



A STRONGER
SHIELD.

A BETTER
FUTURE



SHIELD CORPORATION LTD
(An ISO 9001 and ISO 14001 certified company)

2005
ANNUAL REPORT





COMPANY INFORMATION

Board of Directors

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

Messrs. Hassan & Humayun Associates
Advocates & Solicitors

Auditors

Gangat & Company
Chartered Accountants

Bankers

Habib Bank AG Zurich
Meezan Bank Limited
Metropolitan Bank Limited

DIRECTOR'S REPORT TO THE SHAREHOLDERS

It is my privilege to present the Audited Financial Statements and results of the company for the year ending June 30, 2005 on behalf of the Board of Directors

Financial Performance	2005 (Rupees)	2004 (Rupees)
Sales	251,420,574	185,839,287
Profit after Taxation	4,407,157	6,366,353
Un-appropriated Profit Brought Forward	14,816,401	8,450,048
Profit Available for Appropriation	19,223,558	14,816,401
Basic Earning Per Share	1.47	2.12

Management Summary

Financial results of the company should be viewed in the context of the following factors, which impacted upon the operations of this year:

1. Sales for the year closed at Rs. 251.42 million, recording an increase of 35.3% over the last year.
2. This increase was achieved due to successful implementation of a series of turnaround actions aimed at taking the Company in a new direction, and also due to expansion of the product portfolio.
3. IMS – Integrated Management System has been implemented. This includes ISO 9001: 2000 Quality Management System and ISO 14000 Environmental Management System. Both these certifications have elevated Shield to a new quality conscious organization and the focus of the team is on quality and improved systems.
4. An aggressive marketing plan was prepared for the year under review which gave the company much needed impetus to grow and excel amid tough competition.
5. Rs. 55.40 million were invested in Advertisement and Sales promotion this year as compared to last year's investment of Rs. 26.62 million, this itself is an increase of 108% over the last year. This investment was necessary for the launch of new products and to support the existing products – A BRAND BUILDING INVESTMENT.
6. Increase in investment in advertisement and sales promotion lead to decline in profit after taxation to Rs. 4.40 million as compared to Rs. 6.36 million last year. Management is confident that the increase in investment in advertising and sales promotion will pay off in the coming years.
7. The Board of Directors is pleased to announce 12.50% dividend for this financial year. The Directors would like to draw your attention to note (b)(i) of the auditors' report relating to note no. 3.1 and 24 to the financial statements.
8. The Board of Directors have decided to write off obsolete assets (mould of excel products) amounting to Rs. 3.9 million at W.D.V. which are no longer in use.

New Products

A NEW PRODUCT COMMITTEE was formed to recommend line extension to the existing products and indentifying potential new categories. The Management is happy to report that products in two new categories were launched which shows great promise.

Blessings - After careful consideration and market research it was decided to launch a specialized product range targeting the infant and the children segment. For marketing this range of products "BLESSING" as the brand name was selected conveying the meaning that the range of carefully designed, elegantly packaged, and reasonably priced products would indeed be a "Blessing" both for the babies as well as for their loving mothers. Venture in this new territory brings synergy to the existing portfolio. This product category is growing at a rapid pace, as there is still a dearth of quality and innovative products. Blessings range includes the following products:

- Lotion:** Suitable for new born as well as for their mothers.
Oil: A small segment but requires a good quality product
Shampoo: A very potential product category as there are not many baby shampoos available, moreover this is suitable for the mothers as well.
Powder: Again a potential product.
Soap: A small segment
Feeders: Premium pricing

Key Performance Measures

	2005	2004	2003
Gross Profit Margin (%)	40.02	37.11	31.13
Net Profit Margin (%)	1.75	3.43	3.90
Basic Earnings per Share (Rs.)	1.47	2.12	2.38
Return on Shareholders' Equity (%)	3.86	5.80	6.91
Operating Return (%)	4.33	5.60	7.33

Corporate Governance

Statement of compliance with the best practices of code of corporate governance is annexed to this report.

