

# Promises

Signed to be delivered



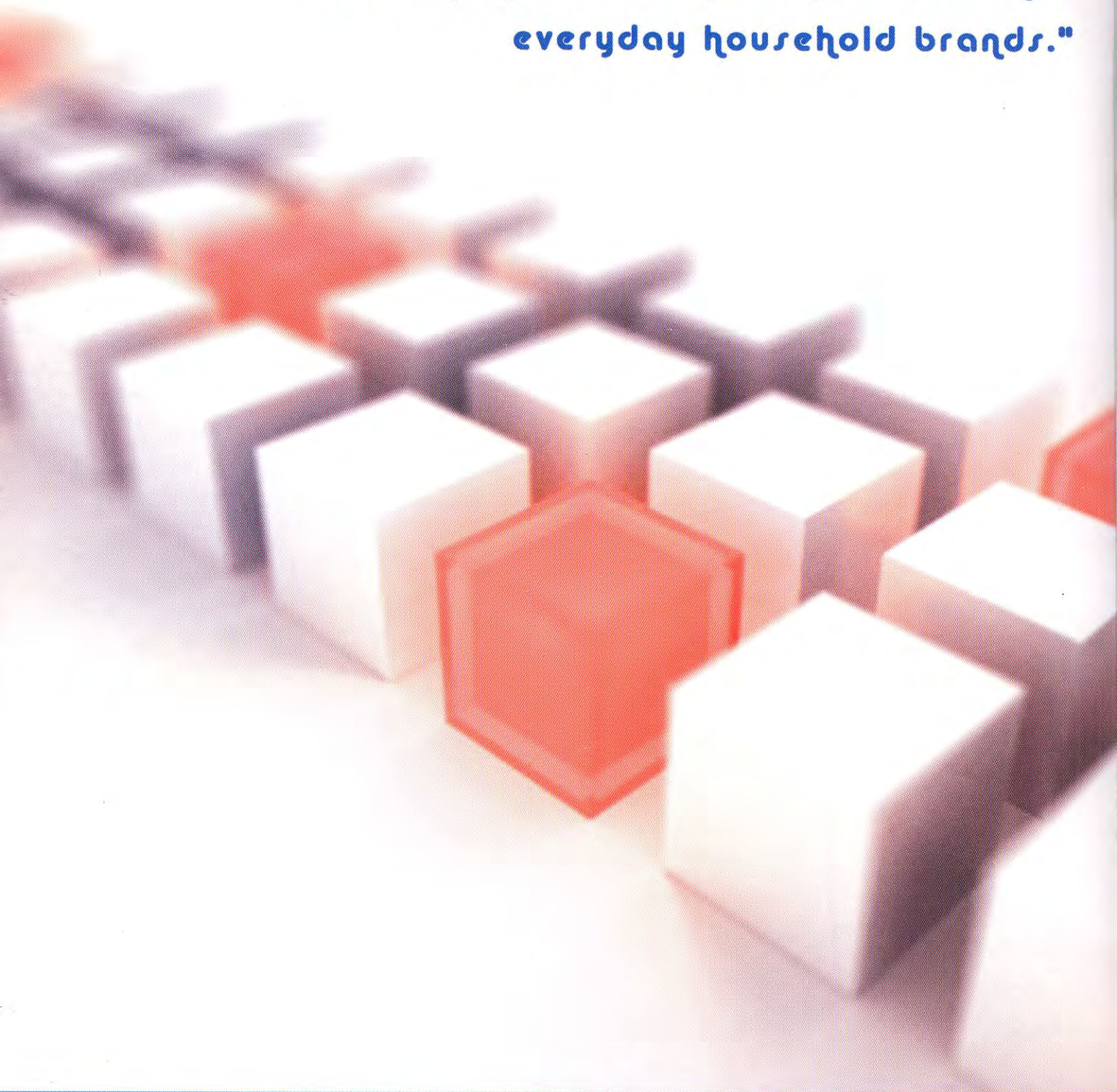
**S** *Shield*<sup>®</sup> **08**  
annual report

**SHIELD CORPORATION**

(An ISO 9001 and ISO 14001 certified company)



**"We continue to turn our products into  
everyday household brands."**





# the vision

"To become the best personal and household care company and amongst the most trusted names in product categories we decide to be in."

**"We believe in growing with compassion."**





# the mission

*"To be the best consumer products company  
by focusing on quality, consumer needs  
and marketing excellence, while maintaining  
an ethical code of conduct, showing care  
and compassion towards employees,  
being fair to all shareholders and  
symbolizing responsible corporate citizenship."*

"Packaging your everyday household needs, since 1975"





## the history

Through constant innovation and development, Shield has established itself as the leader in oral and baby care.

Shield continuously strives to develop new products and services through extensive research and development that are tailored for absolute consumer satisfaction now and in the future.

# سجھ دار ماؤں کا انتخاب



**Brands**  
of the year  
**Award**  
2006







# milestones

"As always, Shield tries to fill every aspect of your needs.

This year we have provided mothers with a baby friendly diaper range. From the newborn gurgle, through clumsy crawl, to the first step and beyond, Shield Baby Diapers sooth and comfort little ones and escort caring mothers, with their support in all possible ways."

# CINNAMON FLAVOUR



**Brands**<sup>TM</sup>  
of the year  
**Award**  
2006



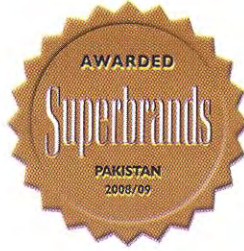
نیں... ذرا اور کھلا کے

# *milestones*

*"A global standard Toothpaste gives you satisfied smiles  
and a promise to keep your teeth  
strong and gums healthy."*



**Brands**  
of the year  
**Award**  
2006



ہنسو... ذرا اور کھلیلا کے



# stir in the market

"We take pride in our oral care range  
specially our variety of toothbrushes  
that caters to everyone's needs.

It's not for nothing that we say  
there's one right for everyone."

# سمجہ دار ماؤں کا انتخاب



Brands  
of the year  
Award  
2006



# stir in the market

"Walking hand in hand, Shield Baby Care  
range has forever been there to give  
motherhood a loving boost."

# stir in the market

"Blessings is a home grown revolution,  
the first kids' brand you can really call your own."

Proud to present an attractively packaged portfolio  
of baby care range, Blessings strives to be the most  
preferred baby care brand of Pakistan.

Well suited to babies, Blessings toiletries range  
of shampoo, powder, lotion, soap and oil is a gentle  
protector and the Blessings Feeders, teethers, nipples and  
soothers aim to fulfill their growing needs.



# ... سہاگہارے ساتھ





Shah Vilayat School ↗  
Factory visit

Retailer event, Lahore ↓

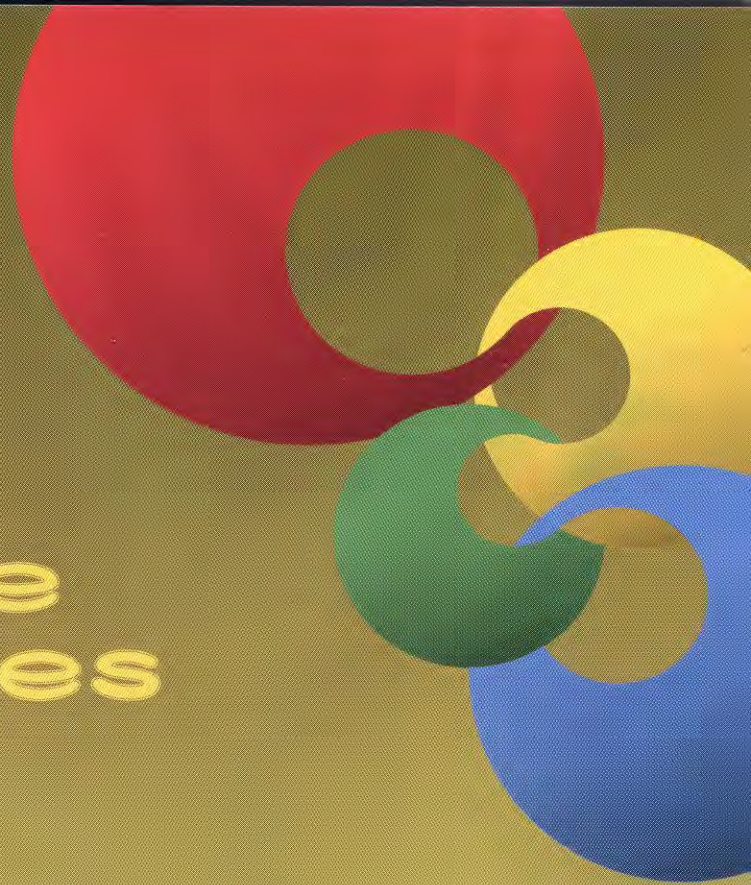


Down Lifestyle ↓



Retailer event, Karachi ↗

corporate  
activities



Newsletters!

MOTHER'S

BLESSINGS

Vol.1 Issue 2  
(April - June 2008)



Who says mothers know it all? At Blessings we aim to help you from pre-pregnancy till your baby's teen years with the new mother blessings newsletter circulated within you. Now get tips, tricks, information, food know how and baby formulas all conveniently located within our

“ We’re pleased to announce the launch of two successful newsletters this year at Shield Corporation! ”

brand new internal newsletter that brings employees, management and stakeholders alike up to speed on the latest developments and happenings at Shield! A mix of news, views, internal reviews and updates that keeps everyone entertained and informed!

January-March 2008

# Quest

INTERNAL NEWSLETTER

From the house of  **Shield**

## *Editor's* Note

Please accept my congratulations for winning not in one but two categories of the Brands of the Year Awards 2006. It is a great moment for all of us to rejoice and take a bow on achieving this milestone. It's time to celebrate and focus on the future and may Allah give us the strength to achieve many more successes in the future.

M. Haroon Qassim

## *Managing Director's* Note

Dear Shield family,

This issue of Quest comes with mixed feelings. On one side, there is celebration of winning two awards and doing highest ever sales in November 2007; while on the other hand, the political uncertainty that is not only hurting the business but also hurting our country as a whole. It gives me great pleasure to share the celebration of receiving two Brand of the Year awards from the former Prime Minister Mr. Shaukat Aziz on behalf of all of you. Winning these awards became a reality only because of your relentless efforts to excel in your relevant field of expertise.

Also, I am proud of the way that you all are coping with the volatile situation in the country to take your company Shield to a greater success. May Allah bring peace and harmony in the lives of all Muslims, especially Pakistanis.

Sincerely,

M. Haroon Qassim

 **Shield**   
annual report



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"Sharing our love and vision with the world."

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# CORPORATE PHILOSOPHY

## CORPORATE VISION & MISSION

Your Management moving with measured speed has succeeded in transforming your company and making it the leading household name, within Pakistan and abroad, for everything a caring family with young children would need to safeguard their health and make your company a symbol of dynamism, an epitome of corporate responsibility.

## ORGANIZATION EXCELLENCE

Participative management is the norm. Initiative is encouraged, as are differing ideas. Goal-oriented approach is the hallmark and decision-making decentralized. **Shield** has a team of young professionals, with “can do” approach rearing to accept challenges. Training and development are an ongoing process at every level, and management style is not a set of rules, rather an evolving concept.

## CORPORATE CITIZENSHIP & SOCIAL RESPONSIBILITY

The management firmly believes in doing business with a purpose. We seek opportunities to contribute towards society by supporting worthy causes, which add value to the lives of people. This year a sum of rupees 1.0 million was donated to various charitable institutions. Fostering education and knowledge is the core area. A significant part of the marketing budget is allocated to support these activities. Beside, utmost care is taken in designing all corporate communications to ensure that cultural, social and moral values are upheld.

