

# REACHING FOR NEW HORIZONS



1st QUARTERREPORT2015-16

SHIELD CORPORATION LIMITED  
(AN ISO 9001 CERTIFIED COMPANY)

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"To be what we are,  
and to become what we are capable of becoming,  
is the only end of life."  
- Robert Louis Stevenson

# COMPANY INFORMATION

## Board of Directors

Mr. Ebrahim Qassim  
Mr. M. Haroon Qassim  
Mr. Vali Muhammad A. Habib  
Mr. Pir Muhammad  
Mrs. Saadia Butt Naveed  
Mr. Syed Imran Chishti  
Mr. Muhammad Salman Qassim

Chairman  
Chief Executive  
Director  
Director  
Director  
Director  
Director

## Audit Committee

Mr. Pir Muhammad  
Mr. Vali Muhammad A. Habib  
Mr. Syed Imran Chishti

Chairman  
Member  
Member

## Human Resource & Remuneration Committee

Mr. Vali Muhammad A. Habib  
Mr. M. Haroon Qassim  
Mr. Syed Imran Chishti

Chairman  
Member  
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

A.F. Ferguson & Co. Chartered Accountants

## Bankers

Meezan Bank Limited  
Bank Al-Habib Limited - Islamic Banking  
Habib Metropolitan 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



03 

## 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, 2015.

Sales for the three months at Rs. 391 million recorded a growth of 26.21% over the same period last year.

Your management is doing its best to achieve aggressive and sustainable growth in sales in current financial year.

Karachi: October 29, 2015

On behalf of the Board





M. Haroon Qassim  
Chief Executive

## CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2015

	(Un-Audited) September 30, 2015 Note (Rupees)	(Audited) June 30, 2015 (Rupees)
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	4 354,605,438	353,465,199
Intangible assets - software	409,661	546,214
Long term deposits	4,557,300	4,557,300
Long term loans and advances	1,132,619	616,127
	<u>360,705,018</u>	<u>359,184,840</u>
<b>Current Assets</b>		
Store and spares	7,834,594	7,362,949
Stock-in-trade	211,526,999	246,771,432
Trade debtors - unsecured, considered good	153,788,498	3,576,379
Loans and advances	9,625,007	6,368,377
Deposits and short term prepayments	3,510,103	402,250
Taxation	32,952,510	59,179,961
Cash and bank balances	823,245	744,995
	<u>420,060,956</u>	<u>324,406,343</u>
<b>Total Assets</b>	<u><u>780,765,974</u></u>	<u><u>683,591,183</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Share Capital and Reserves</b>		
Authorised Capital 15,000,000 (June 30, 2015: 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, 2015: 3,900,000) ordinary shares of Rs. 10/- each	39,000,000	39,000,000
Reserves	65,000,000	65,000,000
Accumulated profit	211,522,930	197,771,340
	<u>315,522,930</u>	<u>301,771,340</u>
<b>Non-Current Liabilities</b>		
Deferred liabilities	87,118,445	86,919,599
Due to directors	30,500,000	30,500,000
Long term financing - secured	10,573,479	16,226,230
	<u>128,191,924</u>	<u>133,645,829</u>
<b>Current Liabilities</b>		
Trade and other payables	215,624,361	130,989,277
Accrued mark-up	1,413,540	1,592,132
Current portion of long term financing	26,544,744	30,278,066
Short term bank finances - secured	85,423,475	68,689,539
Provision for taxation	8,045,000	16,625,000
	<u>337,051,120</u>	<u>248,174,014</u>
<b>Contingencies and Commitments</b>	5 -	-
<b>Total Equity and Liabilities</b>	<u><u>780,765,974</u></u>	<u><u>683,591,183</u></u>

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


  
 M. Haroon Qassim      Vali Muhammad A. Habib  
 Chief Executive      Director

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED SEPTEMBER 30, 2015 (Un-Audited)

