this Agreement. Thereafter, in the absence of written notice by one Party to the other to the contrary, this Agreement shall be automatically extended on a year-to-year basis on the same terms and conditions until either Party gives written notice of termination of this Agreement to the other in accordance with the provisions of this Agreement.

5. ROYALTY

a) Royalty: In consideration of the right to use the Trade Marks and the Know-How and the grant of the Sourcing Rights and the Marketing Rights, LICENSEE shall remit to the bank account of LICENSOR, as designated by LICENSOR in writing from time to time, a Royalty, in the DESIGNATED CURRENCY, which, after all withholding and other taxes, levies or dues of all kinds imposed by any authority in the TERRITORY, shall be equal to:

- i. the ROYALTY PERCENTAGE multiplied by the NET SALES of LICENSEE during the Year;
- ii. less five percent (5%) of the sales by LICENSEE of Third Party Branded Products during the Year,

The Royalty, if not already denominated in the DESIGNATED CURRENCY, shall be converted into DESIGNATED CURRENCY as hereinafter provided.

b) Monthly Report: LICENSEE agrees to accurately complete the Monthly Sales Report Form provided by the LICENSOR and transmit it electronically to LICENSOR on or before the due date specified in writing by the LICENSOR.

c) Monthly Royalty Payment: Upon receipt of the Monthly Sales Report Form, the LICENSOR shall issue its invoice to LICENSEE for the Monthly Royalty Payment. The amount of the invoice for the Monthly Royalty Payment shall be determined in accordance with Section 5(a) above but based on the total monthly sales and monthly sales of Branded Products during the applicable month, as reported by the LICENSEE in the Monthly Sales Report Form, converted into the DESIGNATED CURRENCY, at the exchange rate published by the local state bank of the LICENSEE on the last business day of the month in respect of which the Monthly Royalty Payment is payable. LICENSOR does not assume any foreign exchange difference or

loss. Any potential foreign exchange loss or difference is at the cost of the LICENSEE. In the event that LICENSEE is unable or neglects to submit its Monthly Sales Report Form to LICENSOR on or before the date set out in such Form, then LICENSOR shall be entitled to issue its invoice based on LICENSOR's reasonably-determined estimate of the total monthly sales and monthly sales of Branded Products of the LICENSEE.

d) Annual Reconciliation: Within thirty (30) days of the end of each Year, LICENSEE shall provide to LICENSOR, a written reconciliation, signed by its Chief Financial Officer, identifying and explaining any differences between the total of all of the Monthly Royalty Payments and the Royalty due to the LICENSOR in accordance with Section 4(a) above. Any over-payment or under-payment in the Royalty shall be settled between the Parties within ten (10) days of the completion of the Annual Reconciliation.

e) Method of Payment. All payments due by the LICENSEE under this Agreement shall be paid in the DESIGNATED CURRENCY within ten (10) days of receipt. LICENSEE shall obtain all necessary governmental permits and approvals required for payments to be made to the LICENSOR in a timely manner. In processing the payment and procurement of the necessary permits and approval, LICENSEE shall comply with all applicable laws including local tax and foreign exchange regulations, and shall bear any cost that arises as a result of such laws and regulations such as currency costs and permit fees, and all other costs of payments, including bank charges, transmittal charges and transaction fees.

f) Withholding Taxes: LICENSEE agrees to provide proof of payment of withholding or other taxes to LICENSOR within four (4) months of the end of each Year. If a deduction or withholding is required to be made by the LICENSEE, LICENSEE shall ensure it pays such withholding amount to the proper governmental authority and the LICENSEE shall pay such additional amount to LICENSOR to ensure that the net amount the LICENSOR receives and retains equals the full amount which it would have received and retained had the deduction or withholding not been required.

g) Payment In Other Currency: LICENSOR shall have the right, at any time and from time to time, to designate that the Royalty be paid in a currency other than the DESIGNATED CURRENCY. In such a case, LICENSEE shall pay the Royalty in such other currency as may be so designated from time to time by LICENSOR.

h) Late Payments: Any fee or payment owed to the LICENSOR by the LICENSEE which is not paid when due is subject to a late payment charge by way of interest at nine (9%) per annum calculated on a daily basis on the balance due commencing from the due date until payment is received by LICENSOR ("**LATE PAYMENT CHARGE**"). Any late payment shall additionally be subject to an administrative charge of US\$500.00, which shall be immediately due and payable to LICENSOR ("**LATE PAYMENT ADMINISTRATIVE CHARGE**").

. If any payment of any of the Royalty referred to above is, for any reason, including any reason beyond the control of LICENSEE, not received by LICENSOR on the date that such Royalty is due, then LICENSOR may, at its option, terminate this Agreement on ten (10) days written notice to LICENSEE. Nonetheless, LICENSEE shall remain liable for the amount of such outstanding Royalty, in the DESIGNATED CURRENCY, until it is received in full by LICENSOR, together the Late Payment Charge and the Late Payment Administrative Charge.

i) Royalty Is Not Condition of Purchase: The Parties hereby acknowledge and agree that the requirement for the payment of the Royalty is based on the Net Sales of the LICENSEE and is unrelated to any contractual arrangements for the purchase of Branded Products by LICENSEE from its suppliers.

6. ESTIMATES AND REPORTS

Annual Estimated Sales: Upon the commencement of this Agreement and prior to the commencement of each subsequent Year of this Agreement, LICENSEE shall deliver to LICENSOR an accurate forecast of its estimated total sales and sales of Branded Products and Third Party Branded Products, by month, for the forthcoming Year. Such estimate may form the basis for the determination of the Monthly Royalty Payment in the event the LICENSEE is unable or neglects to submit its Monthly Sales Report Form to LICENSOR on or before the date set out in such Form.

7. RECORDS AND AUDIT

a) Maintain Accurate Records: While this Agreement is in effect, LICENSEE shall keep full, true and accurate books of accounts and records from which its obligations to LICENSOR hereunder may be determined. LICENSEE shall be responsible for ensuring the accuracy of such books of account and records. All of such books and records shall be open to inspection by authorized representatives of LICENSOR at any reasonable time while this Agreement is in effect and for a period of three (3) years thereafter. The right to inspect shall include the right to copy part or all of such books and records.

b) Audit: As part of such inspection, LICENSOR shall be entitled to have the books and records from which LICENSEE's obligations to LICENSOR hereunder may be determined, audited at its own expense. In the event that such audit reveals an under-reporting by LICENSEE of any amounts due to LICENSOR of 2% or more, then LICENSEE shall, in addition to paying such short-fall and LATE PAYMENT CHARGE on the shortfall to LICENSOR, also be responsible for reimbursing to LICENSOR all expenses incurred by LICENSOR in connection with such audit. LICENSEE shall additionally pay a penalty of fifteen percent (15%) of the short-fall.

8. USE OF SOURCING RIGHTS

In order to assure that the Sourcing Rights granted to LICENSEE are being used in accordance with this Agreement:

a) Visits: Representatives of LICENSOR may, during normal business hours, visit and inspect the factories of the LICENSEE or any approved supplier of Branded Products to LICENSEE. LICENSOR may take samples of Branded Products or packaging or labels found during the course of any such visit and inspection.

b) Samples: LICENSOR may request that the LICENSEE provide or deliver to LICENSOR up to two (2) samples per season of any Branded Products bearing any of the Trade Marks. Any samples so requested shall be shipped by LICENSEE to LICENSOR within 48 hours of the LICENSOR's request, at no charge to LICENSOR. Unless disapproved in writing within ten (10) days of receipt, such Branded Products shall be deemed to have been approved by LICENSOR.

c) Removal of Trade Marks: LICENSOR may require LICENSEE to remove any of the Trade Marks from any of the Branded Products or packaging or labels which, in the opinion of LICENSOR, prejudice or may prejudice the Trade Marks or any of them, or do not meet the manufacturing specifications or quality standards of LICENSOR and LICENSOR may further require LICENSEE to cease application of the Trade Marks or any of them to such Branded Products. In the event that LICENSEE fails to comply with such requirement, LICENSOR may require LICENSEE to forthwith cease production and/or sale of such Branded Products.

d) Change of Use of Trade Marks: LICENSOR may require LICENSEE to effect any reasonable change in the design or method of production of any of the Branded Products if such Branded Products, in the opinion of LICENSOR, prejudice or may prejudice the Trade Marks or any of them. LICENSEE shall forthwith effect such change.

e) Approval Required: LICENSEE shall not manufacture or import any Branded Products which have not been approved or deemed approved as to quality by LICENSOR in accordance with the provisions contained above.

9. USE OF MARKETING RIGHTS

In order to assure that the Marketing Rights granted to LICENSEE are being used in accordance with this Agreement:

a) Visits: Representatives of LICENSOR may, during normal business hours, visit and inspect the retail stores, wholesale and other distribution outlets of the LICENSEE. LICENSOR may take samples of any uses of the Trade Marks found during the course of any such visit and inspection.

b) Samples: LICENSOR may request that the LICENSEE provide or deliver to LICENSOR up to two (2) samples per season of any intended uses of the Trade Marks which are not consistent with the Know-How of the LICENSOR communicated to the LICENSEE. Any samples so requested shall be sent to the LICENSOR electronically or, if not possible, be shipped by LICENSEE to LICENSOR within 48 hours of the LICENSOR's request, at no charge to LICENSOR. Unless disapproved in writing within ten (10) days of receipt, such uses shall be deemed to have been approved by LICENSOR.

c) Removal of Trade Marks: LICENSOR may require LICENSEE to remove any of the Trade Marks from any uses which, in the opinion of LICENSOR, prejudice or may prejudice the Trade Marks or any of them, or do not meet the specifications of LICENSOR.

d) Change of Use of Trade Marks: LICENSOR may require LICENSEE to effect any reasonable change in the use of any of the Trade Marks if, in the opinion of LICENSOR, such use prejudices or may prejudice the Trade Marks or any of them. LICENSEE shall forthwith effect such change.

e) Approval Required: LICENSEE shall not use the Trade Marks for purposes of marketing, distribution or promotion unless such use has been approved or deemed approved hereunder.

10. PROVISION OF KNOW-HOW AND CONFIDENTIALITY

a) The LICENSOR may, from time to time and in its sole discretion, itself or through its Affiliates, disclose the relevant Know-How which may be provided in written form and through other tangible media, through learning and training made available for the LICENSEE, and through the exchange of information between personnel of the LICENSOR and/or its Affiliates) and the personnel of the LICENSEE, including by means of visits, telephone, e-mail and other forms of communication.

b) The Know-How shall be disclosed in the English language.

c) The LICENSOR and the LICENSEE will jointly determine how the Know-How will be provided throughout the TERM to enable the LICENSEE to make use of the Know-How.

d) Each Party and its respective, employees, officers, directors and agents shall keep confidential and not disclose any Confidential Information without the written consent of the other Party.

e) Notwithstanding the foregoing, this shall not apply to information that is (i) in the public domain, (ii) lawfully obtained from a third party who is entitled to disclose such information, or (iii) independently developed by the other Party without reference to such Confidential Information.

11. PROTECTION AND DEFENCE OF KNOW-HOW AND TRADE MARKS

With a view to the protection of the Know-How and the Trade Marks and the value of the Sourcing Rights and the Marketing Rights and their continued contribution to the business of LICENSEE:

a) Trade Mark Expenses: Subject to Section 11(c) below, the LICENSOR will pay all of the costs and fees associated with searching, applying, registering, defending, enforcing, maintaining and recording where appropriate, the Trade Marks. Expenses related to any of the above which are incurred by the LICENSEE shall only be reimbursed by LICENSOR to LICENSEE provided that they have been pre-approved in writing by the LICENSOR.

b) Watching Service: LICENSEE shall at its own expense by means of a watching service and otherwise, regularly check on all trade mark, trade name and corporate name applications and registrations, together with all uses of trade marks, trade names and corporate names which do or may conflict with or prejudice the Trade Marks or any of them, and shall forthwith report all such applications, registrations and uses to LICENSOR.

c) Right of Legal Action: LICENSOR shall have the primary right and authority to determine if any legal proceedings and/or other actions are necessary to terminate any conflict with or prejudice to the Trade Marks. The costs of any such legal proceedings and/or other actions shall be paid by LICENSOR and any damages, costs, or other payments recovered by LICENSOR will be for the sole benefit of LICENSOR. If LICENSOR declines to pursue legal proceedings and/or other actions, which in LICENSEE's opinion, are necessary, LICENSEE may take legal proceedings and/or other actions and any damages, costs or other payments recovered by LICENSEE will be for LICENSEE's benefit.

d) Trademark Use: LICENSEE shall take appropriate action to regularly use each of the Trade Marks to prevent the risk of invalidation on account of non-use.

e) No Application By LICENSEE: LICENSEE shall not, directly or indirectly, in the TERRITORY or elsewhere, apply for or register, in its own name or in the name of any affiliated or associated entity, any of the Trade Marks or any trade name, word or symbol which is either visually or phonetically similar to any of the Trade Marks. This obligation shall survive the termination of this Agreement and shall continue indefinitely.

f) Prevention of Trade Mark Impairment: LICENSEE shall not directly or indirectly do anything which might impair the reputation, value, goodwill or validity of any of the Trade Marks. Upon the occurrence of any activity or event which may impair the reputation, value, goodwill or validity of the Trade Marks including but not limited to any regulatory or civil or criminal actions taken against the LICENSEE, or any health and safety issues affecting the LICENSEE, or any social media activity which may be adverse to the interests of the LICENSEE, the LICENSEE shall:

- a. give written notice to the LICENSOR within three (3) days of the occurrence of such activity;
- b. consult with the LICENSOR on an action plan to remediate any impairment of the reputation, value, goodwill or validity of the Trade Marks; and
- c. implement such actions as may be required by the LICENSOR to protect the reputation, value, goodwill or validity of the Trade Marks.

g) License Only: The LICENSOR is and shall at all times remain the owner and proprietor of the Trade Marks. LICENSEE agrees that nothing in this Agreement shall give LICENSEE any right, title or interest in the Trade Marks other than the right to use the Trade Marks and Know-How as set forth in this Agreement. All use of the Trade Marks by LICENSEE shall accrue to the benefit of the LICENSOR.

12. REPRESENTATIONS, WARRANTIES, AND INDEMNIFICATION OF LICENSOR

a) Indemnity: LICENSEE represents and warrants that it will utilize the Know How, the Sourcing Rights and the Marketing Rights granted herein solely on the terms and conditions set out herein. LICENSEE shall be solely responsible for all expenses and damages claimed by its customers and LICENSEE shall indemnify LICENSOR from and against any claim or demand, of any kind whatsoever, made against LICENSOR by any customer of LICENSEE or by any other Party, arising from the utilization of the Know How, Sourcing Rights or the Marketing Rights by LICENSEE.

b) Liability and Product Liability Insurance: LICENSEE agrees that it will secure third party liability insurance, specifically product liability insurance for the Branded Products in such amounts, subject to such provisions and with such insurers as are satisfactory to LICENSOR, acting reasonably. LICENSEE shall annually provide a Certificate of Insurance to LICENSOR evidencing that it has complied with the insurance requirements set out herein.