## MARKETING PHILOSOPHY

Marketing philosophy at Shield reflects commitment towards good corporate citizenship. Instead of adopting a run-of-the-mill marketing approach, progressive thinking is fostered which not only helps in achieving our marketing objectives, but helps further enhance your company image of a respectable, responsible and responsive entity. **Shield** endeavors improved marketing communications by coming up with concepts which are meaningful and aimed at triggering a behavioral change at the consumer level. Sponsoring **school health programs, initiating awards and scholarships** at schools, colleges and universities, **supporting art and literature** and providing help to selected NGOs are some of the activities. Our marketing objectives aim largely at increasing visibility and exposure to the consumer through media promotion and ground activities on a regular basis.



# COMPANY INFORMATION

## Board of Directors

Mr. Ebrahim Qassim	Chairman
Mr. M. Haroon Qassim	Managing Director
Mr. Vali Muhammad A. Habib	Director
Mr. Zamiruddin Ahmed	Director
Ms. Saadia Butt Naveed	Director
Mr. Muhammad Jamil Qassim	Director
Mr. Muhammad Salman Qassim	Director

## Audit Committee

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

## Company Secretary

Mr. Muhammad Arif Dangra

## Legal Advisors

Messrs. Hassan & Humayun Associates  
Advocates & Solicitors

## Auditors

Moochhala Gangat & Co.,  
Chartered Accountants

## Bankers

Habib Metropolitan Bank Limited  
Meezan Bank Limited

## Registered Office

401, 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.

## E-mail & URL

mail@shield.com.pk  
www.shield.com.pk

# KEY FINANCIAL DATA

SIX YEARS AT A GLANCE

	2008	2007	2006	2005	2004	2003
<b>Profit and Loss Account</b>	Rupees					
Sales	443,521,032	372,604,442	315,228,783	251,420,574	185,839,287	183,241,324
Cost of Sale	301,785,595	228,023,712	185,922,091	150,794,869	116,883,394	126,198,986
Gross profit	141,735,437	144,580,730	129,306,692	100,625,705	68,955,893	57,042,338
Selling	105,966,940	106,287,018	90,964,894	76,276,544	49,599,119	31,259,536
Administrative	18,722,473	17,902,480	15,142,894	11,240,462	9,846,846	8,820,956
Financial	7,185,970	6,624,248	4,437,938	1,434,596	1,044,566	604,675
Other charges	701,569	843,683	1,100,117	4,303,870	704,683	677,152
Non-Operating Income	271,326	306,680	241,376	269,587	1,699,337	1,819,346
Provision for Doubtful debts	-	-	-	-	-	4,953,807
Profit before taxation	9,429,811	13,229,981	17,902,225	7,639,820	9,460,016	12,545,558
Taxation	3,658,133	4,000,000	4,499,010	3,232,663	3,093,663	5,399,817
Profit after taxation	5,771,678	9,229,981	13,403,215	4,407,157	6,366,353	7,145,741
<b>Financial Position</b>						
Paid-up Capital	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Reserves & Surplus	99,878,432	98,606,754	93,876,773	84,223,558	79,816,401	73,450,048
Shareholders' equity	129,878,432	128,606,754	123,876,773	114,223,558	109,816,401	103,450,048
Deferred Liabilities	25,996,804	19,570,050	17,612,660	13,222,867	10,256,780	10,748,861
Current Liabilities	144,241,898	142,724,481	64,803,497	48,956,832	48,983,774	56,920,159
Total Liabilities	300,117,134	290,901,285	206,292,930	176,403,257	169,056,955	171,119,068
Fixed Assets	154,781,634	125,250,513	114,578,268	103,514,145	100,059,596	101,510,010
Current Assets	145,335,500	165,650,772	91,714,662	72,889,112	68,997,359	69,609,058
Total Assets	300,117,134	290,901,285	206,292,930	176,403,257	169,056,955	171,119,068

## FINANCIAL RATIOS

	2008	2007	2006	2005	2004	2003
<b>Performance Measures</b>						
Return on Shareholders' Equity (%)	4.44	7.18	10.82	3.86	5.80	6.91
Operating Return (%)	3.14	4.55	8.68	4.33	5.60	7.33
Dividend Per Share (Rs)	1.00	1.50	1.50	1.25	-	2.00
<b>Profitability Measures</b>						
Gross Profit Margin (%)	31.96	38.80	41.02	40.02	37.11	31.13
Profit Margin (%)	1.30	2.48	4.25	1.75	3.43	3.90
Basic Earning per share (Rs.)	1.92	3.08	4.47	1.47	2.12	2.38
<b>Tests of Investment Utilization</b>						
Asset Turnover (Times)	1.48	1.28	1.53	1.43	1.10	1.07
Receivables (Days)	6.68	34.40	2.01	2.01	5.11	16.45
Inventory (Days)	120.12	172.70	144.22	139.85	159.76	101.33
Receivable Turnover (Times)	54.62	10.61	181.31	181.46	71.44	22.19
Inventory Turnover (Times)	3.04	2.11	2.53	2.61	2.28	3.60
<b>Tests of Financial Condition</b>						
Current Ratio (Times)	1.01	1.16	1.42	1.49	1.41	1.22
Acid-test Ratio (Times)	0.30	0.37	0.21	0.21	0.26	0.52
Debt/Equity Ratio (%)	20.02	15.22	14.22	11.58	9.34	10.39
Interest Earned (Times)	1.80	2.39	4.02	6.33	10.06	21.75
Book value per share (Rs)	43.29	42.87	41.29	38.07	36.61	34.48
Return on Assets (%)	3.14	4.55	8.68	4.33	5.60	7.33

# NOTICE OF THE MEETING

Notice is hereby given that the 36<sup>th</sup> Annual General Meeting of the Shareholders of the Company will be held on Tuesday, October 07, 2008 at 3:00 p.m at the Factory situated at Plot No. 368/4&5, Landhi Industrial Area, Baldia Road, Karachi to transact the following business.

1. To confirm the minutes of the last Extra Ordinary General meeting held on April 29, 2008.
2. To receive consider and adopt the Audited Financial Statement for the year ended June 30, 2008 alongwith Auditors' and Directors' report thereon.
3. To consider and approve the payment of the cash dividend as recommended by the Board of Directors.
4. To appoint Auditors of the Company for the year ending June 30, 2009 and fix their remuneration.
5. To transact any other ordinary business with the permission of the Chair.

By order of the Board

Karachi: September 01, 2008

Muhammad Arif Dangra  
Company Secretary

## Notes:

1. The share transfer book of the Company will remain closed from 01-10-2008 to 07-10-2008 (both days inclusive) and no transfer will be accepted for registration during this period. The members whose names appear in the register of members as at close of business on September 30, 2008 will qualify for the payment of dividend.
2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote for him/her. Proxies in order to be effective must be received at the registered office of the Company not less than 48 hours before the time of holding the meeting.
3. Members are requested to communicate to the Company of any change of their address .
4. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in circular I dated January 26, 2000 issued by SECP

## A. For Attending the Meeting

1. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration detail are uploaded as per the regulations, shall authenticate his identity by showing his original Computerised National Identity Card (CNIC) or original passport at the time of attending the meeting.
2. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

## B. For Appointing Proxies

1. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration detail are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
2. Attested copies of CNIC or passport of beneficial owner and the proxies shall be furnished with the proxy form.
3. The proxy shall produce his original CNIC or passport at the time of the meeting.
4. In case of corporate entity, the Board of Directors' resolution/ power of attorney with the specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

# DIRECTORS' REPORT TO THE SHAREHOLDERS

We take great pleasure in presenting the Annual Report along with the audited financial statements and management accomplishments for the year ended June 30, 2008.

	2008 (Rupees)	2007 (Rupees)
<b>Financial Performance</b>		
Sales	443,521,032	372,604,442
Profit after Taxation	5,771,678	9,229,981
Un-appropriated Profit Brought Forward	33,606,754	28,876,773
Profit Available for Appropriation	39,378,432	38,106,754
Basic Earning Per Share	1.92	3.08

## Management Summary

These Financial results should be reviewed in the context of the uncertainties, both economical as well as political, which had persisted throughout the year.

1. By concentrating on the products already launched and further strengthening the marketing efforts on the traditional lines your company succeeded in achieving a turnover of over Rs. 443 million which was more than 19 % higher than the last year.
2. Your management would like to emphasize that costs are increasing across the board whereas our selling price is not increased to cover the full impact. Moreover, new products have a very low margin due to competitive nature of the products. This has also resulted in lower EPS as well as lower profitability overall.
3. Investment in advertising and sales promotion, which has been maintained since the last few years, and which has lead to a decline in the profits should be viewed as investment to retain and indeed further enhance the leadership position of your company. Your management is confident that sustained judicious increases in investment in advertising and sales promotion will, InshaAllah, improve profitability in the coming years.
4. The Board of Directors is pleased to announce 10% dividend for this financial year.

## New Products

Shield tooth paste, in two flavors launched in August 2006 is gradually gathering strength all over the country. Management's confidence in the product is the focused marketing strategy adopted and in the highly popular advertising campaign launched has been redirected. As was natural the increasing share Shield toothpaste is taking of the market the competition has become very active thereby posing a serious challenge to Shield tooth paste. Your management is nevertheless confident in their ability to meet not only the looming threats but to continue to move forward and make Shield Toothpaste one of the leading brands.

Going forward, the management is working on rationalizing the product portfolio of oral and baby care categories. You will see some marked changes and the whole process will InshaAllah lead Shield in the forefront and will help Shield to keep leadership position.

The management is also working on developing new segments in the existing category as well as completely new category. Your management has a long term vision and remains committed to enhancing the Company's image, quality of products, and the range of products and categories. Our main goal is to introduce new products in existing categories, and simultaneously venture into new synergistic categories.

### **Investments and New Machineries**

Your management strongly believes in ongoing quest of excellence and innovation in products. For this reason, investment in new machines has been made:

1. Latest model Injection Moulding machine, Feeder printing machine, Injection blow Moulding Machine and Moulds were installed at a cost of Rs. 25.52 million, giving the company the capability to compete in the high- price / top-quality feeders, Nipples and Training Cup.
2. The management would like to reaffirm its commitment to aggressively but judiciously invest in plant and machinery to ensure long-term competitiveness and products innovation.

### **Exports**

Your management is aggressively exploring export markets. A dedicated department has been established and your company is participating in various exhibitions worldwide to display the products, seek orders, appoint distributors and marketing partners.

We were successful in exporting small consignments to Yemen, Tanzania, Saudi Arabia and Kuwait. We expect repeat orders from these countries and aim to go all out to marketing Shield's products in these countries as well as explore new markets.

### **Future Outlook**

The rampant increase in inflation remains a cause for concern which affects the purchasing power of the consumer. Overall economic and political turmoil which our country is facing will impact upon the next year's operations.

Due to tremendous increase in the oil prices, prices of plastics had been directly affected. Raw material & Packing material prices increased across the board by 10 to 20% and in some cases as high as 25%. This increase affected our costs. Your management has increased prices by 5 to 10% in few products while in some cases decided to absorb the cost increase. Your management has a challenge on their hands. Containing costs and improving efficiency is a continuous challenge and InshaAllah your management is prudent to take the best possible action.

For next year our priorities are to sustain our top-line growth. We will continue to invest in the brands and are confident that going forward this investment will pay off.

