



## TARIQ GLASS INDUSTRIES LTD.

An ISO 9001:2000 Certified Company



**29<sup>th</sup> ANNUAL REPORT**  
FOR THE YEAR ENDED JUNE 30, 2007



<b>CONTENTS</b>	
COMPANY INFORMATION	2
NOTICE OF ANNUAL GENERAL MEETING	3
DIRECTORS' REPORT	4-5
STATEMENT OF COMPLIANCE	6-7
REVIEW REPORT	8
AUDITORS' REPORT	9
BALANCE SHEET	10-11
PROFIT AND LOSS ACCOUNT	12
CASH FLOW STATEMENT	13
STATEMENT OF CHANGES IN EQUITY	14
NOTES TO THE ACCOUNTS	15-30
FINANCIAL STATISTICAL SUMMARY	31
PATTERN OF SHARE HOLDING	32
CATEGORIES OF SHAREHOLDERS	33
FORM OF PROXY	



## COMPANY INFORMATION

### BOARD OF DIRECTORS

**CHAIRMAN &  
MANAGING DIRECTOR**

MR. TARIQ BAIG

**DIRECTORS:**

MR. OMER BAIG  
MRS. NAIMA TARIQ  
MR. MANSOOR IRFANI  
MR. AKBAR BAIG  
MR. DAVID JULIAN  
MR. SYED TUFAIL HUSSAIN

**NOMINEE DIRECTOR IPI**

MR. MUJAHID ESHAI

**SECRETARY**

MR. WAQAR ULLAH

**AUDIT COMMITTEE**

MR. OMER BAIG                      CHAIRMAN  
MR. AKBAR BAIG                    MEMBER  
MR. DAVID JULIAN                  MEMBER

**AUDITORS**

KPMG TASEER HADI & CO.  
CHARTERED ACCOUNTANTS

**LEGAL ADVISOR**

MUBASHAR LATIF AHMAD  
LAHORE

**TAX CONSULTANTS**

YOUSAF ISLAM ASSOCIATES  
LAHORE

**INFORMATION TECHNOLOGY  
CONSULTANTS**

CHARTAC BUSINESS SERVICES (PVT) LTD  
LAHORE

**BANKERS**

NATIONAL BANK OF PAKISTAN  
HABIB BANK LTD.  
UNITED BANK LTD.

**REGISTERED OFFICE**

128-J, MODEL TOWN, LAHORE.  
UAN: 042-111-34-34-34  
FAX: 042-5857692 - 5857693  
E MAIL: info@tariqglass.com

**WORKS**

33-KM LAHORE/SHEIKHUPURA ROAD,  
TEL: (042) 7925652, (056) 3785441-3  
FAX: (056) 3783912





## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 29<sup>th</sup> Annual General Meeting of the members of the Company will be held on Thursday, the October 25, 2007 at 11:00 AM at the Defence Services Officers' Mess, 71-Tufail Road, Lahore Cantt to transact the following business:

1. To confirm the minutes of the 28<sup>th</sup> Annual General Meeting of the members held on October 30, 2006.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2007, comprising Balance Sheet, Profit and Loss Account and Reports of the Auditors and Directors thereon.
3. To approve Cash Dividend @ Re 1/- (Rupee One) per Ordinary Share i.e. 10% as recommended by the Board. The Directors, their associates and Foreign Investment Company have waived their right to the cash dividend.
4. To appoint Auditors of the company for the year ending June 30, 2008 and fix their remuneration. The retiring Auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants being eligible offer themselves for re-appointment.
5. To transact any other business with the permission of the Chairman.

BY ORDER OF THE BOARD

October 03, 2007  
Lahore

(WAQAR ULLAH)  
COMPANY SECRETARY

### NOTES

1. The share transfer books of the Company will remain closed from October 19, 2007 to October 25, 2007 (both days inclusive). Transfer received in order upto the close of business hours on October 18, 2007 at registered office of the company at 128-J Block, Model Town, Lahore, will be treated in time for the purpose of entitlement of dividend and to affect the voting rights at the Annual General Meeting.
2. A member of the Company entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote. Votes may be given personally or by proxy or by attorney or in case of corporation by representative. The instrument of proxy duly executed should be lodged at the Registered Office of the Company not later than 48 hours before the time of the meeting.
3. Members, who have deposited their shares into Central Depository Company of Pakistan Limited, are advised to bring their National Identity Card along with CDC Participant ID and account number at the meeting venue.
4. The members are requested to notify the Company of the change in their address, if any.



## DIRECTORS' REPORT

The directors are pleased to present their report together with annual audited Financial Statements of the company, together with the Auditors' Report thereon, for the year ended June 30, 2007.

### Business Review

2007 was another year of success. Sales grew up by 9.65%. Gross profit improved from 17.42% to 18.02% and profit before tax increased by Rs. 15.131 million. Key drivers to the sales growth were focus on innovation, effective communication and increased distributors' coverage. Selling and distributions expenses reduced due effective controls. Financial charges grew up due to increase in KIBOR.

### Financial Performance:

	Rs. In Million		Change
	2007	2006	
• Sales	1,108,447	1,010,876	Plus 9.65%
• Operating Profit	115.798	88.143	Plus 31.37%
• % of sales	10.45%	8.72%	
• Net Profit	77.36%	62.237	Plus 24.31%
• % of sales	6.98%	6.16%	

Rising inflation and increase in basic raw materials' cost like soda Ash, chemicals and colours added to the increase in costs. Further curtailment / stoppages in supply of Natural gas during winter season and electric load shedding during the summer did affect the production efficiencies.

### Code of Corporate Governance

In compliance with the provisions of the listing regulations of Stock Exchanges, the Board members are pleased to place the following statements on record.

- The financial statements for the year ended June 30, 2007 present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance as detailed in the Listing Regulations.
- Key operating and financial data for last ten years is given in this report.

### Board Meetings

During the year, no casual vacancy occurred on the Board of Directors, and 6 meetings of the board were held. The attendance of the Board members was as follows:

S. No.	Name of Director	Meetings attended
1.	Mr. Tariq Baig	6
2.	Mr. Omer Baig	6
3.	Mrs. Naima Tariq	6
4.	Mr. Mansoor Irfani	6
5.	Mr. Akbar Baig	6
6.	Mr. David Julian	6
7.	Mr. Syed Tufail Hussain	6





### Audit Committee

The Board constituted an audit committee in compliance with the code of Corporate Governance with the following members:

1.	Mr. Omer Baig	Chairman
2.	Mr. Akbar Baig	Member
3.	Mr. David Julian	Member

The Audit Committee reviewed the quarterly, half yearly and annual financial statements before submission to the Board and their publication. The audit committee also reviewed internal audit findings and held separate meetings with internal and external auditors. The audit committee had detailed discussions with external auditors on their letter to the management.