Board Meetings

During the year five (5) meetings of the Board of Directors were held. Attendance by each director is as follows:

S. No.	Name of Director	Number of Meetings Attended
1.	Mr. Ebrahim Qassim	5
2.	Mr. M. Haroon Qassim	5
3.	Mr. Khawar M. Butt	5
4.	Mr. Vali Muhammad A. Habib	5
5.	Mr. Muhammad Jamil Qassim	5
6.	Mr. Muhammad Salman Qassim	5
7.	Mr. Imran Chishti	5

Pattern of Share Holding

Pattern of share holding is annexed to this report.

Auditors

The present auditors M/s. Gangat & Company, Chartered Accountants retire and being eligible offer themselves for reappointment. A notice has been received from a member of the Company u/s 253(1) of the Companies Ordinance, 1984 for change of auditors of the Company.

The Board of Directors, in their meeting held on September 23, 2005, based on the recommendation of audit committee, proposed the name of M/s. Haroon Zakaria & Company, Chartered Accountants, as auditors of the Company in place of Gangat & Company, Chartered Accountants, for the year ended June 30, 2006.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of SHIELD CORPORATION LIMITED as at June 30, 2005 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 purposes 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, except for the change referred to in note no. 3.1 and 24 to the financial statement with which we concur;
 - 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, 2005 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 23, 2005
Place: Karachi

Gangat & Company
Chartered Accountants

BALANCE SHEET

Capital and Liabilities

	Note	2005 (Rupees)	2004 (Rupees)
Share Capital and Reserves			
Authorised Capital 10,000,000 (2004: 10,000,000) Ordinary shares of Rs.10/- Each		100,000,000	100,000,000
Issued, Subscribed & Paid-up Capital 3,000,000 (2004: 3,000,000) Ordinary shares of Rs.10/- Each fully Paid in Cash		30,000,000	30,000,000
Reserve and Surplus			
Capital Reserve -Shares Premium		10,000,000	10,000,000
Revenue Reserve-General		55,000,000	55,000,000
Un-appropriated Profit		19,223,558	14,816,401
		84,223,558	79,816,401
Shareholders' Equity		114,223,558	109,816,401
Deferred Liabilities	4	13,222,867	10,256,780
Current Liabilities			
Creditors, Accrued and Other Liabilities	5	30,267,111	33,374,629
Unclaimed Dividend		355,046	355,258
Short Term Bank Finances - Secured	6	18,159,675	11,753,887
Provision for Taxation		175,000	3,500,000
		48,956,832	48,983,774
Contingencies and Commitments	7	-	-
		176,403,257	169,056,955

The Annexed Notes from 1 to 29 form an Integral Part of these Financial Statements.

AS AT JUNE 30, 2005

Assets	Note	2005 (Rupees)	2004 (Rupees)
Tangible Fixed Assets			
Operating Assets	8	98,824,145	94,692,096
Capital Work-in-Progress	9	4,690,000	5,367,500
		103,514,145	100,059,596
Current Assets			
Stores and Spares		4,811,030	4,900,308
Stock-in-Trade	10	57,746,527	51,160,284
Trade Debtors - Unsecured and Considered Good	11	1,385,548	2,601,299
Loans, Advances, Deposits, Prepayments and			
Other Receivables	12	8,620,505	10,038,651
Cash and Bank Balances	13	325,502	296,817
		72,889,112	68,997,359
		<u>176,403,257</u>	<u>169,056,955</u>

M. Haroon Qassim
Managing Director

Vali Muhammad A. Habib
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2005

	Note	2005 (Rupees)	2004 (Rupees)
Sales	14	251,420,574	185,839,287
Cost of Goods Sold	15	(150,794,869)	(116,883,394)
Gross Profit		<u>100,625,705</u>	<u>68,955,893</u>
Operating Expenses			
Administrative and Selling	16	87,517,006	59,445,965
Financial	17	1,434,596	1,044,566
		(88,951,602)	(60,490,531)
Net Operating Profit		<u>11,674,103</u>	<u>8,465,362</u>
Other Income and Charges			
Non-Operating Income	18	269,587	1,699,337
Other Charges	19	(4,303,870)	(704,683)
		(4,034,283)	994,654
Net Profit for the Year before Taxation		<u>7,639,820</u>	<u>9,460,016</u>
Taxation	20	(3,232,663)	(3,093,663)
Net Profit for the Period after Taxation		<u>4,407,157</u>	<u>6,366,353</u>
Un-appropriated Profit brought forward		14,816,401	8,450,048
Un-appropriated Profit carried forward		<u>19,223,558</u>	<u>14,816,401</u>
Basic Earnings Per Share	21	<u>1.47</u>	<u>2.12</u>

The Annexed Notes from 1 to 29 form an Integral Part of these Financial Statements.

