

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 28th Annual General Meeting of the members of the Company will be held on Monday, the October 30, 2006 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 27th Annual General Meeting of the members held on October 26, 2005.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2006, comprising Balance Sheet, Profit and Loss Account and Reports of the Auditors and Directors thereon.
3. To approve cash dividend @ Re. 1/- per Ordinary Share (i.e. 10%) and Bonus Shares in the proportion of One (1) Ordinary share for every Twenty (20) Ordinary Shares (i.e. 5%) as recommended by the Board. The Directors, their associates, and a Foreign Investment Company have waived their right to the cash dividend.
4. To appoint Auditors of the company for the year ending June 30, 2007 and fix their remuneration. The retiring Auditors M/S KPMG Taseer Hadi & Co., Chartered Accountants being eligible offer themselves for re-appointment.

5. SPECIAL BUSINESS

To pass the following resolution, with or without modifications:-

“RESOLVED that the Authorized Capital of the Company be and is hereby increased from Rs. 120,000,000/- divided into 12,000,000 Ordinary Shares of Rs. 10/- each to Rs. 250,000,000/- divided into 25,000,000 Ordinary Shares of Rs. 10/- each.”

“FURTHER RESOLVED that the new shares when issued shall rank pari passu with the existing shares in all respects / matters in conformity with the related provisions of section 92 of the Companies Ordinance, 1984.”

“FURTHER RESOLVED that the clause ‘V’ of the Memorandum of Association and Article 7 of the Articles of Association of the Company be altered accordingly.”

“FURTHER RESOLVED that the Managing Director or Company Secretary be and are hereby authorized to comply with the legal formalities under the Companies Ordinance, 1984.”

6. To transact any other business with the permission of the Chairman.

BY ORDER OF THE BOARD

**October 07, 2006
Lahore**

**(WAQAR ULLAH)
COMPANY SECRETARY**

NOTES

1. The share transfer books of the Company will remain closed from October 24, 2006 to October 30, 2006 (both days inclusive). Transfer received in order upto the close of business hours on October 23, 2006 at registered office of the company at 128-J Block, Model Town, Lahore will be entitled to the dividend and bonus shares to affect the voting rights at the Annual General Meeting.
Members holding physical shares and entitled to fractions of shares as a result of their holding either being less than 1 ordinary share be given the sale proceeds of their fractional entitlements for which purpose the fractions be consolidated and sold in the stock exchange. The bonus shares will be directly issued to the shareholders of the Company.
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 meeting.
3. Members, who have deposited their shares into Central Depository Company of Pakistan Limited, are being 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.

STATEMENT U/S 160(i)(b) OF THE COMPANIES ORDINANCE 1984

This statement sets out the material facts concerning the Special Business, given in agenda item No. 5 to be transacted at the annual General Meeting of the Company to be held on Monday the October 30, 2006.

At present the Authorized Capital of the Company is Rs. 120,000,000/- (Rupees One Hundred Twenty Million) divided into 12,000,000 Ordinary Shares of Rs. 10/- each and the Paid-up Capital of the Company stands at Rs. 110,000,000/- (Rupees One Hundred Ten Million) divided into 11,000,000 Ordinary Shares of Rs. 10/- each. There is no suitable cushion for enhancement / increase of Paid-up Capital whenever considered necessary.

It is therefore, recommended that in order to facilitate further expansion of Paid-up Capital in future, the Authorized Capital of the Company be increased to Rs. 250,000,000/- divided into 25,000,000 Ordinary Shares of Rs. 10/- each.”

The new shares when issued shall rank pari passu with the existing shares in all respects.

The director of the Company have no interest except and to the extent of their shareholding.

DIRECTORS' REPORT

On behalf of the board I feel pleasure to welcome you and to present the 28th Annual Report along with the audited Financial Statements of the company for the year ended June 30, 2006.

Some Significant Achievements

I would like to share with you some of the achievements which by the grace of Almighty Allah have been achieved during the year.

- The net sales for year have crossed the bench mark of Rupees one billion .
- New compressors installed at the works and operating successfully.
- Highest ever volume of tableware export in the history of the company .

