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THE NATION OF TOMORROW WITH ACTIONS OF TODAY

1<sup>st</sup> Quarter Report 2013-14  
SHIELD CORPORATION LIMITED  
[ An ISO 9001 and ISO 14001 certified company ]



# dream.

a strongly desired goal or purpose

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## COMPANY INFORMATION

### Board of Directors

Mr. Ebrahim Qassim	Chairman
Mr. M. Haroon Qassim	Managing Director
Mr. Vali Muhammad A. Habib	Director
Mr. Muhammad Hanif Janoo	Director
Mr. Zamiruddin Ahmed	Director
Ms. Saadia Butt Naveed	Director
Mr. Muhammad Salman Qassim	Director

### Audit Committee

Mr. Vali Muhammad A. Habib	Chairman
Mr. Muhammad Hanif Janoo	Member
Mr. Muhammad Salman Qassim	Member

### Human Resource & Remuneration Committee

Mr. Muhammad Hanif Janoo	Chairman
Mr. Vali Muhammad A. Habib	Member
Mr. M. Haroon Qassim	Member

### Company Secretary & CFO

Mr. M. Zaid Kaliya

### Head of Internal Audit

Mr. M. Shakeel Dhanani

### Legal Advisors

Messrs. Hassan & Humayun Associates  
Advocates & Solicitors

### External Auditors

Moochhala Gangat & Co.  
Chartered Accountants

### Internal Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants

### Bankers

Habib Metropolitan Bank Limited  
Meezan Bank Limited

### Registrar & Share Registration Office

Central Depository Company of Pakistan  
CDC House, Shahrah-e-Faisal,  
Karachi.

### Registered Office

509, Business Avenue, Block 6,  
P.E.C.H.S., Shahrah-e-Faisal,  
Karachi.

### Factory

Plot No. 368/4 & 5  
Landhi Industrial Area  
Baldia Road  
Karachi.

### Email & URL

mail@shield.com.pk  
www.shield.com.pk



## DIRECTORS' REVIEW

On behalf of the Board of Directors, it is my pleasure to present the un-audited accounts for the three months period ended September 30, 2013. Sales for the three months at Rs. 312 million recorded a growth of 5.25% over the same period last year.

First month of our financial year, July was the worst due to uncertainties in sales tax rate which hampered sales of your company. With the uncertainty diminishing, we are hoping that rest of the year we will recover.

The economic and inflationary pressures have increased the cost of doing business. Utility costs specially electricity cost have sky rocketed and it will severely impact the cost of goods sold. Another factor of increase in cost is devaluation of currency. The management is planning a strategy to effectively and efficiently utilize the existing resources so we can contain the increase in cost as much as we can.

On behalf of the Board



M. Haroon Qassim  
Managing Director

Karachi: October 31, 2013



## CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2013

	Note	(Un-Audited) September 30, 2013 (Rupees)	(Audited) June 30, 2013 (Rupees)
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	4	368,140,122	350,100,956
Intangible assets - software		23,686	31,668
Long term deposits		4,562,300	1,589,790
		<u>372,726,108</u>	<u>351,722,414</u>
<b>Current Assets</b>			
Store and spares		10,822,257	11,264,705
Stock-in-trade		249,057,650	259,658,521
Trade debtors - unsecured, considered good		43,036,358	25,536,949
Loans and advances		10,287,153	5,406,023
Deposits and short term prepayments		5,374,110	3,828,847
Taxation		43,396,069	35,242,995
Cash and bank balances		1,921,437	2,043,819
		<u>363,895,034</u>	<u>342,981,859</u>
<b>Total Assets</b>		<u><u>736,621,142</u></u>	<u><u>694,704,273</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorised Capital 15,000,000 (June 30, 2013: 15,000,000) ordinary shares of Rs. 10/- each		<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed & paid-up capital 3,900,000 (June 30, 2013: 3,900,000) ordinary shares of Rs. 10/- each		39,000,000	39,000,000
Reserves		65,000,000	65,000,000
Accumulated profit		<u>149,108,722</u>	<u>141,707,659</u>
		253,108,722	245,707,659
<b>Non-Current Liabilities</b>			
Deferred liabilities		78,565,307	72,249,452
Due to directors		63,000,000	63,000,000
Long term financing - secured		53,139,105	34,159,206
		<u>194,704,412</u>	<u>169,408,658</u>
<b>Current Liabilities</b>			
Trade and other payables		120,492,081	64,679,454
Accrued mark-up		3,318,592	3,375,534
Current portion of long term financing		22,485,283	26,800,806
Short term bank finances - secured		<u>142,512,052</u>	<u>184,732,162</u>
		288,808,008	279,587,956
<b>Contingencies and Commitments</b>	5	-	-
<b>Total Equity and Liabilities</b>		<u><u>736,621,142</u></u>	<u><u>694,704,273</u></u>

The annexed notes form an integral part of these financial statements.