13. EARLY TERMINATION

Notwithstanding anything contained in this Agreement, the Sourcing Rights and the Marketing Rights may be terminated in any of the following circumstances:

a) Mutual Right of Early Termination: Either Party may terminate this Agreement at any time on three (3) months written notice to the other Party. During the Term of the Agreement the parties may mutually agree to terminate the Agreement prior to the end of the Term.

b) Right of Early Termination For Breach: Either Party may terminate this Agreement at any time after commencement hereof by giving notice in writing with immediate effect if the other Party has committed a breach of its contractual obligations herein (other than non-payment of Royalty) and if no remedy has been effected within 20 days since receiving written notification concerning said breach.

c) Non-Payment of Royalty: Notwithstanding the above, LICENSOR may terminate this Agreement at any time on ten (10) days written notice on account of non-payment of the Monthly Royalty Payment or any amount due to the LICENSOR following the Annual Reconciliation of the Royalty.

d) Right of Early Termination By LICENSOR: Notwithstanding the above, LICENSOR may terminate this Agreement at any time by written notice with immediate effect in the event that:

(i) LICENSEE has used any of the Sourcing Rights or the Marketing Rights in a manner which, in the opinion of LICENSOR, prejudices or may prejudice the local or international goodwill of the Bata name or any of the Trade Marks or the goodwill therein;

(ii) LICENSEE has failed to promptly abide by any of the recommendations or requirements of LICENSOR to assure proper use of the Sourcing Rights or the Marketing Rights;

(iii) LICENSEE has ceased to conduct its business for a consecutive period of 30 days;

(iv) LICENSEE has committed any act of bankruptcy or have a proceeding in bankruptcy, insolvency, receivership, re-organization or winding up instituted by or against LICENSEE;

(v) an execution or process of any court has become final, non-appealable and enforceable against the majority of the assets of LICENSEE;

(vi) all or substantially all of the assets of LICENSEE have been sold or transferred by LICENSEE;

(vii) there has been a change in control of LICENSEE as a result of the sale or transfer of any of the voting shares in LICENSEE or as a result of a capital increase or merger;

(viii) all or substantially all of the assets or shares of LICENSEE have been confiscated, nationalized or otherwise taken, or the ownership, utilization or benefit thereof have been otherwise lost;

- (ix) the directors appointed from time to time by the shareholders of LICENSEE, or the officers or employees of LICENSEE, are in any way prevented from or restricted in managing or operating the business of LICENSEE;
- (x) this Agreement or any part thereof is deemed voidable, void, invalid or illegal, or the performance of this Agreement or any part thereof is restricted or prevented, under or by any law, regulation, direction, order or circular letter issued by a competent authority in the TERRITORY; or
- (xi) it has become illegal for LICENSEE to make or remit payment of the Royalty.
- e) Prior Breach: The rights of either Party to terminate this Agreement under this Section shall not be affected because it has tolerated any previous breach of contractual obligations.

14. EFFECTS OF TERMINATION

Immediately upon Early Termination pursuant to Section 13 or at the end of the TERM:

- a) Termination Of The Sourcing Rights and Marketing Rights: The Sourcing Rights and Marketing Rights granted herein shall forthwith terminate and revert to the LICENSOR.
- b) Similar Trade Marks: The provisions of Section 11(e) herein shall continue to apply.
- c) Return of Specifications: LICENSEE shall immediately return to LICENSOR and/or the persons or agents designated by LICENSOR all specifications, policies, designs, graphic layouts, dies and similar items relating to the Sourcing Rights and Marketing Rights granted herein.
- d) Cancellation of Inscriptions: LICENSEE shall, within thirty (30) days of termination of this Agreement, cancel any inscriptions concerning its rights to use the Trade Marks on the official registers at the Trade Marks Office and/or with other authorities and provide proof of such cancellation to LICENSOR.
- e) Formalities: If LICENSEE fails to attend to all necessary formalities or if any use or reference to the Trade Marks or any of the Trade Marks remains after the end of the Sell-Off period described in Section 14(f) below, then LICENSOR and/or its duly designated representatives will be entitled to take whatever action is required to secure compliance with this Agreement and the presentation of a notarized copy of this Agreement and the termination notice or other suitable proof concerning the termination of this Agreement will be considered as adequate and irrevocable authorization and power, on behalf of LICENSEE, to attend to such formalities on LICENSEE's behalf as may be required herein.
- f) Sell-Off: LICENSEE shall have the right, on a non-exclusive basis, to sell its inventory of Branded Products ("INVENTORY") in the TERRITORY for up to three (3) months from the effective date of termination of this Agreement specified in any notice of termination. Such right of sell-off shall be conditional upon the fulfilment of each of the following conditions prior to commencement of the sell-off of Inventory:
 - (i) LICENSEE provides a full and complete listing of the Inventory, in writing and in form reasonably satisfactory to LICENSOR; and
 - (ii) LICENSEE prepays the Royalty applicable to the Inventory based on the full suggested list or selling price of such Inventory.
- g) No Sell-Off: LICENSEE shall have no right of sell-off of its Inventory in the event that the Early Termination of this Agreement is due to the fault of the LICENSEE or at the end of the TERM.
- h) No Default: Other than as referred to above, the expiration or termination of this Agreement shall not affect the status of or the rights of the LICENSEE under any other agreement entered into by the LICENSEE with the LICENSOR or otherwise.

15. TRANSFER OF SOURCING RIGHTS AND MARKETING RIGHTS UNDER THIS AGREEMENT

- a) No Assignment or Sublicense by LICENSEE: LICENSEE may not assign or sublicense any of the Sourcing Rights and Marketing Rights licensed herein without the prior consent in writing of LICENSOR.
- a) Assignment by LICENSOR: LICENSOR may assign the Trade Marks and/or its obligations under this Agreement without the consent of LICENSEE. LICENSEE shall be promptly informed of any such assignment.

16. RECORDAL OF LICENSE

LICENSEE shall at its own expense take all such steps as may be necessary in the TERRITORY to record its license to use the Trade Marks and to secure compliance with all other local laws and regulations.

17. LICENSEE ASSURANCES

- a) No Dispute: Notwithstanding any registrations in its own name, LICENSEE shall not at any time question or dispute the Trade Mark Rights of LICENSOR in the TERRITORY or elsewhere.
- b) Further Assurances: LICENSEE shall, during the term of this Agreement, and after its termination, execute such further assurances as may be required by LICENSOR to confirm and vest in LICENSOR the sole and exclusive rights to the Trade Marks in the TERRITORY and elsewhere.

18. NOTICES

Any notice under this Agreement shall be deemed to have been properly given if sent by one Party to the other Party by either prepaid international courier service (such as DHL or Federal Express) or by email to the ADDRESS or EMAIL ADDRESS specified herein. In either case, the notice shall be addressed to the attention of the Managing Director of the other Party and shall be deemed to have been delivered three (3) days after the date of pick-up by the international courier service or on the next business day if sent by email. If a Party notifies the other Party in writing of a change of ADDRESS or change of EMAIL ADDRESS, the substituted ADDRESS or EMAIL ADDRESS shall be used for purposes of any notice.

19. GOVERNING LAW

This Agreement shall be governed by and construed in all respects according to the laws of Switzerland.

20. DISPUTE RESOLUTION

- (a) ICC Rules: All disputes arising out of or in connection with this Agreement shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce (hereinafter referred to as the "Rules") by one or more Arbitrators appointed in accordance with the Rules.
- (b) Enter Judgement: Judgment on any award may be entered in any court having jurisdiction over the Party against whom the award has been issued.
- (c) Language and Location of Proceedings: The arbitration shall be conducted in the English language and all proceedings shall be held in Geneva, Switzerland.
- (d) Preliminary Injunctive Relief: Nothing in this agreement shall prevent any Party from seeking preliminary judicial relief, including a temporary restraining order and a preliminary injunction, to maintain the status quo or prevent irreparable harm pending the outcome of the arbitration.
- (e) Costs: Each Party shall be responsible for its own arbitration costs. However, the costs of the Arbitrator and any other Arbitration expenses shall be paid by the Party whose position does not prevail.

21. ENTIRE UNDERSTANDING

(a) Entire Agreement: This Agreement sets forth the entire intent and understanding of the Parties relating to the subject matter hereof and merges all earlier discussions and negotiations between them, and no Party shall be bound by any condition, definition, representation, or warranty other than as expressly set forth herein or as subsequently set forth in writing and executed by a duly authorized officer or officers of the Party or Parties to be bound thereby. All of the respective rights and obligations of the Parties to this Agreement are set out herein and no Party has any right to demand or is under any obligation to provide any further rights other than as set out herein. This Agreement replaces and supersedes the 2018 Trade Mark License Agreement amongst the Parties dated 2018.

(b) Amendments: Any supplements and/or amendments to this Agreement will not be valid unless they are in writing and signed by all Parties to this Agreement.

22. CONTINUED VALIDITY

In the event that any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby; PROVIDED, however, that if any provision of this Agreement requiring the payment of Royalty by LICENSEE to LICENSOR should be held to be invalid, illegal or unenforceable in any respect, then upon such holding LICENSOR shall have the right to terminate this Agreement forthwith upon written notice to that effect.

23. FORCE MAJEURE

(a) Force Majeure: No Party hereto shall be obliged to perform its obligations contained in this Agreement insofar as such Party proves that the failure was due to an impediment beyond its control and that at the time this Agreement was signed it could not reasonably have anticipated such impediment and its effect on its ability to perform and that it could not reasonably have avoided or overcome such impediment. Impediment as referred to above shall include, but not be limited to, war, natural disasters, boycotts, strikes, lockouts and acts of any authorities. Written notice after the occurrence of such event shall be given by the affected Party to the other Party within seven (7) business days of the date of occurrence. Written notice of the ending of such event shall also be given within seven (7) business days of such ending.

(b) Excusal: Excusal of any non-performance pursuant to the above shall be excused and the period and/or deadline for performance shall be extended for so long as the conditions causing the Force Majeure prevail.

(c) Exclusion From Force Majeure: Force Majeure does not include an inability to pay the Royalty set out herein.

24. HEADINGS

All headings herein are inserted for ease of reference and in no way define, omit or enlarge the scope of meaning of this Agreement.

25. INDEPENDENT CONTRACTORS

LICENSOR and LICENSEE are and will always remain independent entities engaged in the conduct of their respective businesses. Nothing contained herein shall be deemed to create any employment, joint venture, a fiduciary relationship or duty, or a franchise or partnership relationship between the Parties hereto. It is understood and agreed that LICENSEE is not, by this Agreement or anything contained herein, constituted the partner of the LICENSOR for any purpose whatsoever, nor shall LICENSEE be deemed to have any right or authority to assume any responsibility, express or implied, for, on behalf of; or in the name of the LICENSOR, or to bind the LICENSOR in any way whatsoever.

26. SEVERABILITY

In the event that any provision of this Agreement (or portion thereof) is determined by a court or tribunal of competent jurisdiction to be invalid or otherwise unenforceable, such provision (or part thereof) shall be enforced to the extent possible, consistent with the stated intention of the Parties, or, if incapable of such enforcement, shall be deemed to be deleted from this Agreement. The remainder of this Agreement shall continue in full force and remain in effect according to its stated terms and conditions.

27. WAIVER

No failure or delay by either Party in exercising any right, power or remedy under this Agreement shall operate as a waiver of any such right, power or remedy.

28. GENDER AND NUMBER

Any reference in this Agreement to gender includes all genders. Words importing the singular number only shall include the plural and vice versa.

EXECUTION AND DELIVERY OF AGREEMENT BY ELECTRONIC MEANS

This Agreement may be executed and delivered electronically by one Party to the other Party. The delivery of an executed copy of this Agreement by one Party to the other Party, by email or other electronic means (“**ELECTRONIC COPY**”), shall be deemed to be the same as delivery by one Party to any other Party of an executed original of this Agreement. Any signature within an Electronic Copy shall be accepted by all Parties as being original and authentic. No Party to this Agreement shall be entitled to raise any objection as to the validity or enforceability of this Agreement for the reason that this Agreement has been executed and delivered as an Electronic Copy only.

SCHEDULE 1

TRADE MARKS**Bata**

ZAMBIA

OLDER	TRADEMARK	REGNUM
902-BATA BRANDS SA	B BATA INDUSTRIALS	21/2020
902-BATA BRANDS SA	B BATA INDUSTRIALS	20/2020
902-BATA BRANDS SA	B FOR BATA (STANDARD SCRIPT)	177/80
902-BATA BRANDS SA	B.FIRST	470/2017
902-BATA BRANDS SA	BABY BUBBLES	1008260<M>
902-BATA BRANDS SA	BATA	1899
902-BATA BRANDS SA	BATA	1900
902-BATA BRANDS SA	BATA	914966<M>
902-BATA BRANDS SA	BATA (STANDARD SCRIPT)	2622/58
902-BATA BRANDS SA	BATA (STANDARD SCRIPT)	2621/58
902-BATA BRANDS SA	BATA COMFIT	1252459 <M>
902-BATA BRANDS SA	BATA SAFARI SHOES	484/68
902-BATA BRANDS SA	BUBBLEGUMMERS AND DEVICE	258/82
902-BATA BRANDS SA	MARBOT	257/82
902-BATA BRANDS SA	MARIE CLAIRE SF	256/82
902-BATA BRANDS SA	MC COLLECTION	1109682<M>
902-BATA BRANDS SA	NORTH STAR AND STAR DEVICE	340/75
902-BATA BRANDS SA	PATAPATA	1022281<M>
902-BATA BRANDS SA	POWER & FLASH (New Logo)	1849/2019
902-BATA BRANDS SA	POWER AND FLASH DEVICE	84/74
902-BATA BRANDS SA	SANDAK	184/83
902-BATA BRANDS SA	SUNDROPS	1022282<M>
902-BATA BRANDS SA	TOMY TAKKIES	594/2013
902-BATA BRANDS SA	TOUGHEES	2019/59
902-BATA BRANDS SA	WEINBRENNER	634/2000
902-BATA BRANDS SA	BATA	1898



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Independent Reporting Accountant's report on Historical Financial Information

We have reviewed the financial statements of Zambia Shoe Bata Company Plc ("Bata" or "the Company") that comprise the statement of financial position as at 31 December 2023, 31 December 2022, 31 December 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes thereto, comprising a summary of significant accounting policies and other explanatory information.

PriceWaterhouseCoopers Zambia are the auditors for the Company and have issued an unmodified audit report on the financial statements for the years ended 31 December 2023, 31 December 2022, and 31 December 2021 from which the information set out was extracted.

The financial information set out is based on the three years audited financial statements of the Company after considering any adjustments we believe were necessary. The audited financial statements are prepared based on the accounting policies set out below, which conform to operative International Financial Reporting Standards (IFRS).

Directors' responsibility for the historical information

The Directors are responsible for the preparation of annual financial statements that give a true and fair view in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in compliance with the requirements of the Companies Act, 2017 and the Securities Act, 2017 of Zambia and for such internal control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Directors are responsible for the contents of the shareholder circular in which this report is included in accordance with the Lusaka Securities Exchange PLC ("LuSE") Listing Rules.

Reporting Accountants' responsibility for the historical information

Review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. Our procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements. Our work also included an assessment of evidence obtained by the Company's auditor relevant to the amounts and disclosures in the financial information for the years ended 31 December 2023, 31 December 2022 and 31 December 2021. It also includes an assessment of significant judgements and estimates made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the financial statements do not give a true and fair view of the financial position of Bata as at 31 December 2023, 31 December 2022, 31 December 2021, and its financial performance and cash flows for the years then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in compliance with the requirements of the Companies Act, 2017 and the Securities Act, 2017 of Zambia..

