



[ FUTURE POTENTIAL ]  
[ MORE SMILES ]

2009 | ANNUAL REPORT

SHIELD CORPORATION LIMITED  
[ An ISO 9001 and ISO 14001 certified company ]







[ Our Brands, Your Household Products ]



2009 | ANNUAL REPORT





# [ VISION ]

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



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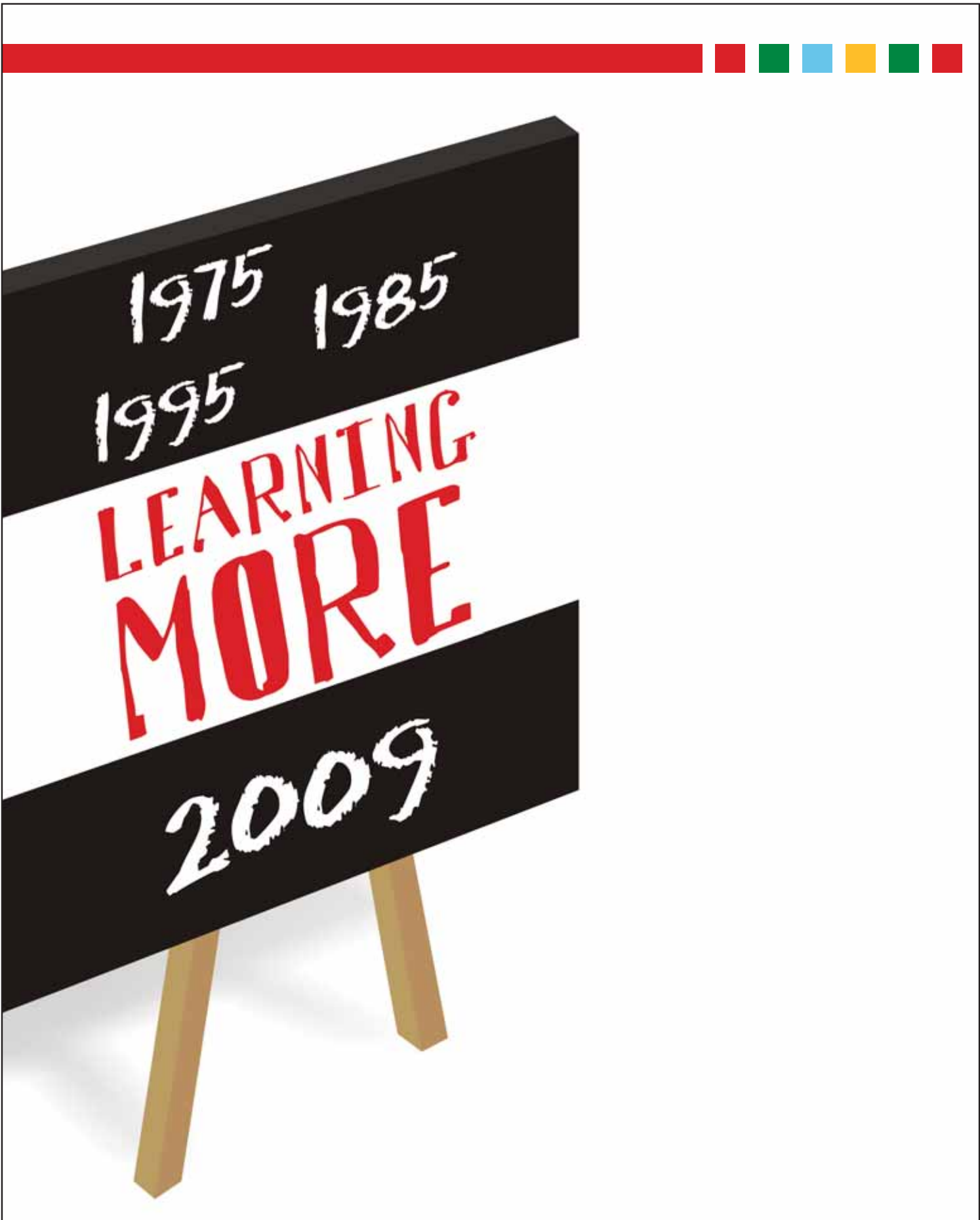
# [ MISSION ]

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.



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1975 1985  
1995

LEARNING  
MORE

2009



# [ 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.



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# [NEW ADVERTISING EDGE]

## ORAL CARE AD CAMPAIGN

Shield Toothbrush range and importance of Shield toothbrush as cleaning tool is highlighted in this new campaign. This campaign is based on three parts each highlighting the significance of using toothbrush along side defining the quality of Shield toothbrushes. The process of this ad campaign was rigorous and the results show the efforts. The campaign has been running successfully and smoothly on TV networks and reaching the target market.

## BABY CARE AD CAMPAIGN

Shield Baby Care products are in the market with new packaging, and to revive this fabulous range of baby products, Shield Baby Care campaign was launched recently. Purely emotion based, this campaign focused primarily on mother & child bond and how Shield has been a part of this from the first smile right through the growing years.



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# ORAL CARE CAMPAIGN



ایک کا ساتھ دوسرے کے بنیاد ہوا ہے  
ٹوٹھ برش معیاری تو صفائی مکمل

# BABY CARE CAMPAIGN





ORAL CARE | BABY CARE



BEHIND THE SCENE





ہنسو... ذرا اور کھلے لاکے





ہنسو... ذرا اور کھلے لاکے



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TARGETING  
MORE



**Brands**  
of the year  
**Award**  **2008**



# [BABYCARE RE-LAUNCH]

As always, Shield is taking care of all your household needs and also giving a newer look to its products. This year, Shield Baby Care has been re-launched with new packaging for its entire range, this will give mileage with the present consumer and will target new consumers with its new fresh look and feel. From feeders to training cup, soothers, teethers, everything is here with a new look.



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# **Shield**<sup>®</sup>

*Evenflo Feeder  
Deluxe Feeder  
Evenflo Nipple  
Teether  
Soother  
Training Cup*



# سمجہ دار ماؤں کا انتخاب



Brands  
of the year  
Award  2  
0  
0  
8



 **Shield**<sup>®</sup>

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... سلاقتہارے ساتھ



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**SHIELD CORPORATION LIMITED**

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

Tel: [92-21]4385003-4 Fax: [92-21]4556344

Web: [www.shield.com.pk](http://www.shield.com.pk) Email: [mail@shield.com.pk](mailto:mail@shield.com.pk)



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# CORPORATE PHILOSOPHY

## CORPORATE VISION & MISSION

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

## ORGANIZATION EXCELLENCE

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

## CORPORATE CITIZENSHIP & SOCIAL RESPONSIBILITY

The management firmly believes in doing business with a purpose. We seek opportunities to contribute towards society by supporting worthy causes, which add value to the lives of people. This year a sum of rupees 1.125 million was donated to various charitable institutions. Fostering education and knowledge is the core area. A significant part of the marketing budget is allocated to support these activities. Beside, utmost care is taken in designing all corporate communications to ensure that cultural, social and moral values are upheld.

## MARKETING PHILOSOPHY

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

## COMPANY INFORMATION

### Board of Directors

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

### Audit Committee

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

### Company Secretary

Mr. M. Zaid Kaliya

### Legal Advisors

Messrs. Hassan & Humayun Associates  
Advocates & Solicitors

### Auditors

Moochhala Gangat & Co.,  
Chartered Accountants

### Bankers

Habib Metropolitan Bank Limited  
Meezan Bank Limited

### 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.

### E-mail & URL

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



# KEY FINANCIAL DATA

SIX YEARS AT A GLANCE

	2009	2008	2007	2006	2005	2004
<b>Profit and Loss Account</b>	----- Rupees -----					
Sales	489,090,058	443,521,032	372,604,442	315,228,783	251,420,574	185,839,287
Cost of sales	342,278,520	301,785,595	228,023,712	185,922,091	150,794,869	116,883,394
Gross profit	146,811,538	141,735,437	144,580,730	129,306,692	100,625,705	68,955,893
Selling and distribution expenses	109,631,278	105,966,940	106,287,018	90,964,894	76,276,544	49,599,119
Administrative & general expenses	15,009,877	18,722,473	17,902,480	15,142,894	11,240,462	9,846,846
Finance costs	10,150,402	7,185,970	6,624,248	4,437,938	1,434,596	1,044,566
Other charges	619,346	701,569	843,683	1,100,117	4,303,870	704,683
Other income	461,501	271,326	306,680	241,376	269,587	1,699,337
Profit before taxation	11,862,136	9,429,811	13,229,981	17,902,225	7,639,820	9,460,016
Taxation	7,044,149	3,658,133	4,000,000	4,499,010	3,232,663	3,093,663
Profit after taxation	4,817,987	5,771,678	9,229,981	13,403,215	4,407,157	6,366,353
<b>Financial Position</b>						
Paid-up Capital	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Reserves & Surplus	101,696,419	99,878,432	98,606,754	93,876,773	84,223,558	79,816,401
Shareholders' equity	131,696,419	129,878,432	128,606,754	123,876,773	114,223,558	109,816,401
Non Current Liabilities	78,319,852	25,996,804	19,570,050	17,612,660	13,222,867	10,256,780
Current Liabilities	148,217,947	144,241,898	142,724,481	64,803,497	48,956,832	48,983,774
<b>Total Liabilities</b>	<b>358,234,218</b>	<b>300,117,134</b>	<b>290,901,285</b>	<b>206,292,930</b>	<b>176,403,257</b>	<b>169,056,955</b>
Non Current Assets	207,354,965	154,807,424	125,250,513	114,578,268	103,514,145	100,059,596
Current Assets	150,879,253	145,309,710	165,650,772	91,714,662	72,889,112	68,997,359
<b>Total Assets</b>	<b>358,234,218</b>	<b>300,117,134</b>	<b>290,901,285</b>	<b>206,292,930</b>	<b>176,403,257</b>	<b>169,056,955</b>