  
M. Haroon Qassim  
Managing Director

  
Vali Muhammad A. Habib  
Director

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED SEPTEMBER 30, 2013 (Un-Audited)

	For the First Quarter ended	
	September, 2013 (Rupees)	September, 2012 (Rupees)
Net sales	312,392,921	296,816,109
Cost of sales	(221,151,154)	(215,900,023)
Gross profit	91,241,767	80,916,086
Selling and distribution expenses	(66,109,807)	(67,984,847)
Administrative and general expenses	(6,882,399)	(5,306,175)
Other operating expenses	(1,085,666)	(373,572)
Other operating income	567,575	491,879
Operating profit	17,731,470	7,743,371
Finance costs	(5,754,407)	(4,551,354)
Profit before taxation	11,977,063	3,192,017
Taxation	(4,576,000)	(955,000)
Profit after taxation	7,401,063	2,237,017
Other comprehensive income	-	-
Total comprehensive income for the period	7,401,063	2,237,017
Earning per share - basic and diluted	1.90	0.57

The annexed notes form an integral part of these financial statements.

  
M. Haroon Qassim  
Managing Director

  
Vali Muhammad A. Habib  
Director



## CONDENSED INTERIM CASH FLOW STATEMENT FOR THE PERIOD ENDED SEPTEMBER 30, 2013 (Un-Audited)

	For the First Quarter ended	
	September, 2013 (Rupees)	September, 2012 (Rupees)
<b>Cash Generated from Operations</b>		
Profit before taxation	11,977,063	3,192,017
Adjustments for:		
Depreciation	8,887,845	7,264,533
Amortization	7,982	11,342
Provision for gratuity	1,912,603	1,427,325
(Gain) on disposal of property, plant & equipment	(90,371)	(355,688)
Finance costs	5,754,407	4,551,354
Profit before working capital changes	16,472,466	12,898,866
(Increase) / decrease in Current Assets:		
Stores and spares	442,448	197,336
Stock-in-trade	10,600,871	34,978,824
Trade debtors	(17,499,409)	(1,208,191)
Loans and advances	(4,881,130)	(10,235,075)
Deposits and short term prepayments	(1,545,263)	(4,061,822)
	(12,882,483)	19,671,072
Increase / (decrease) in Current liabilities		
Trade & other payables	55,825,457	41,097,302
Cash generated from / (used in) operations	71,392,503	76,859,257
Payments for:		
Gratuity	(172,748)	(283,531)
Finance costs	(5,811,349)	(5,479,570)
Taxes	(8,153,074)	(5,195,574)
Net cash from operating activities ( A )	57,255,332	65,900,582
<b>Cash Flow From Investing Activities</b>		
Fixed capital expenditure including capital work-in-progress	(27,257,740)	(24,690,114)
Long term deposits	(2,972,510)	-
Sales proceeds from disposal of property, plant & equipment	421,100	623,275
Net cash used in investing activities ( B )	(29,809,150)	(24,066,839)
<b>Cash Flow From Financing Activities</b>		
Dividend paid	(12,830)	(600)
Long term financing - diminishing musharakah	14,664,376	11,900,901
Net cash generated from financing activities ( C )	14,651,546	11,900,301
Net increase in cash and cash equivalents (A+B+C)	42,097,728	53,734,044
Cash and cash equivalents at the beginning of the period	(182,688,343)	(147,139,363)
Cash and cash equivalents at the end of the period	(140,590,615)	(93,405,319)
<b>A. Cash and Cash Equivalents</b>		
Cash and bank balances	1,921,437	2,067,874
Short term bank finances	(142,512,052)	(95,473,193)
	(140,590,615)	(93,405,319)

The annexed notes form an integral part of these financial statements.



M. Haroon Qassim  
Managing Director



Vali Muhammad A. Habib  
Director





## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED SEPTEMBER 30, 2013 (Un-Audited)

	Share Capital (Rupees)	Capital Reserve Share Premium (Rupees)	Revenue Reserve		Total (Rupees)
			General Reserve (Rupees)	Unappropriated Profit (Rupees)	
Balance as at July 01, 2012	39,000,000	10,000,000	55,000,000	110,014,956	214,014,956
Total comprehensive income for the period ended September 30, 2012	-	-	-	2,237,017	2,237,017
Balance as at September 30, 2012	39,000,000	10,000,000	55,000,000	112,251,973	216,251,973
Balance as at July 01, 2013	39,000,000	10,000,000	55,000,000	141,707,659	245,707,659
Total comprehensive income for the period ended September 30, 2013	-	-	-	7,401,063	7,401,063
Balance as at September 30, 2013	39,000,000	10,000,000	55,000,000	149,108,722	253,108,722

The annexed notes form an integral part of these financial statements.



M. Haroon Qassim  
Managing Director



Vali Muhammad A. Habib  
Director



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2013 (Un-Audited)

### 1 Status and Nature of Business

Shield Corporation Limited (the Company) was incorporated in Pakistan on January 10, 1975 and is quoted on Karachi, Lahore and Islamabad Stock Exchanges in Pakistan. The registered office of the Company is situated at 509, Business Avenue, Block 6, P.E.C.H.S., Shahrah-e-Faisal, Karachi. The company is mainly engaged in the manufacturing, trading and sales of oral and baby care products.

