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HALF YEARLY REPORT 2015-16

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

M/s. Lubna Pervez & Associates

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



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, 2015.

Sales for the six months recorded an increase of 25.64% over the same period last year, from Rs. 643 million to Rs. 807 million. Your management is doing its best to achieve aggressive and sustainable growth in sales in current financial year.

The Board of Directors would like to express their gratitude to all employees for their committed efforts, loyalty and dedications.

Karachi: February 11, 2016

On behalf of the Board



M. Haroon Qassim
Chief Executive



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, 2015 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "interim financial information") for the half year then ended. 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, 2015 and 2014 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2015.

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, 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Hussaini Fakhruddin
 MGC
Moochhala Gangat & Co.
 Chartered Accountants

Engagement partner: Hussaini Fakhruddin

Karachi

Date:

11 FEB 2016

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CONDENSED INTERIM BALANCE SHEET AS AT DECEMBER 31, 2015

	(Un-Audited) December 31, 2015 Note (Rupees)	(Audited) June 30, 2015 (Rupees)
ASSETS		
Non-Current Assets		
Property, plant and equipment	4 351,906,293	353,465,199
Intangible assets - software	273,108	546,214
Long term deposits	4,557,300	4,557,300
Long term loans and advances	1,797,680	616,127
	<u>358,534,381</u>	<u>359,184,840</u>
Current Assets		
Store and spares	7,931,029	7,362,949
Stoke - in - trade	243,376,613	246,771,432
Trade debtors - unsecured, considered good	31,917,954	3,576,379
Loans and advances	11,423,844	6,368,377
Deposits and short term prepayments	3,226,094	402,250
Taxation	40,768,274	59,179,961
Cash and bank balances	1,302,462	744,995
	<u>339,946,270</u>	<u>324,406,343</u>
Total Assets	<u><u>698,480,651</u></u>	<u><u>683,591,183</u></u>
EQUITY AND LIABILITIES		
Share Capital and Reserves		
Authorised Capital		
15,000,000 (June 30, 2015: 15,000,000) ordinary shares of Rs. 10/- each	150,000,000	150,000,000
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	214,510,562	197,771,340
	<u>318,510,562</u>	<u>301,771,340</u>
Non-Current Liabilities		
Deferred liabilities	79,654,772	86,919,599
Due to directors	30,500,000	30,500,000
Long term financing - secured	6,344,597	16,226,230
	<u>116,499,369</u>	<u>133,645,829</u>
Current Liabilities		
Trade and other payables	181,719,717	130,989,277
Accrued mark-up on bank finances	1,202,067	1,592,132
Current portion of long term financing	23,555,068	30,278,066
Short term bank finances - secured	40,253,868	68,689,539
Provision for taxation	16,740,000	16,625,000
	<u>263,470,720</u>	<u>248,174,014</u>
Contingencies and Commitments	5 -	-
Total Equity and Liabilities	<u><u>698,480,651</u></u>	<u><u>683,591,183</u></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, 2015 (Un-Audited)

	Note	For the Second Quarter ended		For the Half Year ended	
		December 31, 2015 (Rupees)	December 31, 2014 (Rupees)	December 31, 2015 (Rupees)	December 31, 2014 (Rupees)
Net sales	6	416,149,457	332,660,571	807,568,153	642,787,875
Cost of sales		(289,524,744)	(227,702,588)	(561,934,843)	(445,280,003)
Gross profit		126,624,713	104,957,983	245,633,310	197,507,872
Selling and distribution expenses		(93,829,137)	(74,001,648)	(177,195,852)	(140,217,044)
Administrative and general expenses		(8,182,574)	(9,711,580)	(20,478,793)	(19,100,716)
Other operating expenses		(1,574,226)	(1,308,925)	(3,047,447)	(2,202,337)
Other operating income		546,825	630,858	1,007,756	895,580
Operating profit		23,585,601	20,566,688	45,918,974	36,883,355
Finance costs		(2,234,565)	(4,422,411)	(4,815,447)	(8,684,498)
Profit before taxation		21,351,036	16,144,277	41,103,527	28,198,857
Taxation		1,136,596	(4,320,806)	(4,864,305)	(5,650,806)
Profit after taxation		22,487,632	11,823,471	36,239,222	22,548,051
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		22,487,632	11,823,471	36,239,222	22,548,051
Earning per share - basic and diluted		5.77	3.03	9.29	5.78

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, 2015 (Un-Audited)