Financial Results:

A brief summary of the financial results for the year under review is as under:

	Rupees
Profit for the year before taxation	62,236,886
Taxation	<u>13,124,160</u>
Profit after taxation	49,112,726
Un-appropriated profit brought forward	<u>86,630,602</u>
Profit available for appropriation	135,743,328

Appropriations:

Cash divided @ 10%	4,351,698
Bonus Share @ 5%	<u>5,500,000</u>
	<u>9,851,698</u>
Un-appropriated profit Carried Forward	<u>125,891,630</u>

Comments on the Financial Results

- The financial results would been much better had there been no increase in the prices of basic raw materials, especially the price of Soda Ash, Natural Gas and of POL products. The increase in input cost was not passed on to the consumer.
- Production efficiencies suffered during the last quarter of the financial year as the machines had to be stopped or operated at the lower speeds during the installation of air compressors.

- To compete with the smuggled tableware products from Iran, China and the Far east we had to enhance the distributors' margins by offering trade discounts which had an impact on the profit margins.

Corporate and Financial Reporting Framework

The directors also confirm compliance with the Corporate and Financial Reporting Framework of the SECP's Code of Corporate Governance for the following:

- The financial statements present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account 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 and departures there from, if any, has been adequately disclosed.
- 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 financial data is given in the notes to the accounts.

Board of Directors

During the year the Board of Directors completed its tenure of three years and the same board was re-elected under the provision of section 178 of the Companies Ordinance, 1984 for the next term, by the shareholders of the company in Extra Ordinary General Meeting held on September 03, 2005.

Seven board meetings were held during the year under review and the number of meetings attended by each Director is given hereunder:

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

Audit Committee

The audit committee constituted by the board comprised the following:

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.

Dividend

Your company has maintained its policy of paying returns to the stakeholders and your directors recommend the payment of dividend @ 5% Bonus Share and 10% Cash Dividend (2005: 10% Bonus Share & 5% Cash dividend) for the year ended June 30, 2006.

In strengthening the financial and liquidity position of the company the sponsoring directors, associated undertakings and foreign investment company have honoured the management's request and consented to forego their right to Cash Dividend.

Future Outlook.

- To rationalize the margins by reaping the benefits of economy of large scales the management of the company has decided to embark on further expansion in the production facilities by erecting a third furnace. The requirement of additional machinery needed for expansion is being finalised and Insha Allah the management plans to make the furnace operational during the last quarter of the current financial year.
- The management of your company is trying its best to improve the glass quality which could be matched with any imported quality. We hope to show the results in the 3rd quarter of the current financial year.

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, 2007 at a fee to be mutually agreed.

Pattern of Shareholdings.

The pattern of shareholding and categories of shareholders are annexed.

Acknowledgement:

I would like to express my sincere gratitude to our valued distributors, clients, banks and financial institutions and also the shareholders of the company for their continued support. I also deeply appreciate the efforts, hard work and dedication shown by the entire staff and workers of the company in our common goal of ensuring that the company achieves the distinction of being recognized amongst the top companies of the country.

For and on behalf of the Board

**October 02, 2006
Lahore**

**(TARIQ BAIG)
CHAIRMAN & MANAGING DIRECTOR**

Tariq Glass Industries Limited

Balance Sheet

As at 30 June 2006

	<i>Note</i>	2006 Rupees	2005 Rupees		<i>Note</i>	2006 Rupees	2005 Rupees
EQUITY AND LIABILITIES				ASSETS			
SHARE CAPITAL AND RESERVES				Property, plant and equipment			
Authorised capital					13	446,858,434	392,977,638
12,000,000 ordinary shares of Rs 10 each		<u>120,000,000</u>	<u>120,000,000</u>	LONG TERM SECURITY DEPOSITS			
Issued, subscribed and paid-up capital					14	7,467,740	3,315,095
11,000,000 (2005: 10,000,000) ordinary shares of Rs 10 each	4	110,000,000	100,000,000	CURRENT ASSETS			
Unappropriated profit		<u>135,743,328</u>	<u>101,630,602</u>	15	146,888,174	129,439,800	
		245,743,328	201,630,602	16	78,882,179	71,998,298	
NON CURRENT LIABILITIES						9,238,710	6,435,159
Long term loans				17	75,132,890	37,825,835	
Secured		46,089,502	33,022,659	18	7,783,889	6,724,286	
Unsecured		129,005,514	129,005,514		317,925,842	252,423,378	
	5	175,095,016	162,028,173				
Liabilities against assets subject to finance lease	6	10,927,634	6,179,721				
Long term security deposits	7	5,167,203	5,207,203				
Deferred liabilities	8	34,928,774	26,218,591				
		226,118,627	199,633,688				
CURRENT LIABILITIES							
Short term borrowings - secured	9	93,805,787	77,910,841				
Current maturity of long term liabilities	10	47,374,652	36,766,614				
Trade and other payables	11	154,155,241	129,719,717				
Provision for taxation		5,054,381	3,054,649				
		300,390,061	247,451,821				
CONTINGENCIES AND COMMITMENTS							
	12	772,252,016	648,716,111				
		<u>772,252,016</u>	<u>648,716,111</u>			<u>772,252,016</u>	<u>648,716,111</u>

