



ANNUAL REPORT 2003



# COMPANY INFORMATION

## Board of Directors

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

## Auditors

Gangat & Company  
Chartered Accountants

## Bankers

Metropolitan Bank Limited  
Habib Bank AG Zurich  
Meezan Bank Limited

## Audit Committee

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

## Registered Office

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

## Company Secretary

Mr. Muhammad Arif Dangra

## Legal Advisors

Messrs. Husain & Haider  
Advocates & Solicitors



# DIRECTORS' REPORT TO THE SHAREHOLDERS

I hereby present the audited accounts and financial results of the company for the year ending June 30, 2003 on behalf of the Board of Directors of Shield Corporation Limited (*Formerly Transpak Corporation Limited*).

<b>Financial Performance</b>	<b>2003 (Rupees)</b>	<b>2002 (Rupees)</b>
Sales	183,241,324	195,935,422
Profit after Taxation	7,145,741	20,874,042
Un-appropriated Profit Brought Forward	7,304,307	1,430,265
Profit Available for Appropriation	14,450,048	22,304,307
Proposed Dividend @ Rs 2 Per Share (2002: Rs 5 Per Share)	(6,000,000)	(15,000,000)
Un-appropriated Profit Carried Forward	8,450,048	7,304,307
Earnings Per Share	2.38	6.96

## Management Summary and Outlook

The financial results of the company should be viewed in context of the following factors, which had an impact on operating results of the company:

1. Management change took place at the end of the year 2002, following which the team members conducted a situation analysis and devised a turnaround strategy and long-term plan.
2. Stocks at the factory and at the distributors' level were rationalized to bring in a stable sales trend.
3. Staff restructuring was initiated and completed during the 3<sup>rd</sup> and 4<sup>th</sup> quarters. The main areas of focus were marketing, sales & quality control.
4. Repackaging plan was initiated to bring the products in line with changing consumer preferences.
5. New product committee was formed to select and plan new products, both in existing as well as new categories.
6. Pricing structure was changed to make it more result-oriented and practical.
7. An aggressive marketing plan was prepared for the current and following year to give the company much-needed impetus to grow and excel amid tough competition.

## Investments and New Machinery

In order to ensure long-term success and growth, the management made the following investments:

1. State-of-the-art German tufting machine, giving the company the capability to compete in the high-price / top-quality toothbrushes segment.
2. High-tech nipple manufacturing machine from Germany, to give the company even better quality and bigger capacity in the segment where Shield already enjoys a leadership position.
3. The management would like to reaffirm its commitment to aggressively invest in plant and machinery to ensure long-term competitiveness and product innovation.



### **Key Performance Measures**

	<b>2003</b>	<b>2002</b>	<b>2001</b>
Gross Profit Margin (%)	31.13	31.33	31.13
Profit Margin (%)	3.90	10.65	25.39
Earnings per Share (Rs)	2.38	6.96	18.70
Return on Shareholders' Equity (%)	6.91	20.40	58.17
Operating Return (%)	7.33	18.72	37.01

### **Human Resources**

Immediately after the takeover, the new management focused on inculcating a winning culture in the company through induction of high-quality professionals in all areas of operation. Regular training and development programs have been initiated, a formal Human Resource department is in place, high-profile professionals are heading all departments, giving the company an aggressive and professional outlook.

### **Corporate Governance**

Compliance of corporate governance is annexed in the annual report.

### **Pattern of Share Holding**

Pattern of share holding is annexed in the annual report.

### **Auditors**

The present Auditors, Messrs Gangat and Company, retire and being eligible, offered themselves for re-appointment.

# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of SHIELD CORPORATION LIMITED (*Formerly Transpak Corporation Limited*) as at June 30, 2003 and the related Profit and Loss Account, Cash Flow Statement, and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2003 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the central zakat fund established under Section 7 of that Ordinance.

Date: September 25, 2003  
Place: Karachi

**Gangat & Company**  
**Chartered Accountants**



# BALANCE SHEET

	Note	2003 (Rupees)	2002 (Rupees)
<b>Capital and Liabilities</b>			
<b>Share Capital and Reserves</b>			
Authorized Capital 10,000,000 Ordinary Shares of Rs.10 Each		100,000,000	100,000,000
Issued, Subscribed & Paid-up Capital 3,000,000 Ordinary Shares of Rs.10 Each Fully Paid-up in Cash		30,000,000	30,000,000
<b>Reserve and Surplus</b>			
Revenue Reserve-General		55,000,000	55,000,000
Capital Reserve-Share Premium		10,000,000	10,000,000
Un-appropriated Profit		8,450,048	7,304,307
		73,450,048	72,304,307
Shareholders' Equity		103,450,048	102,304,307
<b>Deferred Liabilities</b>	4	10,748,861	8,066,640
<b>Current Liabilities</b>			
Short Term Bank Finances-Secured	5	33,225,763	12,299,287
Loan from Directors-Unsecured and Interest Free, Payable on Demand		7,500,000	-
Creditors, Accrued, and Other Liabilities	6	8,844,148	9,278,202
Provision for Taxation		1,000,000	10,000,000
Unclaimed Dividend		350,248	311,361
Proposed Dividend		6,000,000	15,000,000
		56,920,159	46,888,850
<b>Contingencies and Commitments</b>	7	-	-
		171,119,068	157,259,797

The Annexed Notes Form an Integral Part of these Financial Statements.

