Shield®

dream create inspire...

THE NATION OF TOMORROW WITH ACTIONS OF TODAY

ANNUAL REPORT 2013

SHIELD CORPORATION LIMITED

[An ISO 9001 and ISO 14001 certified company]

Shield®

LEADERS IN ORAL AND BABY CARE

The year 2012-2013 saw Shield evolving further in its ideology and breaking boundries, interacting with masses and creating a platform that evoked a sense of ownership in them and a sense of achievement and pride in the people.

Educate children, help the nation's youth grow!

Shield's latest Baby care campaign "Aaj School, Kal Dunya" is first about this. Shield's both Oral care and Baby care categories primarily focuses on building association with the consumer through awareness campaigns. The "Aaj School, Kal Dunya" concept is all about promoting early education and mental growth in children, under this platform Shield will keep on launching campaigns featuring their effort in spreading the awareness of education across Pakistan.

dream. create. inspire

THE NATION OF TOMORROW WITH ACTIONS OF TODAY


Aaj School, Kal Dunya
Shield
آج اسکول
کل دنیا
سمجھ دار ماؤں کا انتخاب
کتنے بھولے ہیں، آج جو ہیں نازک وہ بنے کل کی بنیاد
ہر ماں کا خواب ہے اس کے بچے کی بہترین نشونما

Shield® Baby Care

AAJ SCHOOL, KAL DUNYA

Shield has assisted mothers in nourishing their infants through decades, and now Shield desires to further assist them as their infants grow into the age of education. Shield's 'Aaj School, Kal Dunya' is a wonderful platform promoting early education and mental growth in children.

From this platform, Shield Baby Care launched its first program **"Taleemi Grant",** an opportunity to qualify for one year education grant for children within the specified age limit, the grant will be given to 100 selected winners. Alongside TV commercial and print media, BTL activities were also conducted where mothers were informed of this program and invited to participate.

خوابوں کو پورا کرو

dream.

a strongly desired goal or purpose

history.

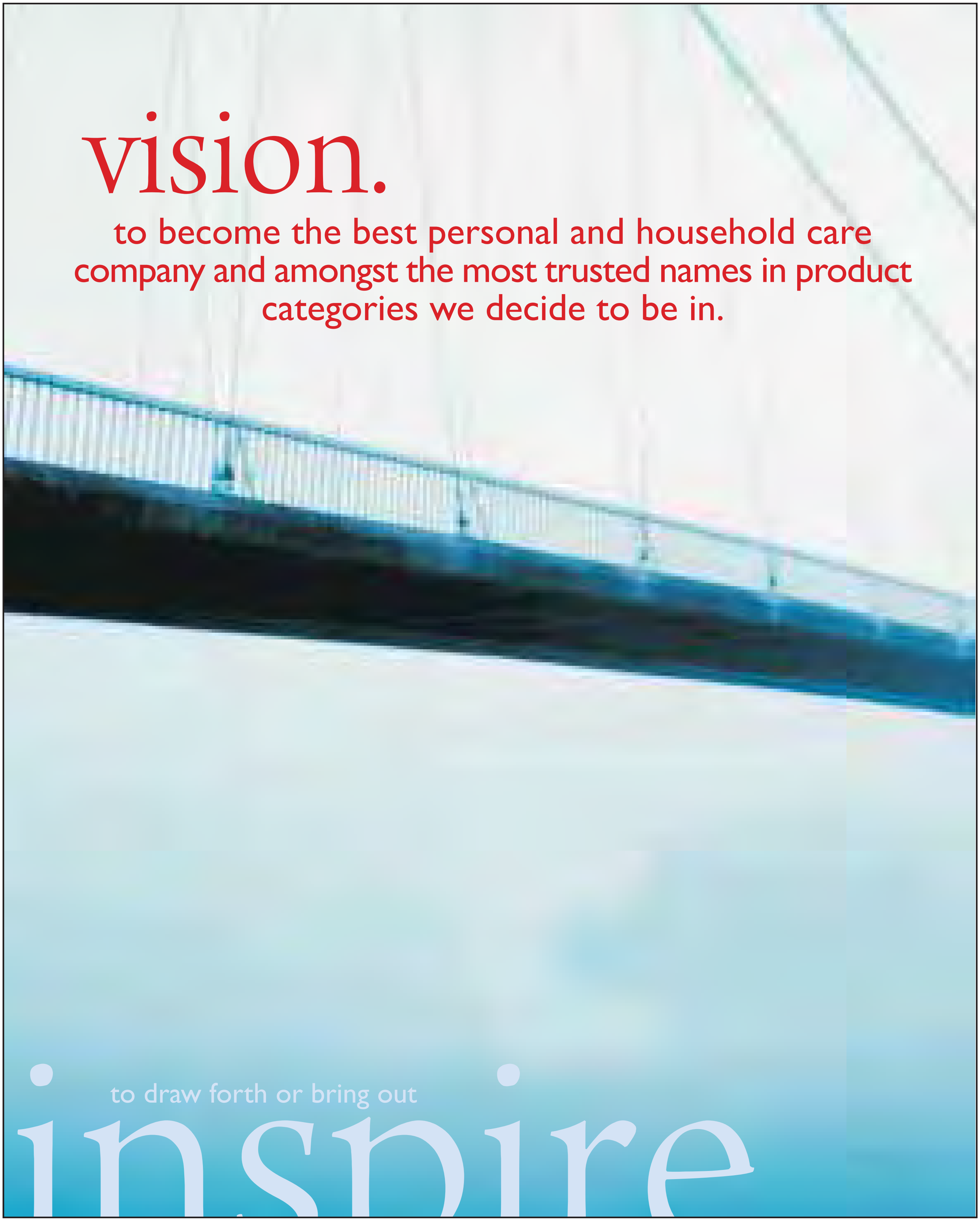
Through constant innovation and development, Shield® has established itself as the leader in Oral and Baby care. Shield continuously strives to develop new products and services through extensive research and development that are tailored for absolute consumer satisfaction now and in the future.

create

to produce or bring about by a course of action or behavior

vision.

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



to draw forth or bring out

inspire

mission.

to become 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.


Shield®
Shield
ZOO FEEDER
Soother
Evenflo
giggles
Change your toothbrush every 3 MONTHS
JUNIOR
Super Soft
BLESSINGS
Shield®
CALCIUM FLUORIDE TOOTHPASTE
Peppermint


LEADING THE NATION IN ORAL CARE AND BABY CARE
BLESSINGS
Twinkle
Shield
Evenflo
Teether
BLESSINGS
Baby Oil
BLESSINGS
Baby Shampoo
NEW
Shield
CLARITY
Shield
PRO-CLEAN
Shield
BLESSINGS
Baby Soap
Shield
CALCIUM FLUORIDE TOOTHPASTE
Cinnamon

COMPANY INFORMATION

Board of Directors

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

Audit Committee

Mr. Vali Muhammad A. Habib	Chairman
Mr. Muhammad Hanif Janoo	Member
Mr. Muhammad Salman Qassim	Member

Human Resource & Remuneration Committee

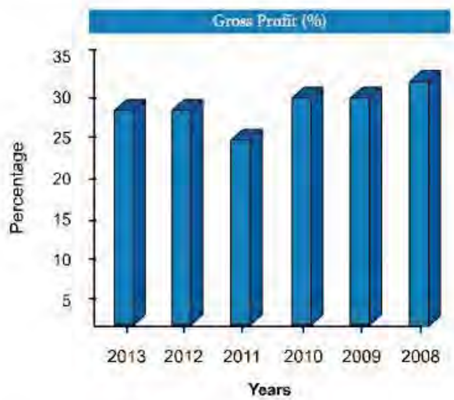
Mr. Muhammad Hanif Janoo	Chairman
Mr. Vali Muhammad A. Habib	Member
Mr. M. Haroon Qassim	Member

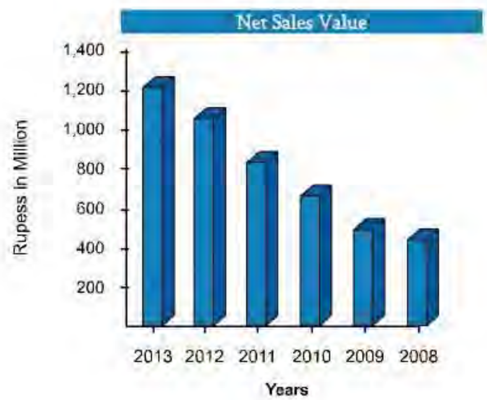
Company Secretary & CFO	Mr. M. Zaid Kaliya
Head of Internal Audit	Mr. M. Shakeel Dhanani
Legal Advisors	Messrs. Hassan & Humayun Associates Advocates & Solicitors
External Auditors	Moochhala Gangat & Co. Chartered Accountants
Internal Auditors	KPMG Taseer Hadi & Co. Chartered Accountants
Bankers	Habib Metropolitan Bank Limited Meezan Bank Limited
Registrar & Share Registration Office	Central Depository Company of Pakistan CDC House,Shahrah-e-Faisal, Karachi.
Registered Office	509, Business Avenue, Block 6, P.E.C.H.S.,Shahrah-e-Faisal, Karachi.
Factory	Plot No. 368/4 & 5 Landhi Industrial Area Baldia Road, Karachi.
Email & URL	mail@shield.com.pk www.shield.com.pk

DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors of Shield Corporation Limited are pleased to present the annual report and the audited financial statements for the year ended June 30, 2013. Report also provides a quick look on Shield's management constant endeavor to maximize profits for the shareholders.

	2013 (Rupees)	2012 (Rupees)
Financial Performance		
Sales	1,218,938,348	1,061,000,021
Profit after taxation	37,542,703	37,443,822
Un-appropriated profit brought forward	104,164,956	72,571,134
Profit available for appropriation	141,707,659	110,014,956
Key Performance Measures		
Gross profit margin (%)	28.47	28.64
Profit before tax (%)	3.47	4.19
Basic earnings per share (Rs.)	9.63	9.60





General overview

The year 2012-13 remained a challenging year not only for the national economy but for the global economy as well. The year was characterized by the impact of deepening recessionary trends, worsening law and order situation and the deteriorating geo political situation

Despite these difficulties, your company continued to emphasize on the strategic goals and focused itself on maintaining the momentum of progress.

1. Thus we feel delighted to inform the shareholders that by the grace of Allah, your company has made history by successfully concluding this year with a sales turnover of Rs. 1.22 billion, an increase of 15% over the previous year sales.

2. This performance is highly expressive of the fact that strategic decisions taken by your management during the fiscal year helped your company in spades, to increase the sales to this level. Some decisions paid back quickly and some will pay in the longer run.

3. The company has maintained post tax profit which indicates company's response to the challenges of improving the profitability despite significant increase in cost on all the fronts.

4. The Board of Directors gladly announce 15% dividend for this financial year.

Our Business Diversity

Shield Corporation Limited was established in 1975 & by virtue of its competent team & diversified range of products Shield remains one of the leading brands in Oral and Baby Care segments of Pakistan.

Baby Care

Baby care portfolio constitutes two brands; Shield and Blessings. Shield baby care covers products range and accessories that provides great value for the money while Blessings offers premium baby toiletries, feeding range and accessories. With the lion's share in baby feeding products, Shield is the market leader in Pakistan.

Oral Care

Shield Oral care portfolio includes a diverse range of toothbrushes and toothpaste customized for individual needs.

Shield toothbrushes range from basic low price toothbrushes (ANGULAR & BIO-JUNIOR) to Pakistan's only Antibacterial toothbrush with silver coated filaments (ANTIBAC). Shield toothbrushes range also hold the distinction of being the only range of toothbrushes which use DuPont's Tynex nylon filaments in Pakistan. Our highest selling toothbrushes, ANGULAR and BIO-JUNIOR were re-launched this year changing them from container packaging to blister card packaging to keep up with changing consumer behavior.

Shield has also entered into premium kids toothbrush category with GIGGLES and FUNTOO. Our range and quality is instrumental in helping us to hold the spot amongst highest selling brands of toothbrushes in Pakistan. With the recent changes in sales strategy, we have managed to get a 50% growth in the upper segment of our adult toothbrushes. However, we have a long way to go to become a leader from a mainstream player.