<b>Key Performance Measures</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Gross Profit Margin (%)	31.96	38.80	41.02
Profit Margin (%)	1.30	2.48	4.25
Basic Earnings per Share (Rs.)	1.92	3.08	4.47
Return on Shareholders' Equity (%)	4.44	7.18	10.82
Operating Return (%)	3.14	4.55	8.68

### 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 Directors	Numbers of Meeting Attended
1.	Mr. Ebrahim Qassim	5
2.	Mr. M. Haroon Qassim	5
3.	Mr. Vali Muhammad.A.Habib	5
4.	Mr. Zamiruddin Ahmed	5
5.	Mr. Muhammad Jamil Qassim	5
6.	Mr. Muhammad Salman Qassim	5
7.	Ms. Saadia Butt Naveed	5

### Pattern of Shareholding

Pattern of shareholding is annexed to this report.

### Auditors

M/s Moochhala Gangat & Co., Chartered Accountants, the auditors of the company retire and are eligible for reappointment. The Board of Directors, based on the recommendation of the audit committee, would recommend the appointment of M/s Moochhala Gangat & Co., Chartered Accountants, for the year ended June 30, 2009.

# STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

## Statement of Director's Responsibilities

- a. The board regularly reviews the company's strategic direction. Annual plans and performance target for business are set by the Managing Director and are reviewed by the Board in the light of Company's overall objectives. The Board is committed to maintain the high standards of good corporate governance. The Company has been in compliance with the provisions set out by the Securities & Exchange Commission of Pakistan and amended listing rule of the Stock Exchanges.
- b. There has been no material departure from the best practice of corporate governance, as detailed in the listing regulation.
- c. The financial statement, prepared by the management of the Company, fairly present its state of affairs, the results of its operations, cash flows and changes in equity.
- d. Proper books of account of the Company have been maintained.
- e. Appropriate accounting policies have been consistently applied in preparation of financial statement and accounting estimates are based on reasonable and prudent judgment.
- f. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statement and departure there from has been adequately disclosed.
- g. The system of internal control is sound in design and has been effectively implemented and monitored.
- h. There are no significant doubts upon the Company's ability to continue as going concern.
- i. Key operation and financial data for the last six years in summarized form is annexed.
- j. The value of investment of Provident Fund as per audited accounts for the year ended June 30, 2008 amounted Rs. 10,534,927.
- k. **Audit Committee**  
Audit Committee has been established by the Board of Directors to assist the Board in discharging its responsibilities of Corporate Governance, Financial Reporting and Corporate Control. The Audit Committee is responsible for reviewing reports of the Company's financial results, audit and adherence to standards of the system of management control. The Committee reviews the procedures for ensuring their independence with respect to the services performed for the Company and makes recommendations to the Board of Directors.

On behalf of Board of Directors

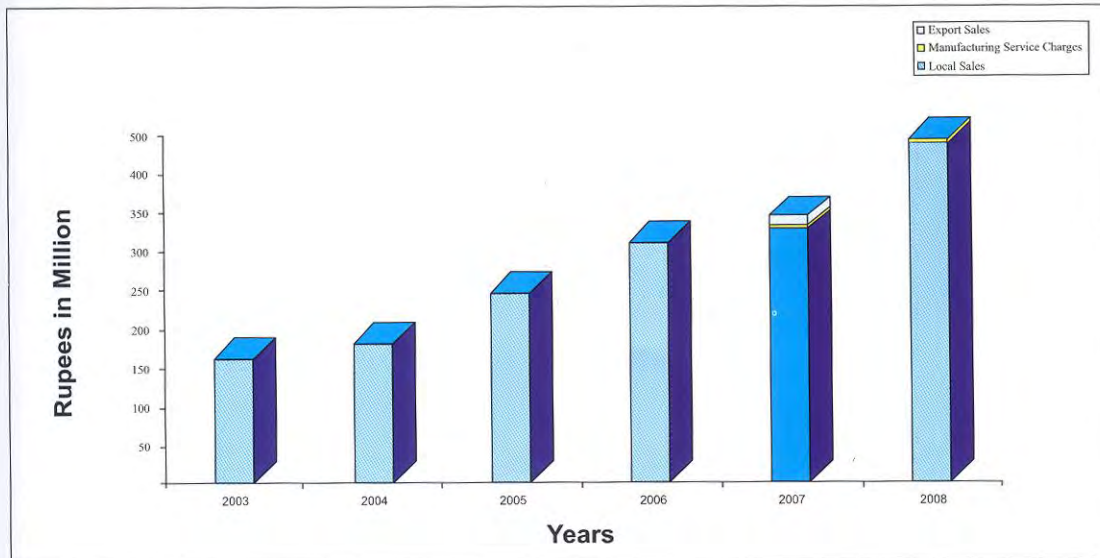


M. Haroon Qassim  
Managing Director

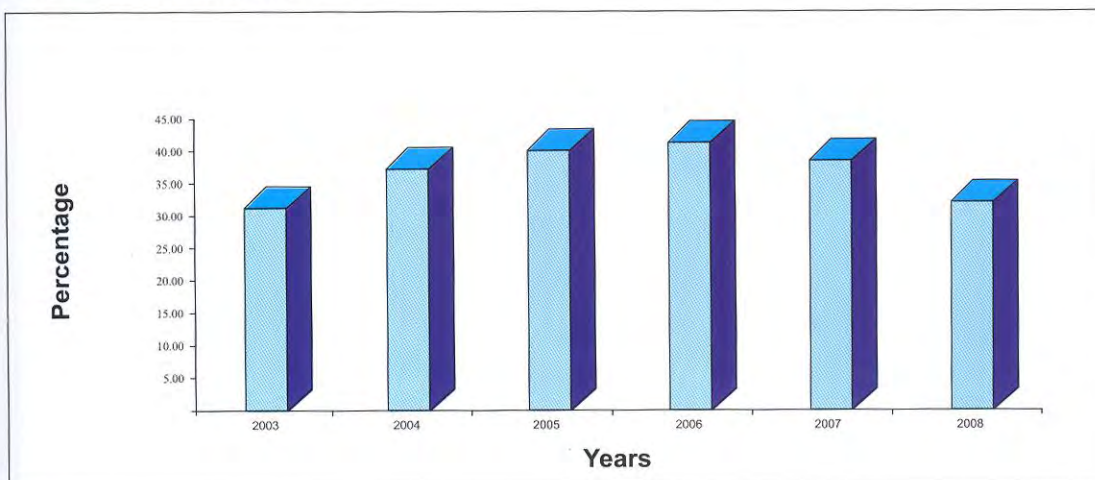


# PERFORMANCE AT A GLANCE

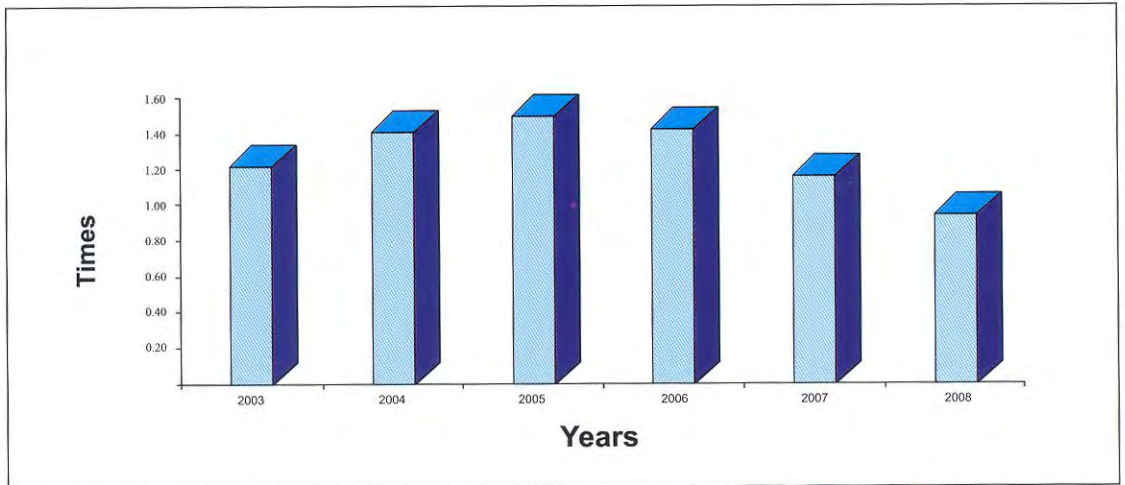
## Gross Sales Value



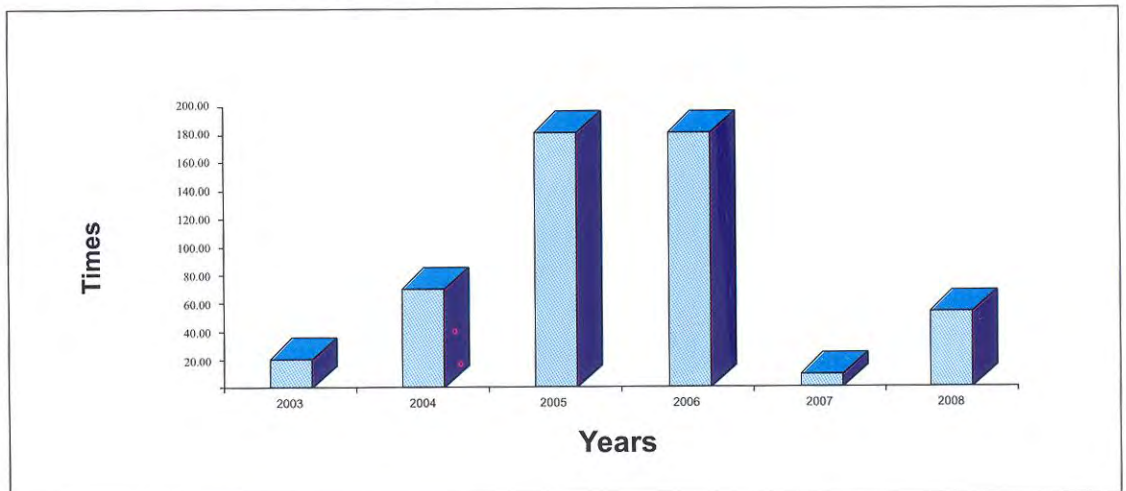
## Gross Profit Margin (%)



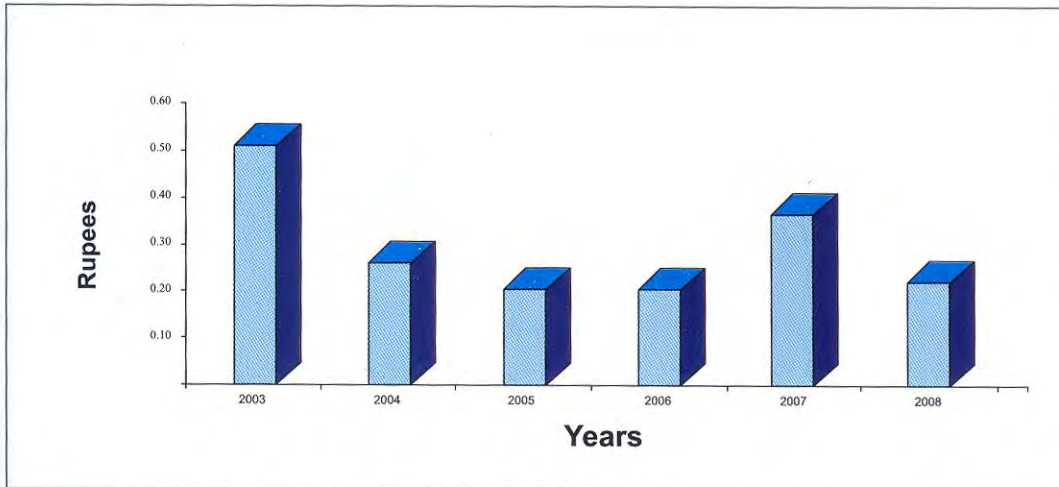
### Current Ratio (Times)