	For the Half Year ended	
	December 31, 2015 (Rupees)	December 31, 2014 (Rupees)
Cash Generated from Operations		
Profit before taxation	41,103,527	28,198,857
Adjustments for:		
Depreciation	18,276,168	18,557,385
Amortization	273,106	275,350
Provision for gratuity	5,598,991	5,120,886
(Gain) / Loss on disposal of property, plant & equipment	1,107	125,246
Finance costs	4,815,447	8,684,498
Profit before working capital changes	28,964,819	32,763,365
(Increase) / decrease in Current Assets:		
Stores and spares	(568,080)	1,502,025
Stock -in -trade	3,394,819	39,075,049
Trade debtors	(28,341,575)	(12,208,556)
Loans and advances	(5,055,467)	(583,130)
Deposits and short term prepayments	(2,823,844)	(1,301,901)
	(33,394,147)	26,483,487
Increase / (decrease) in Current liabilities		
Trade & other payables	50,601,227	5,419,636
Cash generated from / (used in) operations	87,275,426	92,865,345
Payments for:		
Gratuity	(1,065,000)	(688,920)
Long term deposits	-	(11,500)
Long term loans and advances	(1,181,553)	1,766,009
Finance costs	(5,205,512)	(9,670,917)
Taxes	1,863,564	2,818,064
Net cash from operating activities	81,686,925	87,078,081
Cash Flow From Investing Activities		
Fixed capital expenditure including capital work-in-progress	(16,787,669)	(22,295,373)
Sales proceeds from disposal of property, plant & equipment	69,300	94,655
Net cash used in investing activities	(16,718,369)	(22,200,718)
Cash Flow From Financing Activities		
Dividend paid	(19,370,787)	(5,812,213)
Long term financing - diminishing musharakah receipts	-	16,402,462
Long term financing - diminishing musharakah payments	(16,604,631)	(14,811,440)
Net cash generated from / (used in) financing activities	(35,975,418)	(4,221,191)
Net (decrease) / increase in cash and cash equivalents	28,993,138	60,656,172
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	A (38,951,406)	(70,846,884)
A. Cash and Cash Equivalents		
Cash and bank balances	1,302,462	23,223,957
Short term bank finances	(40,253,868)	(94,070,841)
	(38,951,406)	(70,846,884)

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, 2015 (Un-Audited)

	Share Capital (Rupees)	Capital Reserve Share Premium (Rupees)	Revenue Reserve		Total (Rupees)
			General Reserve (Rupees)	Accumulated Profit (Rupees)	
Balance as at July 01, 2014	39,000,000	10,000,000	55,000,000	156,898,887	260,898,887
Dividend for the year June 30, 2014 - Final - @ Rs. 1.50 per share	-	-	-	(5,850,000)	(5,850,000)
Total comprehensive income for the half year ended December 31, 2014	-	-	-	22,548,051	22,548,051
Balance as at December 31, 2014	39,000,000	10,000,000	55,000,000	173,596,938	277,596,938
Balance as at July 01, 2015	39,000,000	10,000,000	55,000,000	197,771,340	301,771,340
Dividend for the year June 30, 2015 - Final - @ Rs. 5.00 per share	-	-	-	(19,500,000)	(19,500,000)
Total comprehensive income for the half year ended December 31, 2015	-	-	-	36,239,222	36,239,222
Balance as at December 31, 2015	39,000,000	10,000,000	55,000,000	214,510,562	318,510,562

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, 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., 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. The figures for the half year ended December 31, 2015 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, 2015.

3 Significant Accounting

3.1 Policies

Accounting policies adopted for the preparation of these half yearly 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.

3.2 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.

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

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning from July 01, 2015 but are not considered 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.

	Note	(Un-audited) Dec. 31, 2015 (Rupees)	(Audited) June 30, 2015 (Rupees)
4 Property, Plant & Equipment			
Operating fixed assets - at net book value	4.1	350,207,443	352,359,199
Capital work in progress - at cost		1,698,850	1,106,000
		<u>351,906,293</u>	<u>353,465,199</u>
4.1 Movement in operating fixed assets:			
Opening - at net book value		352,359,199	353,153,699
Add: Additions during the period	4.2	16,194,818	38,681,379
		368,554,017	391,835,078
Less: Depreciation charged during the period		(18,276,168)	(37,816,556)
Less: Disposals during the period - at net book value	4.2	(70,406)	(1,659,323)
		(18,346,574)	(39,475,879)
Closing - at net book value		<u>350,207,443</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)	
	Dec. 31, 2015 (Rupees)	June 30, 2015 (Rupees)	Dec. 31, 2015 (Rupees)	June 30, 2015 (Rupees)
Factory Building	-	520,418	-	-
Plant & machinery	15,767,373	35,477,312	-	1,291,384
Furniture & fixtures	-	1,001,200	-	18,282
Office equipments	169,968	542,460	7,998	213,782
Computer equipments	257,477	1,139,989	5,590	135,875
Vehicles	-	-	56,818	-
	<u>16,194,818</u>	<u>38,681,379</u>	<u>70,406</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 case 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. 90.59 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. 3.66 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) Dec. 31, 2015 (Rupees)	(Audited) June 30, 2015 (Rupees)
Later than one year but not later than three years	158,423	700,014
Not later than one year	1,397,971	3,066,242
	<u>1,556,394</u>	<u>3,766,256</u>

6 Net sales

	For the period Jul-Dec., 2015 (Rupees)	For the period Jul-Dec., 2014 (Rupees)
Sales - local	973,813,530	770,124,647
Discounts	(27,106,953)	(17,498,662)
	<u>946,706,577</u>	<u>752,625,985</u>
Sales tax and excise duties	(142,195,451)	(112,327,049)
	<u>804,511,126</u>	<u>640,298,936</u>
Sales - export	3,057,027	2,488,939
	<u>807,568,153</u>	<u>642,787,875</u>

7 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 Jul-Dec., 2015 (Rupees)	For the period Jul-Dec., 2014 (Rupees)
Associated company	Sale of goods	802,505,742	615,269,295
Staff retirement funds	Contribution to employees provident fund	2,014,613	1,788,973

8 Authorization

8.1 This condensed interim financial information was authorised for issue on February 11, 2016 by the board of directors of the Company.

9 General

9.1 Figures have been rounded off to the nearest rupee.



M. Haroon Qassim
Chief Executive



Vali Muhammad A. Habib
Director



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SHIELD CORPORATION LIMITED

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