## FINANCIAL RATIOS

	2009	2008	2007	2006	2005	2004
<b>Performance Measures</b>						
Return on Shareholders' Equity (%)	3.66	4.44	7.18	10.82	3.86	5.80
Operating Return (%)	3.31	3.14	4.55	8.68	4.33	5.60
Dividend Per Share (Rs.)	-	1.00	1.50	1.50	1.25	-
Bonus Shares (%)	30.00	-	-	-	-	-
<b>Profitability Measures</b>						
Gross Profit (%)	30.02	31.96	38.80	41.02	40.02	37.11
Profit Before Tax (%)	2.43	2.13	3.55	5.68	3.04	5.09
Basic Earning per share (Rs.)	1.61	1.92	3.08	4.47	1.47	2.12
<b>Tests of Investment Utilization</b>						
Asset Turnover (Times)	1.37	1.48	1.28	1.53	1.43	1.10
Receivable Turnover (Days)	5.23	6.68	34.40	2.01	2.01	5.11
Inventory Turnover (Days)	117.75	120.12	172.70	144.22	139.85	159.76
Receivable Turnover (Times)	69.81	54.62	10.61	181.31	181.46	71.44
Inventory Turnover (Times)	3.10	3.04	2.11	2.53	2.61	2.28
<b>Tests of Financial Condition</b>						
Current Ratio (Times)	1.02	1.01	1.16	1.42	1.49	1.41
Acid-test Ratio (Times)	0.18	0.30	0.37	0.21	0.21	0.26
Debt/Equity Ratio (%)	59.47	20.02	15.22	14.22	11.58	9.34
Book value per share (Rs.)	43.90	43.29	42.87	41.29	38.07	36.61
Return on Assets (%)	3.31	3.14	4.55	8.68	4.33	5.60





## NOTICE OF THE MEETING

Notice is hereby given that the 37<sup>th</sup> Annual General Meeting of the Shareholders of the Company will be held on Saturday, October 24, 2009 at 3:00 p.m at the Factory situated at Plot No. 368/4&5, Landhi Industrial Area, Baldia Road, Karachi to transact the following business.

1. To confirm the minutes of the last Annual General meeting held on October 07, 2008.
2. To receive consider and adopt the Audited Financial Statement for the year ended June 30, 2009 alongwith Auditors' and Directors' report thereon.
3. To consider and approve the issuance of Bonus Shares as recommended by the Board of Directors.
4. To appoint Auditors of the Company for the year ending June 30, 2010 and fix their remuneration.
5. To transact any other ordinary business with the permission of the Chair.

Karachi: September 17, 2009

By order of the Board  
M. Zaid Kaliya  
Company Secretary

### Notes:

1. The share transfer book of the Company will remain closed from 18-10-2009 to 24-10-2009 (both days inclusive) and no transfer will be accepted for registration during this period. The members whose names appear in the register of members as at close of business on October 17, 2009 will qualify for the Bonus Shares.
  2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote for him/her. Proxies in order to be effective must be received at the registered office of the Company not less than 48 hours before the time of holding the meeting.
  3. Members are requested to communicate to the Company of any change of their address.
  4. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in circular 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 detail are uploaded as per the regulations, shall authenticate his/her identity by showing his original Computerised National Identity Card (CNIC) or original passport at the time of attending the meeting.
  2. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
- B. For Appointing Proxies
1. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration detail are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
  2. Attested copies of CNIC or passport of beneficial owner and the proxies shall be furnished with the proxy form.
  3. The proxy shall produce his / her original CNIC or passport at the time of the meeting.
  4. In case of corporate entity, the Board of Directors' resolution/ power of attorney with the specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

## DIRECTORS' REPORT TO THE SHAREHOLDERS

We take great pleasure in presenting the Annual Report along with the audited financial statements and management accomplishments for the year ended June 30, 2009.

	2009 (Rupees)	2008 (Rupees)
<b>Financial Performance</b>		
Sales	489,090,058	443,521,032
Profit after Taxation	4,817,987	5,771,678
Un-appropriated Profit Brought Forward	34,878,432	33,606,754
Profit Available for Appropriation	39,696,419	39,378,432
Basic Earning Per Share	1.61	1.92

These Financial results should be reviewed in the context of the uncertainties, both economical as well as political, and more so with global recession which had persisted throughout the year.

1. Turnover of Rs. 489 million recorded for the year represented an increase of 10.30% over the previous year. In the normal economic conditions this nominal increase would have been considered unsatisfactory. However viewed in the aftermath of global recession and local seriously disturbed conditions it was a no mean achievement.
2. As mentioned last year your management would like to stress once again that costs have increased further and this trend is likely to continue in the foreseeable future. On the other hand due to continuing economic downturn which is impacting upon the purchasing power of a majority of our customers we see no likelihood of any increase in our price. The dilemma before us is whether to attempt increase the prices, to improve profitability, or maintain prices and aim for an increase in our market share. The later seems to be the better option under the circumstances.
3. The cost pressures will continue especially in fuels, power and operating costs. Your management is fully alive to the situation and has already taken effective measures to contain costs wherever possible determined as it is to make **Shield** the symbol of excellence in its chosen field, and in the fullness of time in such other ventures it might decide to undertake.
4. The impact of global recession is so wide spread and deep rooted and recovery so intractable that taking a decision as to whether investment in advertising and promotion, which has been maintained during the previous years, should be continued is not easy. However after a great deal of thought your management has decided to continue, for two reasons, one that if we were to economize we may lose our market share and brand image and two, regaining these when the upturn came will be not only difficult but extremely costly. Your management has therefore decided to retain the quantum of investment in marketing and indeed further judiciously increase in order ensure that the leadership position **Shield** has, by the grace of Almighty already achieved is retained. The cumulative impact of containing costs to the maximum possible extent and with sustained promotional efforts your management is confident that, Insha Allah profitability will also improve.
5. Your management is extremely pleased to announce that **Shield** as recently been awarded with two coveted awards, namely:
  1. Brands of the year 2008
  2. Superbrands Pakistan 2008/09
6. The Board of Directors is pleased to announce 30% bonus shares for this financial year.

### New Products / Packaging

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

Your management has a long term vision and remains committed to enhancing the Company's image, quality of products, and the range of products and categories. Our main goal is to introduce new products in existing categories, and simultaneously venture into new synergistic categories.



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### **Investments and New Machineries**

Your management strongly believes in ongoing quest of excellence and innovation in products. For this reason, investment in new machines has been made. Latest model Injection Moulding machine and Moulds were installed at a cost of Rs. 34.86 million, giving the Company the capability to compete in the high-price / top-quality feeders, Nipples and Training Cup.

### **Exports**

Your management is aggressively exploring export markets, but due to global economic recessionary times, it is becoming difficult.

We were successful in exporting small consignments to United Kingdom, Kuwait, Yemen and Tanzania.

### **Future Outlook**

As mentioned earlier, the global recession it looks will continue in the early next year. The cost of doing business has increased considerably. Overall economic and political turmoil which our country is facing will impact upon the next year's operations. There is no long term trade policy of the government. Power crisis is significantly hampering the over economic growth of the country.

The oil prices in the international markets are on the rising trend, due to which prices of plastics are directly affected.

Your management has a challenge on their hands. Containing costs and improving efficiency is a continuous challenge and Insha Allah your management is prudent to take the best possible action.

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

Key Performance Measures	2009	2008	2007
Gross Profit (%)	30.02	31.96	38.80
Profit before taxation (%)	2.43	2.13	3.55
Basic Earnings per Share (Rs.)	1.61	1.92	3.08
Return on Shareholders' Equity (%)	3.66	4.44	7.18
Operating Return (%)	3.31	3.14	4.55

### Corporate Governance

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

### Board Meetings

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

S.No.	Name of Directors	Numbers of Meeting Attended
1.	Mr. Ebrahim Qassim	4
2.	Mr. M. Haroon Qassim	4
3.	Mr. Vali Muhammad A. Habib	4
4.	Mr. Zamiruddin Ahmed	4
5.	Ms. Saadia Butt Naveed	4
6.	Mr. Muhammad Jamil Qassim	4
7.	Mr. Muhammad Salman Qassim	4

### Pattern of Shareholding

Pattern of shareholding is annexed to this report.

### 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, 2010.

### Audit Committee

Audit Committee has been established by the Board of Directors to assist the Board in discharging its responsibilities of Corporate Governance, Financial Reporting and Corporate Control. The Audit Committee is responsible for reviewing reports of the Company's financial results, audit and adherence to standards of the system of management control. The Committee reviews the procedures for ensuring their independence with respect to the services performed for the Company and makes recommendations to the Board of Directors.







