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 **Shield**[®]
CORPORATION LIMITED
3rd QUARTER REPORT
2016-17

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COMPANY INFORMATION

Board of Directors

Mr. Ebrahim Qassim	Chairman
Mr. M. Haroon Qassim	Chief Executive
Mr. Vali Muhammad A. Habib	Director
Mr. Pir Muhammad	Director
Mrs. Saadia Butt Naveed	Director
Mr. Syed Imran Chishti	Director
Mr. Muhammad Salman Qassim	Director

Audit Committee

Mr. Pir Muhammad	Chairman
Mr. Vali Muhammad A. Habib	Member
Mr. Syed Imran Chishti	Member

Human Resource & Remuneration Committee

Mr. Vali Muhammad A. Habib	Chairman
Mr. M. Haroon Qassim	Member
Mr. Syed Imran Chishti	Member

Company Secretary & CFO

Mr. M. Zaid Kaliya

Head of Internal Audit

Mr. M. Shakeel Dhanani

Legal Advisors

M/s. Lubna Pervez & Associates

External Auditors

Moochhala Gangat & Co.
Chartered Accountants

Internal Auditors

A.F. Ferguson & Co.
Chartered Accountants

Bankers

Meezan Bank Limited
Bank Al-Habib Limited - Islamic Banking
Habib Metropolitan Bank Limited - Islamic Banking
Habib Metropolitan Bank Limited

Registrar & Share Registration Office

Central Depository Company of Pakistan
CDC House,
Shahrah-e-Faisal,
Karachi.

Registered Office

37-G, Block 6,
P.E.C.H.S.,
Karachi.

Factory

Plot No. 368/4 & 5,
Landhi Industrial Area,
Baldia Road,
Karachi.

Email & URL

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



DIRECTORS' REVIEW

On behalf of the Board of Directors, it is my pleasure to present the un-audited accounts for the period ended March 31, 2017.

	March, 2017 (Rupees)	March, 2016 (Rupees)
Financial Summary		
Sales	1,223,826,321	1,184,483,467
Profit after taxation	38,563,448	48,265,995
Un-appropriated profit brought forward	222,151,550	197,771,340
Profit available for appropriation	241,214,998	226,537,335
Earnings per share	9.89	12.38

Sales for the nine months recorded an increase of 3.32% over the same period last year, from Rs. 1.18 billion to Rs. 1.22 billion. Selling and distribution expenses recorded an increase of Rs. 15 million. Earnings per share decreased to Rs. 9.89 per share from Rs. 12.38 per share of last year. Your management is doing its best to achieve sustainable growth in sales by reorganising the sales team and execution of aggressive advertisement and promotion plans in next quarter.

The Board of Directors would like to express their gratitude to all employees for their committed efforts, loyalty and dedication.

On behalf of the Board



M. Haroon Qassim
Chief Executive

Karachi: April 27, 2017

ڈائریکٹرز کا جائزہ

میں ڈائریکٹرز کی جانب سے 31 مارچ 2017 کو ختم ہونے والی مدت کے غیر آڈٹ شدہ اکاؤنٹس کی تفصیلات پیش کر رہا ہوں۔

مارچ 2016 (روپے)	مارچ 2017 (روپے)	سرمائے کا خلاصہ
1,184,483,467	1,223,826,321	سیلز
48,265,995	38,563,448	بعد از ٹیکس منافع
197,771,340	222,151,550	سابقہ غیر استعمال شدہ منافع
226,537,335	241,214,998	استعمال کے لیے دستیاب منافع
12.38	9.89	فی شیئر آمدنی

گذشتہ سال کے مقابلہ میں موجودہ 9 ماہ کے دوران سیلز میں 3.32% کا اضافہ ہوا ہے جو کہ 1.18 بلین روپے سے بڑھ کر 1.22 بلین روپے ہو گئی ہے۔ فروخت اور تقسیم کے اخراجات میں 15 بلین روپے کا اضافہ ہوا ہے۔ فی شیئر آمدنی جو کہ گذشتہ سال 12.38 روپے فی شیئر تھی وہ کم ہو کر 9.89 روپے فی شیئر ہو گئی۔ آپ کی بینجمنٹ سیلز میں پائیدار اضافے کے لیے اپنی بہترین کوششیں کر رہی ہے، جس کے لیے اگلی سہ ماہی میں سیلز ٹیم کی از سر نو ترتیب کے ساتھ ساتھ جارحانہ تشہیر اور پروموشنز کے منصوبے شامل ہیں۔