	For the First Quarter ended	
	September, 2015 (Rupees)	September, 2014 (Rupees)
Net sales	391,418,696	310,127,304
Cost of sales	(272,410,099)	(217,577,415)
Gross profit	119,008,597	92,549,889
Selling and distribution expenses	(83,366,715)	(66,215,396)
Administrative and general expenses	(12,296,219)	(9,389,136)
Other operating expenses	(1,473,221)	(976,088)
Other operating income	460,931	347,398
Operating profit	22,333,373	16,316,667
Finance costs	(2,580,882)	(4,262,087)
Profit before taxation	19,752,491	12,054,580
Taxation	(6,000,901)	(1,330,000)
Profit after taxation	13,751,590	10,724,580
Other comprehensive income	-	-
Total comprehensive income for the period	13,751,590	10,724,580
Earning per share - basic and diluted	3.53	2.75

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



M. Haroon Qassim  
Chief Executive



Vali Muhammad A. Habib  
Director

## CONDENSED INTERIM CASH FLOW STATEMENT FOR THE PERIOD ENDED SEPTEMBER 30, 2015 (Un-Audited)

	For the First Quarter ended	
	September, 2015 (Rupees)	September, 2014 (Rupees)
<b>Cash Generated from Operations</b>		
Profit before taxation	19,752,491	12,054,580
Adjustments for:		
Depreciation	9,035,899	9,009,097
Amortization	136,553	137,675
Provision for gratuity	2,799,495	2,560,443
(Gain) / Loss on disposal of property, plant & equipment	9,288	82,676
Finance costs	2,580,882	4,262,087
Profit before working capital changes	14,562,117	16,051,978
(Increase) / decrease in Current Assets:		
Stores and spares	(471,645)	1,201,166
Stock -in -trade	35,244,433	64,165,094
Trade debtors	(150,212,119)	(63,858,165)
Loans and advances	(3,256,630)	(699,606)
Deposits and short term prepayments	(3,107,853)	(2,452,846)
	(121,803,814)	(1,644,357)
Increase / (decrease) in Current liabilities		
Trade & other payables	84,635,084	9,049,981
Cash generated from / (used in) operations	(2,854,122)	35,512,182
Payments for:		
Gratuity	(556,550)	(346,450)
Long term loans and advances	(516,492)	1,499,188
Finance costs	(2,759,474)	(5,289,399)
Taxes	9,602,451	9,479,795
Net cash from operating activities ( A )	2,915,813	40,855,316
<b>Cash Flow From Investing Activities</b>		
Fixed capital expenditure including capital work-in-progress	(10,189,726)	(19,545,309)
Sales proceeds from disposal of property, plant & equipment	4,300	59,800
Net cash used in investing activities ( B )	(10,185,426)	(19,485,509)
<b>Cash Flow From Financing Activities</b>		
Dividend paid	-	(3,540)
Long term financing - diminishing musharakah receipts	-	16,402,462
Long term financing - diminishing musharakah payments	(9,386,073)	(8,117,648)
Net cash generated from / (used in) financing activities ( C )	(9,386,073)	8,281,274
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(16,655,686)	29,651,081
Cash and cash equivalents at the beginning of the period	(67,944,544)	(131,503,056)
Cash and cash equivalents at the end of the period	(84,600,230)	(101,851,975)
<b>A. Cash and Cash Equivalents</b>		
Cash and bank balances	823,245	1,424,472
Short term bank finances	(85,423,475)	(103,276,447)
	(84,600,230)	(101,851,975)

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



M. Haroon Qassim  
Chief Executive



Wali Muhammad A. Habib  
Director

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## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED SEPTEMBER 30, 2015 (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, 2014	39,000,000	10,000,000	55,000,000	156,898,887	260,898,887
Total comprehensive income for the period ended September 30, 2014	-	-	-	10,724,580	10,724,580
Balance as at September 30, 2014	39,000,000	10,000,000	55,000,000	167,623,467	271,623,467
Balance as at July 01, 2015	39,000,000	10,000,000	55,000,000	197,771,340	301,771,340
Total comprehensive income for the period ended September 30, 2015	-	-	-	13,751,590	13,751,590
Balance as at September 30, 2015	39,000,000	10,000,000	55,000,000	211,522,930	315,522,930

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

  
M. Haroon Qassim  
Chief Executive

  
Vali Muhammad A. Habib  
Director



## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED SEPTEMBER 30, 2015 (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., Shahrāh-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. This condensed interim financial statements does not include all the information required for annual financial statements and therefore, should be read in conjunction with the annual financial statements for the year ended June 30, 2015.