### **Statement on Corporate and Financial Reporting Framework**

- a. The board regularly reviews the Company's strategic direction. Annual plans and performance target for business are set by the Managing Director and are reviewed by the Board in the light of Company's overall objectives. The Board is committed to maintain the high standards of good corporate governance. The Company has been in compliance with the provisions set out by the Securities & Exchange Commission of Pakistan and amended listing rule of the Stock Exchanges.
- b. There has been no material departure from the best practice of corporate governance, as detailed in the listing regulation.
- c. The financial statement, prepared by the management of the Company, fairly present its state of affairs, the results of its operations, cash flows and changes in equity.
- d. Proper books of account of the Company have been maintained.
- e. Appropriate accounting policies have been consistently applied in preparation of financial statement and accounting estimates are based on reasonable and prudent judgment.
- f. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statement and departure there from has been adequately disclosed.
- g. The system of internal control is sound in design and has been effectively implemented and monitored.
- h. There are no significant doubts upon the Company's ability to continue as going concern.
- i. Key operation and financial data for the last six years in summarized form is annexed.
- j. The value of investment of Provident Fund as per audited accounts amounted to Rs. 4,347,455.

On behalf of Board of Directors

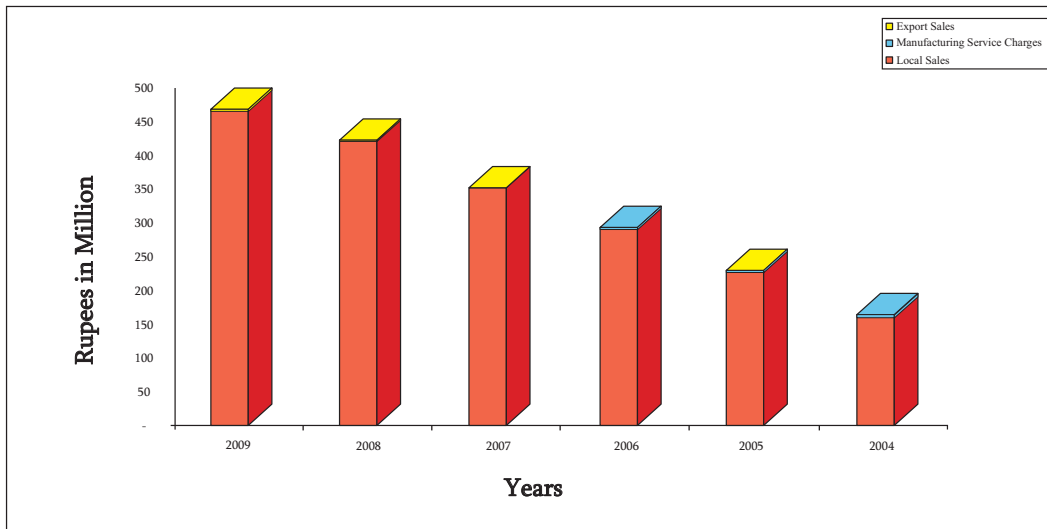


Ebrahim Qassim  
Chairman

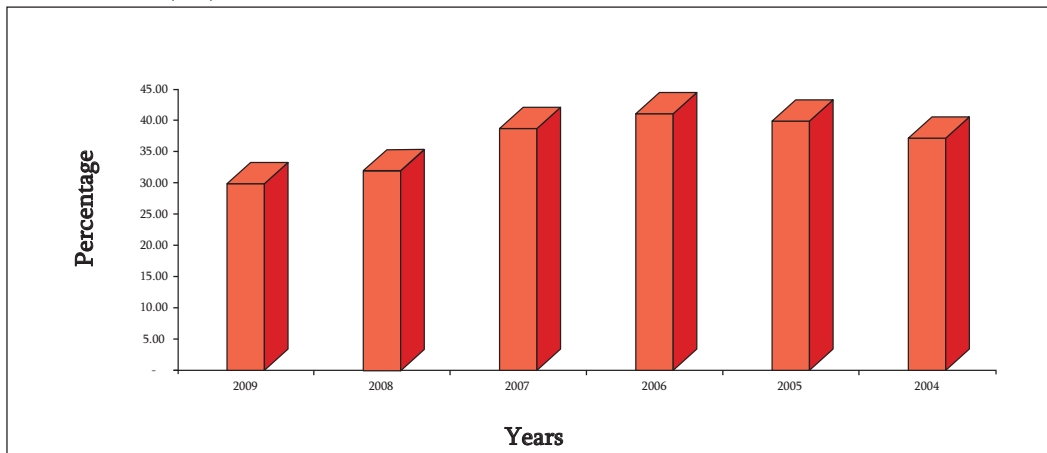
Karachi: September 17, 2009

# PERFORMANCE AT A GLANCE

## Gross Sales Value

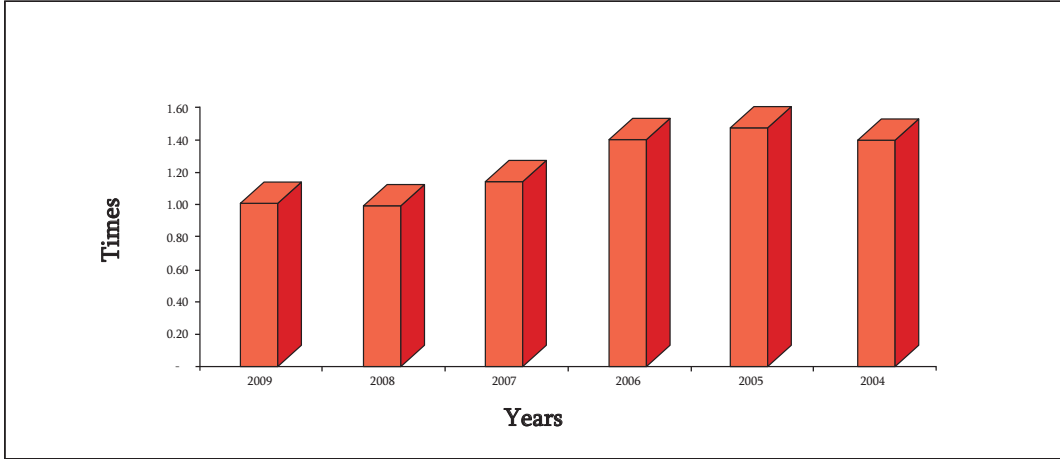


## Gross Profit (%)

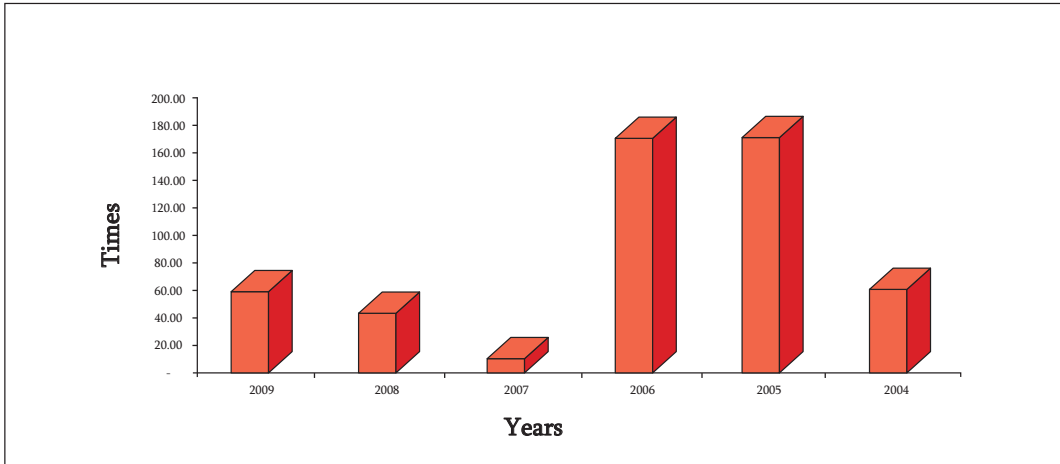




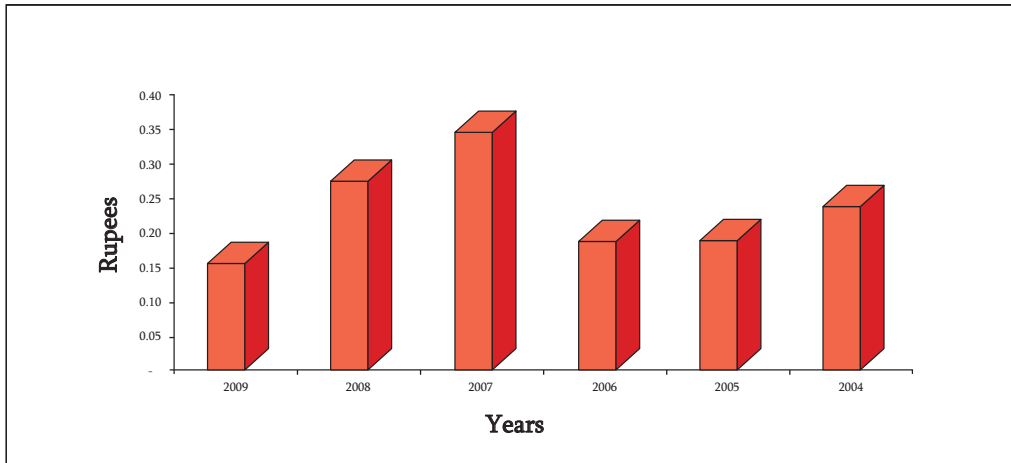
### Current Ratio (Times)