### 2 Basis of Preparation

This condensed interim financial information is un-audited and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984. It has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

### 3 Significant Accounting Policies

Accounting policies adopted for the preparation of these first quarter ended condensed interim financial statements are the same as applied in the preparation of the preceding annual published financial statements of the company for the year ended June 30, 2013.

### 4 Property, Plant & Equipment

	Note	(Un-audited) Sep. 30, 2013 (Rupees)	(Audited) June 30, 2013 (Rupees)
Operating assets - at net book value	4.1	364,442,736	315,679,352
Capital work in progress - at cost		3,697,386	34,421,604
		<u>368,140,122</u>	<u>350,100,956</u>

#### 4.1 Movement in operating fixed assets:

		(Un-audited) Sep. 30, 2013 (Rupees)	(Audited) June 30, 2013 (Rupees)
Opening - at net book value		315,679,352	263,956,337
Add: Additions during the period	4.2	57,981,959	84,427,993
		373,661,311	348,384,330
Less: Depreciation charged during the period		(8,887,846)	(30,511,304)
Less: Disposals during the period - at net book value	4.2	(330,729)	(2,193,674)
		(9,218,575)	(32,704,978)
Closing - at net book value		<u>364,442,736</u>	<u>315,679,352</u>

#### 4.2 Details of additions and disposals to operating assets are:

	Additions (at cost)		Disposals (at net book value)	
	Sep. 30, 2013 (Rupees)	June 30, 2013 (Rupees)	Sep. 30, 2013 (Rupees)	June 30, 2013 (Rupees)
Office	-	7,018,856	-	-
Plant & machinery	57,816,438	70,847,124	204,122	553,076
Furniture & fixtures	-	1,615,500	-	1,033,147
Office equipments	145,619	1,377,553	17,659	-
Computer equipments	19,902	651,160	16,814	44,714
Vehicles	-	2,917,800	92,134	562,737
	<u>57,981,959</u>	<u>84,427,993</u>	<u>330,729</u>	<u>2,193,674</u>



## 5 Contingencies & Commitments

### 5.1 Contingencies

- 5.1.1** Contingent liability in respect of guarantees and counter guarantees is Rs. 7.64 million (June 30, 2013: Rs. 7.64 million). Out of this Rs. 5 million (June 30, 2013: Rs 5 million) represents guarantee provided in relation to defending a trade mark in the High Court for Rs. 42 million (June 30, 2013: Rs. 42 million). The management is hopeful that case will be decided in Company's favour, as such no provision has been made in these financial statements.
- 5.1.2** The Company has filed a constitutional petition in High Court of Sindh against registration of FIR by tax authorities for alleged inadmissibility of input tax on the ground that the suppliers were not bonafide suppliers amounting to Rs. 1.3 million. The case has been argued and reserved for judgement before the High Court of Sindh. The management based on entity's legal counsel is hopeful that the case will be decided in Company's favour and hence no provision has been made in these financial statements.
- 5.1.3** The Company has issued post dated cheques in favour of collector of customs amounting to Rs. 6.47 million (June 30, 2013: Rs. 6.47 million) under SRO 565 (I)/2006 dated June 5, 2006 for the reduction of duty as an indemnity guarantee. The collector of customs will refund these cheques upon satisfactory compliance of the requirements of SRO.

### 5.2 Commitments

- 5.2.1** The Company has letter of credit commitments for purchases amounting to Rs. 61.52 million (June 30, 2013: Rs. 48.73 million)
- 5.2.2** The Company has letter of credit and other commitments for capital expenditures amounting to Rs. 23.30 million (June 30, 2013: Rs. 17.68 million)
- 5.2.3** The Company has commitments in respect of Ijarah as follows:

	(Un-audited) Sep. 30, 2013 (Rupees)	(Audited) June 30, 2013 (Rupees)
More than one year but less than three years	-	-
Not later than one year	586,130	3,578,380
	<u>586,130</u>	<u>3,578,380</u>

## 6 Transactions with related parties

Related parties comprise of associated undertakings, employees provident fund, directors and key management personnel of the Company.

There are no transactions with key management personnel other than under the terms of employment. Details of transactions with related parties during the period were as follows:

Relationship	Nature of transactions	For the period July-Sep., 2013 (Rupees)	For the period July-Sep., 2012 (Rupees)
Associated company	Sale of goods - Premier Agencies	300,483,181	284,827,303
Staff retirement funds	Contribution to employees provident fund	796,005	643,821

## 7 General

- 7.1** These financial statements were authorised for issue on October 31, 2013 by the Board of directors of the Company .
- 7.2** Figures have been rounded off to the nearest rupee.

  
M. Haroon Qassim  
Managing Director

  
Vali Muhammad A. Habib  
Director





**SHIELD CORPORATION LIMITED**

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