بورڈ آف ڈائریکٹرز تمام ملازمین کا ان کی پرعزم کوششوں، وفاداری اور لگن پر شکرگزاری کا اظہار کرتا ہے۔

بورڈ آف ڈائریکٹرز کی طرف سے

Waqar
ایم ہارون قاسم
چیف ایگزیکٹو

کراچی: 27 اپریل 2017ء

CONDENSED INTERIM BALANCE SHEET AS AT MARCH 31, 2017

	Note	(Un-Audited) March 31, 2017 (Rupees)	(Audited) June 30, 2016 (Rupees)
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	466,689,463	357,303,783
Intangible assets - software		75,000	-
Long term deposits		4,584,300	4,584,300
Long term loans and advances		454,345	550,325
		471,803,108	362,438,408
Current Assets			
Store and spares		14,633,785	14,097,129
Stock-in-trade		254,671,259	275,374,607
Trade debtors - unsecured, considered good		59,336,358	10,699,836
Loans and advances		21,909,416	9,280,935
Deposits and short term prepayments	5	2,363,745	580,906
Taxation		43,614,771	38,217,170
Cash and bank balances		919,091	1,023,380
		397,448,425	349,273,963
Total Assets		869,251,533	711,712,371
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised Capital 15,000,000 (June 30, 2016: 15,000,000) ordinary shares of Rs. 10/- each		150,000,000	150,000,000
Issued, subscribed & paid-up capital 3,900,000 (June 30, 2016: 3,900,000) ordinary shares of Rs. 10/- each		39,000,000	39,000,000
Reserves		65,000,000	65,000,000
Accumulated profit		241,214,998	222,151,550
		345,214,998	326,151,550
Non-Current Liabilities			
Deferred liabilities		80,096,183	79,616,719
Long term financing - secured	6	82,500,000	1,640,246
		162,596,183	81,256,965
Current Liabilities			
Trade and other payables		232,844,253	123,220,314
Accrued mark-up on bank financing		1,438,995	886,391
Current portion of long term financing		25,280,492	14,585,987
Short term bank finances - secured	7	82,161,683	147,348,583
Provision for taxation		19,714,929	18,262,581
		361,440,352	304,303,856
Contingencies and Commitments			
	8	-	-
Total Equity and Liabilities		869,251,533	711,712,371

The annexed notes form an integral part of this condensed interim financial information.


M. Haroon Qassim
Chief Executive


Vali Muhammad A. Habib
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2017 (Un-Audited)

	Note	For the Third Quarter ended		For the Period ended	
		March, 2017 (Rupees)	March, 2016 (Rupees)	March, 2017 (Rupees)	March, 2016 (Rupees)
Net sales	9	494,688,409	376,915,314	1,223,826,321	1,184,483,467
Cost of sales		(324,047,399)	(243,696,687)	(812,341,134)	(805,631,530)
Gross profit		170,641,010	133,218,627	411,485,187	378,851,937
Selling and distribution expenses		(139,702,011)	(107,115,731)	(299,473,600)	(284,311,583)
Administrative and general expenses		(14,441,449)	(10,342,818)	(42,949,401)	(30,821,611)
Other operating expenses		(619,890)	(1,048,112)	(5,288,193)	(4,095,559)
Other operating income		542,068	665,943	1,468,799	1,673,699
Operating profit		16,419,728	15,377,909	65,242,792	61,296,883
Finance costs		(3,506,033)	(1,544,246)	(7,337,002)	(6,359,693)
Profit before taxation		12,913,695	13,833,663	57,905,790	54,937,190
Taxation		(6,099,385)	(1,806,890)	(19,342,342)	(6,671,195)
Profit after taxation		6,814,310	12,026,773	38,563,448	48,265,995
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		6,814,310	12,026,773	38,563,448	48,265,995
Earning per share - basic and diluted		1.75	3.08	9.89	12.38

The annexed notes form an integral part of this condensed interim financial information.



