



Annual Report 2004



SHIELD CORPORATION LTD

(An ISO 9000 and ISO 14000 certified company)

Company Information

Board of Directors

Mr. Ebrahim Qassim	Chairman
Mr. M. Haroon Qassim	Managing Director
Mr. Imran Chishti	Executive Director
Mr. Khawar M. Butt	Director
Mr. Vali Muhammad A. Habib	Director
Mr. Muhammad Jamil Qassim	Director
Mr. Muhammad Salman Qassim	Director

Board Audit Committee

Mr. Vali Muhammad A. Habib	Chairman
Mr. Muhammad Jamil Qassim	Member
Mr. Muhammad Salman Qassim	Member

Registered Office

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

Company Secretary

Mr. Muhammad Arif Dangra

Legal Advisor

Messrs. Husain & Haider
Advocates & Solicitors

Auditors

Gangat & Company
Chartered Accountants

Bankers

Habib Bank AG Zurich
Meezan Bank Limited
Metropolitan Bank Limited



Key Performance Measures

	2004	2003	2002
Gross Profit Margin (%)	37.11	31.13	31.33
Profit Margin (%)	3.43	3.90	10.65
Basic Earnings per Share (Rs.)	2.12	2.38	6.96
Return on Shareholders' Equity (%)	5.80	6.91	20.40
Operating Return (%)	5.60	7.33	18.72

Corporate Governance

Statement of Compliance with the best practices of code of Corporate Governance is annexed to this report.

Pattern of Share Holding

Pattern of share holding is annexed to this report.

Auditors

M/s. Gangat & Company, the auditors of the Company retire and are not eligible for reappointment, as per rotation clause contained in Code of Corporate Governance issued by SECP. However the management, based on the recommendation of the Audit Committee has made an application to SECP to seek their consent to continue the present auditors. In case the necessary approval is not received by the date of AGM, the Board of Directors, based on the recommendation of the Audit Committee, would recommend the appointment of M/s Haroon Zakaria & Company, Chartered Accountants, in place of the retiring auditors.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of SHIELD CORPORATION LIMITED as at June 30, 2004 and the related Profit and Loss Account, Cash Flow Statement, and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2004 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the central zakat fund established under section 7 of that Ordinance.

Date: September 24, 2004

Place: Karachi

Gangat & Company
Chartered Accountants



BALANCE SHEET

	Note	2004 (Rupees)	2003 (Rupees)
Capital and Liabilities			
Share Capital and Reserves			
Authorized Capital 10,000,000 (2003:10,000,000) Ordinary Shares of Rs.10 Each		100,000,000	100,000,000
Issued, Subscribed & Paid-up Capital 3,000,000 (2003:3,000,000) Ordinary Shares of Rs.10 Each Fully Paid in Cash		30,000,000	30,000,000
Reserve and Surplus			
Capital Reserve-Share Premium		10,000,000	10,000,000
Revenue Reserve-General		55,000,000	55,000,000
Unappropriated Profit		14,816,401	8,450,048
		79,816,401	73,450,048
Shareholders' Equity		109,816,401	103,450,048
Deferred Liabilities	4	10,256,780	10,748,861
Current Liabilities			
Short Term Bank Finances-Secured	5	11,753,887	33,225,763
Loan from a Director-Unsecured, Interest free and Payable on Demand		-	7,500,000
Creditors, Accrued and Other Liabilities	6	33,374,629	8,844,148
Provision for Taxation		3,500,000	1,000,000
Unclaimed Dividend		355,258	350,248
Proposed Dividend		-	6,000,000
		48,983,774	56,920,159
Contingencies and Commitments	7	-	-
		169,056,955	171,119,068

The Annexed Notes from 1 to 28 form an Integral Part of these Financial Statements.

AS AT JUNE 30, 2004

Assets	Note	2004 (Rupees)	2003 (Rupees)
Tangible Fixed Assets			
Operating Assets	8	94,692,096	99,432,010
Capital Work-in-Progress	9	5,367,500	2,078,000
		100,059,596	101,510,010
Current Assets			
Stores and Spares		4,900,308	5,202,798
Stock-in-Trade	10	51,160,284	35,035,290
Trade Debtors-Unsecured and Considered Good	11	2,601,299	8,256,645
Loans, Advances, Deposits, Prepayments and			
Other Receivables	12	10,038,651	13,249,536
Cash and Bank Balances	13	296,817	7,864,789
		68,997,359	69,609,058
		<u>169,056,955</u>	<u>171,119,068</u>

