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HALF YEARLY REPORT 2013-14

SHIELD CORPORATION LIMITED

[An ISO 9001 and ISO 14001 certified company]

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Shield

HALF YEARLY REPORT 2013-14

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
Bank Al Habib Limited - Islamic Banking

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 half year ended December 31, 2013. Sales for the six months at Rs. 639 million recorded a growth of 9% over the same period last year.

Continuous increase in cost of operations has put extra burden on the company's resources. Utility especially electricity cost have sky rocketed and it has severely impacted the cost of goods sold. Drop in Pak Rupee Parity against World currencies is another factor of increase in cost.

Next 6 months will be more challenging and your management will try it's best to contain the increase in cost as much as we can.

On behalf of the Board



M. Haroon Qassim
Chief Executive

Karachi: February 18, 2014



AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Shield Corporation Limited (the "Company") as at December 31, 2013 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2012 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2013.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Moochhala Gangat & Co.
Chartered Accountants

Name of the audit engagement partner:
Mr. Hussaini Fakhruddin

Karachi

Date: February 18, 2014

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CONDENSED INTERIM BALANCE SHEET AS AT DECEMBER 31, 2013 (Un-Audited)

	Note	(Un-Audited) December 31, 2013 (Rupees)	(Audited) June 30, 2013 (Rupees)
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	369,015,272	350,100,956
Intangible assets - software		1,544,748	31,668
Long term deposits		4,562,300	1,589,790
		<u>375,122,320</u>	<u>351,722,414</u>
Current Assets			
Store and spares		17,980,076	11,264,705
Stock-in-trade		284,802,749	259,658,521
Trade debtors - unsecured, considered good		4,436,881	25,536,949
Loans and advances		9,027,756	5,406,023
Deposits and short term prepayments		3,951,070	3,828,847
Taxation		43,602,105	35,242,995
Cash and bank balances		961,165	2,043,819
		<u>364,761,802</u>	<u>342,981,859</u>
Total Assets		<u>739,884,122</u>	<u>694,704,273</u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
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		150,388,585	141,707,659
		<u>254,388,585</u>	<u>245,707,659</u>
Non-Current Liabilities			
Deferred liabilities		79,613,252	72,249,452
Due to directors - interest free - unsecured		63,000,000	63,000,000
Long term financing - secured		48,622,854	34,159,206
		<u>191,236,106</u>	<u>169,408,658</u>
Current Liabilities			
Trade and other payables		126,771,595	64,679,454
Accrued mark-up on bank finances		4,587,499	3,375,534
Current portion of long term financing		28,435,109	26,800,806
Short term bank finances - secured		134,465,228	184,732,162
		<u>294,259,431</u>	<u>279,587,956</u>
Contingencies and Commitments	5	-	-
Total Equity and Liabilities		<u>739,884,122</u>	<u>694,704,273</u>

The annexed notes form an integral part of this condensed interim financial information.



M. Haroon Qassim
Chief Executive



Vali Muhammad A. Habib
Director



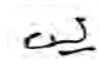
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED DECEMBER 31, 2013 (Un-Audited)

	For the Second Quarter ended		For the Half Year ended	
	December 31, 2013 (Rupees)	December 31, 2012 (Rupees)	December 31, 2013 (Rupees)	December 31, 2012 (Rupees)
Net sales	326,421,017	288,212,247	638,813,938	585,028,356
Cost of sales	(222,695,664)	(213,224,650)	(443,846,818)	(429,124,673)
Gross profit	103,725,353	74,987,597	194,967,120	155,903,683
Selling and distribution expenses	(74,511,299)	(64,137,328)	(140,621,106)	(132,122,175)
Administrative and general expenses	(7,348,179)	(5,591,019)	(14,230,578)	(10,897,194)
Other operating expenses	(1,239,515)	(274,200)	(2,325,181)	(647,772)
Other operating income	338,676	1,097,848	906,251	1,589,727
Operating profit	20,965,036	6,082,898	38,696,506	13,826,269
Finance costs	(6,709,733)	(4,284,919)	(12,464,140)	(8,836,273)
Profit before taxation	14,255,303	1,797,979	26,232,366	4,989,996
Taxation	(7,125,440)	(1,194,498)	(11,701,440)	(2,149,498)
Profit after taxation	7,129,863	603,481	14,530,926	2,840,498
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	7,129,863	603,481	14,530,926	2,840,498
Earning per share - basic and diluted	1.83	0.15	3.73	0.73

The annexed notes form an integral part of this condensed interim financial information.



M. Haroon Qassim
Chief Executive



Vali Muhammad A. Habib
Director




CONDENSED INTERIM CASH FLOW STATEMENT FOR THE HALF YEAR ENDED DECEMBER 31, 2013 (Un-Audited)