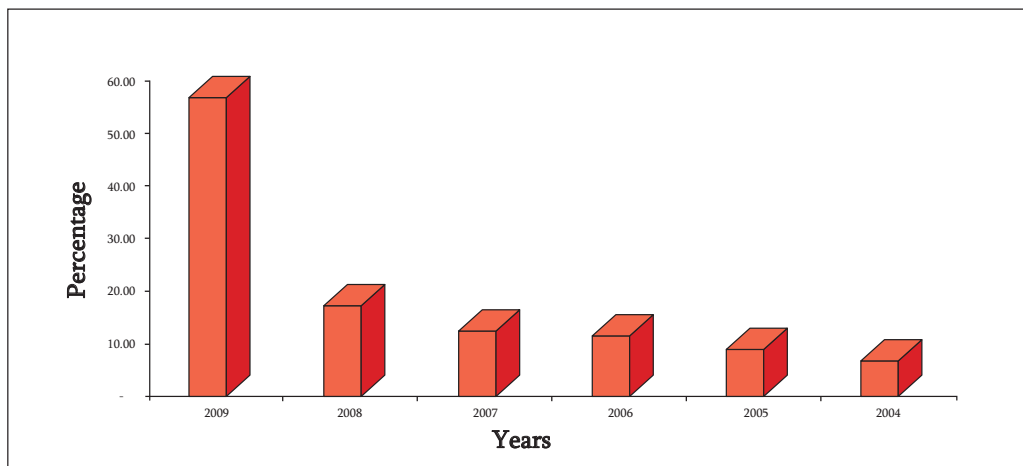
### Receivable Turnover (Times)



### Acid-test Ratio (Times)

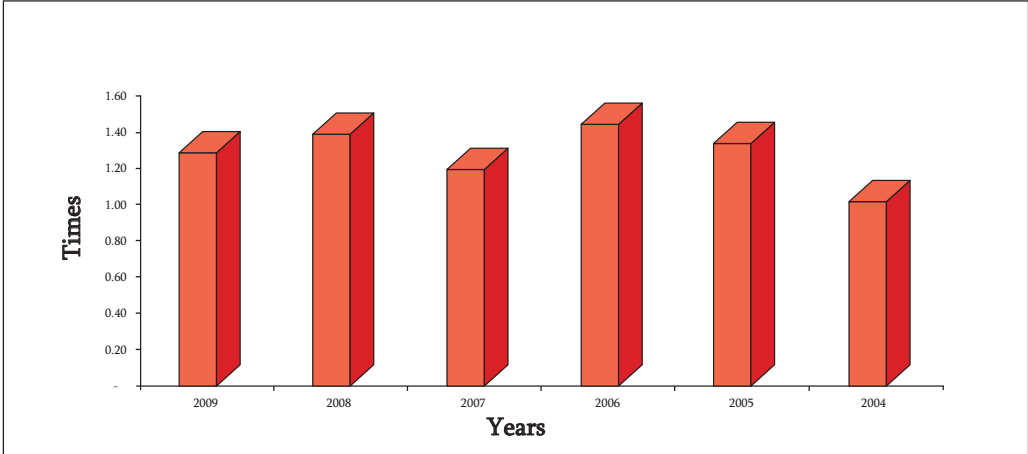


### Debt/Equity Ratio (%)

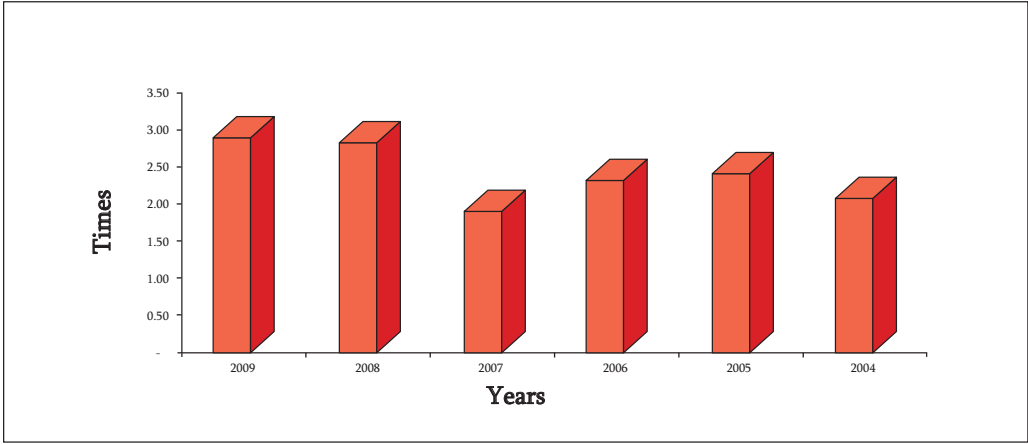




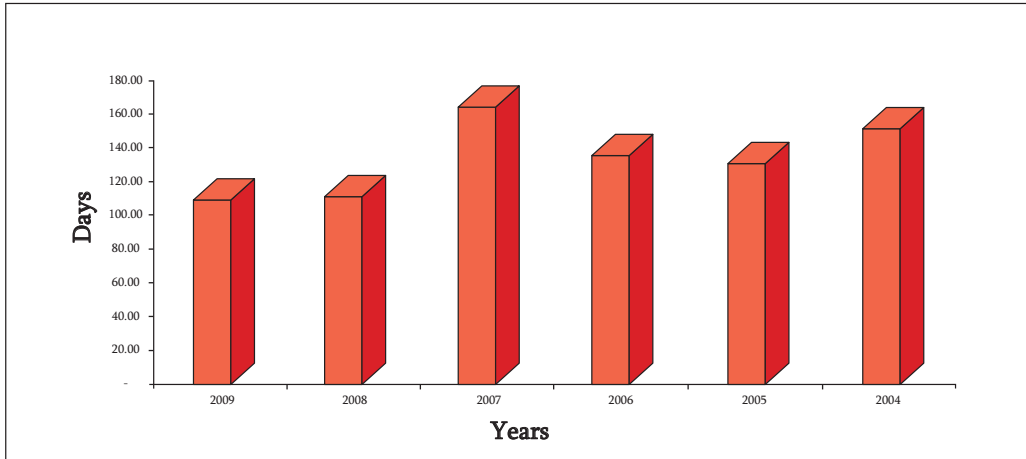
### Asset Turnover (Times)



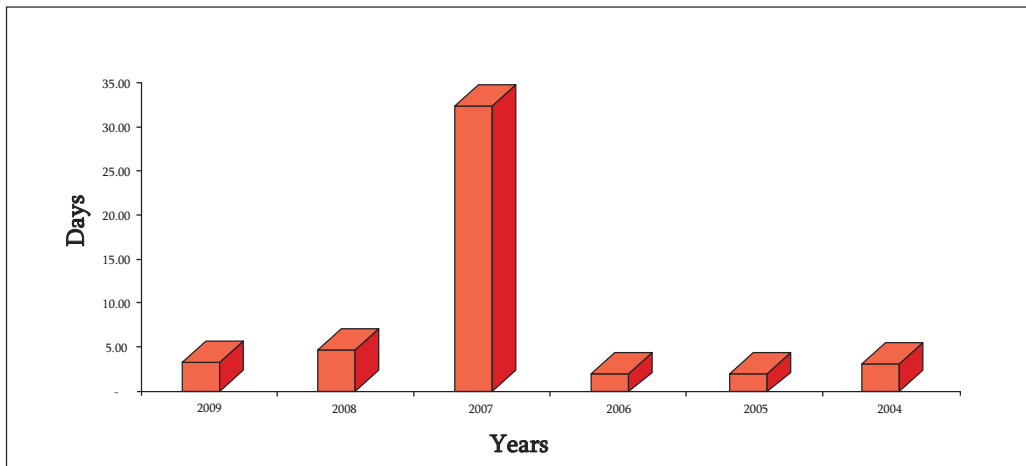
### Inventory Turnover (Times)



### Inventory Turnover (Days)



### Receivable Turnover (Days)



# PATTERN OF SHAREHOLDING

## Pattern of Shareholding as at June 30, 2009

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
64	1	100	3,639
69	101	500	21,360
21	501	1,000	17,201
16	1,001	5,000	40,400
1	5,001	10,000	5,100
1	10,001	100,000	42,500
1	100,001	200,000	120,000
3	200,001	300,000	744,576
3	300,001	400,000	993,558
1	400,001	500,000	428,116
1	500,001	600,000	583,550
181			3,000,000