## AS AT JUNE 30, 2003

	2003 (Rupees)	2002 (Rupees)
<b>Property and Assets</b>		
<b>Tangible Fixed Assets</b>		
Operating Assets	8 99,432,010	69,686,930
Capital Work-in-Progress	9 2,078,000	-
	101,510,010	69,686,930
<b>Current Assets</b>		
Stores and Spares	5,202,798	5,948,200
Stock-in-Trade	10 35,035,290	41,698,806
Trade Debtors-Unsecured, Considered Good	11 8,256,645	11,848,797
Loans, Advances, Deposits and Other Receivables	12 13,249,536	19,917,745
Cash and Bank Balances	13 7,864,789	8,159,319
	69,609,058	87,572,867
	171,119,068	157,259,797

M. Haroon Qassim  
Managing Director

Imran Chishti  
Executive Director



# PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2003

	Note	2003 (Rupees)	2002 (Rupees)
Sales	14	183,241,324	195,935,422
Cost of Goods Sold	15	(126,198,986)	(134,544,974)
Gross Profit		57,042,338	61,390,448
<b>Operating Expenses</b>			
Administrative and Selling	16	40,080,492	28,988,671
Financial	17	604,675	2,783,013
		(40,685,167)	(31,771,684)
Net Operating Profit		16,357,171	29,618,764
<b>Other Income and Charges</b>			
Non-Operating Income	18	1,819,346	901,932
Other Charges	19	(677,152)	(1,079,197)
Bad Debts Written Off		(4,953,807)	-
		(3,811,613)	(177,265)
Net Profit for the Year before Taxation		12,545,558	29,441,499
Taxation	20	(5,399,817)	(8,567,457)
Profit after Taxation		7,145,741	20,874,042
Un-appropriated Profit brought forward		7,304,307	1,430,265
Profit Available for Appropriation		14,450,048	22,304,307
<b>Appropriation</b>			
Proposed Dividend @ Rs 2 Per Share (2002: Rs 5 Per Share)		(6,000,000)	(15,000,000)
Un-appropriated Profit carried forward		8,450,048	7,304,307
<b>Earnings Per Share</b>	21	2.38	6.96

The Annexed Notes Form an Integral Part of these Financial Statements.

M. Haroon Qassim  
Managing Director

Imran Chishti  
Executive Director





# CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2003

	Note	2003 (Rupees)	2002 (Rupees)
<b>Cash Flow from Operating Activities</b>			
Cash Generated from Operations	A	38,201,952	52,746,140
Gratuity Paid		(2,567,219)	(2,368,504)
Financial Charges Paid		(542,768)	(2,747,682)
Taxes Paid		(5,336,023)	(5,164,391)
Net Cash Inflow from Operating Activities		29,755,942	42,465,563
<b>Cash Flow from Investing Activities</b>			
Fixed Capital Expenditure Including Capital Work-in-Progress		(44,726,097)	(5,610,360)
Sale Proceeds of Fixed Assets		1,210,262	783,710
Net Cash Outflow from Investing Activities		(43,515,835)	(4,826,650)
<b>Cash Flow from Financing Activities</b>			
Dividend Paid		(14,961,113)	(15,751,209)
Loan from Director		7,500,000	-
Net Cash Outflow from Financing Activities		(7,461,113)	(15,751,209)
Net Increase/(Decrease) in Cash and Equivalents		(21,221,006)	21,887,704
Cash and Cash Equivalent at the Beginning of the Year		(4,139,968)	(26,027,672)
Cash and Cash Equivalent at the End of the Year	B	(25,360,974)	(4,139,968)
<b>A. Cash Flow from Operating Activities</b>			
Profit Before Taxation		12,545,558	29,441,499
Add/(Less) Adjustment for Non-Cash Charges and Other Items:			
Depreciation		12,074,331	8,285,844
Provision for Gratuity		1,199,440	2,898,793
Gain on Sale of Fixed Assets		(381,576)	(529,394)
Financial Charges		604,675	2,783,013
Profit Before Working Capital Changes		26,042,428	42,879,755
(Increase)/Decrease in Current Assets:			
Stores and Spares		745,402	239,331
Stock in Trade		6,663,516	4,596,099
Trade Debtors		3,592,152	16,749,359
Loans, Advances, Deposits, Prepayments and Other Receivables (Excluding Income Tax)		1,654,415	(2,068,274)
		12,655,485	19,516,515
Increase/(Decreases) in Current Liabilities:			
Creditor, Accrued and other Liabilities, (Excluding Accrued Markup)		(495,961)	(9,650,130)
Net (Increase)/Decrease in Working Capital		12,159,524	9,866,385
Cash Generated from Operations		38,201,952	52,746,140
<b>B. Cash and Cash Equivalents</b>			
Cash and Bank Balances		7,864,789	8,159,319
Short Term Bank Finances		(33,225,763)	(12,299,287)
		(25,360,974)	(4,139,968)

M. Haroon Qassim  
Managing Director

Imran Chishti  
Executive Director



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2003

	Share Capital	Revenue Reserve	Capital Reserve	Un-appropriated Profit	Total Rupees
<b>Balance as at June 30, 2001</b>	30,000,000	55,000,000	10,000,000	1,430,265	96,430,265
Profit for the Year				20,874,042	20,874,042
<b>Appropriation</b>					
Dividend				(15,000,000)	(15,000,000)
<b>Balance as at June 30, 2002</b>	30,000,000	55,000,000	10,000,000	7,304,307	102,304,307
Profit for the Year				7,145,741	7,145,741
<b>Appropriation</b>					
Proposed Dividend				(6,000,000)	(6,000,000)
<b>Balance as at June 30, 2003</b>	30,000,000	55,000,000	10,000,000	8,450,048	103,450,048

M. Haroon Qassim  
Managing Director

Imran Chishti  
Executive Director