Shield toothpaste is available in two distinct flavors; Cinnamon and Peppermint, thanks to improved formulation, competing against several multi-national and local family toothpaste brands. In toothpaste market, we are yet to make any inroads, but we will keep trying because this is the best strategic fit in the portfolio of oral care, complements the toothbrushes perfectly and has a substantial potential for growth.

Management Objectives / Strategies / Threats and Opportunities of Market Trends

Your management is determined and clear-headed on keeping the leading position in oral and baby care product segments; INSHAALLAH.

This year, the field force structure has been re-defined for more aggressive growth. We are yet to taste the fruit of this plant but we are confident that it will give us substantial benefit in the next couple of years to come.

Significant Changes in Shield's Objectives and Strategies from Previous Periods

Core Changes – Plans and Strategies

For last two decades, Shield has shown a success track record and launched a variety of Quality Products and set new milestones in the market with an ultimate objective of 'Care'. For that reason, all the intermediaries have shown a satisfactory trend with the operations and marketing activities of the company.

Presently, the management is dead set against new frontiers. Employing new technologies & introducing new categories for consumers and introducing Pakistan as a reputable name in International markets.

Corporate Sustainability & Social Responsibility

'Care' is the core of spirit, which has made Shield a recognized household name in Pakistan. This approach has been the cardinal element of every managerial decision incorporated, at every step of the way, directed towards the ultimate goal of 'Customer Care'. This "care-oriented" approach succeeded through commitment to the principle of continual improvement, understanding the consumer behavior and robust quality vigilance by our qualified quality personnel and technologists.

The management at Shield firmly believes in doing business with a purpose. Shield is always seeking opportunities to contribute towards society by supporting worthy causes and by carrying out activities, which add value to the lives of people coming in contact with the company in any capacity.

Further, fostering education and knowledge is the area of our increased focus, where management wants to play a meaningful role. A reasonable part of the marketing budget is allocated to support and conduct activities, which contribute towards betterment of education and knowledge especially for our youth. Besides, every care is taken in designing all corporate communication to ensure that we always uphold our cultural, social and moral values.

The marketing philosophy at Shield is an offshoot of the commitment towards good corporate citizenship. It believes that instead of adopting a run-of-mill marketing approach, it should aim to come up with new ideas, which not only help in achieving its marketing objectives, but also achieve broader social objectives. It aims to bring about a change in marketing communication by coming up with concepts, which are meaningful and promotes a behavioral change at the consumer level. Shield's 'Dentists Recommend Changing Your Toothbrush Every Three Months' is one example of such effort. Sponsoring school health programs, initiating awards and scholarships at schools, colleges and universities, supporting art and literature and providing assistance to selected Government hospitals and NGO's are some of the activities that occupy our agenda on priority.

Shield Aaj School, Kal Dunya

Shield, in their baby care category has assisted mothers in nourishing their infants through decades. Moreover Shield desires to further assist them as their infants grow into the age for education. Shield has launched a program called 'Aaj School, Kal Dunya' which is a platform for promoting early education and mental growth in children. It is a big platform that will launch several different activities over several years. Different recognized educationists of Pakistan have been pulled in to make it a media event and spread the word of importance of education as the ultimate solution to the problems of our beloved country.

"Taleemi Grant", the first program under "Aaj School, Kal Dunya" was an opportunity to qualify for one year education grant for 100 children within the specified age limit. The children have been selected and a pre decided grant will be given to their schools.

World Oral Health Day

Your company has been celebrating World Oral Health Day since last three years in association with Pakistan Dental Association, Asia Pacific Dental Federation, Institute of Advance Dental Sciences and Research and Journal of Pakistan Dental Association. World Oral Health Day aims to promote awareness on cosmetic values of teeth and gum that they add to the personality and how oral health diseases can affect general health and wellbeing.

In order to increase oral health awareness, Shield is carrying out several activities and has 'displays/stalls' and informative material at selected Dental Colleges, Shopping malls and Schools across major cities in Pakistan. Shield is proud to be associated with this campaign as we believe that dental practitioners have a key role to play in the fight for Oral Care.

Annual Calendar – Learning Tool For Children

One of the key initiatives over last many years has been our Annual Calendars, a widely sought out annual publication. Shield's calendar gives a learning lead at grass root level. Every year your marketing team comes out with a concept which becomes a learning tool for children. As such Shield's calendars are always in greater demand especially by schools as well as a good cross section of our society.

Aagahi Adult Literacy Program (ALP)

Your company has actively promoted "Adult Literacy". The Aagahi Adult Literacy Program is an initiative that was launched in 2005 by The Citizens Foundation (TCF) to impart education and literacy to mothers and older sisters of TCF students as well as other women in the community. The latest session of the program witnessed 265 centers opened for learners. Over 3,800 students enrolled into this phase alone, where the efforts made by hundreds of principals, teachers, area managers & coordinators at TCF were realized.

This noble cause has seen its growth over the years in significant proportions, and the upcoming plans are even more ambitious. ALP, this year is experiencing even greater support, where the program is being rolled out by TCF, National Foods Ltd, Literate Pakistan Foundation, Shield Corporation Limited, and USAID.

Corporate Vision & Mission

Your management is trying its best to make your company, a leading household name in Pakistan, for everything a caring family with young children would need is to safeguard their health and make your company a symbol of dynamism, an epitome of corporate responsibility.

Human Resource Management

Shield believes in a culture of continuous development and to create an environment which supports sustainable high performance. Human Resource Department plays a key role in helping the Company to deal with a fast changing competitive environment and the greater demand for quality employees. Shield HR is engaged not only in identifying and developing the talents of the individual but also enhancing the capabilities of human capital of the Company by organizing several in house and outsourced training programs during the year.

Capital Expenditure

The company is further strengthened with continuous process and technological improvements by continual investment and introduction of world class raw materials, technologies and processes. Your company is regularly complying with all standards to maintain certifications of ISO 9001 and ISO 14001 shows our commitment towards Quality Management System (QMS) and Environmental Management System (EMS). Key raw materials are food grade and FDA compliant.

The Company in current year has made investment in latest models of machines and moulds, utilities and building, amount to Rs. 84.43 million helping the company to remain competitive. As explained earlier, to keep the leadership position it is imperative that we keep investing judiciously in plant and machinery to ensure long term competitiveness and products innovation.

Exports

Your management is also aggressively exploring export market. We succeded in exporting to Kuwait, Uganda, and Afghanistan amounting to Rs. 12.46 million.

Contribution to National Exchequer

Your Company made a total contribution of Rs. 250 million to the National Exchequer on account of different government levies, including custom duty, sales tax and income tax during the year 2012-13.

Corporate Governance

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

Board Meetings

During the year six (6) meetings of the Board of Directors were held. Attendance by each director is as follows:

Name of Directors	Meetings Attended
Mr. Ebrahim Qassim	6
Mr. M. Haroon Qassim	6
Mr. Vali Muhammad A. Habib	6
Mr. Muhammad Hanif Janoo	5
Ms. Saadia Butt Naveed	5
Mr. Muhammad Jamil Qassim*	3
Mr. Zamiruddin Ahmed*	2
Mr. Muhammad Salman Qassim	6

Leave of absence granted to the directors who could not attend the meeting.

*Board Changes

Mr. Muhammad Jamil Qassim resigned from the Board with effect from 15-12-12. To fill the casual vacancy, Mr. Zamiruddin Ahmed has been appointed as Director by the Board with effect from 21-02-13.

Pattern of Shareholding

Pattern of shareholding is annexed to this report.

The Directors, CEO, Head of Internal Audit, Company Secretary and CFO, their spouses and minor children did not carry out any trade in the shares of the Company.

Audit Committee

The Committee comprises of three members, of whom two are non-executive directors including the chairman of the committee. The Audit Committee meets at least four times a year. The Head of Internal Audit acts as secretary to the Audit Committee. The brief terms of reference of audit committee are as follows:

- Review quarterly, half yearly and annual financial statements of the company prior to their approval by the Board of Directors.
- Review preliminary announcements of results prior to publication.
- At least once a year, the Audit Committee shall meet External Auditors without Chief Financial Officer and Head of Internal Audit.
- At least once a year, the Audit Committee shall meet Head of Internal Audit without Chief Financial Officer and External Auditors.
- Recommend the appointment of External Auditors to the Board of Directors and consider any questions of resignation or removal of External Auditors, if any, audit fees, and provision by External Auditors of any service in addition to audit of financial statements.
- Review management letter issued by the External Auditors and management response thereto.
- Determination of appropriate measures to safeguard the Company's assets.
- Consideration of any other issue or matter as may be assigned to the Committee by the Board of Directors.

Attendance of Audit Committee

During the year four (4) meetings of the Audit Committee were held. Attendance by each director is as follows:

Name	Category	Meetings Attended
Mr. Vali Muhammad A. Habib	Chairman	4
Mr. Muhammad Hanif Janoo	Member	4
Mr. Muhammad Salman Qassim	Member	4

Human Resource & Remuneration Committee

The board has formed an HR and Remuneration Committee. It comprises three members, out of whom two are non-executive directors and the chairman of the committee is an independent director.

Attendance of Human Resource & Remuneration Committee

During the year one (1) meeting of the Human Resource & Remuneration Committee were held. Attendance by each director is as follows:

Name	Category	Meetings Attended
Mr. Muhammad Hanif Janoo	Chairman	1
Mr. Vali Muhammad A. Habib	Member	1
Mr. M. Haroon Qassim	Member	1

External Auditors

M/s Moochhala Gangat & Co., Chartered Accountants, the auditors of the company retired 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, 2014 at a fee to be mutually agreed.

Internal Auditors

The Internal Audit Function is outsourced to independent audit firm reporting to Head of Internal Audit and the Boards' Audit Committee. It reviews the system of internal control and conduct internal audit process.

Risk Management

The Company's activities expose it to a variety of risks. The Company's overall risk management program focuses on minimizing potential adverse effects on the Company's performance. The overall risk management of the Company is carried out by the Company's Senior Management Team and the results are placed before the Board of Directors. This entails identifying, evaluating and addressing strategic, financial, commercial and operational risks of the Company.

Related Party Transactions

In order to comply with the requirements of listing regulations, the company presented all related party transactions before the audit committee and Board for their review and approval. These transactions are approved by the Audit Committee and Board of Directors in their respective meetings. The detail of all related party transactions have been provided in note annexed to the financial statement.

Statement on Corporate and Financial Reporting Framework

Statement of Directors' Responsibilities

a. The Board regularly reviews the company's strategic direction. Annual plans and performance targets for business are set by the Chief Executive 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 rules of the Stock Exchanges.

b. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

c. The financial statements, prepared by the management of the company, fairly present its state of affairs, the results of its operations, comprehensive income, 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 statements and accounting estimates are based on reasonable and prudent judgment.

f. The financials are prepared in accordance with International Financial Reporting Standards, as applicable in Pakistan and any departure there from has been adequately disclosed and explained.

g. The Company maintains a sound internal control system, which gives reasonable assurance against any material misstatement or loss. The internal control system is regularly reviewed. This has been formalized by the Board's Audit Committee and is updated as and when needed.

h. There are no significant doubts upon the company's ability to continue as a going concern.

i. Outstanding duties, statutory charges and taxes, if any, have been duly disclosed in the financial statements

j. The value of investment of Provident Fund based on its audited accounts amounted to Rs. 17 million.

k. The key operating and financial data for the last six years in summarized form is annexed.

Future Outlook

In view of current energy crisis, law and order situation and continuing economic uncertainties we do not expect 2014 to be any easier. However, the management of the Company continues to have a long term optimistic outlook for our business. The population base gives a significant impetus to Pakistan's economy. Despite the prevailing situation, we see flourishing consumption and aspiration by the consumer to buy quality brands.

Alhamdolillah, Shield as a brand has a very strong perception in the minds of the consumer. With this edge, we are confident that future is extremely bright for your company. Day to day challenges keep the management on its toes and the commitment level and confidence are bound to deliver the best.

We also feel that oral care category holds strong competition for your company and to strengthen this product category we have recently taken steps which will bear fruits in long run including restructuring of sales team, investment in new designs and technologies.

Moreover, your company has very aggressive plans to keep the dominance in baby care segments by bringing new technologies and products which can satisfy consumers' aspirations for high value brand. Though it is easier said than done, lot of planning, hard work, commitment and dedication of Shield's staff is funneled into it to keep ahead of the competition and maintain leadership position.