Consent

We consent to the inclusion of this report, which will form part of the Shareholder Circular to be issued on or about 6 June 2024, in the form and content in which it appears.

Yours faithfully



**Chartered Accountants
Lusaka**



**Wesley Beene(AUD/F000465)
Name of Partner signing on behalf
of the firm**

Partners

Edgar Hamuwele (Managing)
Christopher Mulenga
Wesley Beene
Rodia Milumbe Musonda
Chilala Banda

Chartered Accountants

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Audit. Tax . Advisory

Zambia Bata Shoe Company Plc

Reporting Accountants Report

Statement of profit or loss and other comprehensive income

	Note	2023 K	2022 K	2021 K
Revenue from contracts with customers	5	260 692 781	224 035 217	164 339 886
Cost of sales of goods		(121 284 062)	(95 461 688)	(87 354 406)
Gross profit		<u>139 408 719</u>	<u>128 573 529</u>	<u>76 985 480</u>
Other expenses	6	(66 440)	(2 318 750)	(2 036 711)
Administrative expenses		(38 051 968)	(35 121 776)	(31 434 108)
Operating expenses	7.3	(36 291 092)	(32 893 587)	(32 235 465)
Operating profit		<u>64 999 219</u>	<u>58 239 416</u>	<u>11 279 196</u>
Finance income	8	1 539 863	2 686 678	1 099 434
Finance costs	8	(3 641 055)	(4 513 055)	(5 798 649)
Finance costs - net		(2 101 192)	(1 826 377)	(4 699 215)
Profit before income tax		<u>62 898 027</u>	<u>56 413 039</u>	<u>6 579 981</u>
Income tax expense	9	(20 723 934)	(17 207 561)	(2 645 908)
Profit for the year		<u>42 174 093</u>	<u>39 205 478</u>	<u>3 934 073</u>
Basic and diluted earnings per share	18	<u>0.55</u>	<u>0.52</u>	<u>0.05</u>

The notes on pages 34 to 78 are an integral part of these annual financial statements.

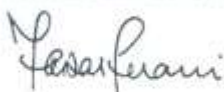
Zambia Bata Shoe Company Plc

Reporting Accountants Report Statement of financial position

	Note	As at 31 December		
		2023 K	2022 K	2021 K
ASSETS				
Non-current assets				
Property, plant and equipment	11	85 223 256	79 494 857	78 545 191
Intangible assets	12	4 097 432	32 499	80 830
		<u>89 320 688</u>	<u>79 527 356</u>	<u>78 626 021</u>
Current assets				
Inventories	13	83 731 034	79 060 468	34 962 025
Trade and other receivables	14	9 820 303	7 402 555	4 645 765
Investment in debt instruments	15	-	-	9 959 118
Cash and cash equivalents	16	49 552 492	45 630 427	49 356 186
		<u>143 103 829</u>	<u>132 093 450</u>	<u>98 923 094</u>
Total assets		<u>232 424 517</u>	<u>211 620 806</u>	<u>177 549 115</u>
EQUITY				
Share capital	19	761 076	761 076	761 076
Revaluation reserve		41 055 224	43 111 789	44 849 882
Retained earnings		88 938 480	100 146 063	67 590 507
Total equity		<u>130 754 780</u>	<u>144 018 928</u>	<u>113 201 465</u>
LIABILITIES				
Non-current liabilities				
Lease liabilities	20	8 087 749	10 279 378	7 385 303
Deferred income tax liability	10	11 275 968	9 522 994	10 524 845
		<u>19 363 717</u>	<u>19 802 372</u>	<u>17 910 148</u>
Current liabilities				
Current income tax payable	9	9 186 405	9 075 360	3 380 361
Lease liabilities	20	9 149 609	10 208 664	10 489 893
Trade and other payables	17	63 970 006	28 515 482	32 567 248
		<u>82 306 020</u>	<u>47 799 506</u>	<u>46 437 502</u>
Total liabilities		<u>101 669 737</u>	<u>67 601 878</u>	<u>64 347 650</u>
Total equity and liabilities		<u>232 424 517</u>	<u>211 620 806</u>	<u>177 549 115</u>

The annual financial statements on pages 34 to 78 were approved and authorised for issue by the Board of Directors on 3 June 2024 and were signed on its behalf by:

The annual financial statements on pages 34 to 78 were approved and authorised for issue by the Board of Directors on 03 June 2024 and were signed on its behalf by:



Faisal Sabzwari
Chairman



Octavia Bwalya Sakala
Managing Director

Zambia Bata Shoe Company Plc

Reporting Accountants Report Statement of changes in equity

	Share capital K	Revaluation reserve K	Retained earnings K	Total equity K
Year ended 31 December 2021				
At start of year	761 076	28 231 001	64 559 195	93 551 272
Profit for the year	-	-	3 934 073	3 934 073
Revaluation surplus on property, plant and equipment	-	21 258 343	-	21 258 343
Deferred tax on revaluation surplus	-	(6 377 503)	-	(6 377 503)
Impact of change in tax rate on revaluation surplus	-	2 171 615	-	2 171 615
Other comprehensive income:				
Excess depreciation	-	(619 391)	619 391	-
Deferred income tax on excess depreciation	-	185 817	-	185 817
Total other comprehensive income	-	16 618 881	619 391	17 238 272
Transactions with owners in their capacity as owners:				
Dividends declared	-	-	(1 522 152)	(1 522 152)
At end of year	761 076	44 849 882	67 590 507	113 201 465
Year ended 31 December 2022				
At start of year	761 076	44 849 882	67 590 507	113 201 465
Profit for the year	-	-	39 205 478	39 205 478
Other comprehensive income:				
Excess depreciation	-	(2 482 990)	2 482 990	-
Deferred income tax on excess depreciation	-	744 897	-	744 897
Total other comprehensive income	-	(1 738 093)	2 482 990	744 897
Transactions with owners in their capacity as owners:				
Dividends declared	-	-	(9 132 912)	(9 132 912)
At end of year	761 076	43 111 789	100 146 063	144 018 928
Year ended 31 December 2023				
At start of year	761 076	43 111 789	100 146 063	144 018 928
Profit for the year	-	-	42 174 093	42 174 093
Other comprehensive income:				
Excess depreciation	-	(2 937 949)	2 937 949	-
Deferred tax on excess depreciation	-	881 384	-	881 384
Total other comprehensive income	-	(2 056 565)	2 937 949	881 384
Transactions with owners in their capacity as owners:				
Dividends declared	-	-	(56 319 625)	(56 319 625)
At end of year	761 076	41 055 224	88 938 480	130 754 780

The notes on pages 34 to 78 are an integral part of these annual financial statements.

Zambia Bata Shoe Company Plc

Reporting Accountants Report Statement of Cashflows

	Note	2023 K	2022 K	2021 K
Cash flows from operating activities				
Profit before income tax		62 898 027	56 413 039	6 579 981
<i>Adjustments for non cash items:</i>				
Depreciation charge on property, plant and equipment	11	12 862 390	11 430 718	10 951 356
Unrealised exchange differences		(561 470)	159 746	1 688 298
Inventory losses/(reversal)	13	97 050	(742 029)	(784 057)
Impairment of receivables	14.2	(88 458)	(476 215)	(27 113)
Property plant and equipment write off		-	139 605	-
Profit on sale of non-current assets	6	-	(750)	-
Amortisation of intangible assets	12	32 498	140 063	156 913
Interest income	8	(1 539 863)	(2 686 678)	(1 099 434)
Interest cost on lease liabilities	8	3 539 598	4 513 055	5 798 649
		77 239 774	68 890 554	23 264 593
Changes in working capital:				
- inventories		(4 670 566)	(43 146 013)	(13 873 772)
- trade and other receivables		(2 417 748)	(2 756 790)	8 789 683
- trade and other payables		9 574 765	(4 051 766)	4 695 363
		2 486 451	(49 954 569)	(388 726)
Cash generated from operating activities		79 726 225	18 935 985	22 875 867
Income tax paid	9	(17 978 531)	(11 769 516)	(1 995 277)
Interest received	8	1 539 863	2 686 678	1 099 434
Interest paid on lease liabilities	20	(3 539 598)	(4 513 055)	(5 688 257)
Net cash generated from operating activities		59 747 959	5 340 092	16 291 767
Cash flows from investing activities				
Purchase of property, plant and equipment	11	(12 556 086)	(3 050 749)	(370 443)
Purchase of intangible assets	12	(4 097 431)	(91 732)	(136 043)
Investment in treasury bills		-	9 959 118	(9 959 118)
Proceeds from disposal of property, plant and equipment		-	750	-
Net cash (used in)/generated from investing activities		(16 653 517)	6 817 387	(10 465 604)
Cash flows from financing activities				
Principal elements of lease payments	20	(8 701 984)	(7 035 796)	(6 054 392)
Dividends paid		(30 470 393)	(8 847 442)	(1 344 767)
Net cash used in financing activities		(39 172 377)	(15 883 238)	(7 399 159)
Net decrease Cash and cash equivalents		3 922 065	(3 725 759)	(1 572 996)
Cash and cash equivalents at start of year		45 630 427	49 356 186	50 929 182
Cash and cash equivalents at end of year	16	49 552 392	45 630 427	49 356 186

The notes on pages 34 to 78 are an integral part of these annual financial statements.

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

1. General information

Zambia Bata Shoe Company Plc. (“the Company”) is incorporated and domiciled in Zambia. The address of the Company’s registered office is Plot 6437, Mukwa Road, Lusaka. The Company is engaged in the business of manufacturing and trading in shoes, other leather and plastic products.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS and the requirements of the Companies Act, 2017 of Zambia. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The annual financial statements are presented in Zambia Kwacha (K).

The preparation of the annual financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving higher degree of judgement or complexity, or where assumptions and estimates are significant to the annual financial statements are disclosed in Note 4.

2.2 Changes in accounting policy and disclosures

(i) *New standards, amendments, interpretations adopted by the Company*

A number of new or amended standards became applicable for the current reporting period and these the following standards. The new accounting standards effective for reporting period beginning on or after 1 January 2023 did not have any impact on the Company’s accounting policies and did not require retrospective adjustments to the annual financial statements.

Standard	Effective date	Summary of standard
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023. (Published May 2021)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
Narrow scope amendments to IAS 1 ‘Presentation of Financial Statements’, Practice statement 2 and IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’	Annual periods beginning on or after 1 January 2023. (Published February 2021)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

2. Summary of significant accounting policies (continued)

2.2. Changes in accounting policy and disclosures (continued)

(i) New standards, amendments, interpretations adopted by the Company (continued)

Standard	Effective date	Summary of standard
Amendments to IAS 12 International Tax Reform—Pillar Two Model Rules	The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. (Published May 2023)	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

(ii) New Standards, amendments, interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Amendments to IAS 1 - Non-current liabilities with covenants	Annual periods beginning on or after 1 January 2024 (Published January 2020 and November 2022)	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
Amendment to IFRS 16 – Leases on sale and leaseback	Annual periods beginning on or after 1 January 2024 (Published September 2022)	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
Amendments to Supplier Finance Arrangements (IAS 7 and IFRS 7)	Annual periods beginning on or after 1 January 2024 (Published May 2023)	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

2. Summary of significant accounting policies *(continued)*

2.2 Changes in accounting policy and disclosures *(continued)*

(ii) New Standards, amendments, interpretations issued but not yet effective

Amendments to IAS 21 Lack of Exchangeability (Amendments to IAS 21)	Annual periods of beginning on or after 1 January 2025 (Published August 2023)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.
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2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the annual financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The functional currency and presentation currency of the Company is the Zambian Kwacha (K).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.4 Financial instruments

The Company's accounting policies were changed to comply with IFRS 9. IFRS 9 replaced the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial asset. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

(a) Classification and measurement

Financial assets

It is the Company's policy to initially recognise financial assets at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are expensed in profit or loss.

Classification and subsequent measurement is dependent on the Company's business model for managing the asset and the cashflow characteristics of the asset. On this basis, the Company may classify its financial instruments at amortised cost, fair value through profit or loss and at fair value through other comprehensive income.

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

2. Summary of significant accounting policies *(continued)*

2.4 Financial instruments *(continued)*

(a) Classification and measurement

All the Company's financial assets as at 31 December 2023 satisfy the conditions for classification at amortised cost under IFRS 9.

The Company's financial assets include trade receivables, intercompany receivables, other receivables and cash and cash equivalents.

Financial liabilities

Financial liabilities of the Company are classified and subsequently measured at amortised cost net of directly attributable transaction costs.

(b) Impairment of financial assets

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortised cost and contract assets under IFRS 15: Revenue from Contracts with Customers. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach to determine impairment of receivables. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates which is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in profit or loss. The impact of the application of IFRS 9 credit loss allowances principles was immaterial therefore has not been disclosed.

(c) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition.

2.5 Financial liabilities

The Company derecognises a financial liability when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised immediately in profit or loss.

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

2. Summary of significant accounting policies *(continued)*

2.6 Revenue recognition

i) Sale of goods – retail

The Company operates a chain of retail stores selling footwear and non-footwear related products. Revenue from the sale of goods is recognised when the Company sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the product and takes delivery in store. It is the Company's policy to sell its products to the end customer with a right of return within 15 days from the original date of purchase, provided that the product being returned is unused, clean and in their original state and packaging. Therefore, a refund liability (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognised for the products returned.

ii) Sale of goods – wholesale

The Company manufactures and sells a range of footwear and non-footwear related products in the wholesale market. Sales are recognised when the performance obligation is met, being when the products are delivered to the customer for credit or when the customer pays cash and picks up the product within the respective stores. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has met the performance obligation.

Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. No element of financing is deemed present as the sales are made with a credit term of 60 days, which is consistent with market practice.

A receivable is recognised for credit sales when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

iii) Sale of goods – customer loyalty programme

The Company operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. A contract liability (included within trade and other payables) for the award points is recognised at the time of the sale for customers. Only a customer with at least 20 points can redeem the points. Revenue is recognised when the points are redeemed or when they expire.

A liability is recognised until the points are redeemed or expire.

Disaggregation of revenue from contract with customers

The Company derives revenue from the sale of shoes and other accessories. Customers are classified into two categories namely retail and wholesale. The Company has determined that the disaggregation of revenue based on the type of customer i.e. retail or wholesale, meets the revenue disaggregation disclosure requirement of IFRS 15 as it depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

2. Summary of significant accounting policies *(continued)*

2.7 Interest income

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

2.8 Other income

Other income is recognised when earned.

2.9 Employee benefits

2.9.1 Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.9.2 Retirement benefit obligations

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The company has no legal or consecutive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Company contributes to the national pension scheme, NAPSA and a private scheme called Buyantanshi.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

The Company recognises termination benefits as a liability and an expense at the earlier of when the offer of termination cannot be withdrawn or when the related restructuring costs are recognised under IAS 37 Provisions, Contingent Liabilities and Contingents Assets.

Termination benefits are measured according to the terms of the termination contract.

Where termination benefits are due more than 12 months after the reporting period, the present value of the benefits shall be determined. The discount rate used to calculate the present value shall be determined by reference to market yields on high quality corporate bonds at the end of the reporting period.

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

2. Summary of significant accounting policies *(continued)*

2.10 Cash and cash equivalents

Cash balance shown in the statement of financial position includes cash at bank and short term fixed deposits held with financial institutions with original maturities of three months or less, and cash in hand.