M. Haroon Qassim
Chief Executive





Vali Muhammad A. Habib
Director

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2017 (Un-Audited)

	For the Period ended	
	March, 2017 (Rupees)	March, 2016 (Rupees)
Cash Generated from Operations		
Profit before taxation	57,905,790	54,937,190
Adjustments for:		
Depreciation	31,311,594	27,602,357
Amortization	25,000	409,658
Provision for gratuity	10,173,233	8,398,486
Loss on disposal of property, plant & equipment	646,019	23,952
Finance costs	7,337,002	6,359,693
Profit before working capital changes	49,492,848	42,794,146
(Increase) / decrease in Current Assets:		
Stores and spares	(536,656)	(1,902,109)
Stock -in -trade	20,703,348	(39,321,575)
Trade debtors	(48,636,522)	(84,470,907)
Loans and advances	(12,628,481)	(4,159,943)
Deposits and short term prepayments	(1,782,839)	(910,559)
	(42,881,150)	(130,765,093)
Increase / (decrease) in Current liabilities		
Trade & other payables	109,537,814	112,052,077
Cash generated from operations	174,055,302	79,018,320
Payments for:		
Gratuity	(7,420,500)	(3,082,850)
Long term loans and advances	95,980	(836,927)
Finance costs	(6,784,398)	(6,972,279)
Taxes	(25,560,864)	(4,039,204)
Net cash from operating activities	134,385,520	64,087,060
Cash Flow From Investing Activities		
Fixed capital expenditure including capital work-in-progress	(144,739,950)	(25,418,556)
Intangible	(100,000)	-
Sales proceeds from disposal of property, plant & equipment	3,396,657	72,100
Net cash used in investing activities	(141,443,293)	(25,346,456)
Cash Flow From Financing Activities		
Dividend paid	(19,413,875)	(19,379,649)
Long term financing - diminishing musharakah receipts	110,000,000	-
Long term financing - diminishing musharakah payments	(18,445,741)	(24,780,293)
Net cash generated from / (used in) financing activities	72,140,384	(44,159,942)
Net increase in cash and cash equivalents	65,082,611	(5,419,338)
Cash and cash equivalents at the beginning of the period	(146,325,203)	(67,944,544)
Cash and cash equivalents at the end of the period	(81,242,592)	(73,363,882)
Cash and Cash Equivalents		
Cash and bank balances	919,091	1,292,711
Short term bank finances	(82,161,683)	(74,656,593)
	(81,242,592)	(73,363,882)

The annexed notes form an integral part of this condensed interim financial information.



 M. Haroon Qassim Vali Muhammad A. Habib
 Chief Executive Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED MARCH 31, 2017 (Un-Audited)

	Share Capital (Rupees)	Capital Reserve Share Premium (Rupees)	Revenue Reserve		Total (Rupees)
			General Reserve (Rupees)	Unappropriated Profit (Rupees)	
Balance as at July 01, 2015	39,000,000	10,000,000	55,000,000	197,771,340	301,771,340
Dividend for the year June 30, 2015 - Final - @ Rs. 5 per share	-	-	-	(19,500,000)	(19,500,000)
Total comprehensive income for the period ended March 31, 2016	-	-	-	48,265,995	48,265,995
Balance as at March 31, 2016	39,000,000	10,000,000	55,000,000	226,537,335	330,537,335
1					
Balance as at July 01, 2016	39,000,000	10,000,000	55,000,000	222,151,550	326,151,550
Dividend for the year June 30, 2016 - Final - @ Rs. 5 per share	-	-	-	(19,500,000)	(19,500,000)
Total comprehensive income for the period ended March 31, 2017	-	-	-	38,563,448	38,563,448
Balance as at March 31, 2017	39,000,000	10,000,000	55,000,000	241,214,998	345,214,998

The annexed notes form an integral part of this condensed interim financial information.



M. Haroon Qassim
Chief Executive



Vali Muhammad A. Habib
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED MARCH 31, 2017 (Un-Audited)

1 Status and Nature of Business

Shield Corporation Limited (the Company) was incorporated in Pakistan on January 10, 1975 and is quoted on Pakistan Stock Exchange Limited in Pakistan. The registered office of the Company is situated at 37-G, Block 6, P.E.C.H.S., Shahrah-e-Faisal, Karachi effective from January 03, 2017 and old registered office at 509, Business Avenue, Block 6, P.E.C.H.S., Shahrah-e-Faisal, Karachi. The company is mainly engaged in the manufacturing, trading and sales of oral and baby care products.

2 Basis of Preparation

This condensed interim financial information is un-audited and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984. It has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information does not include all the information required for annual financial statements and therefore, should be read in conjunction with the annual financial statements for the year ended June 30, 2016.