## Categories of Shareholders as at June 30, 2009

Category No.	Categories of Shareholders	No of Shares Held	Category Wise No. of Folios/CDC Account	Category Wise Share Held	Percentage
1.	Individuals	205,300	168	205,300	6.84
2.	Investment Companies	-	-	-	-
3.	Joint Stock Companies	1,400	2	1,400	0.05
4.	Directors, Chief Executive Officer and their Spouse		11	2,793,300	93.11
	1. Mr. Ebrahim Qassim	428,116			
	2. Mr. M. Haroon Qassim	355,758			
	3. Mr. Vali Muhammad A. Habib	42,500			
	4. Mr. Zamiruddin Ahmed	500			
	5. Ms. Saadia Butt Naveed	500			
	6. Mr. Muhammad Jamil Qassim	316,700			
	7. Mr. Muhammad Salman Qassim	321,100			
	8. Mrs. Kulsum Bano	583,550			
	9. Mrs. Zohra Bano	266,800			
	10. Mrs. Saba Qassim	246,376			
	11. Mrs. Wazira Parveen	231,400			
		3,000,000	181	3,000,000	100.00

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

Total Paid-up Capital of the Company

3,000,000 Shares

10% of the Paid-up Capital of the Company

300,000 Shares

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

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







## STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

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

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes 5 independent non-executive directors and 3 directors representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred during the year in the Board.
5. The Company has adopted a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars and significant policies alongwith the dates on which they are approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Managing Director have been taken by the Board.
8. All the meetings of the board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors have been provided with the copies of the listing regulations of the Karachi Stock Exchange (Guarantee) Limited, Company's Memorandum and Article of Association and the Code of Corporate Governance and they are well aware of their duties and responsibilities.
10. The Board has already approved appointment of General Manager Finance, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment as determined by the Managing Director.


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

Karachi: September 17, 2009



Ebrahim Qassim  
Chairman





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

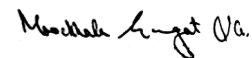
We have reviewed the statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of SHIELD CORPORATION LIMITED, to comply with the listing Regulation No.37 (Chapter XI) of the Karachi Stock Exchange, clause 49 (Chapter XIII) of Lahore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

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

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

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

Date: September 17, 2009  
Place: Karachi



**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, 2009 and the related Profit and Loss Account, Cash Flow Statements, 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 accounts 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, 2009 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 17, 2009  
Place: Karachi

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



**2009 | ANNUAL REPORT**



# BALANCE SHEET AS AT JUNE 30, 2009

	Note	2009 (Rupees)	2008 (Rupees)
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	4	207,136,325	154,781,634
Long term deposits		218,640	25,790
		<u>207,354,965</u>	<u>154,807,424</u>
<b>Current Assets</b>			
Stores and spares		3,272,472	3,320,933
Stock-in-trade	5	121,529,876	99,313,481
Trade debtors	6	5,471,561	8,120,075
Loans and advances	7	7,565,749	10,159,912
Deposits, short term prepayments and taxation	8	5,207,445	11,208,282
Other receivable	9	1,035,175	10,178,127
Tax refunds due from government	10	6,425,128	2,886,615
Cash and bank balances	11	371,847	122,285
		150,879,253	145,309,710
<b>Total Assets</b>		<b><u>358,234,218</u></b>	<b><u>300,117,134</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorised Capital 10,000,000 (2008: 10,000,000) ordinary shares of Rs.10 each		<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed & paid-up 3,000,000 (2008: 3,000,000) ordinary shares of Rs.10 each fully paid in cash		30,000,000	30,000,000
Reserves		<u>101,696,419</u>	<u>99,878,432</u>
		131,696,419	129,878,432
<b>Non-Current Liability</b>			
Deferred liabilities	12	33,319,852	25,996,804
Due to directors	13	45,000,000	-
		78,319,852	25,996,804
<b>Current Liabilities</b>			
Trade and other payables	14	93,558,573	64,791,209
Accrued mark-up on bank finances		356,627	2,111,504
Short term bank finances	15	54,277,636	72,039,185
Provision for taxation		25,111	5,300,000
		148,217,947	144,241,898
<b>Contingencies and Commitments</b>			
	16	-	-
<b>Total Equity and Liabilities</b>		<b><u>358,234,218</u></b>	<b><u>300,117,134</u></b>

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

  
Ebrahim Qassim  
Chairman

  
Zamiruddin Ahmed  
Director

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 (Rupees)	2008 (Rupees)
Net Sales	17	489,090,058	443,521,032
Cost of sales	18	(342,278,520)	(301,785,595)
Gross profit		146,811,538	141,735,437
Selling and distribution expenses	19	(109,631,278)	(107,300,890)
Administrative and general expenses	20	(15,009,877)	(17,388,523)
		(124,641,155)	(124,689,413)
Finance costs	21	(10,150,402)	(7,185,970)
Other charges	22	(619,346)	(701,569)
		(10,769,748)	(7,887,539)
Other income	23	461,501	271,326
Profit before taxation		11,862,136	9,429,811
Taxation	24	(7,044,149)	(3,658,133)
Profit after taxation		4,817,987	5,771,678
Earnings per share - basic and diluted	25	1.61	1.92

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



Ebrahim Qassim  
Chairman




Zamiruddin Ahmed  
Director




# CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 (Rupees)	2008 (Rupees)
<b>Cash Generated from Operations</b>			
Profit before taxation		11,862,136	9,429,811
Adjustments for:			
Depreciation		16,152,757	14,099,270
Provision for gratuity		3,149,763	4,686,540
Gain on disposal of fixed assets		(254,909)	(144,265)
Financial charges		9,811,799	7,185,970
Profit before working capital changes		28,859,410	25,827,515
(Increase)/Decrease in Current Assets:			
Stores and spares		48,461	1,707,840
Stock-in-trade		(22,216,395)	8,578,133
Trade debtors		2,648,514	26,990,628
Loans and advances		2,594,163	(5,015,367)
Deposits, short term prepayments and taxation		(186,644)	(107,680)
Other receivable		9,142,952	(9,123,127)
		(7,968,949)	23,030,427
Increase/(Decrease) in Current liabilities:			
Trade and other payables (excluding accrued markup)		28,751,710	3,259,436
Cash generated from operations		<u>61,504,307</u>	<u>61,547,189</u>
Payments for:			
Gratuity		(1,076,715)	(1,059,786)
Financial charges		(11,566,676)	(5,857,457)
Taxes		(4,420,070)	(4,000,394)
Net cash from operating activities		<u>44,440,846</u>	<u>50,629,552</u>
<b>Cash Flow From Investing Activities</b>			
Fixed capital expenditure including capital work-in-progress		(70,987,039)	(46,122,704)
Long term deposits		(192,850)	(25,790)
Sales proceeds from disposal of fixed assets		2,734,500	2,636,578
Net cash used in investing activities		<u>(68,445,389)</u>	<u>(43,511,916)</u>
<b>Cash Flow From Financing Activities</b>			
Dividend paid		(2,984,346)	(4,475,712)
Loan from director		45,000,000	-
Net cash used in financing activities		<u>42,015,654</u>	<u>(4,475,712)</u>
Net increase in cash and cash equivalents		18,011,111	2,641,924
Cash and cash equivalents at the beginning of the year		<u>(71,916,900)</u>	<u>(74,558,824)</u>
Cash and cash equivalents at the end of the year	A	<u>(53,905,789)</u>	<u>(71,916,900)</u>
<b>A. Cash and Cash Equivalents</b>			
Cash and bank balances		371,847	122,285
Short term bank finances		(54,277,636)	(72,039,185)
		<u>(53,905,789)</u>	<u>(71,916,900)</u>

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


  
 Ebrahim Qassim  
 Chairman


  
 Zamiruddin Ahmed  
 Director

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2009

	Share Capital (Rupees)	Capital Reserve	Revenue Reserve		Total (Rupees)
		Share Premium (Rupees)	General Reserve (Rupees)	Unappropriated Profit (Rupees)	
Balance as at July 01, 2007	30,000,000	10,000,000	55,000,000	33,606,754	128,606,754
Appropriations Dividend for the year June 30, 2007	-	-	-	(4,500,000)	(4,500,000)
Profit after taxation for the year Ended June 30, 2008	-	-	-	5,771,678	5,771,678
Balance as at July 01, 2008	30,000,000	10,000,000	55,000,000	34,878,432	129,878,432
Appropriations Dividend for the year June 30, 2008	-	-	-	(3,000,000)	(3,000,000)
Profit after taxation for the year Ended June 30, 2009	-	-	-	4,817,987	4,817,987
<b>Balance as at June 30, 2009</b>	<b>30,000,000</b>	<b>10,000,000</b>	<b>55,000,000</b>	<b>36,696,419</b>	<b>131,696,419</b>

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

  
 Ebrahim Qassim  
 Chairman

  
 Zamiruddin Ahmed  
 Director





# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

## 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., Shahr-e-Faisal, Karachi. The Company is mainly engaged in the manufacturing, trading and sales of dental and baby care products.