2.11 Leases

i) The Company's leasing activities and how these are accounted for

The Company leases retail stores and rental contracts are typically made for fixed periods varying between 2 to 5 years but may have renewal periods as described below.

The Company recognises right-of-use assets and lease liabilities at the lease commencement date for most leases. However, the Company has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets and for short-term leases, i.e. leases that at commencement date have lease terms of 12 months or less. The Company defines low-value leases as leases of assets for which the value of the underlying asset when it is new is US\$5 000 or less and is not considered fundamental to its operations. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Leased assets may not be used as security for borrowing purposes

Lease liabilities include the net present value of the following lease payments

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date.
- Amounts expected to be payable by the Company under residual value guarantees and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments specific to the lease, e.g. term, country, currency and security.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Interest costs are charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

2. Summary of significant accounting policies *(continued)*

2.11 Leases *(continued)*

i) The Company's leasing activities and how these are accounted for (continued)

It is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs

The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis.

ii) Renewal and termination options

A number of lease contracts include the option to renew the lease for a further period or terminate the lease earlier. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The Company applies judgement in assessing whether it is reasonably likely that options will be exercised. Factors considered include how far in the future an option occurs, the Company's business planning cycle of three to five years and history of terminating/not renewing leases.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

A number of leases entitle both the Company and the lessor to terminate the lease without a termination penalty. In determining whether the Company has an economic incentive to not exercise the termination option, the Company considers the broader economics of the contract and not only contractual termination payments.

iii) Lease and non-lease components

A number of lease contracts include both lease and non-lease components. The Company allocates the consideration in the contract to each lease and non-lease component based on their relative stand-alone selling prices. The stand-alone selling prices of each component are based on available market prices. The Company has not elected the practical expedient to account for non-lease components as part of its lease liabilities and right-of-use assets. Therefore, non-lease components are accounted for as operating expenses and are recognised in profit or loss as they are incurred.

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

2. Summary of significant accounting policies *(continued)*

2.11 Leases *(continued)*

iv) Right of use assets depreciation

The right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis and this ranges between 3 to 5 years.

Company as lessor

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification. The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.

Operating leases

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits from the use of the underlying asset are diminished. Operating lease income is included in other income. The operating leases are not material to the financial statements.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are expensed over the lease term on the same basis as the lease income.

Modifications made to operating leases are accounted for as a new lease from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease are treated as part of the lease payments of the new lease.

2.12 Property, plant and equipment

(i) Recognition and measurement

All categories of property, plant and equipment are stated initially at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Land, buildings and equipment are subsequently measured at revalued amounts less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to working conditions for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing cost.

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

2. Summary of significant accounting policies *(continued)*

2.12 Property, plant and equipment *(continued)*

(i) Recognition and measurement (continued)

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The revaluation reserve is unwound each year based on the remaining useful life of the asset.

(ii) Subsequent expenditure

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised in profit or loss as incurred. On-going repairs and maintenance is expensed as incurred.

The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred. Depreciation of assets commences when assets are available for use.

Depreciation is calculated over the depreciable amount, which is the revalued amount or cost of an asset, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Asset category	Period
Buildings	20 years
Equipment	4 -10 years
Motor vehicles	4 years
Furniture and fixtures	5-10 years
Work in progress	-

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(iii) Revaluation

An external, independent valuation expert, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Company's land and buildings and equipment after 3 years. The fair values are based on market values.

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

2. Summary of significant accounting policies *(continued)*

2.12 Property, plant and equipment *(continued)*

(iv) Revaluation surplus

The surplus arising on the revaluation of properties is initially credited to a revaluation surplus, which is a non-distributable reserve. A transfer is made (net of tax) from this reserve to retained earnings each year, equivalent to the difference between the actual depreciation charge for the year and the depreciation charge based on historical values, in respect of the revalued assets. Upon disposal, any revaluation reserve relating to a particular asset being sold is transferred to retained earnings.

If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset, thereafter the remaining decrease is recognised in profit or loss.

(v) Derecognition

An item of property, plant and equipment is derecognised on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is recognised in profit or loss.

2.13 Intangible assets

(i) Recognition and measurement

The Company's intangible assets comprise computer software. Intangible assets acquired separately are recognised at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only if it meets the following criteria:

- a) It is probable that the expected future economic benefits that are attributable to the assets to the assets will flow to the entity and
- b) The cost of the assets can be measured reliably

(iii) Amortisation

Amortisation is charged on a straight-line basis over their estimated useful lives from the date that it is available for use. Amortisation methods, useful lives and residual values are reviewed at the reporting date and adjusted if appropriate. The effects of any changes in estimates are accounted for on a prospective basis. Software is amortised over three years.

(iv) Derecognition

An intangible asset is derecognised on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal.

The gain/loss arising from the de-recognition of the intangible is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss.

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

2. Summary of significant accounting policies *(continued)*

2.14 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGUs exceeds its recoverable amount

Impairment losses are recognised in profit or loss except for property or plant and equipment previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income, up to the amount of any previous revaluation. Any excess is taken to profit and loss.

Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

2.15 Segment reporting

Segments are determined by different distribution/supply channel. The Company has three main segments namely Retail, Wholesale and Export which are further explained in note 22. Segment results reported to the Company's Managing Director (the Chief Operating Decision Maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Head office items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses and liabilities.

2.16 Dividends

Dividends are recognised as a liability in the period in which they are approved by the shareholders

2.17 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the total comprehensive income for the year attributable to ordinary shareholders of the Company, by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

2. Summary of significant accounting policies *(continued)*

2.18 Income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost method (WAC). Cost includes direct costs and production overheads incurred in bringing goods to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.20 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If the collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

2. Summary of significant accounting policies *(continued)*

2.20 Trade and other receivables *(continued)*

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Company holds the trade receivables with the objective to collect the contractual cash flows. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision charge is recognised in profit or loss.

2.21 Trade and other payables

Trade and other payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.22 Share capital

The Company has only one class of shares; ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded as share capital at their par value.

2.23 Comparatives

Under IAS 1, comparative information must be provided for all amounts reported in the financial statements, except when a standard provides otherwise. IAS 1 further states that comparative information should also be provided for narrative and descriptive information when it is relevant to an understanding of the current period's annual financial statements. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

3 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- a) credit risk
- b) liquidity risk
- c) market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

(a) Credit risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversee how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

The Board of Directors has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases Company references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Board of Directors; these limits are reviewed annually. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

Trade and other receivables and related party receivables

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Company may have a secured claim. The Company does not require collateral in respect of trade and other receivables.

Cash at bank

The Company maintains its cash balances with reputable banks. There is therefore minimal risk that the Company may fail to access its cash.

Management have chosen as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade receivables.

Zambia Bata Shoe Company Plc

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3 Financial risk management *(continued)*

(a) Credit risk *(continued)*

The maximum exposure to credit risk is presented in the table below:

	2023			2022		
	Gross carrying amount K	Credit loss allowance K	Amortised cost K	Gross carrying amount K	Credit loss allowance K	Amortised cost K
Trade receivables	1 554 716	-	1 554 716	1 045 095	(88 458)	956 637
Store manager personal accounts	5 355 318	(4 715 009)	640 309	4 831 563	(4 715 009)	116 554
Cash at bank	29 143 177	-	29 143 177	25 630 427	-	25 630 427
Fixed term deposits	20 409 315	-	20 409 315	20 000 000	-	20 000 000
Amounts due from related parties	-	-	-	92 237	-	92 237
	56 462 526	(4 715 009)	51 747 517	51 599 322	(4 803 467)	46 795 855

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

3 Financial risk management (continued)

(a) Credit risk (continued)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was: All trade receivables and related companies' balances relate to wholesale customers.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2023 K	2022 K	2021 K
At start of year	88 458	94 746	121 859
At start of year	(88 458)	(6 288)	(27 113)
At end of year	-	88 458	94 746

The change in the impairment loss has not been presented separately in the profit/loss as they were not considered material, therefore has been disclosed within expenses.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Company has an overdraft facility to meet its obligations when cash balances are low

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

3 Financial risk management (continued)

(b) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities:

Year ended 31 December 2023	Carrying amount	Contractual cashflows	1 year or less	Over 1 and between 5 years
	K	K	K	K
Trade and other payables excluding statutory liabilities (Note 17)	50 361 459	50 361 459	50 361 459	-
Lease liabilities (Note 20)	17 237 358	21 161 517	9 284 154	11 877 363
Amounts due to related parties (Note 17)	13 372 013	13 372 013	13 372 013	-
	<u>80 970 830</u>	<u>84 894 989</u>	<u>73 017 626</u>	<u>11 877 363</u>
Year ended 31 December 2022				
Trade and other payables excluding statutory liabilities (Note 17)	19 175 593	19 175 593	19 175 593	-
Lease liabilities (Note 20)	20 488 042	26 394 115	10 431 165	15 962 950
Amounts due to related parties (Note 17)	5 313 504	5 313 504	5 313 504	-
	<u>44 977 139</u>	<u>50 883 212</u>	<u>34 920 262</u>	<u>15 962 950</u>

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

i) Currency risk

In respect of monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies to meet the accepted foreign currency risk exposure.

The Company's exposure to foreign currency risk was as follows. The exposure under each currency is the kwacha equivalent of the foreign denominated balance:

Year ended 31 December 2023	USD	EUR	SGD	ZAR	Total
Cash at bank	11 650 274	-	-	155 241	11 805 515
Amounts due to related parties	(3 503 541)	-	-	(9 852 487)	(13 356 028)
Total exposure	<u>8 146 733</u>	<u>-</u>	<u>-</u>	<u>(9 697 246)</u>	<u>(1 550 513)</u>
Year ended 31 December 2022					
Cash at bank	1 583 369	142 141	4 962	359 181	2 089 653
Amounts due from related parties	92 237	-	-	-	92 237
Amounts due to related parties	(2 621 516)	-	(76 871)	(2 615 117)	(5 313 504)
Total exposure	<u>(945 910)</u>	<u>142 141</u>	<u>(71 909)</u>	<u>(2 255 936)</u>	<u>(3 131 614)</u>

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

3 Financial risk management (continued)

(c) Market risk (continued)

i) Currency risk (continued)

The following exchange rates were applied during the year:

		Average rate		Reporting date	
		2023	2022	2023	2022
		K	K	K	K
United States Dollar	USD	20.36	16.89	25.78	18.08
Euro	EUR	22.07	17.86	28.46	19.34
Singapore Dollar	SGD	15.16	12.29	19.54	13.48
South African Rand	ZAR	1.10	1.04	1.41	1.06

Sensitivity analysis

A 10% (2022:10%) percent strengthening/weakening of the Kwacha (K) against the foreign currencies would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Year ended 31 December 2023		Impact on profit/loss and equity before tax (30%)		
Currency		Currency Exposure K	Strengthening by 10% K	Weakening by 10% K
United States Dollar	USD	8 146 733	814 673	(814 673)
South African Rand	ZAR	(9 697 246)	(969 725)	969 725
		<u>(1 550 513)</u>	<u>(155 052)</u>	<u>155 052</u>

Year ended 31 December 2023		Impact on profit/loss and equity after tax (30%)		
Currency		Currency Exposure K	Strengthening by 10% K	Weakening by 10% K
United States Dollar	USD	8 146 733	570 271	(570 271)
South African Rand	ZAR	(9 697 246)	(678 807)	678 807
		<u>(1 550 513)</u>	<u>(108 536)</u>	<u>108 536</u>

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

3 Financial risk management (continued)

(c) Market risk (continued)

i) Currency risk (continued)

Year ended 31 December 2022			Impact on profit/loss and equity before tax (30%)	
Currency	Currency sign	Currency Exposure K	Strengthening by 10% K	Weakening by 10% K
United States Dollar	USD	(945 910)	(94 591)	94 591
Euro	EUR	142 141	14 214	(14 214)
Singapore Dollar	SGD	(71 909)	(7 191)	7 191
South African Rand	ZAR	(2 255 936)	(225 594)	225 594
		<u>(3 131 614)</u>	<u>(313 162)</u>	<u>313 162</u>

Year ended 31 December 2022			Impact on profit/loss and equity after tax (30%)	
Currency	Currency sign	Currency Exposure K	Strengthening by 10% K	Weakening by 10% K
United states dollar	USD	(945 910)	(66 214)	66 214
Euro	EUR	142 141	9 950	(9 950)
Singapore dollar	SGD	(71 909)	(5 034)	5 034
South African Rand	ZAR	(2 255 936)	(157 916)	157 916
		<u>(3 131 614)</u>	<u>(219 214)</u>	<u>219 214</u>

(d) Capital management

For the purpose of the Company's capital management, capital includes issued capital, retained earnings and revaluation reserve. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors return on capital as well as the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. However, the Company did not have any borrowings.

There is no target ratio for debt to equity as per articles of Association and there are no external imposed requirements. There were no changes in the Company's approach to capital management during the year. The liabilities represent all obligations which will lead to cash outflows and as such exclude deferred tax liabilities but include income tax payable.

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

4. Critical accounting estimates, judgements and errors

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) *Lease term determination*

Management made assumptions and judgements around the leases included in the IFRS 16 model. Under IFRS 16 'Leases', determining the correct 'lease term' is significant because the longer the lease term, the larger the right-of-use asset and lease liability will be. Secondly, the length of the lease term determines whether a lease qualifies for the short-term lease exemption. Thirdly, a number of inputs are taken into account in determining the valuation of the lease. Due to the judgements made by management around the lease term determination, discount rate and the number of agreements entered into, this is considered a critical accounting estimates.

b) *Measurement of fair value*

The Company re-assesses the value of property, plant and equipment carried under the revaluation model using a valuation methodology based on a gross replacement cost to determine the open market value of equipment. With respect to land and buildings, the Company applies a discounted cashflow model. Inputs in the valuation methodology include, reference to market-based evidence and comparable prices adjusted for specific market factors such as nature, location and condition. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 11.

The Company measures land, buildings and equipment at fair value. The Company has an established control framework with respect to the measurement of fair values.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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5. Revenue from contracts with customers

The Company derives revenue from the sale of goods at any point in time in the following customer segments:

	2023 K	2022 K	2021 K
Domestic goods	260 666 248	223 574 022	163 812 637
Export sales	26 533	461 195	527 249
	260 692 781	224 035 217	164 339 886

6. Other (expenses)/income

Rental income	697 135	238 736	249 793
Foreign exchange loss	(1 068 220)	(2 558 236)	(2 079 083)
Profit on sale of non-current assets	-	750	-
Other income	304 645	-	(207 421)
	(66 440)	(2 318 750)	(2 036 711)

7. Expenses

Changes in inventories of raw materials and consumables		121 284 062	95 461 688	87 354 406
Employee costs	Note 7.1	14 189 407	14 482 356	10 966 485
Other administration expenses	Note 7.2	22 287 037	19 257 219	16 557 272
Shop expenses		14 847 571	13 349 977	12 030 751
Repairs and maintenance		962 349	1 734 020	3 809 225
Short term rent expenses		2 461 625	1 704 585	1 274 305
Other operating expenses	Note 7.3	18 019 547	15 635 078	15 931 183
Auditors remuneration and other professional fees		1 474 982	1 181 513	691 050
Directors fees and other related expenses		189 000	206 976	581 363
Provision against receivables from associates	Note 14.3	-	469 927	1 855 052
Reversal of impairment loss on financial assets	Note 14.2	(88 458)	(6 288)	(27 113)
		195 627 122	163 477 051	151 023 979

7.1 Employee costs

Salaries and wages	10 804 463	8 242 165	6 546 297
Medical and pension	1 175 418	1 726 066	769 565
Housing	1 114 917	2 131 341	1 389 078
Protective clothing	9 476	32 336	18 770
Bonus	1 085 133	2 350 448	2 164 110
Training and education	-	-	78 665
	14 189 407	14 482 356	10 966 485

Pension contributions are to the National Pension Scheme Authority, a statutory defined contribution scheme and Buyantashi Pension. The Company's obligation ends when contributions are remitted.