Acknowledgement

We thank our valued customers and consumers who have shown trust in our products and continued to provide sustained support in ensuring the progress of the Company. The Company is also thankful to employees for their committed efforts, loyalty and dedication. We greatly value the support and cooperation received from our esteemed suppliers, bankers and all stakeholders who are helping and contributing towards the continued growth of our Company.

On behalf of Board of Directors

M. Haroon Qassim
Managing Director

Karachi: September 2, 2013

KEY FINANCIAL DATA

SIX YEARS AT A GLANCE

	2013	2012	2011	2010	2009	2008
	Rupees					
Balance Sheet						
Paid up capital	39,000,000	39,000,000	39,000,000	39,000,000	30,000,000	30,000,000
Reserves & un-appropriated profit	206,707,659	175,014,956	141,471,134	114,831,310	101,696,419	99,878,432
Shareholders equity	245,707,659	214,014,956	180,471,134	153,831,310	131,696,419	129,878,432
Non-current liabilities	169,408,658	151,347,826	140,592,719	125,832,735	78,319,852	25,996,804
Current liabilities	279,587,956	265,885,604	300,815,924	146,301,373	148,217,947	144,241,898
Total liabilities	694,704,273	631,248,386	621,879,777	425,965,418	358,234,218	300,117,134
Non-current assets	351,722,414	288,275,357	292,063,020	275,583,756	207,354,965	154,781,634
Current assets	342,981,859	342,973,029	329,816,757	150,381,662	150,879,253	145,335,500
Total assets	694,704,273	631,248,386	621,879,777	425,965,418	358,234,218	300,117,134
Profit and Loss Account						
Net sales	1,218,938,348	1,061,000,021	829,901,077	661,131,009	489,090,058	443,521,032
Cost of sales	871,932,880	757,080,081	624,047,664	462,584,004	342,278,520	301,785,595
Gross profit	347,005,468	303,919,940	205,853,413	198,547,005	146,811,538	141,735,437
Selling and distribution expenses	260,897,995	215,302,475	131,338,208	128,994,609	109,631,278	105,966,940
Administrative and general expenses	22,942,163	19,843,857	15,697,978	14,121,680	13,589,877	17,377,473
Other operating expenses	3,908,148	5,435,250	4,626,343	3,802,253	2,039,346	2,046,569
Other operating income	2,409,116	1,403,383	1,501,896	647,207	461,501	271,326
Operating profit	61,666,278	64,741,741	55,692,780	52,275,670	22,012,538	16,615,781
Finance costs	19,411,909	20,266,243	15,331,314	8,855,422	10,150,402	7,185,970
Profit before taxation	42,254,369	44,475,498	40,361,466	43,420,248	11,862,136	9,429,811
Taxation	4,711,666	7,031,676	9,821,642	21,285,357	7,044,149	3,658,133
Profit after taxation	37,542,703	37,443,822	30,539,824	22,134,891	4,817,987	5,771,678

HORIZONTAL ANALYSIS

Balance Sheet Analysis (%)	2013	2012	2011	2010	2009	2008
	Change from preceeding year					
Non-current assets	22.01	(1.30)	5.98	32.90	33.97	23.58
Current assets	0.00	3.99	119.32	(0.33)	3.81	(12.26)
Total assets	10.05	1.51	45.99	18.91	19.36	3.17
Share capital and reserves	14.81	18.59	17.32	16.81	1.40	0.99
Non-current liabilities	11.93	7.65	11.73	60.67	201.27	32.84
Current liabilities	5.15	(11.61)	105.61	(1.29)	2.76	1.06
Total equity and liabilities	10.05	1.51	45.99	18.91	19.36	3.17

Profit and Loss Account Analysis (%)	2013	2012	2011	2010	2009	2008
	Change from preceeding year					
Net sales	14.89	27.85	25.53	35.18	10.27	19.03
Cost of sales	15.17	21.32	34.90	35.15	13.42	32.35
Gross profit	14.18	47.64	3.68	35.24	3.58	(1.97)
Selling and distribution expenses	21.18	63.93	1.82	17.66	3.46	(0.30)
Administrative and general expenses	15.61	26.41	11.16	3.91	(21.80)	7.32
Other operating expenses	(28.10)	17.48	21.67	86.44	(0.35)	(19.86)
Other operating income	71.66	(6.56)	132.06	40.24	70.09	(11.53)
Operating profit	(4.75)	16.25	6.54	137.48	32.48	(16.31)
Finance costs	(4.22)	32.19	73.13	(12.76)	41.25	8.48
Profit before taxation	(4.99)	10.19	(7.04)	266.04	25.79	(28.72)
Taxation	(32.99)	(28.41)	(53.86)	202.17	92.56	(8.55)
Profit after taxation	0.26	22.61	37.97	359.42	(16.52)	(37.47)

VERTICAL ANALYSIS

Balance Sheet Analysis (%)

	2013	2012	2011	2010	2009	2008
Non-current assets	50.63	45.67	46.96	64.70	57.88	51.57
Current assets	49.37	54.33	53.04	35.30	42.12	48.43
Total assets	100.00	100.00	100.00	100.00	100.00	100.00
Share capital and reserves	35.37	33.90	29.02	36.11	36.76	43.28
Non-current liabilities	24.39	23.98	22.61	29.54	21.86	8.66
Current liabilities	40.24	42.12	48.37	34.35	41.38	48.06
Total equity and liabilities	100.00	100.00	100.00	100.00	100.00	100.00

Profit and Loss Account Analysis (%)

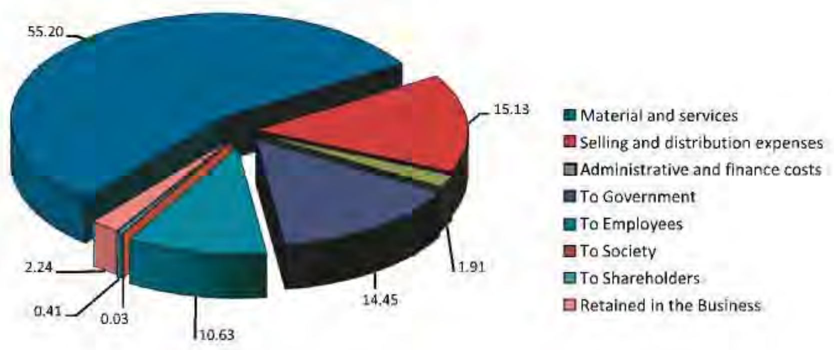
	2013	2012	2011	2010	2009	2008
Net sales	100.00	100.00	100.00	100.00	100.00	100.00
Cost of sales	71.53	71.36	75.20	69.97	69.98	68.04
Gross profit	28.47	28.64	24.80	30.03	30.02	31.96
Selling and distribution expenses	21.40	20.29	15.83	19.51	22.42	23.89
Administrative and general expenses	1.88	1.87	1.89	2.14	2.78	3.92
Other operating expenses	0.32	0.51	0.56	0.58	0.42	0.46
Other operating income	0.20	0.13	0.18	0.10	0.09	0.06
Operating profit	5.06	6.10	6.71	7.91	4.50	3.75
Finance costs	1.59	1.91	1.85	1.34	2.08	1.62
Profit before taxation	3.47	4.19	4.86	6.57	2.43	2.13
Taxation	0.39	0.66	1.18	3.22	1.44	0.82
Profit after taxation	3.08	3.53	3.68	3.35	0.99	1.30

Statement of Value Added

The statement below shows the amount of the revenue generated by the Company during the year and the way this revenue has been distributed:

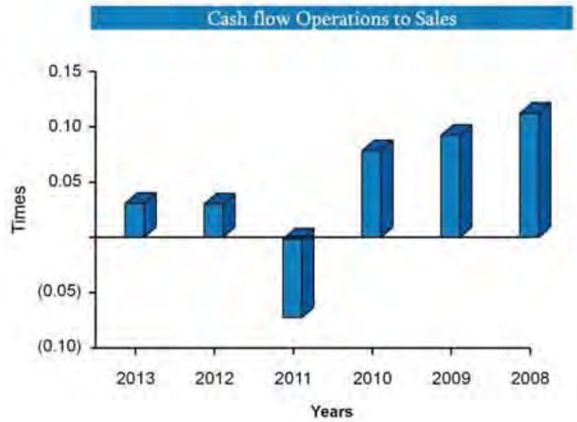
	2013		2012	
	Rupees	**%**	**Rupees**	**%**
Revenue Generated				
Total revenue	1,421,106,059	100.00	1,228,687,380	100.00
Revenue Distributed				
Material and services	784,435,194	55.20	686,918,681	55.91
Selling and distribution expenses	215,047,516	15.13	172,421,744	14.04
Administrative and finance costs	27,152,361	1.91	29,663,853	2.41
Income tax	4,711,666	0.33	7,031,676	0.57
Worker's welfare fund	864,130	0.06	907,663	0.07
Sales tax	199,758,595	14.06	166,283,976	13.53
To Government	205,334,391	14.45	174,223,315	14.17
Salaries, wages and other benefits	151,133,902	10.63	126,196,965	10.27
To Employees	151,133,902	10.63	126,196,965	10.27
Donations	372,000	0.03	1,819,000	0.15
To Society	372,000	0.03	1,819,000	0.15
Cash dividend *	5,850,000	0.41	5,850,000	0.48
To Shareholders	5,850,000	0.41	5,850,000	0.48
Retained in the Business	31,780,695	2.24	31,593,822	2.57
	1,421,106,059	100.00	1,228,687,380	100.00

* Represents final cash dividend @ Rs. 1.5 per share proposed by the Board of Directors subsequent to the year end.