### 3 Significant Accounting Policies

Accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding annual published financial statements of the company for the year ended June 30, 2015.

#### 3.1 Accounting estimates and judgements

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

During the preparation of this condensed interim financial information, the significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the audited annual financial statements for the year ended June 30, 2015.

### 4 Property, Plant & Equipment

	Note	(Un-audited) Sep. 30, 2015 (Rupees)	(Audited) June 30, 2015 (Rupees)
Operating fixed assets - at net book value	4.1	345,639,826	352,359,199
Capital work in progress - at cost		8,965,612	1,106,000
		<u>354,605,438</u>	<u>353,465,199</u>
<b>4.1 Movement in operating fixed assets:</b>			
Opening - at net book value		352,359,199	353,153,699
Add: Additions during the period	4.2	2,330,113	38,681,379
		354,689,312	391,835,078
Less: Depreciation charged during the period		(9,035,898)	(37,816,556)
Less: Disposals during the period - at net book value	4.2	(13,588)	(1,659,323)
		(9,049,486)	(39,475,879)
Closing - at net book value		<u>345,639,826</u>	<u>352,359,199</u>

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

	Additions (at cost)		Disposals (at net book value)	
	Sep. 30, 2015 (Rupees)	June 30, 2015 (Rupees)	Sep. 30, 2015 (Rupees)	June 30, 2015 (Rupees)
Factory Building	-	520,418	-	-
Plant & machinery	2,100,000	35,477,312	-	1,291,384
Furniture & fixtures	-	1,001,200	-	18,282
Office equipments	55,900	542,460	7,998	213,782
Computer equipments	174,213	1,139,989	5,590	135,875
	<u>2,330,113</u>	<u>38,681,379</u>	<u>13,588</u>	<u>1,659,323</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, 2015: Rs. 7.64 million). Out of this Rs. 5 million (June 30, 2015: Rs 5 million) represents guarantee provided in relation to defending a trade mark in the High Court for Rs. 42 million (June 30, 2015: 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 (June 30, 2015: Rs. 1.3 million). The honourable High Court Sindh in its judgement has given detailed guideline to FBR determining the procedure to follow in this case. The matter is pending with Special Judge of Custom Court. 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. 6.06 million (June 30, 2015: Rs. 6.06 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.

5.1.4 The Company has filed a suit for infringement and passing off its Trade Mark Shield against Dalda in which earlier interim stay was granted which was later on confirmed by the High Court. Later on Dalda has filed an appeal against the confirmation of stay order which is pending adjudication and likely to be decided in Company's favour

### 5.2 Commitments

5.2.1 The Company has letter of credit commitments for purchases amounting to Rs. 79.55 million (June 30, 2015: Rs. 27.98 million).

5.2.2 The Company has letter of credit and other commitments for capital expenditures amounting to Rs. 9.02 million (June 30, 2015: Rs. 16.72 million)

5.2.3 The Company has commitments in respect of Rent of Diminishing Musharakah as follows:

	(Un-audited) Sep. 30, 2015 (Rupees)	(Audited) June 30, 2015 (Rupees)
Later than one year but not later than three years	321,339	700,014
Not later than one year	1,946,732	3,066,242
	<u>2,268,071</u>	<u>3,766,256</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., 2015 (Rupees)	For the period July-Sep., 2014 (Rupees)
Associated company	Sale of goods - Premier Agencies	389,483,636	306,462,678
Staff retirement funds	Contribution to employees provident fund	995,971	900,463