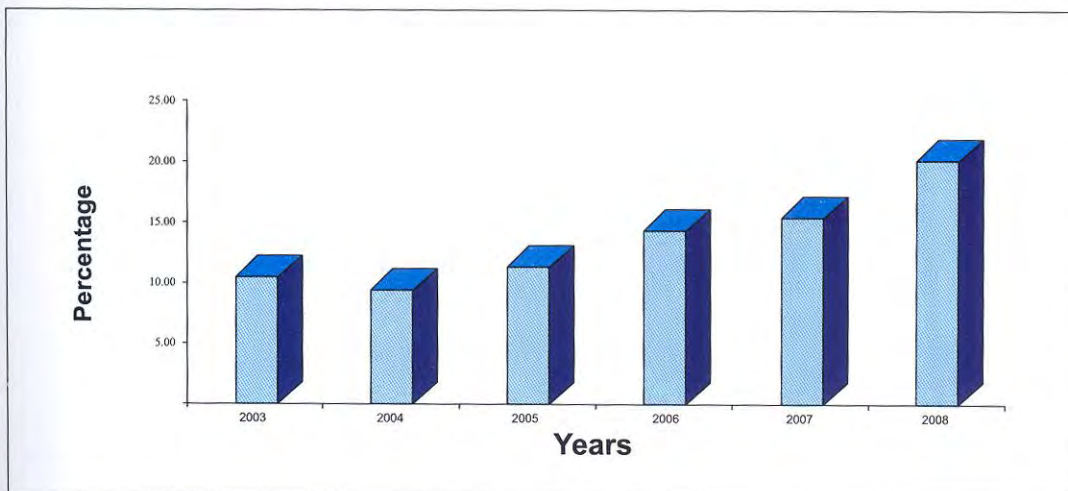
### Receivable Turnover (Times)



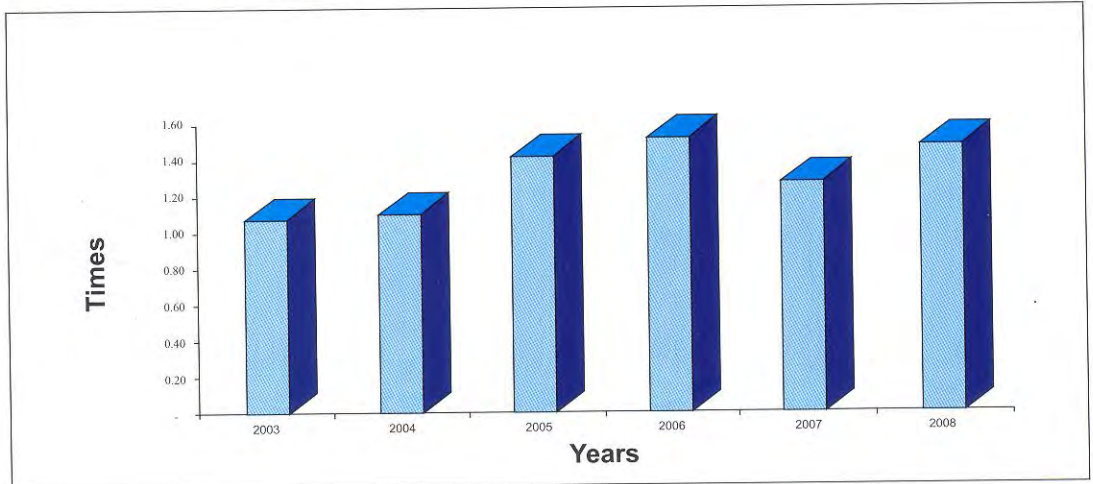
### Acid-Test Ratio (Times)



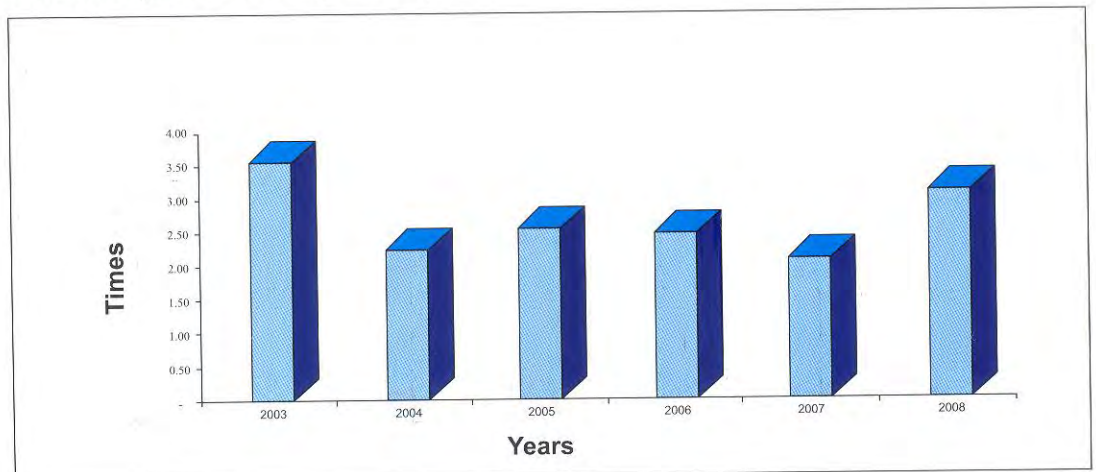
### Debt/Equity Ratio (%)



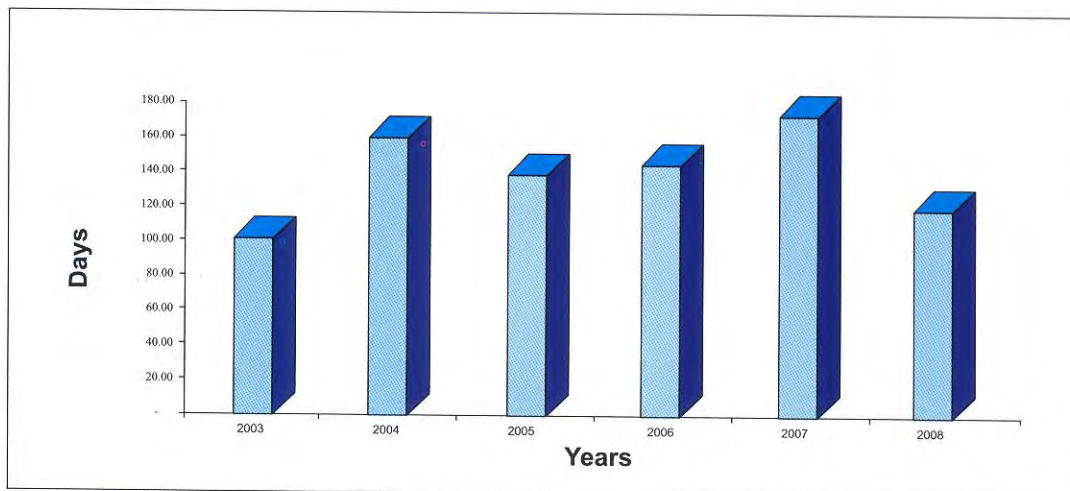
### Asset Turnover (Times)



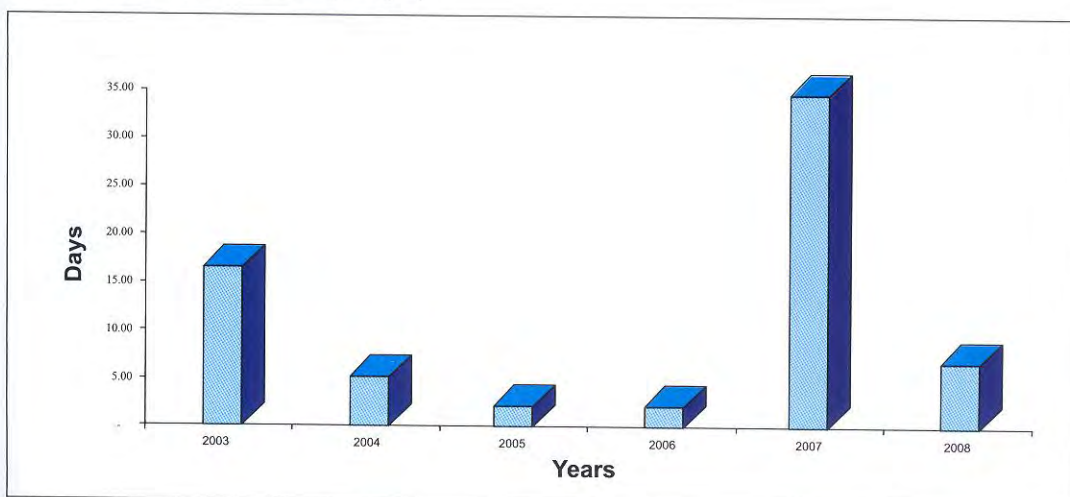
### Inventory Turnover (Times)



## Inventory (Days)



## Receivable Turnover (Days)



# PATTERN OF SHAREHOLDING

## Combined Pattern of CDC and Normal Shareholding as at June 30, 2008

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
52	1	100	3,349
78	101	500	24,650
24	501	1,000	20,201
16	1,001	5,000	34,400
1	5,001	10,000	5,100
1	10,001	100,000	42,500
1	100,001	200,000	120,000
3	200,001	300,000	744,576
3	300,001	400,000	993,558
1	400,001	500,000	428,116
1	500,001	600,000	583,550
181			3,000,000

## Combined Pattern of CDC and Physical Shareholding as at June 30, 2008

Category No.	Categories of Shareholders	No of Shares Held	Category Wise No. of Folios/CDC Account	Category Wise Share Held	Percentage
1.	Individuals	206,100	168	206,100	6.87
2.	Investment Companies	-	-	-	-
3.	Joint Stock Companies	600	2	600	0.02
4.	Directors, Chief Executive Officer and their Spouse		11	2,793,300	93.11
	1. Mr. Ebrahim Qassim	428,116			
	2. Mr. M. Haroon Qassim	355,758			
	3. Mr. Vali Muhammad A. Habib	42,500			
	4. Mr. Muhammad Jamil Qassim	316,700			
	5. Mr. Muhammad Salman Qassim	321,100			
	6. Mr. Zamiruddin Ahmed	500			
	7. Mrs. Kulsum Bano	583,550			
	8. Mrs. Zohra Bano	266,800			
	9. Mrs. Saba Qassim	246,376			
	10. Mrs. Wazira Parveen	231,400			
	11. Ms. Saadia Butt Naveed	500			
			181	3,000,000	100.00

### Shareholders Holding Ten Percent or More Voting Interest in the Company

Total Paid-up Capital of the Company

3,000,000 Shares

10% of the Paid-up Capital of the Company

300,000 Shares

Name(s) of Shareholder(s)	Description	No. of Shares Held	Percentage
1. Mr. Ebrahim Qassim	Falls In Category # 4	428,116	14.27
2. Mr. M. Haroon Qassim	Falls In Category # 4	355,758	11.86
3. Mr. Muhammad Jamil Qassim	Falls In Category # 4	316,700	10.56
4. Mr. Muhammad Salman Qassim	Falls In Category # 4	321,100	10.70
5. Mrs. Kulsum Bano	Falls In Category # 4	583,550	19.45
		2,005,224	66.84

No Trade in Company Share were executed by the Directors during the Year.

# STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

This statement is being presented to comply with the code of corporate governance contained in regulation No. 37 (Chapter XI) of listing regulation of Karachi Stock Exchange (Guarantee) Limited, Clause 49 (Chapter XIII) of Lahore Stock Exchange (Guarantee) Limited and Section 36 (Chapter XI) of Islamabad Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes 5 independent non-executive directors and 3 directors representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The casual vacancy occurred during the year in the Board was filled by the directors within thirty days.
5. The Company has adopted a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars and significant policies alongwith the dates on which they are approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Managing Director have been taken by the Board.
8. All the meetings of the board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors have been provided with the copies of the listing regulations of the Karachi Stock Exchange (Guarantee) Limited, Company's Memorandum and Article of Association and the Code of Corporate Governance and they are well aware of their duties and responsibilities.
10. The Board has already approved appointment of General Manager- Finance, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment as determined by the Managing Director.



11. The director's report for this year has been prepared in compliance with the requirement of the Code and fully describe the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by the Managing Director and General Manager-Finance before approval of the Board.
13. All the directors and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of share holding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance issued by SECP.
15. The Board has formed an audit committee. It comprises of 3 members, all of whom are non-executive directors including the Chairman of the committee.
16. The meetings of the audit committee were held quarterly for approval of interim and final results of the Company. The terms of reference of the committee have been formed by the Board and advised to the committee for compliance.
17. The Board has setup an effective internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The Company has fully complied with the best practices on transfer pricing as contained in the listing regulation No. 38 of the Karachi Stock Exchange (Guarantee) Limited.
21. We confirm that all other material principles contained in the Code have been complied with.



M. Haroon Qassim  
Managing Director

# REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of SHIELD CORPORATION LIMITED, to comply with the listing Regulation No.37 (Chapter XI) of the Karachi Stock Exchange, clause 49 (Chapter XIII) of Lahore Stock Exchange and section 36 (Chapter XI) of Islamabad Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal controls covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respect, with the best practices contained in the Code of Corporate Governance.

Date: September 01, 2008  
Place: Karachi

*Moochhala Gangat & Co.*

**Moochhala Gangat & Co.  
Chartered Accountants**

# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of SHIELD CORPORATION LIMITED as at June 30, 2008 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,
  - 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, 2008 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 01, 2008  
Place: Karachi


*Moochhala Gangat & Co.*  
**Moochhala Gangat & Co.**  
Chartered Accountants

# BALANCE SHEET AS AT JUNE 30, 2008

<b>ASSETS</b>	Note	2008 (Rupees)	2007 (Rupees)
<b>Non-Current Assets</b>			
Property, plant and equipment	4	154,781,634	125,250,513
<b>Current Assets</b>			
Stores and Spares		3,320,933	5,028,773
Stock-in-Trade	5	99,313,481	107,891,614
Trade Debtors - Unsecured and Considered Good	6	8,120,075	35,110,703
Loans and Advances	7	4,056,735	1,913,709
Deposits, Prepayments and Other Receivables- Unsecured and Considered Good	8	30,401,991	14,906,582
Cash and Bank Balances	9	122,285	799,391
		145,335,500	165,650,772
<b>Total Assets</b>		<u>300,117,134</u>	<u>290,901,285</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorised Capital 10,000,000 (2007: 10,000,000) Ordinary shares of Rs.10/- Each		<u>100,000,000</u>	<u>100,000,000</u>
Issued, Subscribed & Paid-up	10	30,000,000	30,000,000
<b>Reserves and Surplus</b>			
Capital Reserve -Shares Premium		10,000,000	10,000,000
Revenue Reserve-General		55,000,000	55,000,000
Un-appropriated Profit		34,878,432	33,606,754
		99,878,432	98,606,754
Shareholders' Equity		129,878,432	128,606,754
<b>Deferred Liabilities</b>	11	25,996,804	19,570,050
<b>Current Liabilities</b>			
Trade and other payables	12	66,902,713	62,316,266
Short Term Bank Finances - Secured	13	72,039,185	75,358,215
Provision for Taxation		5,300,000	5,050,000
		144,241,898	142,724,481
<b>Contingencies and Commitments</b>	14	-	-
<b>Total Equity and Liabilities</b>		<u>300,117,134</u>	<u>290,901,285</u>

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

  
 M. Haroon Qassim  
 Managing Director

  
 Zamiruddin Ahmed  
 Director

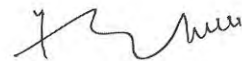
# PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 (Rupees)	2007 (Rupees)
Net sales	15	443,521,032	372,604,442
Cost of sales	16	(301,785,595)	(228,023,712)
Gross profit		141,735,437	144,580,730
<b>Operating Expenses</b>			
Selling and Distribution Expenses	17	(105,966,940)	(106,287,018)
Administrative and General Expenses	18	(18,722,473)	(17,902,480)
		(124,689,413)	(124,189,498)
Financial Charges	19	(7,185,970)	(6,624,248)
Other Charges	20	(701,569)	(843,683)
		(7,887,539)	(7,467,931)
Other Income	21	271,326	306,680
Profit before Taxation		9,429,811	13,229,981
Taxation	22	(3,658,133)	(4,000,000)
Profit after Taxation		5,771,678	9,229,981
<b>Earnings Per Share - basic and diluted</b>	23	1.92	3.08

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



M. Haroon Qassim  
Managing Director




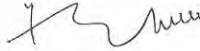
Zamiruddin Ahmed  
Director

# CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 (Rupees)	2007 (Rupees)
<b>Cash Flow From Operating Activities</b>			
Profit before taxation		9,429,811	13,229,981
Adjustment for:			
Depreciation		14,099,270	15,130,690
Provision for Gratuity		4,686,540	2,074,677
Gain on Disposal of Fixed Assets		(144,265)	(182,321)
Financial Charges		7,185,970	6,624,248
Profit Before Working Capital Changes		35,257,326	36,877,275
(Increase)/Decrease in Current Assets:			
Stores and Spares		1,707,840	(327,764)
Stock in Trade		8,578,133	(34,430,616)
Trade Debtors		26,990,628	(33,372,131)
Loans and Advances		(2,143,026)	(473,489)
Deposits, Prepayments and Other Receivables (Excluding Income Tax)		(12,103,148)	(4,094,530)
		23,030,427	(72,698,530)
Increase/(Decrease) in Current Liabilities:			
Trade and Other Payables (Excluding Accrued Markup)		2,641,258	16,475,265
Cash Generated from Operations		60,929,011	(19,345,990)
Payments for:			
Gratuity		(1,059,786)	(1,617,287)
Financial Charges		(5,265,069)	(6,990,650)
Taxes		(4,000,394)	(1,753,896)
Net Cash from Operating Activities		50,603,762	(29,707,823)
<b>Cash Flow from Investing Activities</b>			
Fixed Capital Expenditure Including Capital Work-in-Progress		(46,122,704)	(29,589,614)
Sale Proceeds from Disposal of Fixed Assets		2,636,578	3,969,000
Net Cash Used in Investing Activities		(43,486,126)	(25,620,614)
<b>Cash Flow from Financing Activities</b>			
Dividend Paid		(4,475,712)	(4,097,722)
Net Cash Used in Financing Activities		(4,475,712)	(4,097,722)
Net Increase/(Decrease) in Cash and Cash Equivalents		2,641,924	(59,426,159)
Cash and Cash Equivalent at the Beginning of the Year		(74,558,824)	(15,132,665)
Cash and Cash Equivalent at the End of the Year	A	(71,916,900)	(74,558,824)
<b>A. Cash and Cash Equivalents</b>			
Cash and Bank Balances		122,285	799,391
Short Term Bank Finances		(72,039,185)	(75,358,215)
		(71,916,900)	(74,558,824)

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

  
 M. Haroon Qassim  
 Managing Director

  
 Zamiruddin Ahmed  
 Director

# STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2008

	Share Capital (Rupees)	Capital Reserve	Revenue Reserve		Total (Rupees)
		Share Premium (Rupees)	General Reserve (Rupees)	Unappropriated Profit (Rupees)	
Balance as at July 01, 2006	30,000,000	10,000,000	55,000,000	28,876,773	123,876,773
Profit after taxation for the year Ended June 30, 2007	-	-	-	9,229,981	9,229,981
Appropriations Dividend for the Year July 01, 2006	-	-	-	(4,500,000)	(4,500,000)
Balance as at June 30, 2007	30,000,000	10,000,000	55,000,000	33,606,754	128,606,754
Appropriations Dividend for the Year June 30, 2007	-	-	-	(4,500,000)	(4,500,000)
Profit after taxation for the year Ended June 30, 2008	-	-	-	5,771,678	5,771,678
<b>Balance as at June 30, 2008</b>	<b>30,000,000</b>	<b>10,000,000</b>	<b>55,000,000</b>	<b>34,878,432</b>	<b>129,878,432</b>

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



M. Haroon Qassim  
Managing Director



Zamiruddin Ahmed  
Director

# NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2008

## 1. Status and Nature of Business

The Company was incorporated in Pakistan on January 10, 1975 as a Limited Liability Company. Its shares are quoted and traded on all the Stock Exchanges of Pakistan. The registered office is situated at 401, 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 Dental care & Baby care products.

## 2. Basis of Preparation

- 2.1 These financial statements have been prepared in accordance with the requirements of the Companies Ordinance 1984, and Approved Accounting Standards as applicable in Pakistan.  
Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the SECP differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.
- 2.2 These financial statements have been prepared under the historical cost 'convention', unless otherwise disclosed
- 2.3 The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The estimate/judgements and associated assumptions used in the preparation are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates / judgements / assumptions will, by definition, seldom equal the related actual results. The estimates / judgements and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision effect only that period, or in period of revision and future periods if the revision affects both current and future periods. The estimates, judgements and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed in note 30.
- 2.4 **Standards, interpretations and amendments to published approved accounting standards that are not yet effective.**

The following standards, interpretation and amendments in approved accounting standards are not only effective for accounting period beginning on or after 1 July 2008 and are either not relevant to the Company's operation or are not expected to have significant impact on the Company's financial Statement other than certain increased disclosures in the certain cases.

- IAS 1 - Presentation of Financial Statement – amendments relating to capital disclosures
- IAS 23 - Borrowing Costs (as revised)
- IAS 27 - Consolidated and separate Financial Statements (as revised)
- IAS 29 - Financial Reporting in Hyper Inflationary Economics
- IAS 32 - Financial Instruments: Presentation
- IFRS 2 - Shares-based payments
- IFRS 3 - Business Combinations
- IFRS 7 - Financial Instruments: Disclosures
- IFRS 8 - Operating Segments
- IFRIC 12 - Service Concession Arrangements
- IFRIC 13 - Customer Loyalty Programmes
- IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction
- IFRIC 15 - Agreement for the Construction of Real Estate
- IFRIC 16 - Hedge of Net Investment in Foreign Operations

## 3. Significant Accounting Policies

### 3.1 Property, Plant and Equipment

#### 3.1.1 Fixed Assets

Operating fixed assets are stated at historical cost less accumulated depreciation and impairment loss if any. Except for leasehold land which is amortised on straight line basis at the annual rate of one percent, depreciation on all other operating assets is provided on the diminishing balance method at the following rates:

Factory building on leasehold land	10 percent
Plant & machinery	10 percent
Furniture & fixture	10 percent
Office equipment	10 percent
Computer equipments	30 percent
Vehicles	20 percent



Depreciation in addition and Deletion to fixed assets during the year is charged from the date asset is used to the date of disposal.