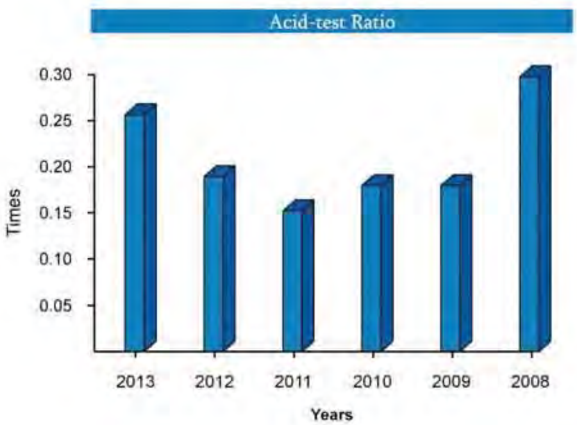


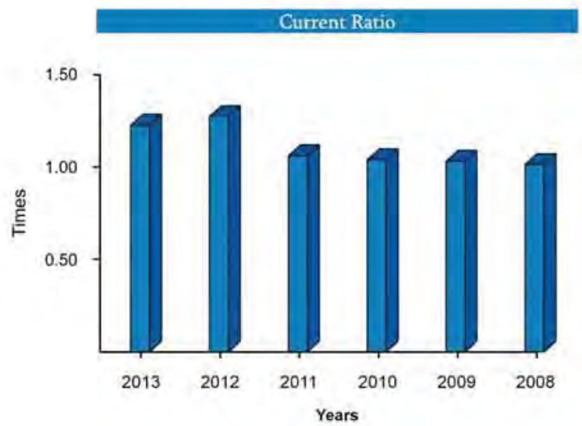
OPERATING & FINANCIAL HIGHLIGHTS

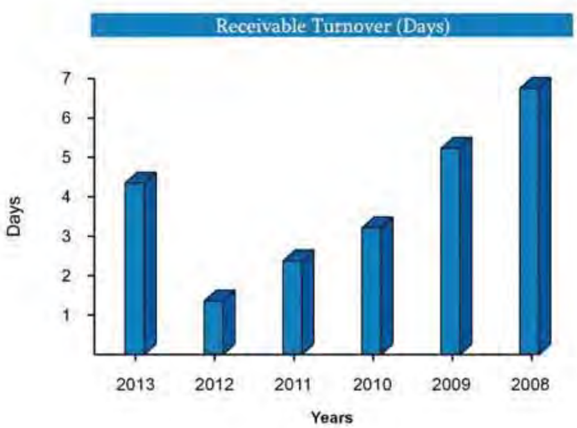
	2013	2012	2011	2010	2009	2008
Profitability Ratios						
Gross profit (%)	28.47	28.64	24.80	30.03	30.02	31.96
Profit before tax (%)	3.47	4.19	4.86	6.57	2.43	2.13
EBITDA margin to sales (%)	7.57	8.81	9.90	10.74	7.80	6.93
Liquidity Ratios						
Current ratio	1.23	1.29	1.10	1.03	1.02	1.01
Acid-test ratio	0.26	0.19	0.15	0.18	0.18	0.30
Cash flow from operations to sales	0.03	0.03	(0.08)	0.07	0.09	0.11
Activity/Turnover Ratios						
Recievables turnover (Days)	4.38	1.20	2.22	3.04	5.23	6.68
Receivables turnover (Times)	86.02	314.88	169.99	123.81	69.81	54.62
Inventory turnover (Days)	114.15	136.92	117.16	95.26	117.75	120.12
Inventory turnover (Times)	3.20	2.67	3.12	3.83	3.10	3.04
Creditors turnover (Days)	28.62	31.65	34.97	64.11	83.00	68.00
Creditors turnover (Times)	12.75	11.57	10.44	5.69	4.40	5.37
Asset turnover ratio	1.75	1.68	1.33	1.55	1.37	1.48
Fixed assets turnover ratio	3.47	3.68	2.84	2.40	2.36	2.87
Operating cycle (Days)	89.91	106.47	84.41	34.19	39.98	58.80
Investment/Market Ratios						
Book value per share (Rs.)	63.00	54.88	46.27	39.44	43.90	43.29
Market value per share - year end - (Rs.)	180.00	129.51	80.46	48.90	67.50	57.00
Price earnings ratio	18.70	13.49	10.27	8.62	42.03	29.63
Dividend yield ratio	0.83	1.16	1.24	2.04	-	1.75
Dividend payout ratio	0.16	0.16	0.13	0.18	-	0.52
Dividend cover ratio	6.42	6.40	7.83	5.68	-	1.92
Dividend per share (%)	15.00	15.00	10.00	10.00	-	10.00
Bonus per share (%)	-	-	-	-	30.00	-
Capital Structure Ratios						
Debt/Equity ratio (%)	68.95	70.72	77.90	81.80	59.47	20.02
Interest cover ratio	3.18	3.19	3.63	5.90	2.17	2.31
Return on shareholders' equity (%)	15.28	17.50	16.92	14.39	3.66	4.44
Earnings per share (Rs.)	9.63	9.60	7.83	5.68	1.61	1.92

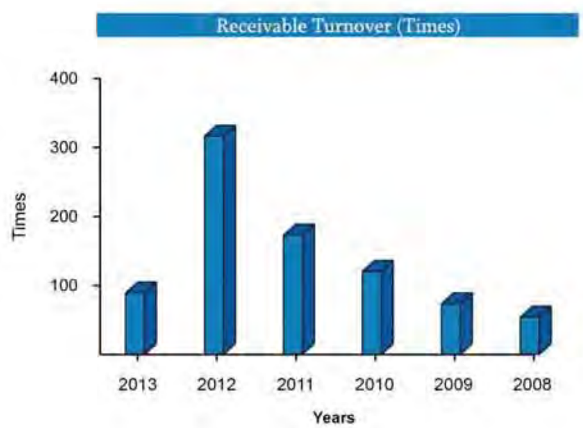

Cash flow Operations to Sales
0.15
0.10
0.05
(0.05)
(0.10)
Times
2013 2012 2011 2010 2009 2008
Years


EBITDA Margin to Sales (%)
12
9
6
3
Percentage
2013 2012 2011 2010 2009 2008
Years

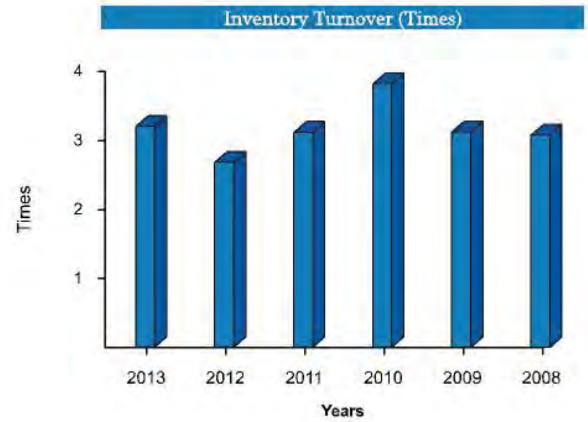

Acid-test Ratio
0.30
0.25
0.20
0.15
0.10
0.05
Times
2013 2012 2011 2010 2009 2008
Years

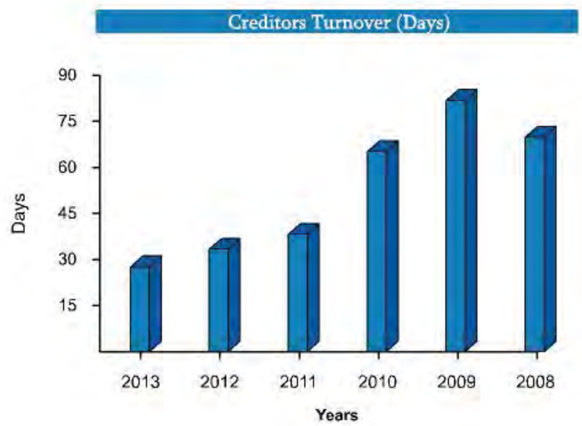

Current Ratio
1.50
1.00
0.50
Times
2013 2012 2011 2010 2009 2008
Years

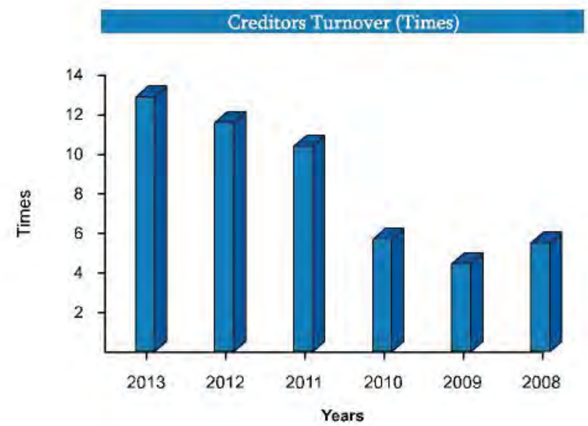

Receivable Turnover (Days)
7
6
5
4
3
2
1
Days
2013 2012 2011 2010 2009 2008
Years


Receivable Turnover (Times)
400
300
200
100
Times
2013 2012 2011 2010 2009 2008
Years


Inventory Turnover (Days)
150
100
50
Days
2013 2012 2011 2010 2009 2008
Years


Inventory Turnover (Times)
4
3
2
1
Times
2013 2012 2011 2010 2009 2008
Years


Creditors Turnover (Days)
90
75
60
45
30
15
Days
2013 2012 2011 2010 2009 2008
Years


Creditors Turnover (Times)
14
12
10
8
6
4
2
Times
2013 2012 2011 2010 2009 2008
Years


Assets Turnover Ratio
2.0
1.5
1.0
0.5
Times
2013 2012 2011 2010 2009 2008
Years

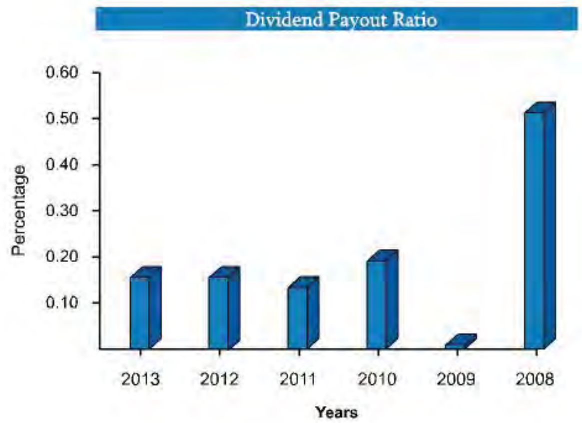

Fixed Assets Turnover Ratio
4
3
2
1
Times
2013 2012 2011 2010 2009 2008
Years

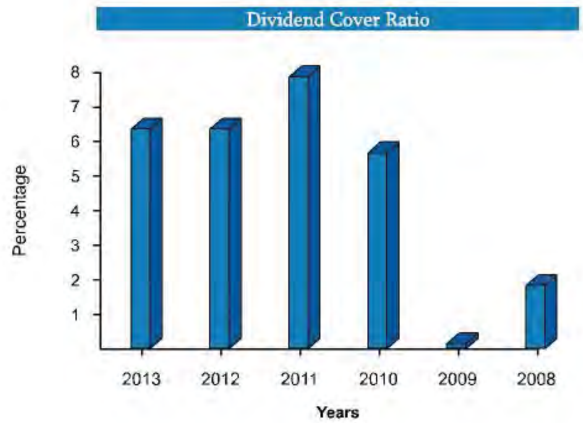

Operating Cycle (Days)
Days
120
100
80
60
40
20
2013
2012
2011
2010
2009
2008
Years

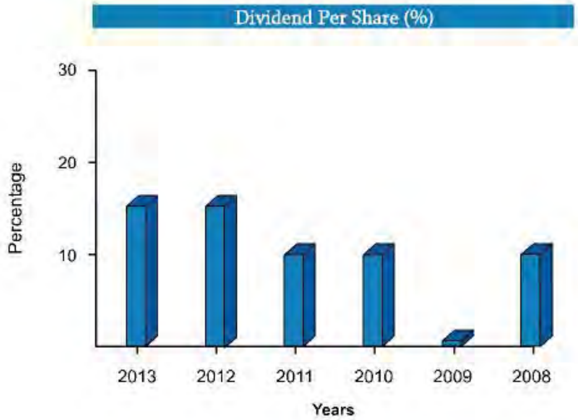

Price Earning Ratio
Percentage
48
40
32
24
16
8
2013
2012
2011
2010
2009
2008
Years


Market Value Per Share (Rs.)
Rupees
180
150
120
90
60
30
2013
2012
2011
2010
2009
2008
Years

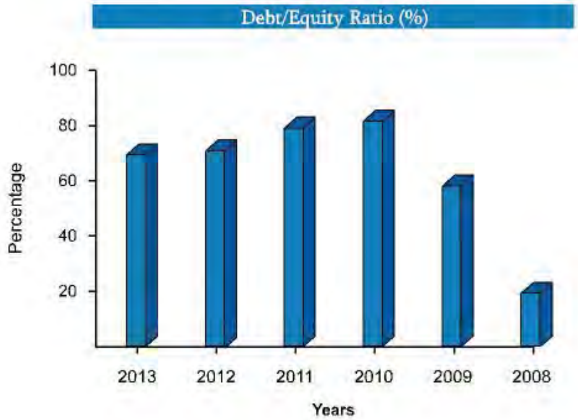

Book Value Per Share (Rs.)
Rupees
150
120
90
60
30
2013
2012
2011
2010
2009
2008
Years

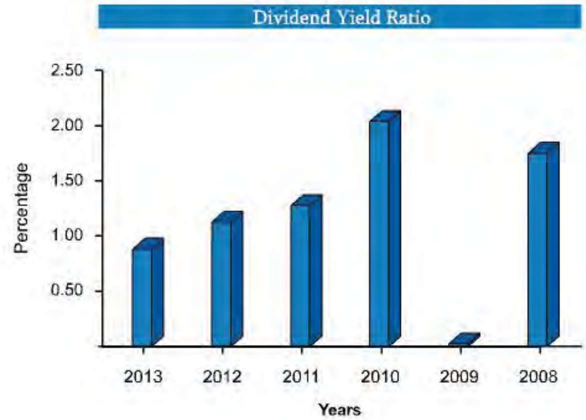

Dividend Payout Ratio
Percentage
0.60
0.50
0.40
0.30
0.20
0.10
2013
2012
2011
2010
2009
2008
Years


Dividend Cover Ratio
Percentage
8
7
6
5
4
3
2
1
2013
2012
2011
2010
2009
2008
Years