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

Lahore:

Chairman and Managing Director

Director

Tariq Glass Industries Limited

Profit and Loss Account

For the year ended 30 June 2006

	Note	2006 Rupees	2005 Rupees
Sales	19	1,010,876,238	799,735,370
Cost of sales	20	834,700,727	679,437,891
Gross profit		176,175,511	120,297,479
Operating expenses			
Administrative	21	29,579,049	23,552,002
Selling and distribution	22	58,453,745	37,724,427
		88,032,794	61,276,429
Operating profit		88,142,717	59,021,050
Financial charges	23	25,461,527	18,983,528
		62,681,190	40,037,522
Other income	13.1.1	3,041,802	2,100,245
		65,722,992	42,137,767
Other expenses	24	3,486,106	2,106,888
Profit before taxation		62,236,886	40,030,879
Provision for taxation	25	13,124,160	5,775,141
Profit after taxation		49,112,726	34,255,738
Basic and diluted earnings per share	30	4.46	3.11

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

Lahore:

Chairman and Managing Director

Director

Tariq Glass Industries Limited

Cash Flow Statement

For the year ended 30 June 2006

	<i>Note</i>	2006	2005
		Rupees	Rupees
Cash flow from operating activities			
Profit before taxation		62,236,886	40,030,879
Adjustments for:			
Depreciation		52,881,960	60,057,445
Profit on disposal of property, plant and equipment		(3,041,802)	(2,100,245)
Financial charges		25,461,527	18,983,528
Provision for workers' profit participation fund		3,286,150	2,106,888
Provision for workers' welfare fund		199,956	-
Provision for staff retirement benefits		45,325	28,270
		78,833,116	79,075,886
Operating profit before working capital changes		141,070,002	119,106,765
(Increase)/decrease in current assets			
Stores, spares and loose tools		(17,448,374)	(2,831,567)
Advances, deposits, prepayments and other receivables		(36,701,676)	(7,455,184)
Stock in trade		(6,883,881)	(23,906,529)
Trade debtors		(2,803,551)	2,873,385
		(63,837,482)	(31,319,895)
Increase in current liabilities			
Short term borrowings		15,894,946	1,992,682
Trade and other payables		19,310,824	25,247,033
		35,205,770	27,239,715
Cash generated from operations		112,438,290	115,026,585
Financial charges paid		(19,234,995)	(12,307,481)
WPPF paid		(2,417,824)	(2,290,622)
Staff gratuity paid		(10,300)	(64,200)
Taxes paid		(3,054,649)	(3,436,018)
		(24,717,768)	(18,098,321)
Net cash generated from operating activities		87,720,522	96,928,264
Cash flow from investing activities			
Fixed capital expenditure incurred		(109,179,954)	(104,928,486)
Proceeds from sale of property, plant and equipment		5,459,000	4,659,501
Long term security deposits		(4,152,645)	641,776
Net cash used in investing activities		(107,873,599)	(99,627,209)
Cash flow from financing activities			
Long term loans		21,117,770	18,712,048
Liabilities against assets subject to finance lease		7,305,024	(4,838,900)
Long term security deposits		(40,000)	(3,903)
Dividend paid		(7,170,114)	(10,256,253)
Net cash generated from financing activities		21,212,680	3,612,992
Net increase in cash and cash equivalents		1,059,603	914,047
Cash and cash equivalents at the beginning of the year		6,724,286	5,810,239
Cash and cash equivalents at the end of the year	18	7,783,889	6,724,286

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

Lahore:

Chairman and Managing Director

Director

Tariq Glass Industries Limited
Statement of Changes in Equity
For the year ended 30 June 2006