## 2. Statement of Compliance

2.1 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 Adoption of new and revised standards and interpretations

#### Standards, amendments and interpretations issued but not yet effective

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective revised standards and interpretation:

Standards or interpretation	Effective date (accounting periods beginning on or after)
IAS 1 - Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23 - Borrowing Costs (Revised)	January 01, 2009
IAS 27 - Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IAS 32 - Financial Instruments (Amended)	January 01, 2009
IAS 39 - Financial Instruments Recognition and Measurement (Amended)	January 01, 2009
IFRS 2 - Share-based Payment (Amended)	January 01, 2009
IFRS 3 - Business Combinations (Revised)	July 01, 2009
IFRS 4 - Insurance Contracts	January 01, 2009
IFRS 7 - Improving disclosures about Financial Instruments	January 01, 2009
IFRS 8 - Operating Segments	January 01, 2009
IFRIC 15 - Agreement for the Construction of Real Estate	January 01, 2009
IFRIC 16 - Hedge of Net Investment in a Foreign Operation	October 01, 2009
IFRIC 17 - Distribution of Non-Cash Assets to Owners	July 01, 2009
IFRIC 18 - Transfer of Assets from Customers	July 01, 2009

#### Standards effective in 2008-09

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of July 01, 2008.

IFRS 7	Financial Instruments: Disclosures
IFRIC 12	Service concession arrangements
IFRIC 13	Customer loyalty programs; and
IFRIC 14	IAS 19 - The limit on defined benefit asset, minimum funding requirement and there interactions.

Adoption of these standards and interpretations did not have any material effect on the financial statements of the Company except for certain additional disclosures in respect of IFRS 7 included in the relevant notes to the financial statements.

## 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.

## 3.2 Stores and spares

Stores and spares are valued at lower of weighted average cost and net realizable value, 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 an average basis.
Finished goods and work in progress	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 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	12%
Expected rate of salary increase	12%
Average expected remaining life of employees	13 years

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

#### 3.4.2.2 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.

## 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 report in the period in which such transfer are made.

#### 4. Property, Plant and Equipment

	Note	2009 (Rupees)	2008 (Rupees)
Operating fixed assets	4.1	160,180,703	135,431,085
Capital work in progress	4.4	46,955,622	19,350,549
		<u>207,136,325</u>	<u>154,781,634</u>

##### 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
<b>COST</b>									
Balance as at July 01, 2007	3,400,000	31,449,668	-	180,881,121	3,170,563	1,858,834	5,461,802	21,839,529	248,061,517
Additions	-	-	-	25,529,431	-	208,950	438,890	4,617,884	30,795,155
Disposals	-	-	-	-	(145,323)	(824,459)	(5,007,053)	(3,877,351)	(9,854,186)
<b>Balance as at June 30, 2008</b>	<b>3,400,000</b>	<b>31,449,668</b>	<b>-</b>	<b>206,410,552</b>	<b>3,025,240</b>	<b>1,243,325</b>	<b>893,639</b>	<b>22,580,062</b>	<b>269,002,486</b>
Balance as at July 01, 2008	3,400,000	31,449,668	-	206,410,552	3,025,240	1,243,325	893,639	22,580,062	269,002,486
Additions	-	-	2,500,000	34,857,369	2,563,488	519,172	485,337	2,456,600	43,381,966
Disposals	-	-	-	-	-	-	-	(6,144,600)	(6,144,600)
<b>Balance as at June 30, 2009</b>	<b>3,400,000</b>	<b>31,449,668</b>	<b>2,500,000</b>	<b>241,267,921</b>	<b>5,588,728</b>	<b>1,762,497</b>	<b>1,378,976</b>	<b>18,892,062</b>	<b>306,239,852</b>
<b>IMPAIRMENT</b>									
Balance as at July 01, 2007	-	-	-	3,904,665	-	-	-	-	3,904,665
Charge for the year	-	-	-	-	-	-	-	-	-
On disposals	-	-	-	-	-	-	-	-	-
<b>Balance as at June 30, 2008</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,904,665</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,904,665</b>
Balance as at July 01, 2008	-	-	-	3,904,665	-	-	-	-	3,904,665
Charge for the year	-	-	-	-	-	-	-	-	-
On disposals	-	-	-	-	-	-	-	-	-
<b>Balance as at June 30, 2009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,904,665</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,904,665</b>
<b>DEPRECIATION</b>									
Balance as at July 01, 2007	493,150	16,407,390	-	89,872,250	1,275,180	924,702	4,738,104	9,218,563	122,929,339
Charge for the year	34,000	1,504,228	-	9,258,602	189,631	101,526	280,607	2,730,676	14,099,270
On disposals	-	-	-	-	(137,025)	(612,588)	(4,665,388)	(1,946,872)	(7,361,873)
<b>Balance as at June 30, 2008</b>	<b>527,150</b>	<b>17,911,618</b>	<b>-</b>	<b>99,130,852</b>	<b>1,327,786</b>	<b>413,640</b>	<b>353,323</b>	<b>10,002,367</b>	<b>129,666,736</b>
Balance as at July 01, 2008	527,150	17,911,618	-	99,130,852	1,327,786	413,640	353,323	10,002,367	129,666,736
Charge for the year	34,000	1,457,972	125,000	11,271,862	211,941	116,738	258,897	2,676,347	16,152,757
On disposals	-	-	-	-	-	-	-	(3,665,009)	(3,665,009)
<b>Balance as at June 30, 2009</b>	<b>561,150</b>	<b>19,369,590</b>	<b>125,000</b>	<b>110,402,714</b>	<b>1,539,727</b>	<b>530,378</b>	<b>612,220</b>	<b>9,013,705</b>	<b>142,154,484</b>
<b>CARRYING AMOUNT - 2008</b>	<b>2,872,850</b>	<b>13,538,050</b>	<b>-</b>	<b>103,375,035</b>	<b>1,697,454</b>	<b>829,685</b>	<b>540,316</b>	<b>12,577,695</b>	<b>135,431,085</b>
<b>CARRYING AMOUNT - 2009</b>	<b>2,838,850</b>	<b>12,080,078</b>	<b>2,375,000</b>	<b>126,960,542</b>	<b>4,049,001</b>	<b>1,232,119</b>	<b>766,756</b>	<b>9,878,357</b>	<b>160,180,703</b>
<b>RATE OF DEPRECIATION (%)</b>	<b>1%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>30%</b>	<b>20%</b>	



Note	2009 (Rupees)	2008 (Rupees)
18	13,045,158	10,796,830
19	1,890,815	1,665,654
20	1,216,784	1,636,786
	<u>16,152,757</u>	<u>14,099,270</u>

#### 4.2 Depreciation for the year has been allocated as under:

Cost of sales	18	13,045,158	10,796,830
Selling and distribution expenses	19	1,890,815	1,665,654
Administrative and general expenses	20	1,216,784	1,636,786
		<u>16,152,757</u>	<u>14,099,270</u>

#### 4.3 Detail of disposal of fixed assets:

Particulars	Original Cost (Rupees)	Accumulated Depreciation (Rupees)	Written Down Value (Rupees)	Sales Proceeds (Rupees)	Profit / (Loss) (Rupees)	Sold To	Mode of Disposal
Suzuki Alto	496,000	338,888	157,112	175,000	17,888	Khuwaja Muhammad Naeem	Negotiation
Suzuki Mehran	349,000	262,496	86,504	105,000	18,496	Muhammad Asif Majid	Negotiation
Suzuki Mehran	341,500	259,438	82,062	100,000	17,938	Rana Asim Siddique	Negotiation
Suzuki Mehran	379,000	289,583	89,417	100,000	10,583	Muhammad Khurshed Alam	Negotiation
Suzuki Mehran	341,500	266,898	74,602	84,500	9,898	Shahid Hussain	As per terms of employment
Toyota Corolla	1,189,000	799,388	389,612	415,000	25,388	Abdul Mukhtiar	Negotiation
Suzuki Mehran	341,500	266,898	74,602	85,000	10,398	Tanveer Iqbal	As per terms of employment
Suzuki Mehran	341,500	260,930	80,570	100,000	19,430	Rana Asim Siddique	Negotiation
Suzuki Mehran	341,500	263,914	77,586	150,000	72,414	Syed Naeem Haider Zaidi	Negotiation
Suzuki Cultus	595,000	295,437	299,563	315,000	15,437	Muhammad Sajid	Negotiation
Suzuki Cultus	595,000	295,437	299,563	315,000	15,437	Muhammad Naveed	Negotiation
Suzuki Mehran	390,100	6,502	383,598	390,000	6,402	EFU General Insurance	Insurance Claim
Suzuki Mehran	444,000	59,200	384,800	400,000	15,200	EFU General Insurance	Insurance Claim
June 30, 2009	<b>6,144,600</b>	<b>3,665,009</b>	<b>2,479,591</b>	<b>2,734,500</b>	<b>254,909</b>		
June 30, 2008	<b>9,854,186</b>	<b>7,361,873</b>	<b>2,492,313</b>	<b>2,636,578</b>	<b>144,265</b>		

#### 4.4 Capital work in progress

The CWIP comprise the following:

Civil works	38,503,672	12,364,348
Plant and machinery	666,450	-
Advances to contractors/suppliers		
- Leasehold land	6,523,000	6,523,000
- Software	1,262,500	-
- Vehicles	-	463,201
	<u>46,955,622</u>	<u>19,350,549</u>

#### 5. Stock in Trade

Raw materials		
- in hand	65,292,321	66,319,256
- in transit	14,249,486	-
Work-in-process	5,352,910	4,411,287
Finished goods	36,635,159	28,582,938
	<u>121,529,876</u>	<u>99,313,481</u>

#### 6. Trade Debtors - Unsecured and Considered Good

Trade Debtors include Rs. Nil (2008: Rs. 4,596,322) due from related parties.