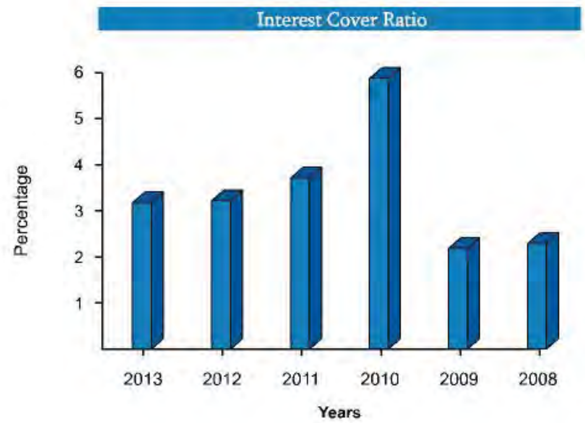

Dividend Per Share (%)
Percentage
30
20
10
2013
2012
2011
2010
2009
2008
Years


Bonus Per Share (%)
Percentage
30
20
10
2013
2012
2011
2010
2009
2008
Years


Debt/Equity Ratio (%)
Percentage
100
80
60
40
20
2013
2012
2011
2010
2009
2008
Years


Dividend Yield Ratio
Percentage
2.50
2.00
1.50
1.00
0.50
2013
2012
2011
2010
2009
2008
Years


Earnings Per Share (Rs.)
Rupees
10
8
6
4
2
2013
2012
2011
2010
2009
2008
Years


Interest Cover Ratio
Percentage
6
5
4
3
2
1
2013
2012
2011
2010
2009
2008
Years

PATTERN OF SHAREHOLDING

Pattern of Shareholding as at June 30, 2013

Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held
204	1	100	4,759
79	101	500	20,707
27	501	1,000	19,608
27	1,001	5,000	55,284
2	5,001	15,000	14,130
1	55,001	60,000	55,250
1	155,001	160,000	156,000
3	300,001	350,000	967,948
3	410,001	470,000	1,291,649
1	550,001	560,000	556,050
1	750,001	760,000	758,615
349			3,900,000

Categories of Shareholders as at June 30, 2013

Category No.	Categories of Shareholders	No. of Shares Held	Category Wise No. of Folios / CDC Account	Category Wise	Percentage
1.	Individuals	999,512	334	999,512	25.63
2.	Joint Stock Companies	1,174	05	1,174	0.03
3.	Directors, Chief Executive Officer and their Spouse		10	2,899,314	74.34
	1. Mr. Ebrahim Qassim	556,050			
	2. Mr. M. Haroon Qassim	462,509			
	3. Mr. Vali Muhammad A. Habib	55,250			
	4. Mr. Muhammad Hanif Janoo	500			
	5. Ms. Saadia Butt Naveed	650			
	6. Mr. Zamiruddin Ahmed	650			
	7. Mr. Muhammad Salman Qassim	417,430			
	8. Mrs. Kulsum Bano	758,615			
	9. Mrs. Zohra Bano	346,840			
	10. Mrs. Wazira Parveen	300,820			
		3,900,000	349	3,900,000	100.00

Shareholders holding five percent or more voting interest in the Company

Total paid-up capital of the Company	3,900,000 Shares
5% of the paid-up capital of the Company	195,000 Shares

Name(s) of Shareholder(s)	Description	No. of Shares Held	Percentage
Mr. Ebrahim Qassim	Falls In Category # 3	556,050	14.26%
Mr. M. Haroon Qassim	Falls In Category # 3	462,509	11.86%
Mr. Muhammad Jamil Qassim	Falls In Category # 1	411,710	10.56%
Mr. Muhammad Salman Qassim	Falls In Category # 3	417,430	10.70%
Mrs. Kulsum Bano	Falls In Category # 3	758,615	19.45%
Mrs. Zohra Bano	Falls In Category # 3	346,840	8.89%
Mrs. Saba Qassim	Falls In Category # 1	320,288	8.21%
Mrs. Wazira Parveen	Falls In Category # 3	300,820	7.71%
		3,574,262	**91.65%**

Financial Calender

The Company follows the period of July 01 to June 30 as the financial year
For the financial year 2013-14, financial results will be announced as per the following tentative schedule.

Un-Audited Financial Results for First Quarter	Last week of October, 2013
Reviewed Half yearly Financial Results	Third week of February, 2014
Un-Audited Financial Results for Third Quarter	Last week of April, 2014
Audited Annual Results for the year ended June 30, 2014	Second week of September, 2014

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

This statement is being presented to comply with the Code of Corporate Governance (the code) as incorporated in listing Regulations of Stock Exchanges of Pakistan 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:

Category	Names
Non-Executive Directors	Mr. Ebrahim Qassim Mr. Vali Muhammad A. Habib
Independent Directors	Mr. Zamiruddin Ahmed Mr. Muhammad Hanif Janoo Ms. Saadia Butt Naveed
Executive Directors	Mr. M. Haroon Qassim Mr. Muhammad Salman Qassim

The independent directors meets the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven 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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred on the board during the year was filled up by the directors within 90 days.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were 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 CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with 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 board ensures arrangement of orientation courses for its directors to apprise them of their duties and responsibilities. During current year one director has completed "Director Training Program" as required by the Code.
10. The board has approved the terms and conditions including remuneration of Head of Internal Audit, CFO and Company Secretary of the company.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the Code.

15. The board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises three members, out of whom two are non-executive directors and the chairman of the committee is an independent director.

18. The board has set up an effective internal audit function.The board has outsourced the internal audit function to KPMG Taseer Hadi & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. 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.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the Code have been complied with.

M. HAROON QASSIM
MANAGING DIRECTOR

Taher Moochhala (FCA)
Najeeb Moochhala (FCA)
Hussaini Fakhruddin (FCA)
Muhammed Saleem (FCA)

Moochhala Gangat & Co
Chartered Accountants

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 ("the Company") to comply with the Listing Regulations No 35 of Karachi, Lahore and Islamabad stock exchanges.

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's personnel and review of various documents prepared by the 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 expresses an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls, the company's corporate governance procedure and risks.

Further, Sub-Regulation (x) of Listing Regulation No. 35 notified by Karachi, Lahore and Islamabad stock exchanges requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

Moochhala Gangat & Co.
Chartered Accountants

Name of the audit engagement partner:
Mr. Najeeb Moochhala

Karachi
Date: September 2, 2013

Principal Office: F-4/2, Mustafa Avenue, Block 9, Behind "The Forum", Clifton, Karachi-Pakistan. **Tel:** +92-21 35877806-09 **Fax:** +92-21 35877810
Email: advice@mgc.com.pk **Web:** www.mgc.com.pk
Branch Office: 123-E, Unit "B", Hali Road, Gulberg III, Lahore. **Tel:** +92-42 5717918, 5717919 **Fax:** +92-42 5877169 **Email:** tajamal@mgc.com.pk

Taher Moochhala (FCA)
Najeeb Moochhala (FCA)
Hussaini Fakhruddin (FCA)
Muhammed Saleem (FCA)

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, 2013** 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, 2013 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.

Moochhala Gangat & Co.
Chartered Accountants

Name of the audit engagement partner:
Mr. Najeeb Moochhala
Karachi
Date: September 2, 2013

BALANCE SHEET
AS AT JUNE 30, 2013

	Note	2013 (Rupees)	2012 (Rupees)
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	350,100,956	275,707,377
Intangible assets - software	5	31,668	76,666
Long term deposits		1,589,790	12,491,314
		351,722,414	288,275,357
Current Assets			
Store and spares		11,264,705	7,507,167
Stock-in-trade	6	259,658,521	285,720,906
Trade debtors - unsecured, considered good	7	25,536,949	1,953,453
Loans and advances	8	5,406,023	7,169,775
Deposits and short term prepayments	9	3,828,847	819,513
Taxation	10	35,242,995	37,631,465
Cash and bank balances	11	2,043,819	2,170,750
		342,981,859	342,973,029
Total Assets		694,704,273	631,248,386
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised Capital			
15,000,000 (2012: 15,000,000) ordinary shares of Rs.10/- each		150,000,000	150,000,000
Issued, subscribed & paid-up capital	12	39,000,000	39,000,000
Reserves	13	65,000,000	65,000,000
Accumulated profit		141,707,659	110,014,956
		245,707,659	214,014,956
Non-Current Liabilities			
Deferred liabilities	14	72,249,452	61,582,636
Due to directors	15	63,000,000	75,000,000
Long term financing - secured	16	34,159,206	14,765,190
		169,408,658	151,347,826
Current Liabilities			
Trade and other payables	17	64,679,454	93,899,826
Accrued mark-up		3,375,534	3,775,921
Current portion of long term financing	16	26,800,806	8,354,744
Short term bank finances - secured	18	184,732,162	149,310,113
Provision for taxation		-	10,545,000
		279,587,956	265,885,604
Contingencies and Commitments	19	-	-
Total Equity and Liabilities		694,704,273	631,248,386

The annexed notes from 1 to 36 form an integral part of these financial statements.

M. Haroon Qassim
Managing Director

Vali Muhammad A. Habib
Director

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees)	2012 (Rupees)
Net sales	20	1,218,938,348	1,061,000,021
Cost of sales	21	(871,932,880)	(757,080,081)
Gross profit		347,005,468	303,919,940
Selling and distribution expenses	22	(260,897,995)	(215,302,475)
Administrative and general expenses	23	(22,942,163)	(19,843,857)
Other operating expenses	24	(3,908,148)	(5,435,250)
Other operating income	25	2,409,116	1,403,383
Operating profit		61,666,278	64,741,741
Finance costs	26	(19,411,909)	(20,266,243)
Profit before taxation		42,254,369	44,475,498
Taxation	27	(4,711,666)	(7,031,676)
Profit after taxation		37,542,703	37,443,822
Other comprehensive income		-	-
Total comprehensive income for the year		37,542,703	37,443,822
Earnings per share - basic and diluted	28	9.63	9.60

The annexed notes from 1 to 36 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, 2013

	2013 (Rupees)	2012 (Rupees)
Cash Generated from Operations		
Profit before taxation	42,254,369	44,475,498
Adjustments for:		
Depreciation	30,511,304	27,856,077
Amortization	44,998	829,567
Provision for gratuity	8,581,045	7,358,098
(Gain) on disposal of property, plant & equipment	(882,640)	(76,159)
Sales tax receivable written off	2,886,615	-
Finance costs	19,411,909	20,266,243
Profit before working capital changes	60,553,231	56,233,826
(Increase) / Decrease in Current Assets:		
Stores and spares	(3,757,538)	(2,230,360)
Stock-in-trade	26,062,385	(5,005,321)
Trade debtors	(23,583,496)	2,629,915
Loans and advances	1,763,752	60,364
Deposits and short term prepayments	(3,009,334)	(7,646)
	(2,524,231)	(4,553,048)
Increase / (Decrease) in Current liabilities		
Trade & other payables	(29,207,970)	(24,950,773)
Cash generated from / (used in) operations	71,075,399	71,205,503
Payments for:		
Gratuity	(2,469,229)	(2,598,234)
Finance costs	(19,812,296)	(19,785,086)
Taxes	(11,199,811)	(14,208,977)
Net cash from / (used in) operating activities **(A)**	37,594,063	34,613,206
Cash Flow from Investing Activities		
Fixed capital expenditure including capital work-in-progress	(107,098,557)	(26,587,612)
Long term deposits	10,901,524	364,950
Sales proceeds from disposal of property, plant & equipment	3,076,314	1,400,840
Net cash used in investing activities **(B)**	(93,120,719)	(24,821,822)
Cash Flow from Financing Activities		
Dividend paid	(5,862,402)	(3,887,281)
Long term financing - diminshing musharakah	37,840,078	8,414,403
Loan repaid to director	(12,000,000)	-
Net cash generated from financing activities **(C)**	19,977,676	4,527,122
Net (decrease) / increase in cash and cash equivalents **(A+B+C)**	(35,548,980)	14,318,506
Cash and cash equivalents at the beginning of the year	(147,139,363)	(161,457,869)
Cash and cash equivalents at the end of the year	(182,688,343)	(147,139,363)
Cash and Cash Equivalents		
Cash and bank balances	2,043,819	2,170,750
Short term bank finances	(184,732,162)	(149,310,113)
	(182,688,343)	(147,139,363)

The annexed notes from 1 to 36 form an integral part of these financial statements.