3 Significant Accounting

3.1 Policies

Accounting policies adopted for the preparation of these condensed interim financial information are the same as those applied in the preparation of the preceding annual published financial statements of the company for the year ended June 30, 2016.

3.2 Accounting estimates and judgements

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

During the preparation of this condensed interim financial information, the significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the audited annual financial statements for the year ended June 30, 2016.

3.2.1 Standards, amendments and interpretations to approved accounting standards that are effective in the current period

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2016, but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in this condensed interim financial information.

	Note	(Un-audited) Mar 31, 2017 (Rupees)	(Audited) June 30, 2016 (Rupees)
4 Property, Plant & Equipment			
Operating fixed assets - at net book value	4.1	465,213,983	351,097,413
Capital work in progress - at cost		1,475,480	6,206,370
		<u>466,689,463</u>	<u>357,303,783</u>
4.1 Movement in operating fixed assets:			
Opening - at net book value		351,097,413	352,359,199
Add: Additions during the period - at cost	4.2	149,470,840	36,106,399
		500,568,253	388,465,598
Less: Depreciation charged during the period		(31,311,594)	(37,200,367)
Less: Disposals during the period - at net book value	4.2	(4,042,676)	(167,818)
		<u>(35,354,270)</u>	<u>(37,368,185)</u>
Closing - at net book value		<u>465,213,983</u>	<u>351,097,413</u>

4.2 Details of additions and disposals to operating assets are:

	Additions (at cost)		Disposals (at net book value)	
	Mar 31, 2017	June 30, 2016	Mar 31, 2017	June 30, 2016
	(Rupees)		(Rupees)	
Office Premises	129,147,945	10,224,500	-	-
Plant & machinery	13,594,563	24,853,407	1,070,414	-
Furniture & fixtures	1,467,297	-	2,230,712	-
Office equipments	2,403,115	351,963	583,796	38,827
Computer equipments	2,857,920	676,529	157,754	72,173
Vehicles	-	-	-	56,818
	<u>149,470,840</u>	<u>36,106,399</u>	<u>4,042,676</u>	<u>167,818</u>
			(Un-audited) Mar 31, 2017	(Audited) June 30, 2016
			(Rupees)	(Rupees)

Note

5 Deposits and short term prepayments

Security deposits	436,947	336,350
Prepayment and other receivables	1,926,798	244,556
	<u>2,363,745</u>	<u>580,906</u>

6 Long term financing - secured

Diminishing musharakah arrangements

	Installment payable	Repayment period	Mark-up rate			
Habib Metropolitan Bank limited - Islamic banking	Quarterly	2014-16	1.25% above 3 months KIBOR	6.1	-	5,177,287
Habib Metropolitan Bank limited - Islamic banking	Semi Annually	2012-17	2.5% above 6 months KIBOR	6.1	-	2,847,715
Bank Al-Habib Limited - Islamic banking	Quarterly	2015-17	0.75% above 6 months KIBOR	6.1	3,280,492	8,201,231
Bank Al-Habib Limited - Islamic banking	Quarterly	2017-21	0.50% above 6 months KIBOR	6.2	104,500,000	-
Less: Current portion shown under current liabilities					(25,280,492)	(14,585,987)
					<u>82,500,000</u>	<u>1,640,246</u>

- 6.1 Islamic finance under diminishing musharakah is secured by a first exclusive charge over particular machinery of the company.
- 6.2 Islamic finance under diminishing musharakah is obtained for the purchase of office premises, situated at 37-G, block - 6, P.E.C.H.S., Shahrah-e-Faisal, Karachi is secured by equitable mortgage with token registered mortgage of Rs. 500,000/- has been created over the purchased property.

7 Short term bank finances - secured

Murabaha finance	7.1	65,389,653	32,012,812
Running Musharakah	7.2	16,772,030	115,335,771
		<u>82,161,683</u>	<u>147,348,583</u>

- 7.1 This represent murabaha finance obtained under profit arrangements and are secured against hypothecation of moveable fixed assets and hypothecation of current assets of the Company. The Company enjoys a total facility of Rs. 220 million (June 2016: Rs. 220 million) at a profit rate ranging from relevant KIBOR + 0.20% to 0.75% (June 2016: KIBOR + 0.45% to 0.75%) per annum.
- 7.2 This represent running musharakah obtained under profit arrangements and are secured against hypothecation of moveable fixed assets of the Company. The Company enjoys a total facility of Rs. 80 million (June 2016: Rs. 80 million) at a profit rate of relevant KIBOR + 0.50% (June 2016: KIBOR + 0.75%) per annum.