M. Haroon Qassim
Managing Director

Imran Chishti
Executive Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2004

	Note	2004 (Rupees)	2003 (Rupees)
Sales	14	185,839,287	183,241,324
Cost of Goods Sold	15	(116,883,394)	(126,198,986)
Gross Profit		68,955,893	57,042,338
Operating Expenses			
Administrative and Selling	16	59,445,965	40,080,492
Financial	17	1,044,566	604,675
		(60,490,531)	(40,685,167)
Net Operating Profit		8,465,362	16,357,171
Other Income and Charges			
Non-Operating Income	18	1,699,337	1,819,346
Other Charges	19	(704,683)	(677,152)
Bad Debts Written Off		-	(4,953,807)
		994,654	(3,811,613)
Net Profit for the Year before Taxation		9,460,016	12,545,558
Taxation	20	(3,093,663)	(5,399,817)
Profit after Taxation		6,366,353	7,145,741
Un-appropriated Profit brought forward		8,450,048	7,304,307
Profit Available for Appropriation		14,816,401	14,450,048
Appropriation			
Proposed Dividend @ Rs. Nil Per Share (2003: Rs. 2 Per Share)		-	(6,000,000)
Un-appropriated Profit carried forward		14,816,401	8,450,048
Basic Earnings Per Share	21	2.12	2.38

The Annexed Notes from 1 to 28 form an Integral Part of these Financial Statements.

M. Haroon Qassim
Managing Director

Imran Chishti
Executive Director



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2004

	Note	2004 (Rupees)	2003 (Rupees)
Cash Flow from Operating Activities			
Cash Generated from Operations	A	39,094,966	38,201,952
Gratuity Paid		(1,191,706)	(2,567,219)
Financial Charges Paid		(1,012,159)	(542,768)
Taxes Paid		(359,005)	(5,336,023)
Net Cash from Operating Activities		36,532,096	29,755,942
Cash Flow from Investing Activities			
Fixed Capital Expenditure Including Capital Work-in-Progress		(13,699,852)	(44,726,097)
Sale Proceeds from Disposal of Fixed Assets		4,566,650	1,210,262
Net Cash Used in Investing Activities		(9,133,202)	(43,515,835)
Cash Flow from Financing Activities			
Dividend Paid		(5,994,990)	(14,961,113)
(Repayment)/ Loan from a Director		(7,500,000)	7,500,000
Net Cash Used in Financing Activities		(13,494,990)	(7,461,113)
Net Increase/(Decrease) in Cash and Cash Equivalents		13,903,904	(21,221,006)
Cash and Cash Equivalent at the Beginning of the Year		(25,360,974)	(4,139,968)
Cash and Cash Equivalent at the End of the Year	B	(11,457,070)	(25,360,974)
A. Cash Flow from Operating Activities			
Profit Before Taxation		9,460,016	12,545,558
Adjustment for Non-Cash Charges and Other Items:			
Depreciation		12,106,911	12,074,331
Provision for Gratuity		1,299,625	1,199,440
Gain on Disposal of Fixed Assets		(1,523,295)	(381,576)
Financial Charges		1,044,566	604,675
Profit Before Working Capital Changes		22,387,823	26,042,428
(Increase)/Decrease in Current Assets:			
Stores and Spares		302,490	745,402
Stock in Trade		(16,124,994)	6,663,516
Trade Debtors		5,655,346	3,592,152
Loans, Advances, Deposits, Prepayments and Other Receivables (Excluding Income Tax)		2,376,227	1,654,415
		(7,790,931)	12,655,485
Increase/(Decrease) in Current Liabilities:			
Creditor, Accrued and other Liabilities (Excluding Accrued Markup)		24,498,074	(495,961)
Net (Increase)/Decrease in Working Capital		16,707,143	12,159,524
Cash Generated from Operations		39,094,966	38,201,952
B. Cash and Cash Equivalents			
Cash and Bank Balances		296,817	7,864,789
Short Term Bank Finances		(11,753,887)	(33,225,763)
		(11,457,070)	(25,360,974)

The Annexed Notes from 1 to 28 form an Integral Part of these Financial Statements.

M. Haroon Qassim
Managing Director

Imran Chishti
Executive Director



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2004

	Share Capital (Rupees)	Capital Reserve Share Premium (Rupees)	Revenue Reserve		Total (Rupees)
			General Reserve (Rupees)	Unappropriated Profit (Rupees)	
Balance as at June 30, 2002	30,000,000	10,000,000	55,000,000	7,304,307	102,304,307
Profit after taxation for the Year Ended June 30, 2003	-	-	-	7,145,741	7,145,741
Dividend	-	-	-	(6,000,000)	(6,000,000)
Balance as at June 30, 2003	30,000,000	10,000,000	55,000,000	8,450,048	103,450,048
Profit after taxation for the Year Ended June 30, 2004	-	-	-	6,366,353	6,366,353
Proposed Dividend	-	-	-	-	-
Balance as at June 30, 2004	30,000,000	10,000,000	55,000,000	14,816,401	109,816,401

The Annexed Notes from 1 to 28 form an Integral Part of these Financial Statements.

M. Haroon Qassim
Managing Director

Imran Chishti
Executive Director