### Cash Dividend

Your company has maintained its policy of paying returns to the stakeholders and your directors recommend the payment of cash dividend at the rate of 10% for the year ended June 30, 2007. The sponsoring directors, associated undertakings and foreign investment company have honoured the management request and consented to forego their right to Cash Dividend.

### Future Outlook

- The coming year is viewed with optimism by the company in view of the availability of additional capacities of molten glass from the third furnace. The expansion work is in full swing and Insha Allah trial and commercial production will be undertaken by the end of calendar year.
- The task of Right Share issue is near to completion. The proceeds from the Right Issue will be utilized to repay the loan and in particular availed for the expansion purposes. Thus, a substantial savings in the financial cost is foreseen.
- The routine rebuild up of second furnace is due in the coming year. The orders for the required Refractories have been placed with the suppliers. All the required goods will arrive at the site shortly.

### Auditors

The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants retire and offer themselves for reappointment. As suggested by the audit committee the board of directors have recommended their reappointment as auditors of the company for the financial year ending June 30, 2008 at a fee to be mutually agreed.

### Pattern of Shareholdings

The pattern of shareholding and categories of shareholders are annexed.

### Acknowledgement:

We wish to place on record our gratitude to the valued distributors, clients, banks and financial institutions and also the shareholders of the company for their continued support.

We also appreciate the efforts and dedication shown by the staff for managing the company's affairs successfully and all the workers who worked hard to achieve much higher goals.

**For and on behalf of the Board**

September 27, 2007  
Lahore

**TARIQ BAIG**  
Chairman & Managing Director



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance in the listing regulations of Karachi and Lahore stock exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of governance.

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

1. The company encourages the representation of independent non-executive directors on its Board of Directors. At present, the Board includes four independent non-executive directors. However, there is no representation of minority shareholders on the Board.
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 payments of any loan to a banking company, a DPI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by the stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The company has prepared a "Statement of Ethics and Business Practices" which has been signed by all directors and employees of the company.
6. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. There were no new appointments of CEO and other executive director during the year.
8. The meetings of the Board were presided over by the Chairman and Managing Director and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged one orientation course for its directors to apprise them of their duties and responsibilities.
10. There were no new appointments of CFO, Company Secretary or Head of Internal Audit during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with the corporate and financial reporting requirements of the Code.





15. The Board has formed an audit committee. It comprises of three members, of whom two are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set up 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 programme 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 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. We confirm that all other material principles contained in the Code have been complied with.





## **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 **Tariq Glass Industries Limited** ("the Company") to comply with the Listing Regulations of the respective Stock Exchanges, 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 the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control 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 respects, with the best practices contained in the Code of Corporate Governance.



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Tariq Glass Industries Limited** ("the Company") as at 30 June 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account 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 books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2007 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.



**Balance Sheet**

	Note	2007 Rupees	2006 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 25,000,000 (2006:12,000,000) ordinary shares of Rs 10 each		250,000,000	120,000,000
Issued, subscribed and paid-up capital 11,550,000 (2006: 11,000,000) ordinary shares of Rs 10 each	4	115,500,000	110,000,000
Unappropriated profit		176,217,886	135,743,328
		<b>291,717,886</b>	<b>245,743,328</b>
<b>NON CURRENT LIABILITIES</b>			
Long term loans			
Secured		137,288,299	46,089,502
Unsecured		164,305,514	129,005,514
	5	301,593,813	175,095,016
Liabilities against assets subject to finance lease	6	8,389,353	10,927,634
Long term security deposits	7	5,255,257	5,167,203
Deferred liabilities	8	52,982,788	34,928,774
		368,221,211	226,118,627
<b>CURRENT LIABILITIES</b>			
Short term borrowings - secured	9	82,569,095	93,805,787
Current maturity of long term liabilities	10	41,345,741	47,374,652
Trade and other payables	11	176,140,914	154,155,241
Provision for taxation		8,994,618	5,054,381
		309,050,368	300,390,061
<b>CONTINGENCIES AND COMMITMENTS</b>	12	-	-
		<b>968,989,465</b>	<b>772,252,016</b>

The annexed notes 1 to 33 form an integral part of these accounts.

**As at 30 June 2007**

	<i>Note</i>	<b>2007</b> Rupees	2006 Rupees
<b>ASSETS</b>			
Property, plant and equipment	13	<b>613,788,046</b>	446,858,434
<b>LONG TERM SECURITY DEPOSITS</b>			
	14	<b>9,113,303</b>	7,467,740
<b>CURRENT ASSETS</b>			
Stores and spares	15	<b>169,038,950</b>	146,888,174
Stock in trade	16	<b>79,543,999</b>	78,882,179
Trade debtors - Unsecured, considered good		<b>14,302,719</b>	9,238,710
Advances, deposits, prepayments and Other receivables	17	<b>71,751,633</b>	75,132,890
Cash and bank balances	18	<b>11,450,815</b>	7,783,889
		<b>346,088,116</b>	317,925,842
		<b>968,989,465</b>	<b>772,252,016</b>

OMER BAIG  
DIRECTOR





## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 Rupees	2006 Rupees
Sales	19	1,108,446,723	1,010,876,238
Cost of sales	20	908,757,268	834,700,727
<b>Gross profit</b>		<u>199,689,455</u>	<u>176,175,511</u>
Operating expenses			
Administrative	21	29,340,674	29,579,049
Selling and distribution	22	54,551,193	58,453,745
		<u>83,891,867</u>	<u>88,032,794</u>
<b>Operating profit</b>		<u>115,797,588</u>	<u>88,142,717</u>
Financial charges	23	33,699,627	25,461,527
		<u>82,097,961</u>	<u>62,681,190</u>
Other income	13.1.1	970,704	3,041,802
		<u>83,068,665</u>	<u>65,722,992</u>
Other expenses	24	5,700,790	3,486,106
<b>Profit before taxation</b>		<u>77,367,875</u>	<u>62,236,886</u>
Provision for taxation	25	27,041,619	13,124,160
<b>Profit after taxation</b>		<u>50,326,256</u>	<u>49,112,726</u>
<b>Basic and diluted earnings per share (restated)</b>	30	<u>4.36</u>	<u>4.25</u>

The annexed notes 1 to 33 form an integral part of these accounts.