M. Haroon Qassim
Managing Director

Vali Muhammad A. Habib
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2005

	Note	2005 (Rupees)	2004 (Rupees)
Cash Flow From Operating Activities			
Cash Generated from Operations	A	17,797,758	39,094,966
Gratuity Paid		(1,547,020)	(1,191,706)
Financial Charges Paid		(1,163,610)	(1,012,159)
Taxes Paid		(1,951,432)	(359,005)
Net Cash from Operating Activities		<u>13,135,696</u>	<u>36,532,096</u>
Cash Flow from Investing Activities			
Fixed Capital Expenditure Including Capital Work-in-Progress		(19,935,087)	(13,699,852)
Sale Proceeds from Disposal of Fixed Assets		422,500	4,566,650
Net Cash Used in Investing Activities		<u>(19,512,587)</u>	<u>(9,133,202)</u>
Cash Flow from Financing Activities			
Dividend Paid		(212)	(5,994,990)
(Repayment)/Loan from Director		-	(7,500,000)
Net Cash Used in Financing Activities		<u>(212)</u>	<u>(13,494,990)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents		<u>(6,377,103)</u>	<u>13,903,904</u>
Cash and Cash Equivalent at the Beginning of the Year		(11,457,070)	(25,360,974)
Cash and Cash Equivalent at the End of the Year	B	<u>(17,834,173)</u>	<u>(11,457,070)</u>
A. Cash Generated from Operations			
Profit Before Taxation		7,639,820	9,460,016
Adjustment for Non-Cash Charges and Other Items:			
Depreciation		12,222,627	12,106,911
Provision for Gratuity		1,613,107	1,299,625
Gain on Disposal of Fixed Assets		(69,254)	(1,523,295)
Fixed Assets Written-off		3,904,665	-
Financial Charges		1,434,596	1,044,566
Profit Before Working Capital Changes		<u>26,745,561</u>	<u>22,387,823</u>
(Increase)/Decrease in Current Assets:			
Stores and Spares		89,278	302,490
Stock in Trade		(4,844,605)	(16,124,994)
Trade Debtors		1,215,751	5,655,346
Loans, Advances, Deposits, Prepayments and Other Receivables (Excluding Income Tax)		<u>(2,029,723)</u>	<u>2,376,227</u>
		(5,569,299)	(7,790,931)
Increase/(Decrease) in Current Liabilities:			
Creditors, Accrued and other Liabilities (Excluding Accrued Markup)		<u>(3,378,504)</u>	<u>24,498,074</u>
Cash Generated from Operations		<u>17,797,758</u>	<u>39,094,966</u>
B. Cash and Cash Equivalents			
Cash and Bank Balances		325,502	296,817
Short Term Bank Finances		(18,159,675)	(11,753,887)
		<u>(17,834,173)</u>	<u>(11,457,070)</u>

The Annexed Notes from 1 to 29 form an Integral Part of these Financial Statements.

M. Haroon Qassim
Managing Director

Vali Muhammad A. Habib

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2005

	Share Capital (Rupees)	Capital Reserve	Revenue Reserve		Total (Rupees)
		Share Premium (Rupees)	General Reserve (Rupees)	Unappropriated Profit (Rupees)	
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
Balance as at June 30, 2004	30,000,000	10,000,000	55,000,000	14,816,401	109,816,401
Profit after taxation for the year Ended June 30, 2005	-	-	-	4,407,157	4,407,157
Balance as at June 30, 2005	30,000,000	10,000,000	55,000,000	19,223,558	114,223,558

The Annexed Notes from 1 to 29 form an Integral Part of these Financial Statements.

M. Haroon Qassim
Managing Director

Vali Muhammad A. Habib
Director