	For the Half Year ended	
	December 31, 2013 (Rupees)	December 31, 2012 (Rupees)
Cash Generated from Operations		
Profit before taxation	26,232,366	4,989,996
Adjustments for:		
Depreciation	18,655,698	14,485,633
Amortization	125,554	22,683
Provision for gratuity	3,825,203	2,854,648
Loss / (Gain) on disposal of property, plant & equipment	100,082	(1,302,887)
Finance costs	12,464,140	8,836,273
Profit before working capital changes	35,170,677	24,896,350
(Increase) / decrease in Current Assets:		
Stores and spares	(6,715,371)	1,762,344
Stock-in-trade	(25,144,228)	69,490,686
Trade debtors	21,100,068	(5,550,278)
Loans and advances	(3,621,733)	(7,525,208)
Deposits and short term prepayments	(122,223)	(14,179,356)
	(14,503,487)	43,998,188
Increase / (decrease) in Current Liabilities:		
Trade & other payables	61,851,198	(21,426,873)
Cash generated from operations	108,750,754	52,457,661
Payments for:		
Gratuity	(1,061,403)	(654,412)
Finance costs	(11,252,175)	(9,573,690)
Taxes	(15,460,550)	(1,792,626)
Net cash from operating activities	80,976,626	40,436,933
Cash Flow From Investing Activities		
Fixed capital expenditure including capital work-in-progress	(40,152,172)	(38,675,249)
Long term deposits	(2,972,510)	11,475,524
Sales proceeds from disposal of property, plant & equipment	843,442	1,655,195
Net cash used in investing activities	(42,281,240)	(25,544,530)
Cash Flow From Financing Activities		
Dividend paid	(5,609,057)	(5,839,980)
Long term financing - diminishing musharakah	16,097,951	12,784,688
Net cash generated from financing activities	10,488,894	6,944,708
Net increase in cash and cash equivalents	49,184,280	21,837,111
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	A (133,504,063)	(125,302,252)
A. Cash and Cash Equivalents		
Cash and bank balances	961,165	5,566,010
Short term bank finances	(134,465,228)	(130,868,262)
	(133,504,063)	(125,302,252)

The annexed notes form an integral part of this condensed interim financial information.



M. Haroon Qassim
Chief Executive



Vali Muhammad A. Habib
Director



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED DECEMBER 31, 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
Dividend for he year June 20, 2012 - Final - @ Rs. 1.50 per share	-	-	-	(5,850,000)	(5,850,000)
Total comprehensive income for the period ended December 31, 2012	-	-	-	2,840,498	2,840,498
Balance as at December 31, 2012	39,000,000	10,000,000	55,000,000	107,005,454	211,005,454
Balance as at July 01, 2013	39,000,000	10,000,000	55,000,000	141,707,659	245,707,659
Dividend for he year June 20, 2013 - Final - @ Rs. 1.50 per share	-	-	-	(5,850,000)	(5,850,000)
Total comprehensive income for the period ended December 31, 2013	-	-	-	14,530,926	14,530,926
Balance as at December 31, 2013	39,000,000	10,000,000	55,000,000	150,388,585	254,388,585

The annexed notes form an integral part of this condensed interim financial information.



M. Haroon Qassim
Chief Executive



Vali Muhammad A. Habib
Director



NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED DECEMBER 31, 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., Shahr-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. The figures for the half year ended December 31, 2013 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance. This condensed interim financial information 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, 2013.

3 Significant Accounting Policies

Accounting policies adopted for the preparation of these half yearly condensed interim financial statements 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, 2013.

Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

Amendments to published standards effective in current year

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2013 but are considered not to be relevant or to have any significant effect on the company's operations and are, therefore, not detailed in this condensed interim financial information except the following:

IAS 19, 'Employee Benefits': The impact on the company will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined liability / (asset).

4 Property, Plant & Equipment

	Note	(Un-audited) Dec. 31, 2013 (Rupees)	(Audited) June 30, 2013 (Rupees)
Operating assets - at net book value	4.1	367,331,304	315,679,352
Capital work in progress - at cost		1,683,968	34,421,604
		<u>369,015,272</u>	<u>350,100,956</u>

4.1 Movement in operating fixed assets:

Opening - at net book value		315,679,352	263,956,337
Add: Additions during the period / year	4.2	72,116,494	84,427,993
		387,795,846	348,384,330
Less: Depreciation charged during the period / year		(18,655,698)	(30,511,304)
Less: Impairment during the period / year		(865,320)	-
Less: Disposals during the period / year - at net book value	4.2	(943,524)	(2,193,674)
		(20,464,542)	(32,704,978)
Closing - at net book value		<u>367,331,304</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)	
	Dec. 31, 2013 (Rupees)	June 30, 2013 (Rupees)	Dec. 31, 2013 (Rupees)	June 30, 2013 (Rupees)
Factory Building on lease hold land	2,458,372	-	-	-
Office Premises	-	7,018,856	-	-
Plant & machinery	68,237,658	70,847,124	204,122	553,076
Furniture & fixtures	225,000	1,615,500	-	1,033,147
Office equipments	543,462	1,377,553	572,338	-
Computer equipments	594,002	651,160	37,064	44,714
Vehicles	58,000	2,917,800	130,000	562,737
	<u>72,116,494</u>	<u>84,427,993</u>	<u>943,524</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 case 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 (June 30, 2013: Rs. 1.3 million).The case has been argued and reserved for judgment before High Court of Sindh.The management based on entity's legal counsel is hopeful that the case will be decided in Company's favor 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, 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. 36.46 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. 16.85 million (June 30, 2013: Rs. 17.68 million)

5.2.3 The Company has commitments in respect of Ijarah as follows:

	(Un-audited) Dec. 31, 2013 (Rupees)	(Audited) June 30, 2013 (Rupees)
More than one year but less than three years	-	-
Not later than one year	-	3,578,380
	-	3,578,380

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

More than one year but less than three years	5,387,429	2,971,974
Not later than one year	8,070,391	3,346,147
	13,457,820	6,318,121

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-Dec., 2013 (Rupees)	For the period July-Dec., 2012 (Rupees)
Associated company	Sale of goods - Premier Agencies	612,141,462	555,616,236
Staff retirement funds	Contribution to employees provident fund	1,593,802	1,291,945

7 General

7.1 This condensed interim financial information was authorised for issue on February 18, 2014 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

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