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 Rupees	2006 Rupees
<b>Cash flow from operating activities</b>			
Profit before taxation		77,367,875	62,236,886
Adjustments for:			
Depreciation		56,758,732	52,881,960
Profit on disposal of property, plant and equipment		(970,704)	(3,041,802)
Financial charges		33,699,627	25,461,527
Provision for workers' profit participation fund		4,153,433	3,286,150
Provision for workers' welfare fund		1,547,357	199,956
Provision for staff retirement benefits		74,095	45,325
		<u>95,262,540</u>	<u>78,833,116</u>
<b>Operating profit before working capital changes</b>		<b>172,630,415</b>	<b>141,070,002</b>
<b>(Increase)/decrease in current assets</b>			
Stores, spares and loose tools		(22,150,776)	(17,448,374)
Advances, deposits, prepayments and other receivables		3,381,257	(36,701,676)
Stock in trade		(661,820)	(6,883,881)
Trade debtors		(5,064,009)	(2,803,551)
		<u>(24,495,348)</u>	<u>(63,837,482)</u>
<b>Increase in current liabilities</b>			
Short term borrowings		(11,236,692)	15,894,946
Trade and other payables		10,673,435	19,310,824
		<u>(563,257)</u>	<u>35,205,770</u>
<b>Cash generated from operations</b>		<b>147,571,810</b>	<b>112,438,290</b>
Financial charges paid		(24,611,487)	(19,234,995)
WPPF paid		(3,383,547)	(2,417,824)
Staff gratuity paid		(67,082)	(10,300)
Taxes paid		(5,054,381)	(3,054,649)
		<u>(33,116,497)</u>	<u>(24,717,768)</u>
<b>Net cash generated from operating activities</b>		<b>114,455,313</b>	<b>87,720,522</b>
<b>Cash flow from investing activities</b>			
Fixed capital expenditure incurred		(223,082,361)	(109,179,954)
Proceeds from sale of property, plant and equipment		3,499,995	5,459,000
Long term security deposits		(1,645,563)	(4,152,645)
<b>Net cash used in investing activities</b>		<b>(221,227,929)</b>	<b>(107,873,599)</b>
<b>Cash flow from financing activities</b>			
Long term loans		123,706,164	21,117,770
Liabilities against assets subject to finance lease		(8,735,559)	7,305,024
Long term security deposits		88,054	(40,000)
Dividend paid		(4,619,117)	(7,170,114)
<b>Net cash generated from financing activities</b>		<b>110,439,542</b>	<b>21,212,680</b>
<b>Net increase in cash and cash equivalents</b>		<b>3,666,926</b>	<b>1,059,603</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>7,783,889</b>	<b>6,724,286</b>
<b>Cash and cash equivalents at the end of the year</b>	18	<b>11,450,815</b>	<b>7,783,889</b>

The annexed notes 1 to 33 form an integral part of these accounts.



**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2007**

	<u>Share capital Rupees</u>	<u>Unappropriated profit Rupees</u>	<u>Total Rupees</u>
<b>Balance as at 30 June 2005</b>	100,000,000	101,630,602	201,630,602
Final dividend @ Re 0.5 per share for the year 2005	-	(5,000,000)	(5,000,000)
Bonus shares issued @ 10% for the year 2005	10,000,000	(10,000,000)	-
Net profit for the year	-	49,112,726	49,112,726
<b>Balance as at 30 June 2006</b>	<u>110,000,000</u>	<u>135,743,328</u>	<u>245,743,328</u>
Final dividend for the year ended 30 June 2006 at the rate of Re 1 (10%) per share	-	(4,351,698)	(4,351,698)
Bonus shares issued @ 5% for the year 2006	5,500,000	(5,500,000)	-
Net profit for the year	-	50,326,256	50,326,256
<b>Balance as at 30 June 2007</b>	<u><u>115,500,000</u></u>	<u><u>176,217,886</u></u>	<u><u>291,717,886</u></u>

The annexed notes 1 to 33 form an integral part of these accounts.



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2007

### 1 NATURE AND STATUS OF THE COMPANY

Tariq Glass Industries Limited ("the Company") was incorporated in Pakistan in 1978 and converted into a Public Limited Company in the year 1980. The Company is listed on Karachi and Lahore Stock Exchanges. The Company is principally engaged in the manufacture and sale of glass containers and tableware.

### 2 STATEMENT OF COMPLIANCE

**2.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

#### **2.2 Standards, interpretations and amendments to published approved accounting standards**

Certain amendments to IAS 1 'Presentation of financial statements'- Capital Disclosures have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after 01 January 2007. Adoption of these amendments would impact the nature and extent of disclosures made in the future financial statements of the Company.

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after 1 July 2007 and are not expected to have a significant effect on Company financial statements or not relevant to Company:

- IAS 23 Borrowing costs (as revised)
- IAS 41 Agriculture
- IFRS 2 Share-based payments
- IFRS 3 Business combinations
- IFRS 5 Non-current assets held for sale and discontinued operations
- IFRS 6 Exploration for and evaluation of mineral resources
- IFRIC 10 Interim financial reporting and impairment
- IFRIC 11 Group and treasury share transactions
- IFRIC 12 Service concession arrangements
- IFRIC 13 Customer loyalty programmes
- IFRIC 14 The limit on a defined benefit asset minimum funding requirements and their interaction.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **3.1 Basis of preparation**

These accounts have been prepared under the historical cost convention.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Provision for taxation
- b) Accrued liabilities
- c) Provision for doubtful debts





### 3.2 Fixed assets

#### *Owned*

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss except freehold land and capital work in progress, which are stated at cost less any identified impairment loss. Depreciation on operating fixed assets except furnace refractories is charged to income on reducing balance method whereas depreciation on furnace refractories is charged on straight line method, so as to write off the written down value of an asset over its estimated useful life at rates disclosed in the note 13.1 to the accounts.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Profit or loss on disposal of property, plant and equipment represented by the difference between the sale proceeds and the carrying amount of the asset is included in income.

#### *Leased*

Leased assets held under finance leases are stated at the lower of cost or present value of minimum lease payments less accumulated depreciation at the rates and basis applied to the Company's owned assets. The outstanding obligations relating to assets subject to finance lease are accounted for at the net present value of liabilities.

The financial charges are calculated at the interest rates implicit in the lease and are charged to income.

### 3.3 Staff retirement benefits

#### *Defined contribution plan*

The Company operates an approved defined contributory provident fund for all its eligible employees, in which the Company and the employees make equal monthly contributions at the rate of 10 % of basic salary.

#### *Defined benefit plan*

The Company also operated an un-funded gratuity scheme, which ceased on 30 June 1995. However, the liability in respect of gratuity payable to employees who were employed before 30 June 1995 is revised each year on the basis of last drawn salaries of such employees.

### 3.4 Receivables

Receivables are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

### 3.5 Stores and spares

These are valued at the weighted average cost except for items in transit, which are valued at cost comprising invoice value and related expenses.

### 3.6 Stock in trade

These are valued at the lower of weighted average cost and net realizable value except for stock in transit, which is valued at cost comprising invoice value and related expenses incurred thereon.

Cost is determined as follows:

- Raw materials, chemicals, colours and packing materials at weighted average cost
- Work-in-process and finished goods at weighted average cost and related manufacturing expenses

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



### 3.7 Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer i.e. on delivery of goods to the customers.

### 3.8 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 comprise of cash in hand and bank balances.

### 3.9 Taxation

#### *Current*

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

#### *Deferred*

The Company accounts for deferred taxation, using the liability method, on all temporary differences. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date.

### 3.10 Provisions

Provisions are recognized when the Company has a present obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

### 3.11 Financial instruments

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the instrument. Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset.