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

7. Expenses (continued)

7.2 Other administration expenses

	2023 K	2022 K	2021 K
Bank charges	1 379 276	1 115 628	917 324
Electricity and water	1 661 000	1 680 165	513 621
General expenses	3 051 870	2 086 540	2 195 101
Travelling expenses	3 077 208	2 215 861	1 394 766
Security	710 750	659 875	73 597
Royalty and management fees	11 017 585	10 463 626	8 804 159
Legal and consultancy	572 587	504 270	2 700 508
Subscriptions and donations	237 468	384 962	471 526
Rates and levies	579 293	146 292	71 739
	22 287 037	19 257 219	17 142 341

7.3 Operating expenses

Shop expenses		14 847 571	13 819 904	13 308 698
Repairs and maintenance		962 349	1 734 020	2 032 110
Short term rent expenses		2 461 625	1 704 585	1 088 120
Other operating expenses	Note 7.3.1	18 019 547	15 635 078	15 306 424
		36 291 092	32 893 587	32 235 465

7.3.1 Other operating expenses

Advertising		2 845 932	2 391 465	1 721 214
Depreciation on fixed assets		12 862 390	11 430 737	10 951 356
Freight and packaging		153 172	161 793	397 325
Amortisation of intangible assets		32 499	140 063	156 913
Telephone and internet		670 534	527 845	514 708
Commission on non-retail sales		-	365 864	602 695
Insurance		422 907	403 734	325 115
Stationery and office expenses		1 032 113	213 577	637 098
		18 019 547	15 635 078	15 306 424

8. Finance income/(cost)

	2023 K	2022 K	2021 K
Finance income			
Interest income on fixed term deposits	1 539 863	2 686 678	1 099 434
	1 539 863	2 686 678	1 099 434
Finance costs			
Interest charges on lease liabilities	(3 539 598)	(4 513 055)	(5 688 257)
Foreign exchange losses on cash and cash equivalents	(101 457)	-	(110 392)
	(3 641 055)	(4 513 055)	(5 798 649)
Finance cost - net	(2 101 192)	(1 826 377)	(4 699 215)

Zambia Bata Shoe Company Plc

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9. Income tax expense

	2023 K	2022 K	2021 K
Current income tax	18 089 576	17 464 515	7 007 705
Deferred income tax charge/(credit)	2 634 358	(256 954)	(4 361 797)
Total tax charge to profit or loss	20 723 934	17 207 561	2 645 908

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2023 K	2022 K	2021 K
Profit before income tax	62 898 027	56 413 039	6 579 981
Tax calculated at the statutory income tax rate of 30% (2022: 30%)	18 869 408	16 923 912	2 302 994
Tax effect of: Expenses not deductible for tax purposes	1 854 526	283 649	342 914
	20 723 934	17 207 561	2 645 908

Current income tax movement in the statement of financial position

At start of year	9 075 360	3 380 361	(1 632 067)
Charge for the year	18 089 576	17 464 515	7 007 705
Payment during the year	(17 978 531)	(11 769 516)	(1 995 277)
At end of year	9 186 405	9 075 360	3 380 361

10. Deferred income tax

Deferred income taxes are calculated on all temporary differences using the liability method and an effective tax rate of 30% (2022:30%). The analysis of deferred tax balances is as follows:

At start of year	9 522 994	10 524 845	10 866 571
Charge/(Credit) to profit/loss	2 634 358	(256 954)	(4 361 797)
Credit to equity	(881 384)	(744 897)	4 020 071
At end of year	11 275 968	9 522 994	10 524 845

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	At start of year	(Charged)/ credited to profit or loss	(Charged)/ credited to Equity
	K	K	K
Year ended 31 December 2021			
Deferred income tax liabilities			
Property, plant and equipment: cost basis	1 858 871	376 430	-
Revaluation surplus	(15 201 308)	-	(4 020 071)
	<u>(13 342 437)</u>	<u>376 430</u>	<u>(4 020 071)</u>
Deferred income tax assets			
Right of use asset and lease liabilities	1 625 565	(167 327)	-
Other deductible temporary differences	850 301	4 152 694	-
	<u>2 475 866</u>	<u>3 985 367</u>	<u>-</u>
Deferred income tax liability	<u>(10 866 571)</u>	<u>4 361 797</u>	<u>(4 020 071)</u>
Year ended 31 December 2022			
Deferred income tax liabilities			
Property, plant, and equipment: cost basis	2 235 301	699 052	-
Revaluation surplus	(19 221 379)	-	744 897
	<u>(16 986 078)</u>	<u>699 052</u>	<u>744 897</u>
Deferred income tax assets			
Right of use asset and lease liabilities	1 458 238	147 150	-
Other deductible temporary differences	5 002 995	(589 248)	-
	<u>6 461 233</u>	<u>(442 098)</u>	<u>-</u>
Deferred income tax liability	<u>(10 524 845)</u>	<u>256 954</u>	<u>744 897</u>
Year ended 31 December 2023			
Deferred income tax liabilities			
Property, plant, and equipment: cost basis	2 934 353	(892 048)	-
Revaluation surplus	(18 476 482)	-	881 384
	<u>(15 542 129)</u>	<u>(892 048)</u>	<u>881 384</u>
Deferred income tax assets			
Right of use asset and lease liabilities	1 605 388	(382 993)	-
Other deductible temporary differences	4 413 747	(1 359 317)	-
	<u>6 019 135</u>	<u>(1 742 310)</u>	<u>-</u>
Deferred income tax liability	<u>(9 522 994)</u>	<u>(2 634 358)</u>	<u>881 384</u>

The deferred tax asset and liabilities are presented as a net balance as the entity is expected to pay net of liabilities and assets.

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11. Property, plant and equipment

	Right of use assets	Buildings Revaluation	Equipment Revaluation	Fixtures & fittings Cost	Motor vehicles Cost	Work in Progress Cost	Total
	K	K	K	K	K	K	K
Cost/revaluation:							
As at 1 January 2021	31 342 063	35 469 651	4 348 003	29 932 871	766 599	2 079 398	103 938 585
Additions	4 768 474	-	-	220 569	-	149 874	5 138 917
Capitalisation/reclassification	-	-	-	1 058 216	-	(2 079 398)	(1 021 182)
Disposals/ written off	(8 812 109)	-	-	(388 499)	(413 499)	-	(9 614 107)
Elimination of depreciation on revaluation	-	-	(1 691 159)	-	-	-	(1 691 159)
Revaluation surplus	2 433 200	8 758 349	(1 621 419)	-	-	-	9 570 130
Lease Remeasurement	1 598 775	-	-	-	-	-	1 598 775
As at 31 December 2021	31 330 403	44 228 000	1 035 425	30 823 157	353 100	149 874	107 919 959
Accumulated depreciation							
As at 1 January 2021	-	(11 358 450)	(1 601 080)	(25 232 438)	(539 806)	-	(38 731 774)
Depreciation for the year	-	(980 175)	(141 850)	(3 564 188)	(201 850)	-	(4 888 063)
Disposals/written off	-	-	-	452 198	413 499	-	865 697
Elimination of depreciation on revaluation	-	11 688 213	1 691 159	-	-	-	13 379 372
As at 31 December 2021	-	(650 412)	(51 771)	(28 344 429)	(328 157)	-	(29 374 768)
Net book value							
At 31 December 2021	31 330 403	43 577 588	983 654	2 478 728	24 943	149 874	78 545 191
	**		**				

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11 Property, plant and equipment *(continued)*

	Right of use assets	Buildings Revaluation	Equipment Revaluation	Fixtures & fittings	Motor vehicles	Work in Progress	Total
	K	K	K	K	K	K	K
Cost/revaluation:							
As at 1 January 2022	31 330 403	44 228 000	1 035 425	30 823 157	353 100	149 874	107 919 959
Additions	1 164 482	-	-	1 954 203	138 917	957 629	4 215 231
Disposals/ written off	(7 366 550)	-	-	(131 421)	-	(121 023)	(7 618 994)
Lease Remeasurement	8 324 414	-	-	-	-	-	8 324 414
As at 31 December 2022	33 452 749	44 228 000	1 035 425	32 645 939	492 017	986 480	112 840 610
Accumulated depreciation							
As at 1 January 2022	-	(650 412)	(51 771)	(28 344 429)	(328 157)	-	(29 374 769)
Depreciation for the year	-	(2 457 110)	(454 909)	(1 105 583)	(46 566)	-	(4 064 168)
Disposals/written off	-	-	-	93 184	-	-	93 184
As at 31 December 2022	-	(3 107 522)	(506 680)	(29 356 828)	(374 723)	-	(33 345 753)
Net book value							
At 31 December 2022	33 452 749	41 120 478	528 745	3 289 111	117 294	986 480	79 494 857

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11. Property, plant and equipment *(continued)*

	Right of use assets	Buildings Revaluation	Equipment Revaluation	Fixtures & fittings	Motor vehicles	Work in Progress	Total
	K	K	K	K	K	K	K
Cost/revaluation:							
As at 1 January 2023	33 452 749	44 228 000	1 035 425	32 645 939	492 017	986 480	112 840 610
Additions	2 736 284	261 625	253 812	1 834 282	-	10 206 367	15 292 370
Capitalisation/reclassification	-	-	-	951 910	-	(951 910)	-
Disposals/ written off	(8 008 744)	-	-	-	-	-	(8 008 744)
Disposals/ written off	3 298 420	-	-	-	-	-	3 298 420
As at 31 December 2023	31 478 709	44 489 625	1 289 237	35 432 131	492 017	10 240 937	123 422 656
Accumulated depreciation							
As at 1 January 2023	-	(3 107 522)	(506 680)	(29 356 829)	(374 723)	-	(33 345 754)
Depreciation for the year	(440 544)	(2 458 473)	(440 440)	(1 472 124)	(42 065)	-	(4 853 646)
As at 31 December 2023	(440 544)	(5 565 995)	(947 120)	(30 828 953)	(416 788)	-	(38 199 400)
Net book value							
At 31 December 2023	31 038 165	38 923 630	342 117	4 603 178	75 229	10 240 937	85 223 256

** Both land and buildings and equipment are carried at revalued amounts.

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11. Property, plant and equipment *(continued)*

Right of use assets

Included in the net carrying amount of property, plant and equipment are right-of-use assets relating to prepaid land and buildings.

In Zambia, land is held on lease from the Government of the Republic of Zambia for a period of 99 years. IFRS 16 requires that for any lease, a right of use asset and lease liability be recognised unless the Company deems the lease as short-term lease or of low value, in which case, these are directly expensed to the income statement

The lease terminations were due to the change in the lease payments for some stores from fixed to variable. Rental payments were renegotiated from fixed to a percentage of sales generated. Additionally, the Company renegotiated the rental payments downwards for other stores resulting in lease remeasurements. Additions relate to leases that met the recognition criteria during the year.

Leasehold land is initially recognised at cost and subsequently shown at fair value, based on valuations by external independent valuers, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

As at 31 December 2021	Leasehold Land	Retail stores	Total
	K	K	K
	20 311 425	13 014 402	33 325 827
<i>Right of use asset movement</i>			
At the start of the year	17 903 425	15 459 263	33 362 688
Additions	2 408 000	4 158 000	6 566 000
Depreciation charge	-	(6 063 293)	(6 063 293)
Lease termination/derecognition	-	(2 138 343)	(2 138 343)
Derecognition depreciation write back	-	-	-
Right of use remeasurement	-	1 598 775	1 598 775
At the end of the year	20 311 425	13 014 402	33 325 827
As at 31 December 2022	Leasehold Land	Retail stores	Total
	20 311 425	15 136 749	35 448 174
<i>Right of use asset movement</i>			
At the start of the year	20 311 425	13 014 402	33 325 827
Additions	-	1 164 482	1 164 482
Depreciation charge	-	(7 366 550)	(7 366 550)
Lease termination/derecognition	-	-	-
Derecognition depreciation write back	-	-	-
Right of use remeasurement	-	8 324 415	8 324 415
At the end of the year	20 311 425	15 136 749	35 448 174

Zambia Bata Shoe Company Plc

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11. Property, plant and equipment *(continued)*

Right of use assets *(continued)*

As at 31 December 2023

	Leasehold Land K	Retail stores K	Total K
	19 870 881	13 162 709	33 033 590
<i>Right of use asset movement</i>			
At the start of the year	20 311 425	15 136 749	35 448 174
Additions	-	2 736 284	2 736 284
Depreciation charge	(440 544)	(8 008 744)	(8 449 288)
Lease termination/derecognition	-	(43 183)	(43 183)
Derecognition depreciation write back	-	-	-
Right of use remeasurement	-	3 341 603	3 341 603
At the end of the year	19 870 881	13 162 709	33 033 590

Fair valuation of leasehold land, buildings and Equipment

The fair value of property and equipment was determined by an external, independent property valuer, BITRUST Real Estate Ltd as at 31 December 2021, having appropriate recognised professional qualifications and recent experience in the location and category of the property and equipment being valued. The valuation was in line with the Company's accounting policy to recognise its leasehold land, buildings and equipment at fair value.

Zambia Bata Shoe Company Plc

Reporting Accountants Report
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11. Property, plant and equipment *(continued)*

Description of valuation techniques used and key inputs to valuation of production equipment and land and buildings:

Asset type	Valuation technique
Equipment	Market value
Land and Buildings	Market value

Revaluation occurs after three years.

Under market comparable approach, a property's fair value is estimated based on the value of comparable prices and condition. In the case of land and buildings the location is also further considered.

Under the gross replacement method, the gross replacement cost is considered and adjusted for the condition and production capacity.

Sensitivity analysis to significant changes in unobservable inputs within Level 3 of the hierarchy

The inputs considered in the sensitivity analysis are the fluctuation of the inflation rate the supply and demand and rental value per square meter of the land and buildings which can affect pricing which in turn may have an effect on the value of land and buildings and equipment. The inputs considered for the equipment is the replacement cost. A strengthening and weakening of the rental values and the inflation rates has been considered in the analysis. The sensitivity analysis has been done using the change in pricing of land, buildings and equipment.