	Share capital	Reserve for issuance of bonus shares	Unappropriated profit	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at 30 June 2004	100,000,000	-	77,374,864	177,374,864
Final dividend @ Rs 1 per share for the year 2004	-	-	(10,000,000)	(10,000,000)
Net profit for the year	-	-	34,255,738	34,255,738
Balance as at 30 June 2005	100,000,000	-	101,630,602	201,630,602
Final dividend for the year ended 30 June 2005 at the rate of Re 0.5 (5%) per share	-	-	(5,000,000)	(5,000,000)
Transferred to reserve for issuance of bonus shares	-	10,000,000	(10,000,000)	-
Bonus shares issued for the year ended 30 June 2005 at the rate of 10%	10,000,000	(10,000,000)	-	-
Net profit for the year	-	-	49,112,726	49,112,726
Balance as at 30 June 2006	110,000,000	-	135,743,328	245,743,328

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

Lahore:

Chairman and Managing Director

Director

Tariq Glass Industries Limited

Notes to the Accounts

For the year ended 30 June 2006

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

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 Accounting 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.

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.

International Accounting Standard (IAS) 16, " Property, Plant and Equipment (revised 2003)" is applicable to financial statements covering annual periods beginning on or after January 1, 2005 and requires a review of residual value of assets, useful lives and depreciation method at each financial year end. Accordingly the management has revised the basis of charging depreciation on additions from the month the asset is available for use while no depreciation is to be charged in the month in which the asset is disposed off. Previously full years depreciation was charged in the year of acquisition while no depreciation was charged in the year of disposal.

The above revisions have been accounted for as changes in accounting estimates in accordance with the requirements of International Accounting Standard (IAS) 8, " Accounting Policies, Changes in Accounting Estimates and Errors ". Accordingly, the effect of these changes in accounting estimates has been recognised prospectively in the profit and loss account of current year. Had there been no change in these estimates, the profit before taxation would have been higher by Rs. 242,596.

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 has 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.

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 at the time of their declaration.

	2006	2005
	Rupees	Rupees
4 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
10,000,000 ordinary shares of Rs. 10/- each fully paid in cash	100,000,000	100,000,000
1,000,000 ordinary shares of Rs. 10/- issued as bonus shares	10,000,000	-
	110,000,000	100,000,000

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.

<i>Note</i>	2006	2005
	Rupees	Rupees

8 DEFERRED LIABILITIES

Deferred taxation	8.1	34,241,045	25,565,887
Staff gratuity		687,729	652,704
		34,928,774	26,218,591

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

<i>Note</i>	2006	2005
	Rupees	Rupees

9 SHORT TERM BORROWINGS - SECURED

Habib Bank Limited - Running finance	9.1	42,233,679	38,812,692
National Bank of Pakistan - Cash finance	9.2	44,642,313	31,612,536
Bank Al - Falah Limited - FIM	9.3	6,929,795	7,485,613
		93,805,787	77,910,841

9.1 This facility is secured against assets of the Company as mentioned in Note 5.1 and carries mark up at the rate of 6 months Karachi Inter Bank Offered Rate (ask rate) plus 1.5 % per annum. The facility will expire on 31 December 2006.

9.2 This facility is secured against assets of the Company as mentioned in Note 5.2 and carries mark up at the rate of 6 months Karachi Inter Bank Offered Rate (ask rate) plus 1.5 % bank's spread with floor of 4.5 % per annum. The facility will expire on 30 June 2007.

9.3 Finance against imported merchandize (FIM) facility is priced at 6 months Karachi Inter Bank Offered Rate (ask rate) plus 2.5 % per annum. This facility is secured against letter of credit with lien over import documents and pledge of imported goods. The facility will expire on 31 December 2006.

<i>Note</i>	2006	2005
	Rupees	Rupees

10 CURRENT MATURITY OF LONG TERM LIABILITIES

Long term loans	5	38,881,599	30,830,671
Liabilities against assets subject to finance lease	6	8,493,053	5,935,943
		47,374,652	36,766,614

<i>Note</i>	2006	2005
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		Rupees	Rupees
11	TRADE AND OTHER PAYABLES		
	Trade creditors	61,460,440	48,370,720
	Advances from customers	33,852,990	30,835,371
	Accrued markup on:		
	Short term loans - Secured	2,115,348	1,934,751
	Long term loans - Secured	1,685,135	729,069
	Long term loans - Unsecured	15,004,511	10,000,000
	Leases	54,839	66,878
	Accrued expenses	30,098,130	25,508,133
	Sales tax payable	3,415,778	4,935,020
	Unclaimed dividend	2,164,548	4,334,662
	Workers' Profit Participation Fund payable	3,383,547	2,417,824
	Payable to provident fund	418,073	297,780
	Workers welfare fund	199,956	-
	Others	301,946	289,509
		154,155,241	129,719,717