M. Haroon Qassim Managing Director	Vali Muhammad A. Habib Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2013

	Share Capital (Rupees)	Capital Reserve	Revenue Reserve		Total (Rupees)
		Share Premium (Rupees)	General Reserve (Rupees)	Unappropriated Profit (Rupees)	
Balance as at July 01, 2011	39,000,000	10,000,000	55,000,000	76,471,134	180,471,134
Final dividend for the year June 30, 2011 - @ Rs. 1.00 per share	-	-	-	(3,900,000)	(3,900,000)
Total comprehensive income for the year ended June 30, 2012	-	-	-	37,443,822	37,443,822
Balance as at June 30, 2012	39,000,000	10,000,000	55,000,000	110,014,956	214,014,956
Balance as at July 01, 2012	39,000,000	10,000,000	55,000,000	110,014,956	214,014,956
Final dividend for the year June 30, 2012 - @ Rs. 1.50 per share	-	-	-	(5,850,000)	(5,850,000)
Total comprehensive income for the year ended June 30, 2013	-	-	-	37,542,703	37,542,703
Balance as at June 30, 2013	39,000,000	10,000,000	55,000,000	141,707,659	245,707,659

The annexed notes from 1 to 36 form an integral part of these financial statements.

M. Haroon Qassim
Managing Director

Vali Muhammad A. Habib
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

1. Status and Nature of Business

Shield Corporation Limited (the company) was incorporated in Pakistan on January 10, 1975 and is quoted on Karachi, Lahore and Islamabad Stock Exchanges in Pakistan. The registered office of the company is situated at 509, Business Avenue, Block 6, P.E.C.H.S., Shahrah-e-Faisal, Karachi. The Company is mainly engaged in the manufacturing, trading and sales of oral and baby care products.

2. Basis of Preparation

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance 1984, provisions of and directives issued under the Companies Ordinance,1984. In case requirements differ, the provisions of or directives of the Companies Ordinance,1984 shall prevail.

2.2 Accounting Convention

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies herein below.

2.3 Initial Application of Standards, Amendments or an Interpretation to Existing Standards

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

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2012 but are considered not to be relevant or to have any significant effect on the company's operations and are, therefore, not detailed in these financial statements except the following:

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

3. Summary of Significant Accounting Policies

3.1 Property, Plant and Equipment

3.1.1 Operating fixed assets

Operating fixed assets are stated at cost less accumulated depreciation provided on a diminishing balance method at the rates mentioned in the relevant note except for lease hold land which is amortized on a straight line basis. Depreciation is charged from the date the asset is put into operation and discontinued from the date the asset is retired. Gain and loss on disposal of assets are included in the income currently.

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.

3.1.3 Subsequent costs

The cost of replacing parts of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day to day servicing of property, plant and equipment are recognized in profit or loss as they incurred.

3.1.4 Impairment of asset

The carrying amount of the company's assets are reviewed at each balance sheet date to identify circumstances indicating concurrence of impairment loss or reversal of previous impairment losses. If any such indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversal of impairment losses are recognized in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

3.1.5 Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

3.1.6 Ijarah

Transactions in which a significant portion of the risks and rewards of ownership are retained with the Mujir (lessors) are classified as Ijarah. Ujrah payments under an Ijarah are recognized as an expense in the income statement on a straight-line basis over the Ijarah term.

3.2 Stores and Spares

Stores and spares are valued at lower of weighted average cost less provision for impairment if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Provision for obsolete and slow moving stores, spares and loose tools is determined based on management's estimate regarding their future usability.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to be incurred to make the sale.

3.3 Stock in Trade

Stock in trade is valued at the lower of cost and net realizable value.
Cost incurred in bringing each product to its present location and condition are accounted for as follows.

Raw and packing material except in transit/bond	at purchase cost on weighted average basis.
Finished goods and work in process	average production cost which includes cost of : - Direct material - Direct expense - Overheads

Items in transit/bond are valued at cost comprising invoice value plus other charges incurred thereon upto the balance sheet date. Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred to make the sale.

3.4 Staff Benefits

3.4.1 Compensated absences

The Company accounts for all accumulated compensated absences when employees render services that increase their entitlement to future compensated absences.

3.4.2 Post retirement benefits

3.4.2.1 Defined benefit plan - Gratuity scheme

The Company operates an unfunded gratuity scheme for all of 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 account.

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

Discount rate	11.50%
Expected rate of salary increase	11.50%

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, 2013.

3.4.2.2 Defined contribution plan - Provident fund

The company operates a provident fund scheme for its permanent employees. Obligation for contributions to the fund are recognized as an expense in profit or loss when they are due. A trust has been established and its approval has been obtained from the Commissioner of Income tax. Monthly contributions are made by the company and its employees to the fund as per company policy. The company has 118 no. of employees as at June 30, 2013 (2012: 129 employees) and average number of employees during the year were 123.

3.5 Taxation

3.5.1 Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and rebates available, if any.

3.5.2 Deferred

Deferred tax is recognized using the balance sheet liability method, providing for all the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that are enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognized for all temporary differences. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax asset are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefits will be realized.

3.6 Trade and Other Payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services

3.7 Foreign Currencies Translations

Pakistan rupee (PKR) is the functional currency of the Company. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange 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 at fair value of consideration receivable. Debts considered irrecoverable are written off and provision is made against those considered doubtful of recovery.

3.9 Revenue Recognition

Revenue is recognized to the extent that is probable that the future economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

Sales are recorded as revenue when the title of the goods is transferred to the customer which normally corresponds with the dispatch of goods to customers.

3.10 Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made. Provision are reviewed at each balance sheet and adjusted to reflect the current best estimates.

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 equivalents 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 Costs

Borrowing costs are recognized as an expense in the period in which they are incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the asset.

3.13 Related Party Transactions

Transaction with related parties are carried out on commercial terms and conditions.

3.14 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 recognition and derecognition of the financial assets 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.

3.15 Offsetting of Financial Assets and Financial Liabilities

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 IAS / IFRS or interpretations thereof.

3.16 Proposed Dividends and Transfer Between Reserves

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which dividends are approved. Transfer between reserves made subsequent to the balance sheet date is considered as non-adjusting event and is recognized in the financial statement in the period in which such transfer are made.

4. Property, plant and equipment

	Note	2013 (Rupees)	2012 (Rupees)
Operating fixed assets	4.1	315,679,352	263,956,337
Capital work in progress	4.4	34,421,604	11,751,040
		350,100,956	275,707,377

4.1 Operating fixed assets

Description	Leasehold land	Factory building on leasehold land	Office premises	Plant & machinery	Furniture & fixtures	Office equipments	Computer equipments	Vehicles	Total
COST									
Balance as at July 01, 2011	4,923,000	133,308,248	2,500,000	276,649,658	8,638,252	2,818,000	2,421,158	11,344,702	442,603,018
Additions	-	9,197,402	-	26,854,361	492,912	354,750	884,700	446,457	38,230,582
Disposals	-	-	-	-	-	(24,650)	(377,500)	(2,975,886)	(3,378,036)
Balance as at June 30, 2012	4,923,000	142,505,650	2,500,000	303,504,019	9,131,164	3,148,100	2,928,358	8,815,273	477,455,564
Balance as at July 01, 2012	4,923,000	142,505,650	2,500,000	303,504,019	9,131,164	3,148,100	2,928,358	8,815,273	477,455,564
Additions	-	-	7,018,856	70,847,124	1,615,500	1,377,553	651,160	2,917,800	84,427,993
Disposals	-	-	-	(932,000)	(3,025,240)	-	(427,280)	(1,424,129)	(5,808,649)
Balance as at June 30, 2013	4,923,000	142,505,650	9,518,856	373,419,143	7,721,424	4,525,653	3,152,238	10,308,944	556,074,908
IMPAIRMENT									
Balance as at July 01, 2011	-	-	-	3,904,665	-	-	-	-	3,904,665
Charge for the year	-	-	-	4,995,997	-	-	-	-	4,995,997
Balance as at June 30, 2012	-	-	-	8,900,662	-	-	-	-	8,900,662
Balance as at July 01, 2012	-	-	-	8,900,662	-	-	-	-	8,900,662
Charge for the year	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2013	-	-	-	8,900,662	-	-	-	-	8,900,662
DEPRECIATION									
Balance as at July 01, 2011	631,737	31,378,856	576,250	134,716,057	2,498,660	866,822	1,178,896	6,948,565	178,795,843
Charge for the year	49,230	10,293,760	192,375	15,207,935	641,681	214,206	489,420	767,470	27,856,077
On disposals	-	-	-	-	-	(5,517)	(277,646)	(1,770,192)	(2,053,355)
Balance as at June 30, 2012	680,967	41,672,616	768,625	149,923,992	3,140,341	1,075,511	1,390,670	5,945,843	204,598,565
Balance as at July 01, 2012	680,967	41,672,616	768,625	149,923,992	3,140,341	1,075,511	1,390,670	5,945,843	204,598,565
Charge for the year	49,230	10,083,303	751,953	17,370,579	579,031	249,757	576,340	851,111	30,511,304
On disposals	-	-	-	(378,924)	(1,992,093)	-	(382,566)	(861,392)	(3,614,975)
Balance as at June 30, 2013	**730,197**	**51,755,919**	**1,520,578**	**166,915,647**	**1,727,279**	**1,325,268**	**1,584,444**	**5,935,562**	**231,494,894**
CARRYING AMOUNT - 2012	4,242,033	100,833,034	1,731,375	144,679,365	5,990,823	2,072,589	1,537,688	2,869,430	263,956,337
CARRYING AMOUNT - 2013	**4,192,803**	**90,749,731**	**7,998,278**	**197,602,834**	**5,994,145**	**3,200,385**	**1,567,794**	**4,373,382**	**315,679,352**
RATE OF DEPRECIATION (%)	1%	10%	10%	10%	10%	10%	30%	20%	

4.2 Depreciation has been charged to:	Note	2013 (Rupees)	2012 (Rupees)
Cost of sales	21	28,536,561	25,884,470
Selling and distribution expenses	22	988,812	964,113
Administrative and general expenses	23	985,931	1,007,494
		30,511,304	27,856,077

4.3 Detail of disposal of fixed assets

Detail of operating assets sold are as follows

Particulars	Original cost (Rupees)	Accumulated depreciation (Rupees)	Written down value (Rupees)	Sales proceeds (Rupees)	Profit/ (loss) (Rupees)	Sold to	Mode of disposal
Vehicles	132,900	1,966	130,934	500,000	369,066	Mr. Zaid Kaliya	Negotiation
"	475,100	350,483	124,617	118,775	(5,842)	Mr. Tanveer Iqbal	Negotiation
"	71,950	9,370	62,580	1,020,000	957,420	Syed Asad Jaffery	Negotiation
"	380,103	252,404	127,699	365,000	237,301	Mr. Moeed Siddiqui	Negotiation
"	364,076	247,169	116,907	91,019	(25,888)	Mr. Ghaffar Ahmed	Negotiation
Machinery	932,000	378,924	553,076	500,000	(53,076)	Mr. Naseem Ahmed Khan	Negotiation
Furniture & Fixtures	3,025,240	1,992,093	1,033,147	450,000	(583,147)	Mr. Muhammad Faheem Khan	Negotiation
Items having book value of less than Rs. 50,000 each	427,280	382,566	44,714	31,520	(13,194)	Various	Negotiation
June 30, 2013	**5,808,649**	**3,614,975**	**2,193,674**	**3,076,314**	**882,640**		
June 30, 2012	3,378,036	2,053,355	1,324,681	1,400,840	76,159		

4.4 Capital work in progress

The CWIP comprise the following:

	Note	2013 (Rupees)	2012 (Rupees)
Civil works		2,328,418	1,000,390
Plant & machinery		31,733,186	10,650,650
Advances to contractors / suppliers			
- Software		360,000	-
- Office		-	100,000
		34,421,604	11,751,040

5. Intangible assets - software

	Note	2013 (Rupees)	2012 (Rupees)
Cost			
Balance as at July 01, 2012		2,488,700	2,393,700
Additions		-	95,000
Balance as at June 30, 2013		2,488,700	2,488,700
Amortization			
Balance as at July 01, 2012		2,412,034	1,582,467
Charge for the year	5.1	44,998	829,567
Balance as at June 30, 2013		2,457,032	2,412,034
Carrying amount as at June 30, 2013		31,668	76,666
Amortization rate (%)		33.33%	33.33%

5.1 Amortization for the year has been allocated as under:	Note	2013 (Rupees)	2012 (Rupees)
Cost of sales	21	15,000	276,523
Selling and distribution expenses	22	14,999	276,522
Administrative and general expenses	23	14,999	276,522
		44,998	829,567

	Note	2013 (Rupees)	2012 (Rupees)
6. Stock-in-trade			
Raw & packing materials			
- in hand		129,686,577	154,042,700
- in transit		9,518,493	3,955,291
Work-in-process		19,515,167	17,383,537
Finished goods		100,938,284	110,339,378
		259,658,521	285,720,906

7. Trade debtors - unsecured, considered good

Trade debts include Rs. 22.79 million (2012: Nil) due from related parties, the maximum aggregate month end balance due from related parties during the year is Rs. 105.59 million (2012: Rs. 14.42 million)

8. Loans and advances

	Note	2013 (Rupees)	2012 (Rupees)
Loan - secured and considered good			
Employees	8.1	3,889,512	1,812,769
Advances - unsecured and considered good			
Suppliers		368,848	761,131
Collector of customs		-	4,292,275
Others		1,147,663	303,600
		5,406,023	7,169,775

8.1 These loans are interest free and have been given to executives and other employees of the company for purchase of house, vehicles or for personal use in accordance with their terms of employment. These loans are to be repaid over a period of two to five years in equal monthly installments. Any outstanding loan due from an employee at the time of leaving the service of the Company is adjustable against final settlement.