Financial liabilities are de-recognized when they are extinguished i.e., when the obligation specified in the contract is discharged, cancelled or expired. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

### 3.12 Borrowing costs

Borrowing costs are charged to income as and when incurred, except that costs borrowed for capital expenditure, which are capitalised.

### 3.13 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.

### 3.14 Foreign currencies

Foreign currency transactions are converted into Pak Rupees using the rates prevailing on the date of transaction while monetary assets and liabilities are converted into Pak Rupees using the rates of exchange prevailing at the balance sheet date. Exchange differences on conversion are charged to income.



**3.15 Impairment**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment losses are recognized.

**3.16 Dividend**

Dividends declared after the balance sheet date are recognised as a liability in the period in which it is approved.

	<b>2007</b>	2006
	<b>Rupees</b>	Rupees
<b>4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>		
11,000,000 (2006: 10,000,000) ordinary shares of Rs. 10 each fully paid in cash	<b>110,000,000</b>	100,000,000
550,000 (2006:1,000,000) ordinary shares of Rs. 10 issued as bonus shares	<b>5,500,000</b>	10,000,000
	<b><u>115,500,000</u></b>	<u>110,000,000</u>



5 LONG TERM LOANS

	Note	2007 Rupees	2006 Rupees	Mark-up rate	Number of instalments	Mark-up payable
<b>Loans from banks/financial institutions</b>						
<i>Secured</i>						
Habib Bank Limited						
I	Demand finance	6,666,676	16,666,672	6 Months Kibor + 1.5%	36 equal monthly instalments ending February 2008.	Monthly
II	Demand finance	26,226,529	-	3 Months Kibor + 2.75%	52 equal monthly instalments ending June 2011.	Monthly
III	Demand finance	-	7,500,000	6 Months Kibor + 1.5%	8 equal monthly instalments ending February 2007	Semi annually
IV	Demand finance	-	3,855,994	6 Months Kibor + 1.5%	33 equal monthly instalments ending April 2007.	Monthly
V	Demand finance	-	8,509,816	6 Months Kibor + 1.5%	9 equal monthly instalments ending December 2006.	Monthly
		<b>32,893,205</b>	<b>36,532,482</b>			
National Bank of Pakistan						
VI	Demand finance	2,500,000	5,000,000	6 Months Kibor + 2% with a floor of 5% p.a	16 quarterly instalments ending June 2008.	Quarterly
VII	Demand finance	36,922,619	43,438,619	6 Months Kibor + 2% with a floor of 5% p.a	60 monthly instalments ending September 2011.	Monthly
		<b>39,422,619</b>	<b>48,438,619</b>			
United Bank Limited						
VIII	Demand finance	99,459,756	-	6 Months Kibor + 1.5%	60 equal monthly instalments ending August 2012.	Monthly
IX	Demand finance	1,601,684	-	6 Months Kibor + 1.5%	60 monthly instalments ending June 2012.	Monthly
		<b>101,061,440</b>	<b>-</b>			
		<b>173,377,264</b>	<b>84,971,101</b>			
Less:	Current maturity	10	36,088,965	38,881,599		
		<b>137,288,299</b>	<b>46,089,502</b>			
<b>Loan from related party</b>						
<i>Unsecured</i>						
	Industrial Products Investment Limited (IPI)	5.4	100,000,000	100,000,000	Libor + 1.5%	Interest is payable in 12 semi annual instalments commencing from 01 July 2003.
	Loan from Directors	5.5	64,305,514	29,005,514	Mark-up free	
		<b>301,593,813</b>	<b>175,095,016</b>			



**5.1 Securities for loans I to V**

These loans are secured by first ranking equitable mortgage charge for Rs 70 million on land and buildings, ranking pari passu hypothecation charge on plant, machinery and equipment for Rs 75 million, ranking pari passu hypothecation charge on all present and future current assets of the Company for Rs. 80 million and personal guarantees of Directors of the Company.

**5.2 Securities for loan VI and VII**

These loans are secured by first pari passu charge on land and buildings for Rs 65 million, plant and machinery for Rs 75 million, current assets for Rs 67 million and personal guarantees of Directors of the Company.

**5.3 Securities for loan VIII and IX**

These loans are secured by first pari passu charge on land and buildings for Rs. 70 million, plant and machinery for Rs. 100 million and current assets for Rs. 40 million along with personal guarantees of Directors of the Company.

**5.4 The foreign currency loan is frozen at the rate of exchange prevailing on 31 December 2003 and is repayable after major portion of other loans from banks are repaid.**

On 20 June 2007 the Company has announced the issuance of right shares and pursuant to this issuance IPI has opted for conversion of the loan against its right shares entitlement. As mentioned in note 12 the conditional waiver of the loan in the year 1997 amounting to Rs. 20 million is reinstated on 01 September 2007.

The repayment schedule of the principal portion of the balance loan has yet to be agreed between the lender and the Company.

**5.5 The directors have personally financed a portion of the expansion project currently under process. This loan provided by the directors is interest free and is subject to conversion into equity through the contribution against right share issue.**

On 20 June 2007 the Company has announced the issuance of right shares and pursuant to this issuance the directors have opted for conversion of the loan against its right shares entitlement. As mentioned in note 12 the conditional waiver of the loan in the year 1996 amounting to Rs. 14 million is reinstated on 01 September 2007.

**6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

The amount of future minimum lease payments along with their present value and the periods during which they will fall due are:

	2007			2006		
	Minimum lease payments	Financial charges for future periods	Present value	Minimum lease payments	Financial charges for future periods	Present value
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Not later than one year	5,929,113	672,337	5,256,776	9,542,498	1,049,445	8,493,053
Later than one year and not later than five years	8,587,597	198,244	8,389,353	11,453,133	525,499	10,927,634
	<b>14,516,710</b>	<b>870,581</b>	<b>13,646,129</b>	<b>20,995,631</b>	<b>1,574,944</b>	<b>19,420,687</b>

The Company has entered into various lease agreements for machinery and vehicles. Lease rentals are payable in monthly equal instalments and include finance charges ranging from 7.51% to 14% per annum (2006: 7.51% to 14%), which has been used as discounting factor. The Company has the option to purchase the assets upon completion of lease period and has the intention to exercise such option. There are no financial restrictions imposed by lessors.

**7 LONG TERM SECURITY DEPOSITS**

These are security deposits from distributors which by virtue of agreements are interest free and used in Company's business.

	Note	2007 Rupees	2006 Rupees
<b>8 DEFERRED LIABILITIES</b>			
Deferred taxation	8.1	52,288,046	34,241,045
Staff gratuity		694,742	687,729
		<u>52,982,788</u>	<u>34,928,774</u>

8.1 The liability for deferred taxation comprises timing differences relating to accelerated tax depreciation.

**9 SHORT TERM BORROWINGS - SECURED**

Short term running finance	9.1	27,806,024	42,233,679
Short term cash finance	9.2	46,586,205	44,642,313
Finance against imported merchandise	9.3	8,176,866	6,929,795
		<u>82,569,095</u>	<u>93,805,787</u>

**9.1 Short term running finance**

Short term running finance facility under mark up arrangements of Rs. 60 million (2006: 60 million) has been availed from commercial banks. The rate of mark up is 3 months Karachi Inter Bank Offered Rate (ask rate) plus 1.5% per annum with a floor of 4.5%. This facility is secured by joint pari passu hypothecation charge on current assets of the Company.