## 7 General

7.1 These financial statements were authorised for issue on October 29, 2015 by the Board of directors of the Company .

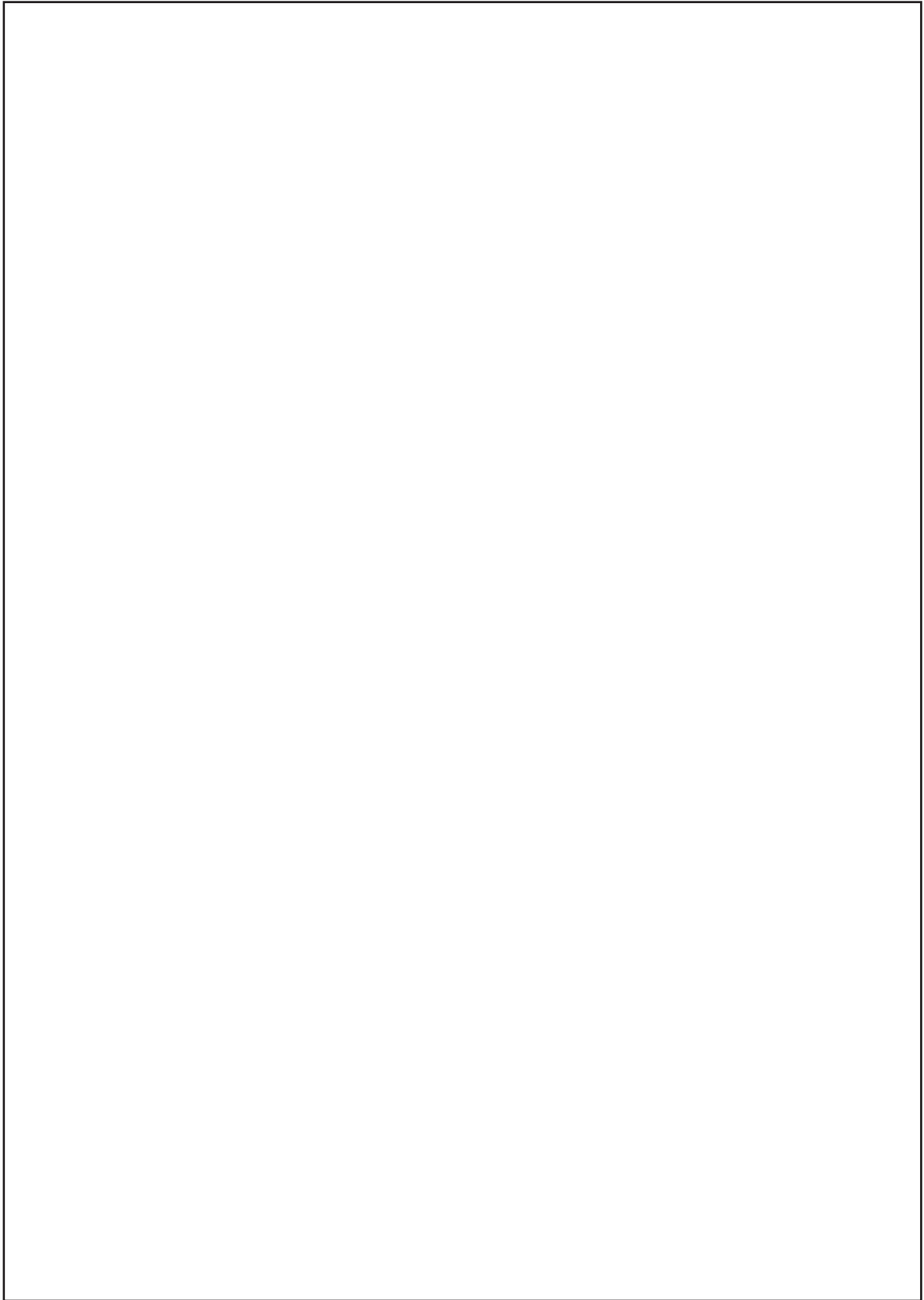
7.2 Figures have been rounded off to the nearest rupee.



M. Haroon Qassim  
Chief Executive



Vali Muhammad A. Habib  
Director





**SHIELD CORPORATION LIMITED**

509, Business Avenue, Block-6, P.E.C.H.S.  
Shahrah-e-Faisal, Karachi-75400, Pakistan.  
Tel: [92-21] 34385003-4 Fax: [92-21] 34556344  
Web: [www.shield.com.pk](http://www.shield.com.pk) Email: [mail@shield.com.pk](mailto:mail@shield.com.pk)

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