8.2 The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs. 3.77 million (2012: Rs. 1.51 million).

	2013 (Rupees)	2012 (Rupees)
9. Deposits and short term prepayments		
Deposits	3,458,509	437,900
Short term prepayments	370,338	381,613
	3,828,847	819,513
10. Taxation		
Income tax		
- advance	27,781,853	19,651,461
- refunds due from government	7,461,142	15,093,389
Sales tax	-	2,886,615
	35,242,995	37,631,465
11. Cash and bank balances		
In hand	406,300	312,920
At banks in current accounts	1,637,519	1,857,830
	2,043,819	2,170,750

	Note	2013 (Rupees)	2012 (Rupees)

12. Issued, subscribed and paid-up capital

Ordinary shares of Rs. 10 each

2013	2012		2013 (Rupees)	2012 (Rupees)
3,000,000	3,000,000	Issued for cash	30,000,000	30,000,000
900,000	900,000	Issued as bonus shares	9,000,000	9,000,000
3,900,000	3,900,000		39,000,000	39,000,000

13. Reserves

Movemement in and composition of reserves is as follows

	2013 (Rupees)	2012 (Rupees)
Capital		
Share premium	10,000,000	10,000,000
Revenue		
General reserve	55,000,000	55,000,000
	65,000,000	65,000,000

14. Deferred liabilities

	Note	2013 (Rupees)	2012 (Rupees)
Gratuity	**14.1**	27,063,452	20,951,636
Deferred taxation	**14.2**	45,186,000	40,631,000
		72,249,452	61,582,636

14.1 Gratuity

	2013 (Rupees)	2012 (Rupees)
Movement in net liability recognized		
Opening net liability	20,951,636	16,191,772
Expense for the year	8,581,045	7,358,098
	29,532,681	23,549,870
Benefits paid	(2,469,229)	(2,598,234)
Closing net liability	27,063,452	20,951,636
Charge for / (Income from) the defined benefit plan		
Current service cost	3,144,093	2,824,953
Interest cost	2,464,628	2,084,972
Recognised actuarial losses	2,972,324	2,448,173
Expense for the year	8,581,045	7,358,098

14.1.1 Historical information	2013	2012	2011	2010	2009
	Rupees				
Present value of defined benefit obligation	27,063,452	20,951,636	16,191,772	15,332,735	13,319,852
Fair value of plan assets	-	-	-	-	-
Surplus / (deficit) in the plan	27,063,452	20,951,636	16,191,772	15,332,735	13,319,852
Unrecognised actuarial gain / (loss)	-	-	-	-	-
(Asset) / liability in balance sheet	27,063,452	20,951,636	16,191,772	15,332,735	13,319,852
Experience adjustment arising on plan liabilities (gain)/loss	-	-	-	-	-
Experience adjustment arising on plan assets gain/(loss)	-	-	-	-	-

	Note	2013 (Rupees)	2012 (Rupees)
14.2 Deferred taxation			
The liability for deferred taxation comprises of timing difference relating to:			
Accelerated tax depreciation		54,658,364	47,964,142
Provision for gratuity		(9,472,209)	(7,333,073)
		45,186,155	40,631,069

14.2.1 Provision for deferred tax has been rounded off to Rs. 45.186 million (2012: Rs. 40.631 million)

15. Due to directors

This represents mark up free loans from directors.

16. Long term financing - secured

	Installment payable	Repayment period	Mark-up rate	Note	2013 (Rupees)	2012 (Rupees)
Diminishing musharakah arrangements						
Meezan Bank Limited	Monthly	2011-14	1.9% above 6 months KIBOR	16.1	45,038,648	8,881,358
Habib Metropolitan Bank Limited - Islamic banking	Semi Annualy	2012-17	2.5% above 6 months KIBOR	16.1	11,390,861	14,238,576
Bank Alfalah - Islamic banking	Monthly	2012-17	2% above 6 months KIBOR	16.1	4,530,503	-
Less: Current portion shown under current liabilities					(26,800,806)	(8,354,744)
					34,159,206	14,765,190

16.1 Islamic finance under diminishing musharakah is secured by a first exclusive charge over particular machinery of the company.

17. Trade and other payables

	Note	2013 (Rupees)	2012 (Rupees)
Creditors		47,805,101	47,832,510
Accrued liabilities		3,679,914	7,444,490
Retention money		1,208,383	1,693,674
Workers' welfare fund		864,130	907,663
Workers' profit participation fund	17.1	2,274,026	2,388,587
Unclaimed dividend		477,630	490,032
Sales tax payable		5,357,933	3,277,354
Advances from customers	17.2	2,782,668	29,408,115
Others		229,669	457,401
		64,679,454	93,899,826

17.1 Workers' profit participation fund

		2013 (Rupees)	2012 (Rupees)
Balance at the beginning of the year		2,388,587	2,167,640
Profit on funds utilized		78,658	175,062
Allocation for the year		2,274,026	2,388,587
		4,741,271	4,731,289
Payments		(2,467,245)	(2,342,702)
Balance at the end of the year		2,274,026	2,388,587

17.2 Advance from customers include Rs. Nil (2012: Rs. 29.11 million) which are due to related parties.

	Note	2013 (Rupees)	2012 (Rupees)
17.3 Employee's Provident Fund			
General disclosure			
Size of the fund		17,094,454	13,328,004
Cost of investment		13,849,116	9,899,116
Fair value of investment		17,094,454	13,328,004
Percentage of investment		100%	100%

The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

18. Short term bank finances - secured

	Note	2013	2012
Running finance	**18.1**	96,818,864	85,762,001
Murabaha finance	**18.2**	87,913,298	63,548,112
		184,732,162	149,310,113

18.1 These represent finances obtained under mark-up arrangement and are secured against hypothecation of stock-in-trade and trade debtors.The Company enjoys a total facility of Rs. 100 million (2012: Rs. 100 million) at a mark-up of 3 months KIBOR + 1% (2012: 3 months KIBOR + 1%) per annum.

18.2 This represent murabaha finance obtained under profit arrangements and are secured against hypothecation of moveable fixed assets and hypothecation of current assets of the Company. The Company enjoys a total facility of Rs. 225 million (2012: Rs. 200 million) at a profit rate ranging from relevant KIBOR + 1% to 1.25% (2012: KIBOR + 1.25%) per annum.

19. Contingencies and commitments

19.1 Contingencies:

19.1.1 Contingent liability in respect of guarantees and counter guarantees as at June 30, 2013 was Rs. 7.64 million (2012: Rs. 6.69 million). Out of this Rs.5 million (2012: Rs 5 million) represents guarantee provided in relation to defending a trade mark case in the High Court for Rs. 42 million (2012: Rs. 42 million). The management is hopeful that case will be decided in company's favour, as such no provision has been made in these financial statments.

19.1.2 The company has filed a constitutional petition in High Court of Sindh against registration of FIR by tax authorities for alleged inadmissibility of input tax on the ground that the suppliers were not bonafide suppliers amounting to Rs. 1.3 million. The case has been argued and reserved for judgement before the High Court of Sindh. The management based on entity's legal counsel is hopeful that the case will be decided in company's favour and hence no provision has been made in these financial statements.

19.1.3 The company has issued post dated cheques in favour of collector of customs amounting to Rs. 6.47 million (2012: Rs. 6.47 million) under SRO 565 (I)/2006 dated June 5, 2006 for the reduction of duty as an indemnity guarantee. The collector of customs will refund these cheques upon satisfactory compliance of the requirements of SRO.

19.2 Commitments:

19.2.1 The company has letter of credit commitments for purchases amounting to Rs. 48.73 million (2012: Rs. 29.59 million).

19.2.2 The company has letter of credit and other commitments for capital expenditures amounting to Rs. 17.68 million (2012: Rs. 15.03 million).

19.2.3 The company has commitments in respect of Ijarah as follows:

	2013	2012
Later than one year but not later than three years	-	467,356
Not later than one year	3,578,380	34,365,104
	3,578,380	34,832,460

19.2.4 The company has commitments in respect of Rent of Diminishing Musharakah as follows:

	2013	2012
Later than one year but not later than three years	2,971,974	7,404,144
Not later than one year	3,346,147	5,055,170
	6,318,121	12,459,314

	Note	2013 (Rupees)	2012 (Rupees)
20. Net sales			
Sales - local		1,427,680,701	1,251,798,838
Discounts		(21,444,510)	(30,702,671)
		1,406,236,191	1,221,096,167
Sales tax and excise duties		(199,758,595)	(166,283,976)
		1,206,477,596	1,054,812,191
Sales - export		12,460,752	6,187,830
		1,218,938,348	1,061,000,021
21. Cost of sales			
Raw & packaging materials consumed	21.1	634,270,624	553,786,273
Other costs			
Salaries, wages and benefits	21.2	87,497,686	70,161,400
Fuel and power		43,501,890	35,995,349
Stores and spares consumed		14,491,834	10,592,154
Sales tax receivable written off		2,886,615	-
Depreciation	4.2	28,536,561	25,884,470
Amortization of intangible assets	5.1	15,000	276,523
Impairment		-	4,995,997
Repairs and maintenance		10,190,733	12,973,471
Traveling and conveyance		1,090,528	1,572,095
Ijarah		33,284,491	38,468,911
Rent, rates and taxes		130,745	332,261
Insurance		5,252,468	4,443,362
Freight		257,706	545,936
Printing and stationery		374,123	460,781
Postage, telegram and telephone		781,119	693,097
Legal and professional		611,150	1,181,590
Others		1,490,143	728,495
		230,392,792	209,305,892
Opening inventory of work in process		17,383,537	15,059,487
Closing inventory of work in process		(19,515,167)	(17,383,537)
		862,531,786	760,768,115
Opening inventory of finished goods		110,339,378	106,651,344
Closing inventory of finished goods		(100,938,284)	(110,339,378)
		871,932,880	757,080,081
21.1 Raw & packaging materials consumed			
Opening stock		154,042,700	128,159,031
Purchases		609,914,501	579,669,942
		763,957,201	707,828,973
Closing stock		(129,686,577)	(154,042,700)
		634,270,624	553,786,273

21.2 This includes Rs. 5,412,946 (2012: Rs. 4,655,349) in respect of retirement benefits.

	Note	2013 (Rupees)	2012 (Rupees)
22. Selling and distribution expenses			
Salaries and other benefits	22.1	45,850,479	42,880,731
Traveling and conveyance		17,902,114	21,400,255
Depreciation	4.2	988,812	964,113
Amortization of intangible assets	5.1	14,999	276,522
Advertisement and sales promotion		157,659,533	121,195,120
Postage, telegram and telephone		1,784,988	1,419,764
Vehicle repair and maintenance		4,520,313	3,637,863
Rents, rates and taxes		6,937	26,323
Insurance		106,903	225,739
Freight and octroi		29,031,451	21,373,890
Legal and professional		2,033,000	1,266,000
Others		998,466	636,155
		260,897,995	215,302,475

22.1 This includes Rs. 4,108,269 (2012: Rs. 3,553,430) in respect of retirement benefits.

	Note	2013 (Rupees)	2012 (Rupees)
23. Administrative and general expenses			
Salaries and other benefits	23.1	15,511,711	10,766,247
Repairs and maintenance		1,085,329	1,209,153
Depreciation	4.2	985,931	1,007,494
Amortization of intangible assets	5.1	14,999	276,522
Traveling and conveyance		147,259	425,214
Postage, telegram and telephone		576,937	491,384
Rent, rates and taxes		149,823	662,820
Insurance		372,243	367,955
Electricity and water charges		513,564	449,499
Printing and stationery		1,366,372	1,064,909
Legal and professional		994,860	2,115,128
Security charges		434,000	270,100
Fees and subscription		631,161	652,914
Others		157,974	84,518
		22,942,163	19,843,857