**9.2 Short term cash finance**

Short term cash finance facility under mark up arrangements of Rs. 80 million (2006: Rs. 50 million) has been availed from commercial banks. The rate of mark up is 3 months Karachi Inter Bank Offered Rate (ask rate) plus 1.5% per annum with a floor of 4.5%. This facility is secured by joint pari passu hypothecation charge on current assets of the Company.

**9.3 Finance against imported merchandise**

The Company has obtained finance against imported merchandises of Rs. 15 million (2006: Rs. 10 million) from commercial banks. The rate of mark up ranges from 6 months Karachi Inter Bank Offered Rate (ask rate) plus 2.5% per annum to 3 months Karachi Inter Bank Offered Rate (ask rate) plus 2.5% per annum. The facility is secured by lien over import documents and pledge of imported goods.

**10 CURRENT MATURITY OF LONG TERM LIABILITIES**

Long term loans	5	36,088,965	38,881,599
Liabilities against assets subject to finance lease	6	5,256,776	8,493,053
		<u>41,345,741</u>	<u>47,374,652</u>





	Note	2007 Rupees	2006 Rupees
<b>11 TRADE AND OTHER PAYABLES</b>			
Trade creditors		63,621,952	61,460,440
Advances from customers		33,616,399	33,852,990
Accrued mark up on:			
Short term loans - Secured		3,515,158	2,115,348
Long term loans - Secured		2,303,075	1,685,135
Long term loans - Unsecured		22,104,515	15,004,511
Leases		25,225	54,839
Accrued expenses		37,575,824	30,098,130
Sales tax payable		4,663,717	3,415,778
Unclaimed dividend		1,897,129	2,164,548
Workers' Profit Participation Fund payable	11.1	4,344,976	3,383,547
Payable to provident fund		562,774	418,073
Workers welfare fund		1,747,313	199,956
Others		162,857	301,946
		<u>176,140,914</u>	<u>154,155,241</u>
<b>11.1 Workers' Profit Participation Fund</b>			
Opening balance		3,383,547	2,417,824
Add: Allocation for the year		4,153,433	3,286,150
Interest on funds utilized by the Company		191,543	97,397
		<u>7,728,523</u>	<u>5,801,371</u>
Less: Amount paid to the fund		3,383,547	2,417,824
Closing balance		<u>4,344,976</u>	<u>3,383,547</u>

**12 CONTINGENCIES AND COMMITMENTS**

Commercial banks and an insurance Company have issued guarantees in the ordinary course of business on behalf of the Company. The un-expired guarantees at the year end amounted to Rs. 93.5 million (2006: Rs. 62 million).

Loans given by Industrial Products Investment Limited in the amount of Rs. 20 million and that given by the Managing Director of the Company in the amount of Rs. 14 million were waived off in the year 1997 and 1996 respectively with the condition that these will be reinstated when the Company issues right shares or when the Company has sufficient funds for repayment. On 20 June 2007, the Company announced issuance of right shares. Industrial Products Investment Limited and Directors have opted for conversion of loans against right shares entitlement and consequently the conditional waiver is reinstated on 01 September 2007.

Commitments under letters of credit at the year end amounted to Rs. 60.09 million (2006: Rs. 8.1million).

**13 PROPERTY, PLANT AND EQUIPMENT**

Operating assets	13.1	446,392,719	437,223,236
Capital work in progress	13.2	167,395,327	9,635,198
		<u>613,788,046</u>	<u>446,858,434</u>

**13.1 Operating assets**

	Cost				Depreciation				Net book value as at	
	As at		Disposals during		As at		Transfers/ adjustments		As at	
	1 July 2006	Additions during the year	Rupees	Rupees	1 July 2006	1 July 2006	For the year	On Disposals	30 June 2007	30 June 2007
	Rupees	Rupees	Rupees	Rupees	Rate %	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Owned</b>										
Freehold land	11,789,002	1,995,360	-	13,784,362	-	-	-	-	-	13,784,362
Factory building - freehold	61,412,159	16,359,676	-	77,771,835	10	-	-	-	-	33,996,117
Office building - freehold	49,281,810	-	-	49,281,810	5	-	-	-	-	13,054,046
Plant and machinery	780,653,884	42,106,298	14,328,300	837,088,482	10 - 20	6,572,642	42,150,488	497,796,369	339,292,113	668,480
Furniture and fixtures	3,342,094	-	-	3,342,094	10	-	74,275	-	-	102,791
Tools and equipment	761,525	-	-	761,525	10	-	11,421	-	-	658,734
Electric installation	13,263,338	128,501	-	13,391,839	10	-	457,290	-	-	4,164,531
Vehicles	31,345,859	4,732,397	895,400	31,258,766	20	490,440	3,488,891	3,186,599	15,609,560	15,649,206
Moulds	62,009,314	-	-	62,009,314	30	-	3,721,196	-	53,326,520	8,682,794
Fire fighting equipment	39,606	-	-	39,606	10	-	1,061	-	30,063	9,543
	1,013,898,591	65,322,232	15,223,700	601,827,734		7,063,082	52,820,433	3,186,599	658,525,650	430,203,983
<b>Leased</b>										
Plant and machinery	19,328,300	-	(14,328,300)	5,000,000	10	(6,572,642)	1,188,393	-	650,000	4,350,000
Vehicles	15,536,490	3,135,274	(895,400)	17,776,364	20	(490,440)	2,749,906	-	5,937,628	11,838,736
	34,864,790	3,135,274	(15,223,700)	22,776,364		(7,063,082)	3,938,299	-	6,587,628	16,186,736
2007	1,048,763,381	68,457,506	-	1,111,505,997		-	56,758,732	3,185,599	665,113,278	446,392,719
2006	948,800,673	108,248,560	-	1,048,763,381		-	52,881,960	5,928,854	611,540,145	437,223,236

Depreciation charge for the year has been allocated as follows:

	2007	2006
Cost of sales	51,381,351	47,415,029
Administrative expenses	3,845,572	3,903,377
Selling and distribution	1,531,809	1,563,554
	<b>56,758,732</b>	<b>52,881,960</b>