#### 7. Loans and Advances

##### Loan - secured & considered good

Employees	1,152,333	1,305,132
Advances - unsecured & considered good		
Suppliers	6,126,416	8,557,099
Others	287,000	297,681
	<u>7,565,749</u>	<u>10,159,912</u>

	Note	2009 (Rupees)	2008 (Rupees)
<b>8. Deposits, Short Term Prepayments and Taxation</b>			
Deposits		422,352	450,712
Short term prepayments		389,178	174,174
Income tax		4,395,915	10,583,396
		<u>5,207,445</u>	<u>11,208,282</u>
<b>9. Other Receivables</b>			
Insurance claim		830,000	-
Others		205,175	10,178,127
		<u>1,035,175</u>	<u>10,178,127</u>
<b>10. Tax Refunds Due From Government</b>			
Income tax		3,538,513	-
Sales tax		2,886,615	2,886,615
		<u>6,425,128</u>	<u>2,886,615</u>
<b>11. Cash and Bank Balances</b>			
In hand		277,048	78,764
At banks - in current accounts		94,799	43,521
		<u>371,847</u>	<u>122,285</u>
<b>12. Deferred Liabilities</b>			
Gratuity	12.1	13,319,852	11,246,804
Deferred taxation	12.2	20,000,000	14,750,000
		<u>33,319,852</u>	<u>25,996,804</u>
<b>12.1 Gratuity</b>			
Opening net liability		11,246,804	7,620,050
Expense for the year		3,149,763	4,686,540
		<u>14,396,567</u>	<u>12,306,590</u>
Benefits paid		(1,076,715)	(1,059,786)
Closing net liability		<u>13,319,852</u>	<u>11,246,804</u>
<b>Charge for/(Income from) the Defined Benefit Plan</b>			
Current service cost		1,800,147	1,435,119
Interest cost		1,349,616	762,005
Recognised actuarial losses		-	2,489,416
Expense for the year		<u>3,149,763</u>	<u>4,686,540</u>
<b>Reconciliation</b>			
Present value of obligation		13,319,852	11,246,804
Closing net liability		<u>13,319,852</u>	<u>11,246,804</u>

**12.1.1 Historical Information**

	2009	2008	2007	2006	2005
	RUPPES				
Present value of defined benefit obligation	13,319,852	11,246,804	7,620,050	7,162,660	4,722,867
Fair value of plan assets	-	-	-	-	-
Surplus/(deficit) in the plan	13,319,852	11,246,804	7,620,050	7,162,660	4,722,867
Unrecognised actuarial gain/(loss)	-	-	-	-	-
(Asset)/liability in balance sheet	<u>13,319,852</u>	<u>11,246,804</u>	<u>7,620,050</u>	<u>7,162,660</u>	<u>4,722,867</u>
Experience adjustment arising on plan liabilities (gains)/losses	-	-	-	-	-
Experience adjustment arising on plan assets gains/(losses)	-	-	-	-	-





	Note	2009 (Rupees)	2008 (Rupees)
<b>12.2 Deferred Taxation</b>			
The liability for deferred taxation comprises of timing differences related to :			
Accelerated tax depreciation		24,715,024	18,672,564
Provision for gratuity		(4,661,948)	(3,936,381)
		<u>20,053,076</u>	<u>14,736,183</u>

12.2.1 Provision for deferred tax has been rounded off to Rs. 20 million (2008: Rs.14.75 million).

**13. Due to Directors**

This represents mark up free loans from directors.

**14. Trade and Other Payables**

Creditors		65,368,119	58,109,000
Accrued liabilities		1,767,720	3,550,587
Retention money		956,338	-
Workers' welfare fund		655,272	485,000
Workers' profit participation fund	14.1	449,074	506,569
Unclaimed dividend		456,535	440,881
Sales tax payable		1,127,695	1,692,593
Advance from customers	14.2	22,777,820	6,579
		<u>93,558,573</u>	<u>64,791,209</u>

**14.1 Worker's Profit Participation Fund**

Balance at the beginning of the year		506,569	703,683
Interest on the funds utilized @ 16% (2008: 12.94%) per annum		20,429	22,951
Allocation for the year		449,074	506,569
		<u>976,072</u>	<u>1,233,203</u>
Payments		(526,998)	(726,634)
Balance at the end of the year		<u>449,074</u>	<u>506,569</u>

14.2 Advance from customers include Rs. 22,319,689 (2008: Rs. Nil) which are due to related parties.

**15. Short Term Bank Finances - Secured**

Running Finance	15.1	31,392,770	35,483,716
Murabaha Finance	15.2	22,884,866	36,555,469
		<u>54,277,636</u>	<u>72,039,185</u>

15.1 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. 50 million (2008: Rs. 50 million) at a markup ranging from 40 to 46 paisas (2008: 30.13 to 38.36 paisas) per 1,000 rupees per day.

15.2 This represent murabaha finance obtained under profit arrangements and are secured against hypothecation of moveable fixed assets of the Company. The Company enjoys a total facility of Rs. 50 million (2008: Rs. 40 million) at a profit rate ranging from 40 to 51 paisas (2008: 31.39 to 41.78) per 1,000 rupees per day.

**16. Contingencies & Commitments**

**16.1 Contingencies:**

16.1.1 Contingent liability in respect of guarantee and counter guarantee as at June 30, 2009 was Rs. 6.69 million (2008: Rs. 6.69 million). Out of this Rs. 5 million (2008: Rs. 5 million) represents surety provided in relation to defending a trade mark case in the High Court for Rs. 42 million (2008: Rs. 42 million). The management is hopeful that case will be decided in Company's favor, as such no provision has been made in these financial statements.

16.1.2 the Company is defending a lawsuit amounting to Rs. 2.89 million (2008 Rs. 2.89 million) in respect of input sales tax claim disallowed by the tax authorities. The case is pending at the tribunal stage. The management is hopeful that the same will be allowed, as such no provision has been in these financial statements.

**16.2 Commitments:**

**16.2.1** The Company has letter of credit commitments for purchases amounting to Rs. 13.55 million (2008: Rs. 49.18 million).

**16.2.2** The Company has letter of credit and other commitments for capital expenditures amounting to Rs. 2.3 million (2008: Rs. 23.13 million).

**16.2.3** The Company has commitments in respect of Ijara rentals amounting to Rs. 2.5 million (2008: Nil)

	Note	2009 (Rupees)	2008 (Rupees)
<b>17. Net Sales</b>			
Sales - local		573,650,955	510,919,195
Sales tax and excise duties		(87,093,588)	(68,491,719)
		<u>486,557,367</u>	<u>442,427,476</u>
Sales - export		2,532,691	1,093,556
		<u>489,090,058</u>	<u>443,521,032</u>
<b>18. Cost of Sales</b>			
Raw & packaging material consumed	18.1	271,610,450	221,841,101
<b>Other costs</b>			
Salaries, wages and benefits	18.2	38,678,237	32,781,651
Fuel and power		15,172,799	13,177,388
Stores and spares consumed		4,816,378	3,020,868
Depreciation	4.2	13,045,158	10,796,830
Repairs and maintenance		4,719,922	6,827,082
Travelling & conveyance		692,771	956,822
Rent, rates and taxes		270,458	178,304
Insurance		956,290	681,632
Freight and octroi		26,034	34,720
Printing and stationery		131,061	89,541
Postage, telegram and telephone		326,386	304,204
Legal and professional		147,435	140,250
Others		678,985	297,747
		79,661,914	69,287,039
Opening inventory of work in process		4,411,287	6,707,597
Closing inventory of work in process		(5,352,910)	(4,411,287)
		<u>350,330,741</u>	<u>293,424,450</u>
Opening inventory of finished goods		28,582,938	36,944,083
Closing inventory of finished goods		(36,635,159)	(28,582,938)
		<u>342,278,520</u>	<u>301,785,595</u>
<b>18.1 Raw &amp; Packaging Material Consumed</b>			
Opening stock		66,319,256	64,239,934
Purchases		270,583,515	223,920,423
		<u>336,902,771</u>	<u>288,160,357</u>
Closing stock		(65,292,321)	(66,319,256)
		<u>271,610,450</u>	<u>221,841,101</u>