	Fair Value	Impact on other comprehensive income before tax	
		Strengthening by 10%	Weakening by 10%
As at 31 December 2023	K	K	K
Land and building	56 799 086	5 679 909	(5 679 909)
Equipment	342 117	34 212	(34 212)
	57 141 203	5 714 121	(5 714 121)
As at 31 December 2022			
Land and building	44 422 626	5 943 648	(5 943 648)
Equipment	528 641	52 864	(52 864)
	44 951 267	5 996 512	(5 996 512)

Zambia Bata Shoe Company Plc

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11. Property, plant and equipment (continued)

If land and buildings and equipment were stated on a historical cost basis, the carrying amounts would be as follows:

	2023	2023	2022	2022
	Equipment	Land and Buildings	Equipment	Land and Buildings
	K	K	K	K
Cost	4 855 060	6 901 163	4 601 249	6 639 538
Accumulated depreciation	(4 605 269)	(5 035 692)	(4 537 800)	(4 701 653)
	<u>249 791</u>	<u>1 865 471</u>	<u>63 449</u>	<u>1 937 885</u>

12. Intangible assets (Software - not internally generated)

	2023	2022	2021
	K	K	K
Cost			
At start of year	1 017 999	926 267	790 224
Additions during the year	4 097 431	91 732	136 043
At end of year	<u>5 115 430</u>	<u>1 017 999</u>	<u>926 267</u>
Accumulated amortization			
At start of year	(985 500)	(845 437)	(688 524)
Charge for the year	(32 498)	(140 063)	(156 913)
At end of year	<u>(1 017 998)</u>	<u>(985 500)</u>	<u>(845 437)</u>
At end of year	<u>4 097 432</u>	<u>32 499</u>	<u>80 830</u>

13. Inventories

	2023	2022	2021
	K	K	K
Raw materials	6 661 500	4 011 096	5 742 714
Finished goods	78 223 884	76 106 672	31 018 640
	<u>84 885 384</u>	<u>80 117 768</u>	<u>36 761 354</u>
Inventory obsolescence provision	(1 154 350)	(1 057 300)	(1 799 329)
	<u>83 731 034</u>	<u>79 060 468</u>	<u>34 962 025</u>
Movement in inventory obsolescence provision:			
At the start of year	(1 057 300)	(1 799 329)	(2 583 386)
(Charge)/reversal for the year	(97 050)	742 029	784 057
At end of year	<u>(1 154 350)</u>	<u>(1 057 300)</u>	<u>(1 799 329)</u>

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

14 Trade and other receivables

		2023 K	2022 K	2021 K
Trade receivables		1 554 716	1 045 095	1 195 777
Less: impairment loss	Note 14.2	-	(88 458)	(94 746)
		<u>1 554 716</u>	<u>956 637</u>	<u>1 101 031</u>
Amounts due from related parties	Note 21	-	92 237	527 916
Advance payments to suppliers		-	-	-
Prepayment and other receivables	Note 14.1	8 265 087	6 353 681	3 016 718
Staff receivables		500	-	100
		<u>9 820 303</u>	<u>7 402 555</u>	<u>4 645 765</u>

The carrying amount of the above trade and other receivables approximate their fair value.

14.1 Prepayment and other receivables

		2023 K	2022 K	2021 K
Receivable from associates		5 355 318	4 831 563	5 377 168
Provision against receivable from associates	Note 14.3	(4 715 009)	(4 715 009)	(5 184 936)
		<u>640 309</u>	<u>116 554</u>	<u>192 232</u>
Advance payments/prepayments for services		2 195 339	625 933	369 831
Insurance prepaid		-	32 941	44 368
Other receivables		5 429 439	5 578 253	2 410 287
		<u>8 265 087</u>	<u>6 353 681</u>	<u>3 016 718</u>

14.2 Impairment losses on financial assets

	2023 K	2022 K	2021 K
Movement in impairment :			
As at start of year	88 458	94 746	121 859
Reversal of provision	(88 458)	(6 288)	(27 113)
	<u>-</u>	<u>88 458</u>	<u>94 746</u>
At end of year	<u>-</u>	<u>88 458</u>	<u>94 746</u>

14.3 Provision against receivable from associates

	2023 K	2022 K	2021 K
Movement in impairment :			
As at start of year	4 715 009	5 184 936	3 329 884
Reversal of provision	-	(469 927)	1 855 052
	<u>4 715 009</u>	<u>4 715 009</u>	<u>5 184 936</u>
At end of year	<u>4 715 009</u>	<u>4 715 009</u>	<u>5 184 936</u>

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

15. Investment in debt instruments

	2023	2022	2021
	K	K	K
Treasury bills	-	-	9 959 118

16. Cash and cash equivalents

Cash at bank	29 094 079	25 630 427	49 325 034
Cash in hand	49 098	-	31 152
Fixed term deposits	20 409 315	20 000 000	-
	49 552 492	45 630 427	49 356 186

Fixed term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest accrued. The fixed deposits are placed with financial institutions and have a tenor of 90 days with an interest rate of 9%.

17. Trade and other payables

		2023	2022	2021
		K	K	K
Trade payables		662 449	421 653	2 534 897
Other payables	Note 17.1	36 728 578	15 758 189	11 975 772
Accruals	Note 17.2	13 206 966	7 022 136	6 812 714
Amounts to related parties	Note 21	13 372 013	5 313 504	11 243 865
		63 970 006	28 515 482	32 567 248

Trade creditors provide credit of up to 90 days which is not interest bearing and the carrying amount of the above trade and other payables approximate their fair value.

17.1 Other payables

Statutory obligations	236 534	4 026 385	1 751 027
Security deposit from associates	5 654 081	5 654 710	914 814
Commission	1 672 634	1 556 828	5 786 401
Unclaimed dividends	28 685 603	2 805 844	2 077 391
Other payables	479 726	1 714 422	1 446 139
	36 728 578	15 758 189	11 975 772

17.2 Accruals

Accrual for leave and gratuity	242 825	709 427	497 046
Accrual for audit services	769 709	899 662	445 417
Accrual for tax consultancy services	116 010	452 650	738 450
Accruals for interest payable	-	70 820	303 012
Accrual for workers compensation	-	-	6 490
Accrual for turnover rent	147 136	177 784	138 901
Accrual for legal matters	983 149	983 149	983 149
Contact liabilities/provision for customer loyalty program – Bata club	-	-	699 730
Other accruals	10 948 137	3 728 644	3 205 769
	13 206 966	7 022 136	7 017 964

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

18. Earnings per share

	2023 K	2022 K	2021 K
Profit for the year attributable to shareholders	42 174 093	39 205 478	2 855 701
Weighted average number of ordinary shares	76 107 600	76 107 600	76 107 600
Basic earnings per share expressed in kwacha	0.55	0.52	0.04

The calculation of the basic earnings per share is based on the total comprehensive income attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year. There were no dilutive potential ordinary shares at 31 December 2023 and 31 December 2022 and basic earnings per share equals to diluted earnings per share. No additional shares were issued during the year.

19. Share capital

Ordinary share capital	2023 K	2022 K	2021 K
<i>Authorised</i>			
78,000,000 ordinary shares of K0.01 each	780 000	780 000	780 000
<i>Issued and fully paid</i>			
76,107,600 ordinary shares of K0.01 each	761 076	761 076	761 076

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to a vote per share at meetings of the Company.

Below is the shareholding structure:

	2023 Holding %	2022 Holding %	2021 Holding %
Bafin (Nederland) BV	74.73%	74.73%	74.73%
Hilda's Hens Family Trust	7.27%	7.27%	7.27%
Prem Jain	-	2.90%	5.81%
LuSE Free Float	13.90%	11.00%	8.09%
Others	4.10%	4.10%	4.10%
Total	100%	100%	100%

Dividends

	2023 K	2022 K	2021 K
Dividends on ordinary shares declared			
Final prior year dividends approved at AGM	26 637 660	9 132 912	1 522 152
Interim dividends	29 681 964	-	-
	56 319 624	9 132 912	1 522 152

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and not recognised as a liability as at year end until approved.

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

20. Lease liabilities

	2023	2022	2021
	K	K	K
Current	9 149 609	10 208 664	10 489 893
Non- current	8 087 749	10 279 378	7 385 303
	17 237 358	20 488 042	17 875 196
<i>Lease liability movement</i>			
At start of year	20 488 042	17 875 196	20 103 733
Additions	2 693 101	1 164 482	4 768 474
Interest charge for the year	3 539 598	4 513 055	5 688 257
Derecognition of leases	(21 934)	-	(3 794 150)
Repayments during the year	(12 241 583)	(11 548 851)	(10 489 893)
Lease liabilities remeasurements	3 341 603	8 324 414	1 598 775
Foreign exchange differences	(561 469)	159 746	-
At end of year	17 237 358	20 488 042	17 875 196

The lease terminations were due to the change in the lease payments for some stores from fixed to variable. Rental payments were renegotiated from fixed to being a percentage of sales generated. Any leases whose rentals are variable are expensed as and when they arise. Additionally, the Company renegotiated the rental payments downwards for other stores resulting in lease remeasurements. Additions relate to leases that met the recognition criteria during the year.

Maturity analysis of contractual lease payments outstanding:

	2023	2022	2021
	K	K	K
Within 1 year	9 284 154	10 431 165	9 284 154
Between 1 and 2 Years	6 825 465	7 113 616	6 825 465
Between 2 and 3 Years	3 988 540	5 048 099	3 988 540
Between 3 and 4 Years	1 063 358	3 801 235	1 701 196
Finance Charges	(3 924 159)	(5 906 073)	(3 924 159)
Net Present Value	17 237 358	20 488 042	17 875 196

21. Related party

The Company's immediate parent company is Bafin (Nederland) B.V incorporated in the Netherlands and owns 74.7% of the issued shares. The ultimate parent company and controlling party is Compass Holdco Limited incorporated in Bermuda. There are other companies that are related to Zambia Bata Shoe Company Plc through common shareholdings or common directorships.

The following transactions were carried out with related parties:

(a) Purchases of goods and services – Fellow subsidiaries

	2023	2022	2021
	K	K	K
Uganda Bata Shoe Company Ltd.	-	-	512 951
Bata Centre s.r.o	5 059	44 209	98 117
Kenya Bata Shoe Co.Ltd.	4 019 119	1 912 141	1 021 494
Zimbabwe Bata Shoe Co.Ltd.	8 350 807	4 483 402	6 404 344
Bata Singapore	19 945 118	20 864 251	9 195 211
Global Footwear Services	-	910 516	1 535 165
Bata Brands SA	11 458 962	9 024 236	6 646 728
Bata South Africa (Pty) Ltd	43 242 925	41 759 413	30 879 395
	87 021 990	78 998 168	56 293 405

Zambia Bata Shoe Company Plc

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21. Related party (continued)

(b) Sales of goods and services – fellow subsidiary

	2023	2022	2021
	K	K	K
Zimbabwe Bata Shoe Co. Ltd.	26 534	45 710	-
Bata Malawi	-	391 548	527 249
Bata Botswana	-	23 937	-
	26 534	461 195	527 249

(c) Outstanding balances arising from related party transactions

i) Amounts due from related companies – fellow subsidiaries

Zimbabwe Bata Shoe Co. Ltd.	-	50 699	527 916
Bata Kenya Shoe Co. Ltd	-	41 538	-
Bata Brands SA	-	-	-
Bata Centre s.r.o	-	-	-
	-	92 237	527 916

No provision for doubtful debt has been made on amounts due from related parties and there has been no impairment. The payment terms are 60 days and there is no interest charged on the amount due.

ii) Amounts due to related companies – fellow subsidiaries

	2023	2022	2021
	K	K	K
Zimbabwe Bata Shoe Co. Ltd.	973 966	-	1 150 381
Bata South Africa (Pty) Ltd	9 868 470	2 615 117	8 689 701
Bata Singapore	-	1 160 050	-
Kenya Bata Shoe Co.Ltd.	1 213 424	112 286	14 330
Global Footwear Services	-	76 871	107 010
Botswana Bata Shoe Co.Ltd.	-	-	951 044
Bata Centre s.r.o	-	23 739	262 748
Bata Brands S.A	1 316 153	1 325 441	68 651
	13 372 013	5 313 504	11 243 865

All outstanding balances with these related parties are to be settled in cash within twelve months of the reporting date. None of the balances are secured and no interest is charged.

Zambia Bata Shoe Company Plc

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21. Related party (continued)

(d) Other related party transactions

i) Loans to directors, executive officers and key management personnel

There were no loans issued to directors, executive officers and key management personnel.

ii) Key management personnel compensation comprised

	2023 K	2022 K	2021 K
Octavia Bwalya Sakala - Country Coordinator			
Basic Salary and other allowances	1 622 400	-	-
Housing	368 480	-	-
Pension Contributions	73 504	-	-
	2 064 384	-	-
Benson Okumu - ex-Country Manager			
Basic Salary and other allowances	-	3 239 332	-
Housing	-	555 783	-
Pension Contributions	-	358 601	-
	-	4 153 716	-
Summary of benefits incurred and accounted in the year:			
Short term employee benefits	1 990 880	3 795 115	2 161 406
Pension contributions	73 504	358 601	-
	2 064 384	4 153 716	2 161 406

In addition to their salaries, Zambia Bata Shoe Company Plc. also provides non-cash benefits to directors and executive officers and contributes to a post-employment defined contribution plan on their behalf. Non-cash benefits include housing, personal to holder car among other things.

iii) Directors remuneration

	2023 K	2022 K	2021 K
<i>Fees for services rendered as Director</i>			
Wilson Chola - Non-executive Director	103 932	83 406	102 885
Linda Kasonde - Non-executive Director	-	-	70 918
Elias Mpondela - Non-executive Director	61 081	51 768	58 511
	165 013	135 174	232 314

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

22. Operating segments

The Company has three reportable segments as detailed below, which are its strategic segments. For each of the strategic supply lines, the Company's Managing Director (the Chief Operating Decision Maker) reviews internal management reports on a monthly basis. The reviews performed are based on the following reportable segments:

- Retail
- Wholesale
- Export

Information regarding the results of each reportable segment is included below. Performance is measured based on products, growth and profit before income tax, as included in the internal management reports that are reviewed by the Managing Director. Segment growth and profit are used to measure performance as management believes that such information is relevant in evaluating the results of the segment.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred to acquire segment assets that are expected to be used for more than one period.