**13.1.1 Disposal of property, plant and equipment**

Particulars of assets	Sold to	Cost Rupees	Accumulated depreciation Rupees	Written down value Rupees	Sale proceeds Rupees	Profit Rupees	Mode of disposal
<b>Vehicles</b>							
	Mr. Rizwan Abdul Hye	711,400	168,978	542,422	600,000	57,578	Negotiation
	Mr. Omer Akhtar	1,201,230	750,208	451,022	750,000	298,978	-do-
	Mr. Affan Javed Khan	1,161,130	725,164	435,966	749,995	314,029	-do-
	Mr. Maqsood Ul Haq Siddique	1,370,000	738,708	631,292	700,000	68,708	-do-
	Miss Sofia Kasuri	1,271,130	802,541	468,589	700,000	231,411	-do-
2007		<u>5,714,890</u>	<u>3,185,599</u>	<u>2,529,291</u>	<u>3,499,995</u>	<u>970,704</u>	
2006		<u>8,345,852</u>	<u>5,928,654</u>	<u>2,417,198</u>	<u>5,459,000</u>	<u>3,041,802</u>	
			Note	2007 Rupees		2006 Rupees	

**13.2 Capital work in progress**

Opening balance		<b>9,635,198</b>	8,703,804
Add: Additions during the year		<b>177,911,800</b>	10,363,169
		<b>187,546,998</b>	19,066,973
Less: Transferred to plant and machinery		<b>20,151,671</b>	9,431,775
		<b>167,395,327</b>	9,635,198

**13.3** Capital work in progress includes borrowing cost capitalised during the year of Rs. 6,564,764 (2006: Nil). The capitalisation rate used is 6 months Karachi Inter Bank Offered Rate (ask rate) plus 1.5% per annum.

**14 LONG TERM SECURITY DEPOSITS**

This mainly comprise of security deposits with leasing companies in respect of leasing facilities availed and the margins held by banks against the guarantees issued.

**15 STORES AND SPARES**

Stores	<b>133,736,628</b>	40,761,920
Spares	<b>35,302,322</b>	106,126,254
	<b>169,038,950</b>	146,888,174

**15.1** Most of the items of stores and spares are of an interchangeable nature and can be used as machine spares or consumed as stores. Accordingly, it is not practicable to distinguish stores and spares until their actual usage.

**16 STOCK IN TRADE**

Raw materials	<b>23,888,459</b>	21,584,891
Chemical and ceramic colours	<b>15,104,332</b>	19,704,271
Packing material	<b>11,325,911</b>	12,711,793
Material in process	<b>5,466,576</b>	5,006,760
Finished goods	<b>23,758,721</b>	19,874,464
	<b>79,543,999</b>	78,882,179



	Note	2007 Rupees	2006 Rupees
<b>17 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances to suppliers- unsecured, considered good	17.1	16,743,892	10,684,170
Advances to staff - Un secured, considered good		723,612	3,192,308
Advances against letters of credit		14,140,945	25,981,284
Prepaid expenses		487,322	282,238
Advance income tax		8,885,826	9,023,262
Income tax refund		20,871,197	16,713,634
Sales tax refundable		3,292,939	2,430,221
Security deposits		2,696,600	3,744,100
Prepaid insurance		2,454,300	2,318,673
Prepaid rent		-	308,000
Advisory fee for right shares		1,000,000	-
Others		455,000	455,000
		<u>71,751,633</u>	<u>75,132,890</u>
17.1 Included in advances to suppliers is an amount of Rs. 2.5 million (2006: Rs. 0.86 million) due from an associated undertaking (Omer Glass Industries Limited).			
<b>18 CASH AND BANK BALANCES</b>			
Cash in hand		1,244,062	521,676
Cash at bank - current accounts		10,206,753	7,262,213
		<u>11,450,815</u>	<u>7,783,889</u>
<b>19 SALES</b>			
Local		1,309,083,124	1,158,240,893
Export		91,783,505	94,976,736
Gross sales		1,400,866,629	1,253,217,629
Less: Sales tax		162,009,916	151,074,989
Trade discounts		130,409,990	91,266,402
		292,419,906	242,341,391
<b>Net Sales</b>		<u>1,108,446,723</u>	<u>1,010,876,238</u>
<b>20 COST OF SALES</b>			
Cost of goods manufactured	20.1	912,641,525	825,006,268
Finished goods			
Opening		19,874,464	29,568,923
Closing		(23,758,721)	(19,874,464)
		(3,884,257)	9,694,459
		<u>908,757,268</u>	<u>834,700,727</u>





	Note	2007 Rupees	2006 Rupees
<b>20.1 Cost of goods manufactured</b>			
Raw material consumed		249,131,532	232,494,028
Packing material consumed		121,307,354	110,023,250
Stores and spares consumed		43,225,138	54,046,455
Salaries, wages and other benefits	20.1.1	140,182,082	118,862,039
Fuel and power		289,128,308	245,809,894
Depreciation	13.1	51,381,351	47,415,029
Carriage and freight		3,832,906	2,622,262
Repair and maintenance		4,169,813	4,690,857
Traveling and conveyance		4,306,285	4,273,567
Insurance		2,242,276	2,070,353
Postage and telephone		687,974	771,814
Rent, rates and taxes		959,138	842,493
Printing and stationery		110,903	57,709
Entertainment		96,198	101,700
Others		2,340,084	1,534,723
		<b>913,101,342</b>	<b>825,616,173</b>
Work in process			
Opening stock		5,006,759	4,396,854
Closing stock		(5,466,576)	(5,006,759)
		<b>(459,817)</b>	<b>(609,905)</b>
		<b>912,641,525</b>	<b>825,006,268</b>

20.1.1 Salaries, wages and other benefits include Rs. 2,460,978 (2006: Rs. 1,913,003) in respect of staff retirement benefits.

## 21 ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	21.1	11,868,459	10,854,632
Traveling expenses		2,126,227	1,968,134
Depreciation	13.1	3,845,572	3,903,377
Legal and professional charges		1,361,835	1,484,728
Postage and telephone		1,035,969	1,212,733
Rent, rates and taxes		1,965,000	1,762,250
Motor vehicle expenses		893,727	918,927
Repair and maintenance		445,662	982,300
Printing and stationery		343,046	369,380
Auditors' remuneration	21.2	300,000	300,000
Advertisement		774,838	564,193
Utilities		502,663	491,843
Entertainment		270,455	362,291
Insurance		1,522,410	1,156,803
Subscription, news papers and periodicals		700,477	376,976
Miscellaneous		1,384,334	2,870,482
		<b>29,340,674</b>	<b>29,579,049</b>