**18.2** This includes Rs. 2,986,825 (2008: Rs. 2,315,770) in respect of retirement benefits.







	Note	2009 (Rupees)	2008 (Rupees)
<b>19. Selling and Distribution Expenses</b>			
Salaries and other benefits	19.1	26,246,456	28,666,064
Travelling & conveyance		6,339,089	6,967,332
Depreciation	4.2	1,890,815	1,665,654
Advertisement and sales promotion		60,125,418	57,424,676
Postage, telegram and telephone		1,331,820	958,778
Vehicle repairs and maintenance		3,607,003	3,067,644
Ijare lease rental		732,749	-
Insurance		916,941	734,798
Freight and octroi		7,087,256	6,190,257
Legal and professional		1,106,924	1,388,950
Others		246,807	236,737
		<u>109,631,278</u>	<u>107,300,890</u>
19.1 This includes Rs. 1,892,413 (2008: Rs. 1,729,732) in respect of retirement benefits.			
<b>20. Administrative and General Expenses</b>			
Salaries and other benefits	20.1	8,244,517	8,495,296
Repairs and maintenance		830,608	1,405,029
Depreciation	4.2	1,216,784	1,636,786
Travelling & conveyance		175,325	85,418
Postage, telegram and telephone		633,901	1,148,759
Rent, rates and taxes		400,844	1,345,890
Insurance		387,890	463,993
Electricity and water charges		234,789	929,231
Printing and stationery		409,234	296,390
Legal and professional		668,755	20,000
Auditors' remuneration	20.2	295,000	295,000
Fees and subscription		387,230	216,731
Charity & donations		1,125,000	1,050,000
		<u>15,009,877</u>	<u>17,388,523</u>
20.1 This include Rs. 821,238 (2008: Rs. 1,854,764) in respect of retirement benefits.			
20.2 This includes:			
Annual audit Fee		250,000	250,000
Half yearly review fee		30,000	30,000
Compliance with Corporate Governance Review Fee		15,000	15,000
		<u>295,000</u>	<u>295,000</u>
<b>21. Finance Costs</b>			
Mark-up / profit on short term bank finances		9,811,799	6,990,026
Return on WPPF	14.1	20,429	22,951
Bank charges		318,174	172,993
		<u>10,150,402</u>	<u>7,185,970</u>
<b>22. Other Charges</b>			
Worker's profit participation fund	14.1	449,074	506,569
Worker's welfare fund		170,272	195,000
		<u>619,346</u>	<u>701,569</u>

	Note	2009 (Rupees)	2008 (Rupees)
<b>23. Other Income</b>			
Gain on disposal of fixed assets	4.3	254,909	144,265
Export rebate		7,416	5,651
Others		199,176	121,410
		<u>461,501</u>	<u>271,326</u>
<b>24. Taxation</b>			
Current		25,111	250,000
Prior		1,769,038	608,133
Deferred		5,250,000	2,800,000
		<u>7,044,149</u>	<u>3,658,133</u>
<b>24.1 Relationship between Tax Expense and Accounting Profit</b>			
Profit before taxation		<u>11,862,136</u>	<u>9,429,811</u>
Corporate tax rate		35%	35%
Tax on accounting profit		4,151,748	3,300,434
Tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes		1,148,474	(237,719)
Tax effect on exports under final tax regime		(25,111)	(12,715)
Effect of change in prior years' tax		1,769,038	608,133
Tax charge		<u>7,044,149</u>	<u>3,658,133</u>
<b>25. Earnings Per Share - Basic &amp; Diluted</b>			
Profit after taxation		<u>4,817,987</u>	<u>5,771,678</u>
Number of ordinary shares		<u>3,000,000</u>	<u>3,000,000</u>
Basic earnings per shares		<u>1.61</u>	<u>1.92</u>

25.1 A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2009 and 2008 which would have any effect on the earnings per share if the option to convert is exercised.

## 26. Emoluments of Chief Executive and Executives

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

	2009			2008		
	Chief Executive	Executives	Total	Chief Executive	Executives	Total
Emoluments	-	3,299,032	3,299,032	-	3,107,203	3,107,203
House Rent Allowance	-	1,474,305	1,474,305	-	1,242,881	1,242,881
Utilities	-	327,620	327,620	-	310,720	310,720
Gratuity	-	426,280	426,280	-	386,900	386,900
Provident Fund	-	329,907	329,907	-	275,826	275,826
Other Benefits	-	433,133	433,133	-	469,956	469,956
	-	<u>6,290,277</u>	<u>6,290,277</u>	-	<u>5,793,486</u>	<u>5,793,486</u>
<b>No. of persons</b>	1	4	5	1	5	6

26.1 Chief Executive and some senior executives are provided with free use of cars owned and maintained by the Company and some other benefits in accordance with the Company policy.

26.2 Chief Executive has not drawn any remuneration from the Company.



## 27. Transactions With Related Parties

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

	Note	2009 (Rupees)	2008 (Rupees)
Sale of goods		471,266,846	434,901,538

## 28. Capacity and Production

	2009		2008	
	Capacity		Capacity	
	Installed	Utilized	Installed	Utilized
Dental care (in Kgs)	184,800	102,812	184,800	96,961
Baby care (in Kgs)	496,306	297,372	403,205	272,072

## 29. Summarized Working Result By Line Of Business

	2009			2008		
	Dental Care	Baby Care	Total	Dental Care	Baby Care	Total
Sales	92,859,942	396,230,116	489,090,058	97,231,013	346,290,019	443,521,032
Cost of sales	(72,132,708)	(270,145,812)	(342,278,520)	(74,029,748)	(227,755,847)	(301,785,595)
Gross profit	20,727,234	126,084,304	146,811,538	23,201,265	118,534,172	141,735,437
Selling and distribution expenses	(20,814,887)	(88,816,391)	(109,631,278)	(23,523,065)	(83,777,825)	(107,300,890)
Administrative and general expenses	(2,849,815)	(12,160,062)	(15,009,877)	(3,812,003)	(13,576,520)	(17,388,523)
Operating profit / (loss)	(2,937,468)	25,107,851	22,170,383	(4,133,803)	21,179,827	17,046,024

## 30. 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 instruments:

- Credit risk
- Liquidity risk
- Market risk

### 30.1 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 instrument 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:

	Note	2009 (Rupees)	2008 (Rupees)
Trade debtors		5,471,561	8,120,075
Loans and advances		7,565,749	10,159,912
Deposits and other receivables		1,457,527	10,628,839
Cash and bank balances		371,847	122,285

30.1.1 The maximum exposure to credit risk for trade debts amounting to Rs. 5.47 million (2008: Rs. 8.12 million), at the balance sheet date by geographic region is as follows:

		2009 (Rupees)	2008 (Rupees)
Domestic		5,471,561	8,120,075
Export		-	-
		5,471,561	8,120,075

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

	Note	2009 (Rupees)	2008 (Rupees)
Distributor / Wholeseller		4,838,250	8,051,052
End-user customers		633,311	69,023
		<u>5,471,561</u>	<u>8,120,075</u>

30.1.3 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.

### 30.2 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:

	2009					
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
Trade and other payables	93,558,573	(93,558,573)	(93,558,573)	-	-	-
Short term bank finances	54,277,636	(54,634,263)	(54,634,263)	-	-	-
	<u>147,836,209</u>	<u>(148,192,836)</u>	<u>(148,192,836)</u>	<u>-</u>	<u>-</u>	<u>-</u>

	2008					
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
Trade and other payables	64,791,209	(64,791,209)	(64,791,209)	-	-	-
Short term bank finances	72,039,185	(74,150,689)	(74,150,689)	-	-	-
	<u>136,830,394</u>	<u>(138,941,898)</u>	<u>(138,941,898)</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 30.3 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.

### 30.4 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.

### 30.5 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.

### 30.6 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.



### 31. Accounting Estimates and Judgements

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

#### 31.1 Trade Debtors

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

#### 31.2 Income Taxes

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

#### 31.3 Defined retirement benefit scheme

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

#### 31.4 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.

#### 31.5 Impairment of assets

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

#### 31.6 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.

### 32. Corresponding Figures

Certain corresponding figures have been reclassified / rearranged for the purpose of better presentation. The summary of material reclassification are as follows:

Notes	Reclassification		Nature	Rupees
	From	To		
8 & 7	Deposits and short term prepayments	Long term deposits	Reclassification to long term deposits	25,790
7 & 14	Other receivables	Sales tax payable	Reclassification due to netting of advance sales tax with sales tax payable	199,692
8 & 7	Deposits and prepayments	Loans and advances	Reclassification of advance to suppliers	6,103,177
19 & 20	Administrative and general expense	Selling expense	Reclassification of expense	1,333,950

### 33. Subsequent Event

The Board of Directors in their meeting held on September 17, 2009 have proposed issuance of Bonus Shares @ 30% per share, for the year ended June 30, 2009, amounting to Rs. 9.00 million for approval of the shares holders of the Company in the Annual General Meeting to be held on October 24, 2009.

### 34. Authorisation of Financial Statements and Appropriations

These financial statements were authorised for issue on September 17, 2009 by the Board of Directors.

### 35. General

Figures have been rounded off to the nearest rupee.

  
Ebrahim Qassim  
Chairman

  
Zamiruddin Ahmed  
Director

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

## Proxy Form

I/We.....of.....in the district of.....  
 (Name) (Address)  
 being a member of Shield Corporation Limited and holder of.....Ordinary  
 (numbers of shares)  
 share(s) hereby appoint.....  
 (Name)

of .....  
 (Address)

or failing .....  
 (Name)

of .....  
 (Address)

who is also a member of Shield Corporation Limited, as my / our proxy to attend vote for me / us and on our behalf at the 37<sup>th</sup> Annual General Meeting of the Company to be held on Saturday, October 24, 2009 and at any adjournment thereof.

Signed this day \_\_\_\_\_ of \_\_\_\_\_, 2009

Signature
Revenue Stamp

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

- Note**
1. Signature should agree with the specimen signature registered with the Company.
  2. Proxy to be valid must be deposited with the Company at its registered office at 509, Business Avenue Block 6, P.E.C.H.S., Shahrāh-e-Faisal, Karachi not less than 48 hours before the meeting.

For CDC Account Holder /Corporate Entities:

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

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