8 Contingencies & Commitments

8.1 Contingencies

- 8.1.1** Contingent liability in respect of guarantee and counter guarantee is Rs. 7.59 million (June 30, 2016: Rs. 7.64 million). Out of this Rs. 5 million (June 30, 2016: Rs. 5 million) represents guarantee provided in relation to defending a trade mark case in the Honorable High Court of Sindh for Rs. 42 million (June 30, 2016: Rs. 42 million). The management is confident that the case will be decided in the Company's favour, as such no provision has been made in this financial information.
- 8.1.2** The Company has filed a constitutional petition in Honorable High Court of Sindh against registration of FIR by tax authorities for alleged inadmissibility of input tax on the ground that the suppliers were not bonafide suppliers amounting to Rs. 1.3 million (June 30, 2016 Rs. 1.3 million). The Honorable High Court of Sindh in its judgement has given detailed guideline to FBR determining the procedure to follow in this case. The matter is pending with Special Judge of Custom Court. The management based on entity's legal counsel is confident that the case will be decided in company's favour and hence no provision has been made in this financial information.
- 8.1.3** The Company has issued post dated cheques in favour of collector of customs amounting to Rs. 0.13 million (June 30, 2016 Rs. 0.06 million) under SRO 565(1)/2006 dated June 5, 2006 for the reduction of duty as an indemnity guarantee. The collector of customs will refund these cheques upon satisfactory compliance of the requirements of the SRO.
- 8.1.4** The Company has filed a suit for infringement and passing off its Trade Mark Shield against Dalda foods (Private) Limited in which earlier interim stay was granted which was later on confirmed by Honorable High Court of Sindh. Later on Dalda foods (Private) Limited has filed an appeal against the confirmation of stay order which was granted by Honorable High Court of Sindh. Shield Corporation Limited had filed an appeal in Honorable Supreme Court of Pakistan. The Honorable Supreme Court of Pakistan referred the case to the Honorable High Court of Sindh to form the commission for deciding the case as per merit. Based on the entity's counsel advice, the management is confident that the case will be decided in company's favour.

8.2 Commitments

- 8.2.1** The Company has letter of credit commitments for purchases amounting to Rs. 117.05 million (June 30, 2016: Rs. 37.23 million).
- 8.2.2** The Company has letter of credit and other commitments for capital expenditures amounting to Rs. 23.99 million (June 30, 2016: Rs. 2.81 million).
- 8.2.3** The Company has commitments in respect of Rent of Diminishing Musharakah as follows:

	Note	(Un-audited)	(Audited)
		Mar 31, 2017 (Rupees)	June 30, 2016 (Rupees)
Later than one year but not later than three years		10,944,946	12,158
Not later than one year		6,460,174	628,324
		<u>17,405,120</u>	<u>640,482</u>
		For the period Jul-Mar., 2017 (Rupees)	For the period Jul-Mar., 2016 (Rupees)

9 Net sales

Sales - local	1,480,877,100	1,438,338,382
Discounts	(46,321,477)	(46,034,793)
	<u>1,434,555,623</u>	<u>1,392,303,589</u>
Sales tax	(218,072,123)	(210,877,149)
	<u>1,216,483,500</u>	<u>1,181,426,440</u>
Sales - export	7,342,821	3,057,027
	<u>1,223,826,321</u>	<u>1,184,483,467</u>

Note	For the period Jul-Mar., 2017 (Rupees)	For the period Jul-Mar., 2016 (Rupees)
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10 Transactions with related parties

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

There are no transactions with key management personnel other than under the terms of employment.

Details of transactions with related parties during the period were as follows:

Relationship	Nature of transactions		
Associated undertaking	Sale of goods - Premier Agencies	1,187,622,325	1,186,571,668
Associated undertaking	Sale of fixed assets - Pharmevo (Pvt) Limited	3,301,237	-
Staff retirement funds	Contribution to employees provident fund	3,237,195	3,160,290
Key management personnel	Salaries and other short-term benefits	61,666,991	42,293,314

11 Authorization

This condensed interim financial information was authorised for issue on April 27, 2017 by the board of directors of the Company.

12 General

Figures have been rounded off to the nearest rupee.



M. Haroon Qassim
Chief Executive



Vali Muhammad A. Habib
Director



SHIELD CORPORATION LTD.

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