Depreciation methods, useful lives and residual values of each part of Property, Plant and equipment that is significant in relation to the total cost of the asset we review and adjusted if appropriate, at each balance sheet date.

Gain and losses on disposal of fixed assets are taken to profit and loss account in the current year. The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists the assets recoverable amount is estimated and impairment loss is recognized.

Maintenance and normal repairs are charged to income as when incurred.

### 3.1.2 Capital Work-in-Progress

These are stated at cost incurred to date less impairment in value if any. It normally consists of expenditure incurred and advances made in respect of operating fixed Assets in the course of their completion.

## 3.2 Stock-in-Trade

These are stated at lower of cost and net realizable value, determined as follows:

Raw & Packaging Material	First in first out (FIFO) basis
Work in Process and Finished Goods	Raw materials are valued at FIFO basis and conversion cost comprises of appropriate portion of manufacturing overheads.
Stocks in transit	Comprises invoice value plus other charges incurred thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

All raw and packaging materials are regularly reviewed by the management and obsolete items are brought down to their net realisable value.

## 3.3 Stores & Spares

These are valued at lower of cost (First-in-first out basis) and net realizable value basis. Provision is made for items considered obsolete and slow moving. Item in transit are valued at cost comprising invoice price and other charges paid thereon.

Net realisable value is the estimated Selling price in the ordinary course of business less estimated costs necessary to make the sale.

## 3.4 Staff Retirement Benefits

### 3.4.1 Gratuity Scheme - defined benefit plan

The Company operates an unfunded gratuity scheme for all its employees. These benefits are payable to employees on completion of prescribed qualifying period of service under the scheme. Liability in respect of gratuity payable to employees has been fully provided for in these accounts on the basis of actuarial valuation and is charged to profit and loss accounts.

Projected unit credit method, using following significant assumptions, is used for determining the gratuity liability:

Discount Rate	12%
Expected rate of salary increase	12%
Average expected remaining life of employees	13 years

Actuarial gain and losses are recognised as per the recommendation in actuarial valuation report. The most recent valuation was carried out as of June 30, 2008.

### 3.4.2 Provident Fund - defined contribution plan

The Company also operates recognized contributory Provident Fund scheme for its employees. These benefits are payable to employees on completion of prescribed qualifying period of services under the scheme.

### 3.4.3 Compensated Absences

The Company also provides a facility to its employees for accumulation of their annual earned leave. Under the scheme employees are entitled for 14 days leave for each completed year of service. The unutilized leave can be accumulated upto the maximum of 28 days.

## 3.5 Taxation

### 3.5.1 Current

Provision for current taxation is based on taxable income on current rates of taxation after taking into account any tax rebates and tax credit, if any.

### 3.5.2 Deferred

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax base of asset and liabilities on their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, while deferred

tax assets are recognised for all deductible temporary differences, carry forward of unused tax asset and unused tax losses, to the extent it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax asset and unused tax losses can be utilized. The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow part or all of the deferred tax asset to be utilized. Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the periods when the asset is realized or the liability is settled based on the tax rate (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

**3.6 Trade and other Payables:**

Trade and other payable are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

**3.7 Foreign Currencies Translations**

Monetary Assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchanges prevailing at the balance sheet date except for those covered by forward contracts, which are stated at contracted rates. Foreign currency transactions are translated into Pak Rupees at the rate of exchange prevailing at the date of transaction except for those covered by forward contracts, which are translated at contracted rates. Exchange gain and loss on translation are taken to profit and loss account.

**3.8 Trade Debts**

Trade debts are recognized and carried at original invoice amount less an allowance for doubtful debts based on review of outstanding amount at the end of the year. Bad debts are written up when they are no longer recoverable.

**3.9 Revenue Recognition**

Sales are recognized as revenue on dispatch of goods to customers.  
Export sales are recognized as revenue when invoice, which coincides with the delivery.  
Return on bank accounts/deposits are recognized on accrual basis.

**3.10 Provisions**

Provisions are recognised when the company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

**3.11 Cash and Cash Equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalent include cash in hand and with bank and short term finances. The fair value of cash and cash equivalents approximates their carrying amount.

**3.12 Borrowing Cost**

Interest / mark-up are charged to profit and loss account in the period to which they relate.

**3.13 Other Financial Assets and Liabilities**

All other financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on the derecognition of the financial asset and financial liabilities are included in the profit and loss account of the current year. All financial assets and financial liabilities other than disclosed above, are carried at amortized cost. The fair value of these approximate their carrying amount.

**3.14 Financial Instruments:**

All financial assets and liabilities are initially measured at fair value, and subsequently measured at fair value or amortized cost as the case may be. The Company derecognises the financial assets and financial liabilities when it ceases to be a party to such contractual provision of the instrument.

**3.15 Offsetting**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and the company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously, and the same is required or permitted by IASs or interpretations thereof.

**3.16 Segment Reporting:**

A business segment is a distinguishable company of the company having assets and operation engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

**3.17 Dividend**

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved.

Note  
2008  
(Rupees)  
2007  
(Rupees)

#### 4. Property, plant and equipment

Operating Fixed Assets	4.1	135,431,085	121,227,513
Capital Work in Progress	4.3	19,350,549	4,023,000
		<u>154,781,634</u>	<u>125,250,513</u>

#### 4.1 Operating Fixed Assets

Particulars	Cost			Impairment			Depreciation			Written down value as on June 30, 2008
	As on July 1, 2007	Addition/ (disposal) during the year	As on June 30, 2008	As on July 1, 2007	Loss Recognized (reversed) during the year	As on June 30, 2008	As on July 1, 2007	Depreciation charged / (reversed) during the year	As on June 30, 2008	
<b>June 30, 2008</b>										
Leasehold Land	3,400,000	-	3,400,000	-	-	-	493,150	34,000	527,150	2,872,850
Factory Building on Leasehold Land	31,449,668	-	31,449,668	-	-	-	16,407,390	1,504,228	17,911,618	13,538,050
Plant & Machinery	180,881,121	25,529,431	206,410,552	3,904,665	-	3,904,665	89,872,250	9,258,602	99,130,852	103,375,035
Furniture & Fixture	3,170,563	- (145,323)	3,025,240	-	-	-	1,275,180	189,631 (137,025)	1,327,786	1,697,454
Office Equipment	1,858,834	208,950 (824,459)	1,243,325	-	-	-	924,702	101,526 (612,588)	413,640	829,685
Computer Equipments	5,461,802	438,890 (5,007,053)	893,639	-	-	-	4,738,104	280,607 (4,665,388)	353,323	540,316
Vehicles	21,839,529	4,617,884 (3,877,351)	22,580,062	-	-	-	9,218,563	2,730,676 (1,946,872)	10,002,367	12,577,695
<b>Total (Rupees)</b>	<b>248,061,517</b>	<b>30,795,155 (9,854,186)</b>	<b>269,002,486</b>	<b>3,904,665</b>	<b>-</b>	<b>3,904,665</b>	<b>122,929,339</b>	<b>14,099,270 (7,361,873)</b>	<b>129,666,736</b>	<b>135,431,085</b>

Particulars	Cost			Impairment			Depreciation			Written down value as on June 30, 2007
	As on July 1, 2006	Addition/ (disposal) during the year	As on June 30, 2007	As on July 1, 2006	Loss Recognized (reversed) during the year	As on June 30, 2007	As on July 1, 2006	Depreciation charged / (reversed) during the year	As on June 30, 2007	
<b>June 30, 2007</b>										
Leasehold Land	3,400,000	-	3,400,000	-	-	-	459,150	34,000	493,150	2,906,850
Factory Building on Leasehold Land	31,449,668	-	31,449,668	-	-	-	14,736,026	1,671,364	16,407,390	15,042,278
Plant & Machinery	163,011,801	17,869,320	180,881,121	3,904,665	-	3,904,665	80,194,007	9,678,243	89,872,250	87,104,206
Furniture & Fixture	3,170,563	-	3,170,563	-	-	-	1,064,582	210,598	1,275,180	1,895,383
Office Equipment	1,648,618	210,216	1,858,834	-	-	-	809,463	115,239	924,702	934,132
Computer Equipments	5,444,724	17,078	5,461,802	-	-	-	4,472,099	266,005	4,738,104	723,698
Vehicles	17,336,559	10,970,000 (6,467,030)	21,839,529	-	-	-	8,743,673	3,155,241 (2,680,351)	9,218,563	12,620,966
<b>Total (Rupees)</b>	<b>225,461,933</b>	<b>29,066,614 (6,467,030)</b>	<b>248,061,517</b>	<b>3,904,665</b>	<b>-</b>	<b>3,904,665</b>	<b>110,479,000</b>	<b>15,130,690 (2,680,351)</b>	<b>122,929,339</b>	<b>121,227,513</b>

4.1 Depreciation for the year has been allocated as under:

Cost of sales  
Selling and Distribution Expenses  
Administrative and General Expenses

Note	2008 (Rupees)	2007 (Rupees)
	10,796,830	11,383,609
	1,665,654	1,847,185
	1,636,786	1,899,896
	14,099,270	15,130,690

4.2 Detail of Disposal of Fixed Assets:

Particulars	Original cost (Rupees)	Accumulated depreciation (Rupees)	Written down value (Rupees)	Sales Proceeds (Rupees)	Profit/ (Loss) (Rupees)	Sold To	Mode of Disposal
Furniture & Fixture	145,323	137,025	8,298	1,500	(6,798)	M/s. Creative Works	Negotiation
Office Equipment	824,459	612,588	211,871	16,500	(195,371)	M/s. Creative Works	Negotiation
<b>Computer Equipment</b>							
PII IBM, CD Rom & Other Components	1,078,014	981,370	96,644	11,000	(85,644)	M/s. Real Tech	Negotiation
Hard Disk, Ram & Accessories	3,789,561	3,596,659	192,902	22,400	(170,502)	M/s. Creative Works	Negotiation
Dual Core 1.06 Ghz	122,400	81,040	41,360	65,000	23,640	EFU General Insurance	Insurance Claim
PIII DELL 700 Mhz	17,078	6,319	10,759	17,078	6,319	M/s. Flax Corp.	Negotiation
<b>Vehicles</b>	<b>5,007,053</b>	<b>4,665,388</b>	<b>341,665</b>	<b>115,478</b>	<b>(226,187)</b>		
KIA Sportage	1,549,000	1,066,803	482,197	525,000	42,803	Mr. Waseem Mirza	Negotiation
Suzuki Cultus VXR CNG	590,000	432,113	157,887	230,000	72,113	Mr. Muhammad Mohsin	Negotiation
Suzuki Cultus VXR CNG	600,000	168,000	432,000	600,000	168,000	EFU General Insurance	Insurance Claim
Suzuki Mehran VXR CNG	395,000	105,333	289,667	395,000	105,333	EFU General Insurance	Insurance Claim
Suzuki Mehran VXR CNG	393,351	26,223	367,128	403,100	35,972	EFU General Insurance	Insurance Claim
Suzuki Mehran VX CNG	350,000	148,400	201,600	350,000	148,400	EFU General Insurance	Insurance Claim
	<b>3,877,351</b>	<b>1,946,872</b>	<b>1,930,479</b>	<b>2,503,100</b>	<b>572,621</b>		
June 30, 2008	<b>9,854,186</b>	<b>7,361,873</b>	<b>2,492,313</b>	<b>2,636,578</b>	<b>144,265</b>		
June 30, 2007	<b>6,467,030</b>	<b>2,680,351</b>	<b>3,786,679</b>	<b>3,969,000</b>	<b>182,321</b>		

4.3 Capital Work In Progress

These represent Advance Payment in respect of following:

Leasehold Land  
Factory Building  
Vehicles

6,523,000	4,023,000
12,364,348	-
463,201	-
<b>19,350,549</b>	<b>4,023,000</b>

5. Stock in Trade

Raw Material  
Work-in-Process  
Finished Goods

66,319,256	64,239,934
4,411,287	6,707,597
28,582,938	36,944,083
<b>99,313,481</b>	<b>107,891,614</b>

6. Trade Debtors - Unsecured and Considered Good

6.1	8,120,075	35,110,703
-----	-----------	------------

6.1 Trade Debtors include Rs. 4,596,322 (2007: Rs. 33,824,481) due from M/s Premier Agencies and PharmEvo (Pvt.) Ltd, both associated undertaking. The maximum amount due at the end of any month during the year was Rs. 61,004,035 (2007: Rs. 62,711,492).