21.1 Salaries, wages and other benefits include Rs. 368,346 (2006: Rs 357,286) in respect of staff retirement benefits.



	Note	2007 Rupees	2006 Rupees
<b>21.2 Auditors' remuneration</b>			
Audit fee		180,000	180,000
Half yearly review fee		60,000	60,000
Certifications fee		40,000	40,000
Out of pocket expenses		20,000	20,000
		<u>300,000</u>	<u>300,000</u>
<b>22 SELLING AND DISTRIBUTION EXPENSES</b>			
Salaries and other benefits	22.1	10,287,734	8,488,523
Local freight and forwarding		21,733,000	18,800,608
Export freight and forwarding		9,323,775	9,956,738
Traveling expenses		3,254,708	2,610,444
Advertisement, exhibitions and sales promotion		3,775,488	4,392,998
Postage and telephone		1,126,799	1,109,039
Depreciation	13.1	1,531,809	1,563,554
Rent, rates and taxes		520,500	766,400
Printing and stationery		277,110	268,156
Motor vehicle expenses		1,787,715	1,627,143
Breakage and incidental charges		932,555	8,870,142
		<u>54,551,193</u>	<u>58,453,745</u>
<b>22.1</b> Salaries, wages and other benefits include Rs. 381,160 (2006: Rs. 326,225) in respect of staff retirement benefits.			
<b>23 FINANCIAL CHARGES</b>			
Mark-up on			
Long term loans - secured		8,510,376	7,463,329
Long term loans - unsecured		7,100,000	5,004,504
Short term borrowings - secured		11,991,524	8,254,951
		<u>27,601,900</u>	<u>20,722,784</u>
Mark-up on lease finances		1,297,978	1,364,976
Interest on WPPF balance		191,543	97,397
Bank charges		4,571,950	2,986,346
LC discounting charges		36,256	290,024
		<u>33,699,627</u>	<u>25,461,527</u>
<b>24 OTHER EXPENSES</b>			
Workers' profit participation fund	11.1	4,153,433	3,286,150
Workers' welfare fund		1,547,357	199,956
		<u>5,700,790</u>	<u>3,486,106</u>
<b>25 TAXATION</b>			
Income tax – current	25.1	8,994,618	4,449,002
Deferred tax	25.2	18,047,001	8,675,158
		<u>27,041,619</u>	<u>13,124,160</u>





- 25.1 The current year's provision for taxation represents tax chargeable under normal and presumptive tax.
- 25.2 Deferred tax expense relates to origination and reversal of temporary difference.

	2007 %age	2006 %age
<b>25.3 Reconciliation of tax charge for the year</b>		
Applicable tax rate	35.00	35.00
Tax effect of inadmissible expenses and presumptive/minimum tax on turnover and others	<u>(0.05)</u>	<u>(12.51)</u>
<b>Average effective rate charged to profit and loss account</b>	<u><b>34.95</b></u>	<u><b>22.49</b></u>

## 26 FINANCIAL INSTRUMENTS

	Interest bearing	Non-interest bearing					Total Rupees
		Effective mark-up rates %	Maturity upto one year Rupees	Maturity after one year Rupees	Maturity upto one year Rupees	Maturity after one year Rupees	
<b>Financial assets</b>							
Trade debts			-	-	14,302,719	-	14,302,719
Advances, deposits and other receivables			-	-	18,016,157	-	18,016,157
Cash and bank balances			-	-	11,450,815	-	11,450,815
			-	-	43,769,691	-	43,769,691
<b>Financial liabilities</b>							
Long term loans	7.1 - 12.97	36,088,965	137,288,299	-	-	164,305,514	337,682,778
Liabilities against assets subject to finance lease	7.51 - 14	5,256,776	8,389,353	-	-	-	13,646,129
Short term borrowings	10.7 - 12.63	82,569,095	-	-	-	-	82,569,095
Trade and other payables		-	-	142,524,515	-	-	142,524,515
		123,914,836	145,677,652	142,524,515	164,305,514	-	576,422,517
<b>Net financial liabilities 2007</b>		<u>(123,914,836)</u>	<u>(145,677,652)</u>	<u>(98,754,824)</u>	<u>(164,305,514)</u>		<u>(532,652,826)</u>
Net financial liabilities 2006		<u>(141,180,439)</u>	<u>(57,017,136)</u>	<u>(86,221,280)</u>	<u>(129,005,514)</u>		<u>(413,424,369)</u>

### 26.1 Concentration of credit risk

Credit risk represents the loss that would result if counter parties failed to perform as contracted. Out of total financial assets of Rs 43,769,691 (2006: Rs 24,917,142), the financial assets which are subject to credit risk amount to Rs 31,863,876 (2006: Rs 14,301,545). The Company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the Company applies approved credit limits to its customers.

### 26.2 Interest rate risk

The Company usually borrows funds at market based rates, as such the risk is minimized.

### 26.3 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy and maintains flexibility in funding by keeping committed credit lines available.

**26.4 Fair value of the financial instruments**

The carrying values of all the financial instruments reflected in the financial statements are approximately their fair values. This assessment is based upon settlement/realizable values.

**27 REMUNERATION OF DIRECTORS AND EXECUTIVES**

The aggregate amounts charged in the accounts for the year for remuneration, including all benefits to the Chairman and Managing Director, Directors and Executives of the Company are as follows:

	Chairman and Managing Director		Directors		Executives	
	2007 Rupees	2006 Rupees	2007 Rupees	2006 Rupees	2007 Rupees	2006 Rupees
Remuneration	1,786,400	1,786,400	969,000	923,500	1,746,000	1,713,200
House rent	671,360	671,360	436,050	415,598	785,700	770,940
Conveyance	3,600	3,600	10,800	11,400	10,800	11,400
Medical and other allowances	-	-	103,953	99,103	218,160	209,740
Utilities	178,640	178,640	94,030	92,355	171,828	171,320
	<u>2,640,000</u>	<u>2,640,000</u>	<u>1,613,833</u>	<u>1,541,956</u>	<u>2,932,488</u>	<u>2,876,600</u>
Number of persons	<u>1</u>	<u>1</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

In addition to the above, some of the Executives are provided with free use of Company maintained cars.

**28 TRANSACTIONS WITH RELATED PARTIES**

The Company, in the normal course of business carries out transactions with related parties. Amounts due from related parties are shown under advances, deposits, prepayments and other receivables in note 17. Transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment disclosed above, are as follows:

Name	Relationship	Transactions	2007 Rupees	2006 Rupees
Omer Glass Industries Limited	Associated company	Purchases	539,350	2,559,255
		Sales	4,031,861	2,032,752
		Receivables	2,975,922	7,737,207
Provident fund	Employee benefit plan	Contributions	2,819,832	2,551,189

**29 CAPACITY AND PRODUCTION**

The production capacity and the actual packed production achieved during the year are as follows:

	2007 M. Tons	2006 M. Tons
Furnaces capacity		
Containers	20,051	21,182
Tableware	39,151	35,172
	<u>59,202</u>	<u>56,354</u>
Actual packed production		
Containers	14,817	16,032
Tableware	25,924	22,487
	<u>40,741</u>	<u>38,519</u>

The under capacity utilization during the year is mainly because the Company has concentrated more on the production of tableware instead of containers.





		2007	2006
<b>30 BASIC AND DILUTED EARNINGS PER SHARE</b>			
Net profit after tax	<i>Rupees</i>	<u>50,326,256</u>	49,112,726
Weighted average number of ordinary shares	<i>Numbers</i>	<u>11,550,000</u>	11,550,000
Basic and diluted earnings per share	<i>Rupees</i>	<u>4.36</u>	4.25

**31 DIVIDENDS**

The Board of Directors have proposed cash dividend @ Re. 1 per share (10%) and bonus shares @ nil for the year ended 30 June 2007 at their meeting held on 27 September 2007 for approval of the members at the Annual General Meeting to be held on 25 October 2007.