Reportable segments

Reportable segments

	Retail	Wholesale	Exports	Total segments	Head office	Total
As at 31 December 2021	K	K	K	K	K	K
Revenue external	144 899 057	18 038 748	527 249	163 465 054	874 832	164 339 886
Depreciation and amortisation	(3 986 619)	(2 935)	-	(3 989 554)	(1 055 422)	5 044 976
Operating profit /(loss)	39 141 967	5 769 388	(68 278)	44 843 077	(33 563 881)	11 279 196
Finance income	-	-	-	-	1 099 434	1 099 434
Finance expense	(5 798 649)	-	-	(5 798 649)	-	(5 798 649)
Profit before income tax	33 343 318	5 769 388	(68 278)	39 044 428	(32 464 447)	6 579 981
Income tax expense	-	-	-	-	(2 645 908)	(2 645 908)
Profit/(loss) for the year	33 343 318	5 769 388	(68 278)	39 044 428	(35 110 355)	3 934 073

Reportable segments

	Retail	Wholesale	Exports	Total segments	Head office	Total
As at 31 December 2022	K	K	K	K	K	K
Revenue external	205 420 858	17 682 511	461 195	223 564 564	470 653	224 035 217
Depreciation and amortisation	(1 699 284)	-	-	(1 699 284)	(2 504 966)	(4 204 250)
Operating profit /(loss)	92 531 412	1 451 610	(12 995)	93 970 027	(35 730 611)	58 239 416
Finance income	-	-	-	-	2 686 678	2 686 678
Finance expense	(4 513 055)	-	-	(4 513 055)	-	(4 513 055)
Profit before income tax	88 018 357	1 451 610	(12 995)	89 456 972	(33 043 933)	56 413 039
Income tax expense	-	-	-	-	(17 207 561)	(17 207 561)
Profit/(loss) for the year	88 018 357	1 451 610	(12 995)	89 456 972	(50 251 494)	39 205 478

Zambia Bata Shoe Company Plc

Reporting Accountants Report
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22. Operating segments (continued)

Reportable segments

	Retail	Wholesale	Exports	Total segments	Head office	Total
As at 31 December 2023	K	K	K	K	K	K
Revenue external	240 443 543	19 745 380	26 533	260 215 456	477 324	260 692 780
Depreciation and amortisation	(9 331 304)	-	-	(9 331 304)	(3 791 905)	(13 123 209)
Operating profit/(loss)	92 797 476	7 533 615	68 960	100 400 051	(35 629 151)	64 770 900
Finance income	-	-	-	-	1 539 863	1 539 863
Finance expense	(3 539 598)	-	-	(3 539 598)	(101 457)	(3 641 055)
Profit before income tax	89 257 878	7 533 615	68 960	96 860 453	(34 190 745)	62 669 708
Income tax expense	-	-	-	-	(20 723 934)	(20 723 934)
Profit/(loss) for the year	89 257 878	7 533 615	68 960	96 860 453	(54 914 679)	41 945 774

*Head office revenue relates to the sale of recycled raw materials

The segment assets, liabilities and cash flows were as follows:

	Retail	Wholesale	Exports	Total segments	Head office	Total
	K	K	K	K	K	K
As at 31 December 2021						
Segment assets	18 765 685	224 421	-	18 990 106	158 559 009	177 549 115
Segments liabilities	-	-	-	-	64 347 650	64 347 650
As at 31 December 2022						
Segment assets	37 800 704	504 279	-	38 304 983	173 315 823	211 620 806
Segments liabilities	-	-	-	-	67 601 878	67 601 878
As at 31 December 2023						
Segment assets	44 859 051	452 068	-	45 311 119	195 364 325	240 675 444
Segments liabilities	-	-	-	-	101 040 308	101 040 308

Zambia Bata Shoe Company Plc

Reporting Accountants Report Notes to the annual financial statements

22. Operating segments (continued)

Segment assets comprise primarily property, plant and equipment, intangible assets, inventories, receivables and operating cash.

All assets are in Zambia except for some trade receivables and balances due from related parties and these have been disclosed in notes 14 and 21.

Head office liabilities comprise operating liabilities that are managed at head office level and are not split between segments.

Revenue per product line was as follows;

	2021 K	2022 K	2023 K
Footwear	159 048 103	216 611 901	251 375 583
Non-Footwear	5 291 783	7 423 316	9 317 198
	<u>164 339 886</u>	<u>224 035 217</u>	<u>260 692 781</u>

23. Contingent liabilities and commitments

There are no contingent liabilities nor commitments as at 31 December 2023 (2022: Nil, 2021: Nil).

24. Subsequent events

At the board meeting held on 21st May 2024, the Directors proposed a dividend pay-out of K 0.16 per ordinary share in issue (2022: K 0.35). This is a non-adjusting event as a liability and payment of the dividend only arises when the dividend is approved by the shareholders at the annual general meeting (AGM).

Other than the above, there were no material events or circumstance have arisen between the accounting date and the date of this report.

Zambia Bata Shoe Company Plc

Appendix 1 Five year financial performance

	2023 K	2022 K	2021 K	2020 K	2019 K
Continuing operations:					
Revenue	260 692 781	224 035 217	164 339 886	145 001 917	153 223 497
Profit/(loss) before tax	62 898 027	56 413 039	6 579 981	2 747 889	(844 214)
Income tax expense	(20 723 934)	(17 207 561)	(2 645 908)	(1 438 428)	(2 211 920)
Profit after tax	42 174 093	39 205 478	3 934 073	1 309 461	(3 056 134)
Profit/(loss) for the year	42 174 093	39 205 478	3 934 073	1 309 461	(3 056 134)
Dividend proposed/paid per share	0.39	0.35	0.12	0.02	0.02
Total non – current assets	89 320 688	79 349 324	78 626 021	65 308 511	82 708 209
Total current assets	143 103 829	132 271 483	98 923 094	87 084 950	75 780 394
Total	232 424 517	211 620 807	177 549 115	152 393 461	158 488 603
Share capital	761 076	761 076	761 076	761 076	761 076
Retained earnings	88 938 480	100 239 350	67 590 507	64 559 195	63 245 198
Revaluation reserves	41 055 224	43 046 488	44 849 882	28 231 001	29 223 348
Total non-current liabilities	19 363 717	19 774 386	17 910 148	21 255 838	39 042 941
Total current liabilities	82 306 020	47 799 507	46 437 502	37 586 351	26 216 040
Total	232 424 517	211 620 807	177 549 115	152 393 461	158 488 603



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Independent Reporting Accountant’s Report on Pro Forma Financial Information

Zambia Bata Shoe Company Plc (“Bata” or the “Company”) is issuing a prospectus (the “Prospectus”) to shareholders in relation to the proposed increase of the royalty rate from the current 4 percent to 7 percent.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Bata by the Directors. The pro forma financial information, as set out on page 82 to 84 of the prospectus dated 6 June 2024 consists of the pro forma statements of profit or loss and other comprehensive income for the years ending 31 December 2024 - 2026. The pro forma financial information has been compiled on the basis of the applicable criteria specified in the Lusaka Securities Exchange Securities (“LuSE”) listing requirements.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the revision in the royalty rate to the parent from 4 percent to 7 percent.

11 Directors’ responsibility for the Company’s financial information

The Directors are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the LuSE listing requirements.

12 Reporting Accountants’ responsibility for the historical information

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the directors on the basis specified in the LuSE listings requirements based on our procedures performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the pro forma financial information has been compiled, in all material respects, on the basis specified in the LuSE listing requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

Partners

Edgar Hamuwele (Managing)
Christopher Mulenga
Wesley Beene
Rodia Milumbe Musonda
Chilala Banda

Chartered Accountants

Zambian Member of Grant Thornton International
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As the purpose of pro forma financial information included in a Prospectus is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A limited assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the pro forma financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the LuSE listing requirements and described above.

Consent

We consent to the inclusion of this report, which will form part of the Shareholder Circular to be issued on or about XXX June 2024, in the form and content in which it appears.

Yours faithfully



**Chartered Accountants
Lusaka**



**Wesley Beene(AUD/F000465)
Name of Partner signing on behalf of the firm**

Date: 3 June 2024

Zambia Bata Shoe Company Plc

Reporting Accountants Report

Proforma statement of profit or loss and other comprehensive income

	Note	2024 K	2025 K	2026 K
Revenue from contracts with customers		298 332 000	344 698 722	396 194 070
Cost of sales of goods		(138 096 000)	(162 008 399)	(186 211 213)
Gross profit		160 236 000	182 690 323	209 982 857
Other income		763 363	832 065	832 065
Administrative expenses		(41 550 398)	(44 391 914)	(48 586 412)
Operating expenses		(39 215 264)	(43 429 814)	(47 747 947)
Operating profit		80 233 701	95 700 660	114 480 563
Royalty fees at 7%	2	(20 883 240)	(24 128 911)	(27 733 585)
Profit before income tax		59 350 461	71 571 749	86 746 978
Income tax expense		(17 805 138)	(21 471 525)	(26 024 093)
Distributable profit		41 545 323	50 100 224	60 722 885
Distributable profit per share		0.55	0.66	0.80

Zambia Bata Shoe Company Plc

Reporting Accountants Report Statement of financial position

	Note	As at 31 December 2023 K	Impact of Royalties K	Proforma 2024 K
ASSETS				
Non-current assets				
Property, plant and equipment		85 223 257	-	85 223 257
Intangible assets		4 097 431	-	4 097 431
		<u>89 320 688</u>	<u>-</u>	<u>89 320 688</u>
Current assets				
Inventories		83 731 034	-	83 731 034
Trade and other receivables		9 820 303	-	9 820 303
Investment in debt instruments		-	-	-
Cash and cash equivalents		49 552 492	-	49 552 492
		<u>143 103 829</u>	<u>-</u>	<u>143 103 829</u>
Total assets		<u>232 424 517</u>	<u>-</u>	<u>232 424 517</u>
EQUITY				
Share capital		761 076	-	761 076
Revaluation reserve		41 055 224	-	41 055 224
Retained earnings	5	88 938 480	(628 770)	88 309 710
Total equity		<u>130 754 780</u>	<u>(628 770)</u>	<u>130 126 010</u>
LIABILITIES				
Non- current liabilities				
Lease liabilities		8 087 749	-	8 087 749
Deferred income tax liability		11 275 968	-	11 275 968
		<u>19 363 717</u>	<u>-</u>	<u>19 363 717</u>
Current liabilities				
Current income tax payable		9 186 405	-	9 186 405
Lease liabilities		9 149 609	-	9 149 609
Trade and other payables	5	63 970 006	628 770	64 598 776
		<u>82 306 020</u>	<u>628 770</u>	<u>82 934 790</u>
Total liabilities		<u>101 669 737</u>	<u>628 770</u>	<u>102 298 507</u>
Total equity and liabilities		<u>232 424 517</u>	<u>-</u>	<u>232 424 517</u>

Zambia Bata Shoe Company Plc



Reporting Accountants Report Notes to the Proforma financial statements

1. General information

The proforma financial statements illustrate the impact of the new trademarks' contract with BataBrands SA.

The previous trademarks' agreement expired on 31 December 2023 and new agreement for the period starting 1st January 2024 is required for continued operating of Bata Trademarks.

The pro forma financial information has been compiled for illustrative purposes only and as such may not fairly present Bata's financial position financial performance changes in equity results of operations or cash flows.

2. Royalty fees accrued

The Company has calculated royalty fees on turnover at 7% to illustrate the impact that the new agreement will have on the financial statements. The Royalties have been calculated as follows:

	2024 K	2025 K	2026 K
Revenue from contracts with customers	298 332 000	350 593 167	401 253 880
Royalty fees at 7%	<u>(20 883 240)</u>	<u>(24 541 522)</u>	<u>(28 087 772)</u>

3. Income Tax

Income Tax has been calculated using the company's effective corporate income tax rate. This has also been applied in arriving at the net impact of the new royalty agreement rate of 7%.

4. Impact of new agreement

	2024 K	2025 K	2026 K
Revenue from contracts with customers	298 332 000	350 593 167	401 253 880
Royalty fees at 7%	20 883 240	24 541 522	28 087 772
Royalty fees at 4%	<u>11 933 280</u>	<u>14 023 727</u>	<u>16 050 155</u>
Impact of new agreement	8 949 960	10 517 795	12 037 616
Tax on Impact	(2 684 988)	(3 155 338)	(3 611 285)
Net Impact of New Agreement of Distributable Profit	6 264 972	7 362 457	8 426 331



Kukula Capital Ltd Foxdale,
Forest Club House,
Off Zambezi Road Roma,
Lusaka,

5th June 2024

The Financial Director
BATA Shoe Company Zambia Limited
Stand Number 6437
Mukwa Road
P.O Box 30479
Lusaka
Zambia

Dear Sir,

Opinion on the fairness of the proposed royalty agreement between BATA Shoe Company Zambia and BATA Brands SA for the year 2024

Kukula Capital Ltd (“Kukula”) has been engaged to provide an opinion to BATA Shoe Company Zambia (“BATA Zambia” or “the Company”) on the fairness, from a financial point of view, of the proposed royalty agreement between BATA Zambia and BATA Brands SA (“BATA SA”) for the year 2024. In terms of which BATA Zambia is the licensee and BATA SA being the licensor of trademarks and know-how.

Under Schedule 5 of the Lusaka Stock Exchange (“LuSE”) Rules (“Independent Fairness Opinions”), a fairness opinion must be prepared by an independent expert to determine the fairness of this agreement. Accordingly, we have prepared this report to satisfy the requirements of Schedule 5.

1. Preamble

- 1.1. At the time of the compilation of this report, BATA Zambia finds itself without an active Trademark and Know-how License Agreement with BATA SA, the previous agreement having lapsed at the end of 2023. BATA Zambia has subsequently been presented with a proposal, from BATA SA, for a new agreement, ensuring continuity and legal access to crucial intellectual property and operational know-how that is essential for its business operations.
- 1.2. The criteria for Kukula’s assessment of the fairness of the royalty agreement includes industry benchmarking and comparison of the terms relative to similar agreements within the global footwear sector.

2. Transaction Overview

- 2.1. BATA Zambia is considering entering into a Trademark and Know-how licence agreement with BATA SA which will be effective from the 1st of January 2024 until the 31st of December 2024.
- 2.2. Pursuant to the terms of the proposed agreement, BATA Zambia, acting as a licensee of BATA SA, is granted the right to utilize trademarks, know-how, and is further conferred with sourcing and marketing rights. As part of this arrangement, BATA Zambia is authorized to employ trade names and various trademarks belonging to Bata Brands SA. As consideration

BATA Zambia's financial commitments under this agreement are structured as follows:

- Royalty Payments: BATA Zambia will remit royalties based on 7% of its net sales to a designated BATA SA bank account.
 - Deductions for Third-Party Branded Products: Sales from third-party branded products will be subject to a 5% deduction before calculating the net sales for royalty payments. This adjustment acknowledges the distinct nature of these sales in BATA Zambia's revenue mix.
- 2.3. To assess the fairness and reasonableness of the agreement terms, we've consulted the Income Tax Act Cap 323 of Zambia (ITA). This legislation, specifically Sections 97 A, 97B, 97C, and 97D, along with Statutory Instrument No. 24 of 2018 ([Transfer Pricing Regulations 2018](#)), which regulates transactions between related entities like BATA Zambia and BATA Brands SA. According to these provisions, transactions between related parties must adhere to the Arm's Length Principle.
 - 2.4. In addition, while the Income Tax Act (ITA) of Zambia does not provide a specific definition for the Arm's Length Principle, Zambia's Transfer Pricing Rules broadly adopt the Organization for Economic Co-operation and Development (OECD), definition of the Arm's Length Principle, which serves as a cornerstone for evaluating the fairness of transactions between related parties. The definition is as follows:

"The OECD's Arm's Length Principle (ALP) stipulates that transactions between related parties should reflect those that would have been set between independent parties under similar circumstances".

3. Transfer pricing requirements in Zambia

- 3.1. Zambia's transfer pricing regulations are administered according to the stipulations of the ITA as mentioned earlier. It mandates that transactions between related parties must adhere to Arm's length principles.
 - 3.1.1. An Associated Person, [as per section 97 \(C\) of the Zambia Income Tax Act](#), is defined as where;

- One participates directly or indirectly in the management, control, or capital of the other;

or

- The same persons participate directly or indirectly in the management, control, or capital of both of them.

3.1.2. In this scenario, BATA SA and Zambia BATA Shoe Company are considered associated persons under the ITA.

3.1.3. *Actual Conditions* refer to the conditions that are established or enforced between any two associated persons regarding their commercial and financial interactions.

3.1.4. Arm's Length refers to conditions, with or without conditions, that would have been established or enforced if the individuals involved were not associated with each other.

3.2. Under the ITA, the Commissioner General is empowered to substitute the existing conditions if there is evidence indicating that transactions between related parties do not adhere to Arm's length principles. In such instances, the terms outlined in the Trademark and Know-how License Agreement between the two entities, including the royalty rate, would constitute the existing conditions.