7. Loans and Advances

Loan-Considered Goods

Secured

Executive  
Employees

Advances

Suppliers  
Others

798,680	835,370
506,452	588,074

2,453,922	146,265
297,681	344,000
<b>4,056,735</b>	<b>1,913,709</b>

	Note	2008 (Rupees)	2007 (Rupees)
<b>8. Deposits, Prepayments and Other Receivables</b>			
<b>Deposits</b>			
Letter of credits		6,103,177	3,230,836
Security		476,502	294,790
Other		220,000	160,000
<b>Prepayments and Other Receivables</b>			
Insurance		-	89,867
Income Tax		10,583,396	7,191,134
Rent		174,174	158,340
Other		9,958,127	895,000
Other Receivables	8.1	2,886,615	2,886,615
		<u>30,401,991</u>	<u>14,906,582</u>
8.1 This Includes Rs. 2,886,615 (2007: Rs. 2,886,615) in respect of Sales Tax receivable refer note 14.1.2			
<b>9. Cash and Bank Balances</b>			
In Hand		78,764	89,063
At Bank-in Current Accounts		43,521	710,328
		<u>122,285</u>	<u>799,391</u>
<b>10. Issued, Subscribed and Paidup Capital</b>			
3,000,000 Ordinary Shares of Rs. 10/- each fully paid in cash		30,000,000	30,000,000
<b>11. Deferred Liabilities</b>			
Gratuity	11.1	11,246,804	7,620,050
Deferred taxation	11.2	14,750,000	11,950,000
		<u>25,996,804</u>	<u>19,570,050</u>
<b>11.1 Gratuity</b>			
Opening Net Liability		7,620,050	7,162,660
Expense for the Year		4,686,540	2,074,677
		<u>12,306,590</u>	<u>9,237,337</u>
Benefits Paid		(1,059,786)	(1,617,287)
Closing net liability		<u>11,246,804</u>	<u>7,620,050</u>
<b>Charge for/(Income from) the Defined Benefit Plan</b>			
Current service cost		1,435,119	1,358,411
Interest cost		762,005	716,266
Recognised Actuarial Losses		2,489,416	-
Expense for the Year		<u>4,686,540</u>	<u>2,074,677</u>
<b>Reconciliation</b>			
Present value of obligation		11,246,804	7,620,050
Closing net liability		<u>11,246,804</u>	<u>7,620,050</u>
<b>11.2 Deferred taxation</b>			
The liability for deferred taxation comprises of timing differences relating to:			
Accelerated tax depreciation		18,672,564	14,590,628
Provision for gratuity		(3,936,381)	(2,667,018)
		<u>14,736,183</u>	<u>11,923,610</u>

Provision for deferred taxation has been rounded off to Rs. 14.75 million (2007: Rs. 11.95 million)

	Note	2008 (Rupees)	2007 (Rupees)
<b>12. Trade and other payable</b>			
Creditors	12.1	38,665,130	45,250,318
Import Bills Payable		19,443,870	8,529,489
Accrued Expense		3,550,587	3,012,131
Accrued Mark-up on Bank Finances - Secured		2,111,504	782,991
Workers' Welfare Fund		485,000	290,000
Workers' Profit Participation Fund	12.2	506,569	703,683
Unclaimed Dividend		440,881	416,592
Sales Tax Payable		1,692,593	3,327,287
Advance from Customers		6,579	3,775
		<u>66,902,713</u>	<u>62,316,266</u>
<b>12.1 Creditors</b>			
Goods		16,769,210	18,254,256
Services		21,895,920	26,938,145
Others		-	57,917
		<u>38,665,130</u>	<u>45,250,318</u>
<b>12.2 Workers' Profit Participation Fund</b>			
Balance at the Beginning of the Year		703,683	950,116
Interest on the Funds Utilized @ 12.94%(2007: 12.50%) Per Annum		22,951	29,935
Allocation for the Year		506,569	703,683
		<u>1,233,203</u>	<u>1,683,734</u>
Payments		(726,634)	(980,051)
Balance at the End of the Year		<u>506,569</u>	<u>703,683</u>
<b>13. Short Term Bank Finances - Secured</b>			
Running Finance	13.1	35,483,716	56,871,403
Murabaha Finance	13.2	36,555,469	18,486,812
		<u>72,039,185</u>	<u>75,358,215</u>

13.1 These represent finances obtained under markup arrangements and are secured against hypothecation of stock-in trade and trade debtors. The Company enjoys a total facility of Rs. 50 million (2007: Rs. 50 million) at a markup ranging from 30.13 to 38.36 paisas (2007: 28.60 to 31.86 paisas) per 1,000 rupees per day for a tenure of 365 (2007: 365) days.

13.2 This represent murabaha finance obtained under profit arrangements for a tenure of 180 days and are secured against hypothecation of moveable fixed assets of the company. The Company enjoys a total facility of Rs. 40 million (2007:Rs. 25 million) at a profit rate ranging from 31.39 to 41.78 paisas (2007:29.18 to 33.23) per 1,000 rupees per day for a tenure of 365 (2007: 365) days.

#### 14. Contingencies & Commitments

##### 14.1 Contingencies:

14.1.1 Contingent liability in respect of guarantee and counter guarantee as at June 30, 2008 was Rs. 6.69 million (2007: Rs.6.69 million). Out of this Rs. 5 million (2007: Rs. 5 million) represents surety provided in relation to defending a trade mark case in the High Court for Rs. 42 million (2007: Rs.42 million). The management is hopeful that case will be decided in Company's favor, as such no provision has been made in these financial statements.

14.1.2 The Company is defending a lawsuit amounting to Rs.2.89 million (2007 Rs. 2.89 million) in respect of input sales tax claim disallowed by the tax authorities. The case is pending at the tribunal stage. The management is hopeful that the same will be allowed, as such no provision has been in these financial statements.

##### 14.2 Commitments:

14.2.1 The Company has letter of credit commitments for purchases amounting to Rs. 49.18 million (2007: Rs. 9.30 million).

14.2.2 The Company has letter of credit and other commitments for capital expenditures amounting to Rs. 23.13 million (2007: Rs. 1.86 million).

14.2.3 The Company enjoys a total limit of letter of credit of Rs. 110 million (2007: Rs. 110 million) secured against assets mentioned in note 6 to the financial statements.

**15. Net Sales**

	Note	2008 (Rupees)	2007 (Rupees)
Sales - Local		510,919,195	429,788,280
- Export		1,093,556	593,359
- Manufacturing Service Charges		-	241,444
		<u>512,012,751</u>	<u>430,623,083</u>
Sales Tax		(68,491,719)	(58,018,641)
		<u>443,521,032</u>	<u>372,604,442</u>

**16. Cost Of Sales**

Raw & Packaging Material Consumed	16.1	221,841,101	182,360,938
<b>Other Costs</b>			
Salaries, Wages and Benefits	16.2	32,781,651	28,748,619
Fuel and Power		13,177,388	10,045,460
Stores and Spares Consumed		3,020,868	2,481,719
Depreciation	4.1	10,796,830	11,383,609
Repairs and Maintenance		6,827,082	5,798,738
Travelling and Conveyance		956,822	2,855,312
Rents, Rates and Taxes		178,304	179,354
Insurance		681,632	699,669
Freight and Octroi		34,720	78,605
Printing and Stationary		89,541	114,952
Postage, Telegram and Telephone		304,204	266,163
Legal and Professional		140,250	121,950
Others		297,747	95,398
		69,287,039	62,869,548
Opening Inventory of Work in Process		6,707,597	4,255,315
Closing Inventory of Work in Process		(4,411,287)	(6,707,597)
		<u>293,424,450</u>	<u>242,778,204</u>
Opening Inventory of Finished Goods		36,944,083	22,189,591
Closing Inventory of Finished Goods		(28,582,938)	(36,944,083)
		<u>301,785,595</u>	<u>228,023,712</u>
<b>16.1 Raw &amp; Packaging Material Consumed</b>			
Opening Stock		64,239,934	45,141,113
Purchases and Purchase Expenses		223,920,423	201,459,759
		288,160,357	246,600,872
Closing Stock		(66,319,256)	(64,239,934)
		<u>221,841,101</u>	<u>182,360,938</u>

16.2 This includes Rs. 2,315,770 (2007: Rs. 1,182,031) in respect of Gratuity and Provident Fund.

**17. Selling and Distribution Expenses**

Salaries, and Other Benefits	17.1	28,666,064	19,008,212
Travelling & Conveyance		6,967,332	4,399,717
Depreciation	4.1	1,665,654	1,847,185
Advertisement and Sales Promotion		57,424,676	72,209,548
Postage, Telegram and Telephone		958,778	298,114
Vehicle Repair and Maintenance		3,067,644	2,280,353
Insurance		734,798	610,577
Freight and Octroi		6,190,257	5,166,357
Legal and Professional		55,000	- 15,580
Others		236,737	451,375
		<u>105,966,940</u>	<u>106,287,018</u>

17.1 This includes Rs. 1,729,732 (2007: Rs. 377,001) in respect of Gratuity and Provident Fund.

	Note	2008 (Rupees)	2007 (Rupees)
<b>18. Administrative and General Expenses</b>			
Salaries, and Other Benefits	18.1	8,495,296	7,331,205
Repair and Maintenance		1,405,029	1,764,180
Depreciation	4.1	1,636,786	1,899,896
Travelling & Conveyance		85,418	105,612
Postage, Telegram and Telephone		1,148,759	1,069,889
Rent, Rates and Taxes		1,345,890	1,126,586
Insurance		463,993	340,826
Electricity		929,231	694,457
Printing and Stationary		296,390	369,887
Legal and Professional		20,000	310,750
Auditors' Remuneration	18.3	295,000	110,000
Fees and Subscription		1,550,681	1,179,192
Charity and Donation	18.2	1,050,000	1,600,000
		<u>18,722,473</u>	<u>17,902,480</u>
<b>18.1</b> This includes Rs. 1,854,764 (2007: Rs. 1,460,162) in respect of Gratuity and Provident Fund.			
<b>18.2</b> This represents donations given to "Ibadullah Welfare Trust, Health and Nutrition Development Society (HANDS), Sindh Institute of Urology & Transplantation & Nazaria Pakistan Foundation". The Directors or their spouses have no interest in the donation made during the year.			
<b>18.3 This includes:</b>			
Annual Audit Fee		250,000	75,000
Half yearly Review Fee		30,000	20,000
Compliance with Corporate Governance Review Fee		15,000	15,000
		<u>295,000</u>	<u>110,000</u>
<b>19. Financial Charges</b>			
Markup/Profit on Short term Bank Finances		6,990,026	6,363,673
Return to WPPF	12.2	22,951	29,935
Bank Charges		172,993	230,640
		<u>7,185,970</u>	<u>6,624,248</u>
<b>20. Other Charges</b>			
Workers' Profit Participation Fund	12.2	506,569	703,683
Workers' Welfare Fund - Current		195,000	140,000
		<u>701,569</u>	<u>843,683</u>
<b>21. Other Income</b>			
Gain on Disposal of Fixed Assets	9.2	144,265	182,321
Export Rebate		5,651	2,852
Others		121,410	121,507
		<u>271,326</u>	<u>306,680</u>
<b>22. Taxation</b>			
Current		250,000	2,500,000
Prior		608,133	-
Deferred		2,800,000	1,500,000
		<u>3,658,133</u>	<u>4,000,000</u>