**32 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on September 27, 2007 by the Board of Directors of the Company.

**33 FIGURES**

- have been rounded off to the nearest rupee.

**FINANCIAL STATISTICAL SUMMARY**

	2007	2006	2005	2004	2003	2002
<i>Investment Measures</i>						
						(Amounts in Million Rupees)
Share Capital	115.50	110.00	100.00	100.00	100.00	100.00
Shareholders equity	291.72	245.70	201.60	177.40	139.80	146.60
Profit/(loss) before tax	77.37	62.20	40.00	43.50	9.20	45.30
Profit/(loss) after tax	50.33	49.10	34.20	37.60	3.50	35.80
						(Amount in rupees)
Dividend per share	1.00	1.00	0.50	1.00	1.00	1.20
Earning/(loss) per share	4.36	4.46	3.43	3.76	0.35	3.60
Break-up value per share	25.26	22.34	20.16	16.74	13.98	14.66
Price earning ratio	15.89	8.70	7.70	9.70	84.40	4.60
<b>Measure of Financial Status</b>						
Current assets to current liabilities	1.1:1	1.07:1	1.02:1	1.06:1	0.97:1	1.04:1
Number of days stock	32	34	35	30	36	25
Number of days trade debts	5	3	3	5	11	15
<b>Measure of Financial Performance</b>						
Return on capital employed	12.86%	18.50%	30.31%	22.50%	2.50%	24.50%
Gross Profit Ratio	18.02%	17.40%	15.04%	16.60%	14.10%	30.20%
Profit Before tax to Sales ratio	6.98%	6.16%	5.00%	6.18%	1.80%	13.20%
Profit after tax to Sales ratio	4.54%	4.86%	4.28%	5.34%	0.70%	11.00%
Debt Equity ratio	50.83%	42.00%	45.00%	53.00%	59.00%	55.00%





## PATTERN OF SHAREHOLDING AS AT JUNE 30, 2007

Number of Shareholders	Categories of Shareholding		Total Shares Held
	From	To	
142	1	100	4,398
765	101	500	132,571
128	501	1,000	111,479
148	1,001	5,000	350,547
26	5,001	10,000	194,987
6	10,001	15,000	70,200
5	15,001	20,000	88,292
2	20,001	25,000	46,200
1	45,001	50,000	50,000
3	55,001	65,000	175,906
1	90,000	95,000	94,586
1	95,001	100,000	100,000
1	115,001	120,000	117,694
1	140,001	145,000	144,500
1	145,001	150,000	150,000
1	170,001	175,000	172,095
1	180,001	185,000	180,606
1	200,001	205,000	205,000
1	240,001	245,000	242,721
1	320,001	325,000	320,198
1	425,001	430,000	426,300
1	495,001	500,000	500,000
1	665,001	670,000	666,666
1	1,010,001	1,015,000	1,011,202
1	1,240,001	1,245,000	1,240,470
1	1,285,001	1,290,000	1,288,960
1	3,000,001	3,500,000	3,464,422
<b>1243</b>	<b>TOTAL</b>		<b>11,550,000</b>

Categories of Shareholders	Number	Shares Held	Percentage
GENERAL PUBLIC	1206	5,143,417	44.53%
INVESTMENT COMPANY	2	1,776	0.02%
INSURANCE COMPANY	1	115	0.00%
JOINT STOCK COMPANIES	24	1,451,707	12.57%
FINANCIAL INSTITUTIONS	5	1,282,563	11.10%
MUTUAL FUND	2	200,000	1.73%
FOREIGN COMPANY	1	3,464,422	29.99%
OTHERS	2	6,000	0.05%
<b>TOTAL</b>	<b>1243</b>	<b>11,550,000</b>	<b>100%</b>



## CATEGORIES OF SHAREHOLDERS ADDITIONAL INFORMATION AS AT JUNE 30, 2007

### ASSOCIATED COMPANY

1	Omer Glass Industries Limited	1,288,960
---	-------------------------------	-----------

### NIT AND ICP

2	Investment Corporation of Pakistan	22,291
---	------------------------------------	--------

### DIRECTORS, CEO, THEIR SPOUSE & MINOR CHILDREN

3	Mr. Tariq Baig	1,240,470
	Mr. Omer Baig	666,666
	Mrs. Naima Tariq	320,198
	Mr. Mansoor Irfani	577
	Mr. Syed Tufail Hussain	577
	Mr. Akbar Baig	577
	Mr. David Julian	577
		2,229,642

4	PUBLIC SECTOR COMPANIES AND CORPORATIONS	164,523
---	--	---------

5	BANKS DEVELOPMENT FINANCIAL INSTITUTIONS NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS	4,924,809
---	--	-----------

6	GENERAL PUBLIC	2,913,775
---	----------------	-----------

7	OTHERS	6,000
---	--------	-------

**11,550,000**

### 7 SHAREHOLDERS HOLDING 10% OR MORE

	Mr. Tariq Baig	1,240,470
	Omer Glass Industries Limited	1,288,960
	Industrial Products Investment Limited	3,464,422

8	TRADES DONE BY CEO, DIRECTORS AND ASSOCIATED COMPANY	NIL
---	--	-----





**TARIQ GLASS INDUSTRIES LIMITED**  
128-J BLOCK, MODEL TOWN, LAHORE.  
**FORM OF PROXY**

Folio No. \_\_\_\_\_

No. of Shares \_\_\_\_\_

I / We \_\_\_\_\_

of \_\_\_\_\_

being a member of **TARIQ GLASS INDUSTRIES LIMITED.**

hereby Appoint Mr. \_\_\_\_\_

of \_\_\_\_\_

failing him Mr. \_\_\_\_\_ of \_\_\_\_\_ )

(being a member of the Company) as my / our proxy to attend, act and vote for me/us and on my / our behalf at the 29<sup>th</sup> Annual General Meeting of the Members of the Company to be held at Defence Services Officers' Mess, 71 – Tufail Road, Lahore Cantt On Thursday the October 25, 2007 at 11:00 AM and at every adjournment thereof.

As witness my/our hands(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2007.

**WITNESS:**

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

**SIGNATURE  
AND REVENUE  
STAMP**

**NOTE:** Proxies, in order to be effective, must be received, by the Company not later than 48 hours before the meeting and must be duly stamped, signed and witnessed.

TOYO<sup>®</sup>  
NASIC  
GLASSWARE

omroc<sup>®</sup>  
Glassware

★★★★★  
NOVA<sup>®</sup>  
GLASSWARE



If undeliverable, please return to:

**TARIQ GLASS INDUSTRIES LTD.**

128 - J, Model Town, Lahore, Pakistan.

Tel: (+92 42) 111 343 434

Fax: (+92 42) 5857692, (+92 42) 5857693