3.3. Statutory Instrument 24 of 2018 offers additional direction regarding transfer pricing documentation in Zambia.

4. Key features of the Trademark and Know-how License Agreement

4.1. BATA SA holds rights to the word and name "BATA" together with rights to various other registered and unregistered trademarks, trade names, service marks, logos, designs, copyright, domain names and goodwill. BATA SA has also developed, or acquired, valuable proprietary technical know-how relating to the design, marketing, and promotion of footwear and other related goods. BATA Zambia has been conferred the exclusive right to distribute in Zambia certain footwear and other related goods subject to the Agreement Terms and Conditions. The exclusive rights relate to:

4.1.1. Sourcing Rights: encompasses the authority for BATA Zambia to either produce the Branded Products internally, procure them from other suppliers within Zambia, or import Branded Products from foreign manufacturers.

4.1.2. *Marketing, Distribution and Promotion*: Exclusive and non-transferable rights within Zambia to utilize the trademarks for the marketing, distribution, and promotion of Branded Products. This encompasses:

4.1.2.1. The right to use the word and name "Bata" in the corporate name;

4.1.2.2. The right to use the word and name "Bata" in connection with all the business activities;

4.1.2.3. The right to employ the trademarks in conjunction with any services falling under Bata's relevant class of application or registration, specifically the authorization to

utilize any of the trademarks designated by BATA SA as a retail concept or retail banner.

- 4.1.2.4. The right, at its own cost, to apply the trademarks on advertising, display (including point-of-sale) materials, retail stores, wholesale and other distribution outlets, vehicles, equipment, stationery, and other items related to the marketing, distribution, and promotion of Branded Products in Zambia. This should align with any relevant brand positioning statement and/or brand guidelines for the respective trademarks.
- 4.1.2.5. The right to access and benefit from Bata Brands SA's worldwide commercial presence and Know-how pertaining to the Trademarks within the specified territory.
- 4.2. In exchange for the privilege to utilize the Trademarks and Know-how, as well as the provision of Sourcing Rights and Marketing Rights, Bata is obligated to periodically pay BATA SA a royalty. This royalty, denominated in US dollars, shall be calculated at a rate of seven percent (7%) annually. Throughout the duration of the agreement, the royalty fee is fixed at seven percent (7%) of Bata's monthly turnover.

5. Procedures

- 5.1. In order to determine whether the proposed transaction could be considered to be at Arm's length, we assessed the viability of performing both an internal and an external comparable analysis to determine if the royalty transaction is at comparable terms to an agreement that Bata Zambia could have reached with an independent third party.
- 5.2. We compared the proposed trademark and know-how agreement to agreements between BATA SA and a sample of its other licensees in other jurisdictions.
- 5.3. Since there were no internal agreements involving third parties for royalties, conducting an internal comparable analysis was not possible.
- 5.4. However, we were able to perform an external comparable analysis using data from Royalty Range and ktMine, two well-regarded third-party data provider. This external analysis involved comparing the proposed royalty transaction with relevant data from the Royalty Range and ktMine databases to ensure a thorough and reliable assessment. Royalty Range and ktMine maintain reputable databases of global royalty agreements and would serve as a reliable benchmark against which to compare the proposed agreement between BATA Zambia and BATA SA.

6. External comparable analysis

- 6.1. To assess the fairness of the proposed royalty transaction, we relied on external royalty agreements of a similar nature. Specifically, we utilized data from Royalty Range and ktMine, reputable third-party data providers specializing in global royalty information. This approach involved comparing the proposed royalty transaction with data from Royalty Range and ktMine to ensure its alignment with industry standards and practices.

6.2. Functional analysis: We performed a functional analysis on the proposed agreement, which is a systematic examination and documentation of the functions, risks, costs, and assets involved in controlled transactions within a business. The parameters of the proposed agreement are expressed in the table below:

	BATA SA	BATA Zambia
Functions		
Trademark development. architecture, innovation and research.	✓	
Trademark strategies, brand manuals	✓	
Setting of parameters, standards and publication of manuals	✓	
Trademark protection and controversies that may arise in trademark matters	✓	✓
Registration and maintenance also with respect to potential infringement	✓	✓
Developing and setting of strategies and framework for customer retention programs	✓	
Overview and management of strategic social media	✓	✓
Risks		
Trademark rights risk	✓	
Price and market risk	✓	✓
Credit risk	✓	
Operational risk	✓	✓
Infringement and violation of intangible rights	✓	
Costs		
Advertising, marketing, promotional, merchandising and channel expenses	✓	✓
Assets		
Intangible - Trademarks	✓	

6.3. Screening:

6.3.1. To begin with we queried the Royalty Range and ktMines databases for agreements in the footwear sector and that broadly aligned with the functional similarities of the proposed BATA Zambia and BATA SA agreement. This yielded 65 comparable agreements.

- 6.3.2. We proceeded to excluded data duplication and redundancies that occurred in both data sets.
- 6.3.3. Then, we proceeded to exclude agreements that were not based on net sales and had dissimilar product lines, resulting in 53 remaining comparable agreements.
- 6.3.4. Some of these agreements featured multiple royalty rates. This was due to various factors, including agreements spanning multiple years with annual rate adjustments, royalties tied to different product types or varying levels of net sales, and the inclusion of advertising royalties based on net sales. As a result, the royalty rates were subject to fluctuations. To accommodate this variability, we computed the average of each royalty rate agreement, allowing us to formulate a more comprehensive and accurate five number summary.
- 6.3.5. Subsequently, a five-number summary was computed based on the integrated dataset, enhancing the depth and accuracy of the analysis.

6.4. Analysis:

- 6.4.1. A five number summary was then prepared based on the final sample of comparable companies. The results are indicated in the following table:

Statistic	Royalty rate
Maximum	16.00%
Upper quartile	6.00%
Median	5.00%
Lower quartile	3.64%
Minimum	0.60%

- 6.4.2. The minimum value of the range is 0.60% and the maximum is 16.00%. The interquartile range is between 3.64% and 6.00% with a median of 5.00%.

7. Comparable agreements with other licensees

- 7.1. We also compared the proposed agreement to a sample of comparable trademark and know-how license agreements between BATA SA and a sample of its licensees in other jurisdictions. The relevant trademark and know-how license agreements and their key features are presented in the following table:

Licensee	Licensor	Territory	Start date	End date	Royalty %
BATA COLOMBIA MANISOL S.A.S	BATA BRANDS SA	COLOMBIA	1 Jan 2024	31 Dec 2034	7%
BATA PRIMAVERA SDN BHD	BATA BRANDS SA	MALAYSIA	1 Jan 2024	31 Dec 2034	7%
EMPRESAS COMERCIALES S.A	BATA BRANDS SA	PERU	1 Jan 2024	31 Dec 2034	7%
Bata South Africa (Pty) Ltd	BATA BRANDS SA	SOUTH AFRICA	1 Jan 2024	31 Dec 2034	7%

7.2. After analyzing these royalty agreements between the licensor and other licensees, we've determined the agreement to be fair in terms of this assessment. Our conclusion is based on the uniformity of royalty rates across comparable entities in other jurisdictions.

8. Opinion

8.1. In terms of the agreement under review, the royalty rate for the Bata Trademark and know-how license agreement is 7%. While this 7% royalty is higher than the 6.00% upper quartile of our sample of comparable agreements, it is still lower than the maximum value of our sample and within the realm of what could reasonably be agreed if Bata Zambia was entering into an agreement with an independent third party. The royalty percentage is however at par with a sample of comparable agreements.

8.2. We conclude that, based on the evidence reviewed in the preparation of this opinion that the agreement in terms of royalty percentage of 7% is at Arm's length.

8.3. However, we urge readers of this opinion to pay particular attention to the underlying economic and commercial circumstances surrounding the transaction in making any determination.

9. Limitation of liability

9.1. The assessments, viewpoints, and conclusions in this document are grounded in the prevailing market, economic, financial, and other conditions as of the date of this fairness opinion. These may be significantly impacted by any subsequent changes in such conditions. We disclaim any obligation to revise or affirm this fairness opinion.

9.2. Our assessments, viewpoints, and conclusions inherently involve substantial business, economic, and competitive uncertainties and contingencies and may not materialize. We have assumed the accuracy and completeness of all information that was publicly available or provided to us and have not independently verified such information.

9.3. Please note that this opinion is provided for the information of the Board of Directors and Shareholders of BATA Zambia in connection with its evaluation of the proposed Transaction and does not constitute a recommendation to any shareholder of BATA Zambia as to how such shareholder should vote or act with respect to the Transaction or any related matter. Should there be any doubts as to the merits or otherwise of the Transaction, each shareholder should make their own decision based on their judgment and advice from their own independent financial advisor.

9.4. Kukula Capital shall bear no liability for any loss or damages suffered by any party resulting from the reliance upon this fairness opinion.

If you have any questions:

Email: mb@kukulacapital.com

Call: +260 69 93 10 23

Sincerely,

Name: Szymon Starosta Position:

Portfolio Manager

Signature: _____

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned above a solid horizontal line.

Date: 5th June, 2024

14 Annexure IV: Notice of The 61st Annual General Meeting

Notice is hereby given that the Annual General Meeting of the shareholders of Bata Zambia Shoe Company Plc (the "Company") will take place at Neelkanth Sarovar Premiere on 4 July 2024 at 10:00AM, to consider the following agenda:

1. **Adoption of Agenda;**
To adopt or vary this proposed Agenda
2. **Minutes;**
To approve minutes of the 60th Annual General Meeting held on 27 March 2023 and consider any matters arising.
3. **Financial Statements:**
 - i. To receive the report of the Directors and audited accounts for the year ended 31 December 2023; and
 - ii. To adopt the report of the Directors and audited accounts for the year ended 31 December 2023.
4. **Appointment of Auditors:**
To consider the re-appointment of PwC as auditors of the Company, to hold office from the conclusion of this Annual General Meeting and to authorize the Directors to determine their remuneration.
5. **Declaration of a Dividend:**
To consider the declaration of dividend for the year ended 31 December 2023.
6. **Resolution Consideration:**
To pass the resolutions summarised below and more particularly set out in the Form/Instrument of Proxy annexed to this Notice, pursuant to the Companies Act No. 10 of 2017 and the Articles of Association of the Company and any other applicable provisions:

i. **Resolution 1 (Ordinary Resolution): Approval Of The Royalty Agreement Between Zambia Bata Shoe Company PLC And Bata Brands SA (The "Royalty Agreement")**

Approval for the execution of the newly proposed Royalty Agreement with Bata Brands SA, which entails an adjustment in the royalty fee from the current rate of 4% to a revised rate of 7% on the net sales, enabling Bata Zambia to continue utilizing the Bata Brand and realizing associated benefits thereof.

ii. **Resolution 2 (Ordinary Resolution): Directors Authority To Give Effect To The Royalty Agreement**

Approval of the Directors authority to be granted the full and unrestricted authority to execute, on behalf of the Company, any and all documents, instruments, and agreements necessary or incidental to the implementation and enforcement of the Royalty Agreement. This authority includes, but is not limited to, the execution, delivery, and performance of any amendments, supplements, or modifications to the Royalty Agreement as may be deemed necessary.

iii. **Resolution 3 (Ordinary Resolution): The Director's Authority To Give Effect To All Future Royalty Transactions On Behalf Of The Company Not Exceeding 10% In Annual Royalty Fees**

To approve the authority of the Directors of Bata Zambia to renew or execute new Royalty Agreements on behalf of the Company, either on an annual basis or as required, for a term not exceeding five (5) years.

Any extension of such authority shall be contingent upon obtaining prior approval from the shareholders. The royalty fees to be negotiated and entered into by the Directors on behalf of the Company shall not exceed ten percent (10%) per annum.

7. Other Business:

To transact any other business as may be transacted at an Annual General Meeting.

Note: A Member is entitled to appoint one or more proxies to attend, speak and vote in his or her stead. A proxy need not be a member of the Company. Proxies must be lodged using the following email address: gchama@abigailandchama.co.zm or nmbozi@abigailandchama.co.zm within 48 hours before the time fixed for the meeting.

Members who wish to attend online can register by sending their details to gchama@abigailandchama.co.zm or nmbozi@abigailandchama.co.zm before the date of the AGM.

By Order of the Board of Directors
Amicus Corporate Services Limited
Company Secretary

15 ANNEXURE V: FORM OF PROXY

Zambia Bata Shoe Company PLC - Form of Proxy			
I/We,			
Of			
Being a member/s of and the registered holder/s of..... shares in the above named Company, hereby appoint:			
of		Or, in his/her absence, the Chairman of the Company	
As my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the 4 July, 2024.			
And at any adjournment of that meeting.			
In favour of/against	In Favour	Against	Abstain
<p>Resolution 1 (Ordinary Resolution): Approval Of The Royalty Agreement Between Zambia Bata Shoe Company PLC And Bata Brands SA (The "Royalty Agreement")</p> <p>Approval for the execution of the newly proposed Royalty Agreement with Bata Brands SA, which entails an adjustment in the royalty fee from the current rate of 4% to a revised rate of 7% on the net sales, enabling Bata Zambia to continue utilizing the Bata Brand and realizing associated benefits thereof.</p>			
<p>Resolution 2 (Ordinary Resolution): Directors Authority To Give Effect To The Royalty Agreement</p> <p>Approval of the Directors authority to be granted the full and unrestricted authority to execute, on behalf of the Company, any and all documents, instruments, and agreements necessary or incidental to the implementation and enforcement of the Royalty Agreement. This authority includes, but is not limited to, the execution, delivery, and performance of any amendments, supplements, or modifications to the Royalty Agreement as may be deemed necessary.</p>			
<p>Resolution 3 (Ordinary Resolution): Director's Authority To Give Effect To All Future Royalty Transactions On Behalf Of The Company Not Exceeding 10% In Annual Royalty Fees</p>			

To approve the authority of the Directors of Bata Zambia to renew or execute new Royalty Agreements on behalf of the Company, either on an annual basis or as required, for a term not exceeding five (5) years. Any extension of such authority shall be contingent upon obtaining prior approval from the shareholders. The royalty fees to be negotiated and entered into by the Directors on behalf of the Company shall not exceed ten percent (10%) per annum.			
Unless otherwise instructed, the proxy will vote as he/she thinks fit			
Signed:			
Name:			
Date:			
Witness by:		Signature:	
Name:			
Address:			

Instructions to Shareholders:

- i. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the space provided, with or without deleting "the chairman of the general meeting". The person whose name stands first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow. Any such proxy, who need not be a shareholder of the Company, is entitled to attend, speak and vote on behalf of the shareholder;
- ii. A proxy is entitled to one vote on a show of hands and, on a poll, one vote for each share held. A shareholder's instructions to the proxy must be indicated in the appropriate spaces;
- iii. If a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against any resolution or to abstain from voting or gives contradictory instructions, or should any further resolution/s or any amendment/s which may be properly put before the AGM be proposed, the proxy shall be entitled to vote as he/she thinks fit;
- iv. This form of proxy must be received by the Company Secretary at the registered head office, Plot No. 6437, Mukwa Road, Lusaka, within 48 hours of the time appointed for holding the AGM;
- v. Documentary evidence establishing the authority of the person signing the proxy in representative capacity must be attached hereto unless previously recorded by the Company's transfer secretaries;
- vi. The completion and lodging of this form of proxy will not preclude a shareholder from attending the EGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms of this proxy form;
- vii. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies; and
- viii. The Chairman of the meeting may accept or reject any form of proxy, which is completed and/or received other than in accordance with these notes.