Note	2008 (Rupees)	2007 (Rupees)
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### 22.1 Relationship between Tax Expense and Accounting Profit

Profit before Taxation	9,429,811	13,229,981
Corporate Tax Rate	35%	35%
Tax on Accounting Profit	3,300,434	4,630,493
Tax Effect of Expenses that are Admissible/Inadmissible in determining Taxable Profit	(3,063,149)	(2,206,413)
Tax Effect of Income Under Presumptive Tax Regime		
Round of Adjustments	12,715	75,920
	250,000	2,500,000
Effect on Change in Prior Year Tax	608,133	-
Tax Effect on Temporary Differences between the Carrying amount of Assets and Liabilities for Financial Reporting Purposes and the Amount used for Taxation Purposes	2,800,000	1,500,000
	3,658,133	4,000,000

### 23. Earnings Per Share - Basic & Diluted

Profit after Taxation	5,771,678	9,229,981
Number of Ordinary Shares	3,000,000	3,000,000
Basic Earnings Per Share	1.92	3.08

23.1 There are no dilutive potential ordinary shares outstanding.

### 24. Directors' and Executives' Emoluments

The aggregate amounts charged in these financial statements for the year for emoluments including benefits to the Managing Director, Executives of the company are as under:

	Executives	Executives
Emolument	3,107,203	3,400,520
House Rent Allowance	1,242,881	1,360,208
Utilities	310,720	392,006
Gratuity	386,900	340,052
Provident Fund	275,826	226,626
Other Benefits	469,956	430,447
	5,793,486	6,149,859
No of persons	5	6

24.1 Managing Director and some senior executives are provided with free use of cars owned and maintained by the company & some other benefits in accordance with the Company policy.

24.2 Managing Director has not drawn any remuneration from the Company during the year .

### 25. Transactions With Related Parties

The related parties com comprise associated undertakings. The Company continues to have a policy whereby all transactions with related parties undertaking are entered into at commercial terms and conditions. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

Sales of Goods to M/s Premier Agencies	434,818,818	365,942,996
Sales of Goods to M/s PharmEvo (Pvt) Ltd	82,720	2,409,428

## 26. Capacity and Production

	2008		2007	
	Capacity		Capacity	
	Installed	Utilized	Installed	Utilized
Dental Care (in Kgs)	184,800	96,961	184,800	122,322
Baby Care (in Kgs)	403,205	272,072	403,205	226,528

26.1 The company's main products are toothbrushes, baby feeders and baby nipples.

26.2 Reason for underutilization: Due to competition and other economic factors.

## 27. Summarized Working Result By Line Of Business

	2008			2007		
	Dental Care	Baby Care	Total	Dental Care	Baby Care	Total
----- Rupees -----						
Sales	97,231,013	346,290,019	443,521,032	106,523,505	266,080,937	372,604,442
Cost of Sales	(74,029,748)	(227,755,847)	(301,785,595)	(75,083,922)	(152,939,790)	(228,023,712)
Gross Profit / (Loss)	23,201,265	118,534,172	141,735,437	31,439,583	113,141,147	144,580,730
Selling expenses	(23,230,630)	(82,736,310)	(105,966,940)	(31,046,260)	(75,240,758)	(106,287,018)
Administrative	(4,104,439)	(14,618,034)	(18,722,473)	(4,458,149)	(13,444,331)	(17,902,480)
Operating Profit / (Loss)	(4,133,804)	21,179,828	17,046,024	(4,064,826)	24,456,058	20,391,232

27.1 There has been no inter-sale between reported business segments.

27.2 Certain disclosure as required by IAS regarding segment information is not possible due to multipurpose nature of assets and liabilities, common customers and suppliers, and indistinguishable nature of certain assets and liabilities such as bank finances and dividend etc.

## 28. Financial Instruments and Related Disclosures

### 28.1 Financial Assets and Liabilities

Particulars	Profit/Mark up Bearing			Non-interest Bearing			Total Rupees 2008
	Maturity upto One Year	Maturity after One Year	Sub Total	Maturity upto One Year	Maturity after One Year	Sub Total	
<b>June 30, 2008</b>							
<b>Financial Assets</b>							
Trade Debtors	-	-	-	8,120,075	-	8,120,075	8,120,075
Loan and Advances	-	-	-	4,056,735	-	4,056,735	4,056,735
Deposits, Prepayment and Other Receivables	-	-	-	16,931,980	-	16,931,980	16,931,980
Cash and Bank Balances	-	-	-	122,285	-	122,285	122,285
<b>Total (Rupees)</b>	-	-	-	<b>29,231,075</b>	-	<b>29,231,075</b>	<b>29,231,075</b>
<b>Financial Liabilities</b>							
Short Term Bank Finances	72,039,185	-	72,039,185	-	-	-	72,039,185
Trade and Other Payable	-	-	-	65,210,120	-	65,210,120	65,210,120
<b>Total (Rupees)</b>	<b>72,039,185</b>	-	<b>72,039,185</b>	<b>65,210,120</b>	-	<b>65,210,120</b>	<b>137,249,305</b>

Particulars	Profit/Mark up Bearing			Non-interest Bearing			Total Rupees 2007
	Maturity upto One Year	Maturity after One Year	Sub Total	Maturity upto One Year	Maturity after One Year	Sub Total	
<b>June 30, 2007</b>							
<b>Financial Assets</b>							
Trade Debtors	-	-	-	35,110,703	-	35,110,703	35,110,703
Loan and Advances	-	-	-	1,913,709	-	1,913,709	1,913,709
Deposits, Prepayment and Other Receivables	-	-	-	4,828,833	-	4,828,833	4,828,833
Cash and Bank Balances	-	-	-	799,391	-	799,391	799,391
<b>Total (Rupees)</b>	-	-	-	<b>42,652,636</b>	-	<b>42,652,636</b>	<b>42,652,636</b>
<b>Financial Liabilities</b>							
Short Term Bank Finances	75,358,215	-	75,358,215	-	-	-	75,358,215
Trade and Other Payable	-	-	-	58,988,979	-	58,988,979	58,988,979
<b>Total (Rupees)</b>	<b>75,358,215</b>	-	<b>75,358,215</b>	<b>58,988,979</b>	-	<b>58,988,979</b>	<b>134,347,194</b>

## 28.2 Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Other than cash and bank balance, all other financial assets are subject to credit risk. The Company applied credit limits to its customers and does not have significant exposure to any individual customer.

## 28.3 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will effect the value of financial instruments. The Company has adopted appropriate policies to minimize its exposure to this risk.

## 28.4 Foreign Exchange Risk

Foreign exchange is the risk of loss through changes in foreign exchange rates. The Company is exposed to foreign exchange risk due to transactions denominated in foreign currencies. the company uses foreign contracts to hedge its exposures to foreign currency risk where appropriate.

## 28.5 Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its commitments. Due to effective working capital management policy, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

## 28.6 Fair Values of Financial Instruments

The carrying value of all the financial instruments reflected in the financial statements approximate their fair value .

## 29. Accounting Estimates and Judgements

The Company makes estimates and assumptions that effect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 29.1 Trade Debtors

The Company reviews its receivables against provision required there on an ongoing basis. The provision is made taking into consideration expected recoveries,if any.

### 29.2 Income Taxes

In making the estimates for income taxes currently payable by the company the management considers the current income tax law and decisions of appellate authorities on certain issues in the past.

### 29.3 Defined retirement benefit scheme

The company operates an unfunded gratuity scheme for all its permanent employees. Estimates of liability in respect of staff retirement gratuity (note3.4).

### 29.4 Provision for obsolete stock

The management continuously reviews its inventory for existence of any items which may have become obsolete. These estimates are based on historical experience and are continuously reviewed.

### 29.5 Impairment of assets

In accordance with the accounting policy, the management carries out an annual assessment to ascertain whether any of the company's assets are impaired. This assessment may change due to technological developments.

### 29.6 Depreciable amount and useful lives of fixed assets

In accordance with the accounting policy, the management carries out the annual assessment of depreciable amount and useful lives of fixed assets. The company seeks advice from the technical department in this regard.

## 30. Presentation and Functional Currency

The Financial Statements are presented in Pak Rupees, which is the company's Functional and presentation Currency.

## 31. Subsequent Event

The Board of Directors in their meeting held on September 01, 2008 have proposed a final dividend of Rs. 1.00 per share, for the year ended June 30, 2008, amounting to Rs. 3.00 million for approval of the shares holders of the company in the Annual General Meeting to be held on October 07, 2008.

## 32. Date of Authorization for Issue

These financial statements were authorized for issue by the Board of Directors of the Company on September 01, 2008.

## 33. Staff Strength

The total Number of permanent employees as at the year end:

2008	2007
<u>136</u>	<u>132</u>

## 34. General

Figures have been rounded off to the nearest rupee.

  
M. Haroon Qassim  
Managing Director

  
Zamiruddin Ahmed  
Director



The Company Secretary  
Shield Corporation Limited  
401, Business Avenue, Block 6,  
P.E.C.H.S., Shahrah-e-Faisal,  
Karachi-75400, Pakistan.

## Proxy Form

I/We..... of..... in the district of.....  
(Name) (Address)

being a member of Shield Corporation Limited and holder of..... Ordinary  
(numbers of shares)

share hereby appoint.....  
(Name)

of.....  
(Address)

or failing.....  
(Name)

of.....  
(Address)

who is also a member of Shield Corporation Limited, as my / our proxy to attend vote for me / us and on our behalf at the 36<sup>th</sup> Annual General Meeting of the Company to be held on Tuesday, October 07, 2008 and at any adjournment thereof.

Signed this day..... of....., 2008

Signature  
Revenue  
Stamp

\_\_\_\_\_  
CDC Account/ Folio No.

**Note**

1. Signature should agree with the specimen signature registered with the Company.
2. Proxy to be valid must be deposited with the Company at its registered office at 401, Business Avenue Block 6, P.E.C.H.S., Shahrah-e-Faisal, Karachi not less than 48 hours before the meeting.

For CDC Account Holder /Corporate Entities:

In addition to the above, the following requirements have to be met:

1. Attested copies CNIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
2. The proxy shall produce his / her original CNIC or Passport at the time of meeting.
3. In case of corporate entity, the Board of Directors resolution/Power of attorney with the specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.



**SHIELD CORPORATION LTD.**

401, Business Avenue, Block-6, P.E.C.H.S.

Shahra-e-Faisal, Karachi-75400, Pakistan.

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