23.1 This include Rs. 1,641,651 (2012: Rs. 1,217,929) in respect of retirement benefits.

	Note	2013 (Rupees)	2012 (Rupees)
24. Other operating expenses			
Charity and donations	24.1	372,000	1,819,000
Auditors' remuneration	24.2	310,000	320,000
Workers' profit participation fund		2,274,026	2,388,587
Workers' welfare fund - current		864,130	907,663
Workers' welfare fund - prior		87,992	-
		3,908,148	5,435,250

24.1 The directors or their spouses have no interest in the donation made during the year.

24.2 This includes:

	Note	2013 (Rupees)	2012 (Rupees)
Annual audit fee		260,000	250,000
Half yearly review fee		25,000	45,000
Compliance with corporate governance review fee		25,000	25,000
		310,000	320,000
25. Other operating income			
Gain on disposal of fixed assets	4.3	882,640	76,159
Exchange gain - unrealized		37,807	-
Others		1,488,669	1,327,224
		2,409,116	1,403,383
26. Finance costs			
Mark-up / profit on short term bank finances		13,728,480	16,617,191
Interest on WPPF	17.1	78,658	175,062
Rent on diminishing musharakah		5,055,170	2,913,971
Guarantee commission		92,255	179,239
Bank charges		457,346	380,780
		19,411,909	20,266,243
27. Taxation			
Current		-	10,545,000
Prior		156,666	(3,939,324)
Deferred		4,555,000	426,000
		4,711,666	7,031,676

	Note	2013 (Rupees)	2012 (Rupees)
27.1 Relationship between tax expense and accounting profit			
Profit before taxation		42,254,369	44,475,498
Corporate tax rate		35%	35%
Tax on accounting profit		14,789,029	15,566,424
Tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes		(10,082,173)	(4,531,504)
Tax effect on exports under final tax regime		(151,856)	(63,920)
Effect of change in prior years' tax		156,666	(3,939,324)
Tax charge		4,711,666	7,031,676

28. Earnings per share - basic & diluted

	2013 (Rupees)	2012 (Rupees)
Profit after taxation	37,542,703	37,443,822
Number of ordinary shares	3,900,000	3,900,000
Basic earnings per share	9.63	9.60

28.1 A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2013 and June 30, 2012 which would have any effect on the earnings per share if the option to convert is excercised.

29. Emoluments of chief executive, executive director and executives

The aggregate amount charged in these financial statements for the remuneration of the chief executive, executive director and executives were as under:

	2013				2012			
	Chief Executive	Executive Director	Executives	Total	Chief Executive	Executive Director	Executives	Total
	Rupees				Rupees			
Emoluments	-	-	13,220,220	13,220,220	-	-	6,530,316	6,530,316
House rent allowance	-	-	5,949,108	5,949,108	-	-	2,937,952	2,937,952
Utilities	-	-	1,322,052	1,322,052	-	-	653,732	653,732
Gratuity	-	-	1,722,290	1,722,290	-	-	850,000	850,000
Provident fund	-	-	1,221,409	1,221,409	-	-	686,008	686,008
Other benefits	-	-	5,190,710	5,190,710	-	-	2,262,909	2,262,909
	-	-	28,625,789	28,625,789	-	-	13,920,917	13,920,917
No. of persons	1	1	17	19	1	1	8	10

29.1 Chief executive and executive director are provided with free use of cars owned and maintained by the company and some other benefits in accordance with the company policy.

29.2 Chief executive and executive director have not drawn any remuneration from the company.

30. Transactions with related parties

Related parties comprise of associated undertakings, employees provident fund, directors and key management personnel of the company.

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

Relationship	Nature of transactions	2013	2012
Associated company	Sale of goods - Premier Agencies	1,182,589,666	1,000,449,164
Staff retirement funds	Contribution to employees provident fund	2,581,821	2,068,610
Director	Repayment of loan due to director	12,000,000	-

30.1 Balances of related parties as at June 30, 2013 are included in the respective notes to the financial statements. These are settled in the ordinary course of business. The receivables and payables are mainly unsecured in nature and bear no interest.

31. Capacity and production

The production capacity of the plant cannot be determined as this depends upon relative proportion of various products and products components.

32. Operating segments

Managerment monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is generally evaluated based on certain key performance indicators including business volume and gross profit. Segment results include items directly attibutable to a segment as well as those that can be allocated on a reasonable basis.

Segment information

	2013			2012		
	Oral care	Baby care	Total	Oral care	Baby care	Total
	Rupees			Rupees		
Sales	221,146,320	997,792,028	1,218,938,348	183,552,202	877,447,819	1,061,000,021
Cost of sales	(184,732,287)	(687,200,593)	(871,932,880)	(163,929,507)	(593,150,574)	(757,080,081)
Gross profit	36,414,033	310,591,435	347,005,468	19,622,695	284,297,245	303,919,940
Selling and distribution expenses	(88,100,418)	(172,797,577)	(260,897,995)	(36,601,421)	(178,701,054)	(215,302,475)
Administrative and general expenses	(4,162,290)	(18,779,873)	(22,942,163)	(3,425,578)	(16,418,279)	(19,843,857)
Other operating expenses	(709,037)	(3,199,111)	(3,908,148)	(940,294)	(4,494,956)	(5,435,250)
Other operating income	437,074	1,972,042	2,409,116	242,784	1,160,599	1,403,383
Finance costs	(3,521,812)	(15,890,097)	(19,411,909)	(3,506,060)	(16,760,183)	(20,266,243)
Profit / (loss) before taxation	(59,642,450)	101,896,819	42,254,369	(24,607,874)	69,083,372	44,475,498

33. Financial instruments and related disclosures

Financial risk management

The Board of Directors of the company has overall responsibility for the establishment and oversight of the company's risk management framework. The company has exposure to the following risks from its use of financial instrments:

- Credit risk
- Liquidity risk
- Market risk
- Fair value of financial assets and liabilities
- Capital risk management

33.1 Credit risk

Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counter party to a financial instruement fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2013 (Rupees)	2012 (Rupees)
Trade debtors - unsecured, considered good	25,536,949	1,953,453
Loans and advances	5,406,023	7,169,775
Deposits and other receivables	3,458,509	437,900
Cash and bank balances	2,043,819	2,170,750

33.1.1 The maximum exposure to credit risk for trade debts amounting to Rs. 25.54 million (2012: Rs. 1.95 million), at the balance sheet date by geographic region is as follows:

Domestic	25,536,949	1,953,453
Export	-	-
	25,536,949	1,953,453

33.1.2 The maximum exposure to credit risk for trade debts at the balance sheet date by type of customer is as follows:

Distributor / Wholeseller	25,319,485	1,735,989
End-user customers	217,464	217,464
	25,536,949	1,953,453

33.1.3 Based on the past experience, consideration of financial position, past track records and recoveries, the company believes that trade debtors past due upto one year do not require any impairment and no impairment allowance is necessary in respect of remaining portion of past due over one year.

	2013 (Rupees)	2012 (Rupees)
33.1.4 The ageing analysis of related party balance in Trade debtors are as follows:		
1 - 30 days	22,787,922	-
31 - 90 days	-	-
91 - 180 days	-	-
181 - 365 days	-	-
More than 1 year	22,787,922	-

33.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	2013					
	Carrying amount	**Contractual cash flows**	**Six months or less**	**Six to twelve months**	**Two to five years**	**More than five years**
	Rupees					
Trade and other payables	64,679,454	(64,679,454)	(64,679,454)	-	-	-
Short term bank finances	184,732,162	(184,732,162)	(184,732,162)	-	-	-
	249,411,616	(249,411,616)	(249,411,616)	-	-	-

	2012					
	Carrying Amount	**Contractual cash flows**	**Six months or less**	**Six to twelve months**	**Two to five years**	**More than five years**
	Rupees					
Trade and other payables	93,899,826	(93,899,826)	(93,899,826)	-	-	-
Short term bank finances	149,310,113	(149,310,113)	(149,310,113)	-	-	-
	243,209,939	(243,209,939)	(243,209,939)	-	-	-

33.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The company is not exposed to any market risk.

33.3.1 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.

33.3.2 Foreign exchange risk

Foreign exchange risk is the risk of loss through change in foreign exchange rates.The company is exposed to foreign exchange due to transactions denominated in foreign currencies.

33.4 Fair value of financial assets and liabilities

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair value.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. However, the company does not hold any quoted financial instrument.

The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IAS 39 'Financial instruments: Recognition and Measurement'.

The carrying amount less impairment provision of trade receivables and payables are asumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

33.5 Capital risk management

The objective of the company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business.The company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend paid to the shareholders or issue bonus / new shares.

34. Accounting estimates and judgements

The company makes estimates and assumptions that effect the reported amounts of assets and liabilites 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.

34.1 Trade debtor

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

34.2 Income taxes

In making the estimates from 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.

34.3 Defined retirement benefit scheme

The company operates an unfunded gratuity scheme for all of its permanent employees. Estimates of liability in respect of staff retirement gratuity (note 3.4.2.1)

34.4 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.

34.5 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 asessment may change due to technological developments.

34.6 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.

35. Authorisation of financial statements and appropriations

These financial statements were authorised for issue on September 2, 2013 by the Board of Directors.

36. General

Figures have been rounded off to the nearest rupee.

The Board of Directors in their meeting held on September 2, 2013 have proposed 15% dividend for the year ended June 30, 2013 amounting to Rs. 5.85 million for approval of the shares holders of the company in the Annual General Meeting to be held on October 24, 2013.

M. Haroon Qassim Managing Director	Vali Muhammad A. Habib Director

NOTICE OF MEETING

Notice is hereby given that the 42nd Annual General Meeting of the shareholders of the company will be held on Thursday, October 24, 2013 at 2:00 p.m. at Plot # 368 / 4&5, Landhi Industrial Area, Baldia Road, Karachi to transact the following business:

A. Ordinary Business

1. To confirm the minutes of 41st Annual General Meeting held on October 23, 2012.
2. To receive, consider and adopt the audited Financial Statements for the year ended June 30, 2013 along with Auditors' and Directors' report thereon.
3. To consider & approve the final dividend of Rs. 1.50 (15%) per share as recommended by the Board of Directors.
4. To appoint Auditors of the Company for the year ending June 30, 2014 and fix their remuneration.
5. To transact any other ordinary business as may be placed before the meeting with the permission of the chair

By order of the Board
M. Zaid Kaliya
Company Secretary

Karachi: September 2, 2013

Notes:

1. The share transfer book of the Company will remain closed from 18-10-2013 to 24-10-2013 (both days inclusive) for the purpose of determining the entitlement for the Dividend.
2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend, speak and vote on his /her behalf. Forms of Proxy must be deposited at the registered office of the Company not less than 48 hours before the time of the meeting.
3. In accordance with the notification of the Securities and Exchange Commission of Pakistan, SRO 831(1) 2012 dated July 05, 2012, dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members. Accordingly, members who have not yet submitted copy of their valid CNIC / NTN (in case of corporate entities) are requested to submit the same to theRegistrar of the Company M/s. Central Depository Company of Pakistan, CDC House, Shahrah-e-Faisal, Karachi., with members' folio no. mentioned thereon for updating record.
4. Shareholders (non CDC) are requested to promptly notify the Company's Registrar of any change in their addresses and submit if applicable to them, the Non-deduction of Zakat Form CZ-50 with the Registrar of the Company M/s. Central Depository Company of Pakistan, CDC House, Shahrah-e-Faisal, Karachi. All the Shareholders holding their shares through the CDC are requested to please update their addresses and Zakat status with their Participants. This will assist in the prompt receipt of Dividend.
5. CDC Account Holders will further have to follow the under mentioned guideline as laid down in circular 1 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 details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original computerized 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 details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
2. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned in the form.
3. Attested copies of CNIC or passport of beneficial owner and the proxy shall be furnished with the proxy form.
4. The proxy shall produce his/her original CNIC or passport at the time of the meeting.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) along with proxy form to the Company.

Shield®

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