11.1 Workers' Profit Participation Fund

	Opening balance	2,417,824	2,290,622
	Add: Allocation for the year	3,286,150	2,106,888
	Interest on funds utilized by the Company	97,397	310,936
		5,801,371	4,708,446
	Less: Amount paid to the fund	2,417,824	2,290,622
	Closing balance	3,383,547	2,417,824

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. 62 million (2005: Rs. 39 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.

Commitments under letters of credit at the year end amounted to Rs. 18.1 million (2005: Rs. 4.6million).

	<i>Note</i>	2006 Rupees	2005 Rupees
13	PROPERTY, PLANT AND EQUIPMENT		
	Operating assets	437,223,236	384,273,834
	Capital work in progress	9,635,198	8,703,804
		446,858,434	392,977,638

2006	2005
Rupees	Rupees

13.2 Capital work in progress

Opening balance	8,703,804	24,853,338
Add Additions during the year	10,363,169	80,394,904
	19,066,973	105,248,242
Les: Transferred to plant and machinery	9,431,775	96,544,438
	9,635,198	8,703,804

14 LONG TERM SECURITY DEPOSITS

This mainly comprise of security deposits with leasing companies in respect of leasing facilities availed.

	2006	2005
	Rupees	Rupees
15 STORES AND SPARES		
Stores	40,761,920	60,099,340
Spares	106,126,254	67,415,463
Goods in transit	-	1,924,997
	146,888,174	129,439,800

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.

	<i>Note</i>	2006	2005
		Rupees	Rupees
16 STOCK IN TRADE			
Raw materials		21,584,891	15,478,492
Chemical and ceramic colours		19,704,271	12,545,887
Packing material		12,711,793	10,008,142
Material in process		5,006,760	4,396,854
Finished goods		19,874,464	29,568,923
		78,882,179	71,998,298

17 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances to suppliers- unsecured, considered good	<i>17.1</i>	10,684,170	9,372,578
Advances to staff - Un secured, considered good		3,192,308	204,340
Advances against letters of credit		25,981,284	-
Prepaid expenses		282,238	1,772,204
Advance income tax		9,023,262	17,392,713
Income tax refund		16,713,634	1,585,553
Sales tax refundable		2,430,221	2,064,098
Security deposits		3,744,100	2,885,475
Prepaid insurance		2,318,673	2,066,374
Prepaid rent		308,000	27,500
Others		455,000	455,000
		75,132,890	37,825,835

17.1 Included in advances to suppliers is an amount of Rs. 0.867 million (2005 : Rs. 1.6 million) due from an associated undertaking (Omer Glass Industries Limited).

	<i>Note</i>	2006	2005
		Rupees	Rupees

18 CASH AND BANK BALANCES

Cash in hand	521,676	631,401
Cash at bank - current accounts	7,262,213	6,092,885
	7,783,889	6,724,286

19 SALES

Local	1,158,240,893	902,344,964
Export	94,976,736	70,585,659
Gross sales	1,253,217,629	972,930,623
Less: Sales tax	151,074,989	117,698,544
Trade discounts	91,266,402	55,496,709
	242,341,391	173,195,253
Net Sales	1,010,876,238	799,735,370

20 COST OF SALES

Cost of goods manufactured	825,006,268	693,404,683
Finished goods		
Opening	29,568,923	15,602,131
Closing	(19,874,464)	(29,568,923)
	9,694,459	(13,966,792)
	834,700,727	679,437,891

20.1 Cost of goods manufactured

Raw material consumed	232,494,028	210,957,051
Packing material consumed	110,023,250	84,869,916
Stores and spares consumed	54,046,455	26,198,654
Salaries, wages and other benefits	118,862,039	100,727,366
Fuel and power	245,809,894	207,401,842
Depreciation	47,415,029	54,980,134
Carriage and freight	2,622,262	2,996,559
Repair and maintenance	4,690,857	1,109,857
Traveling and conveyance	4,273,567	2,044,822
Insurance	2,070,353	1,372,173
Postage and telephone	771,814	880,244
Rent, rates and taxes	842,493	330,031
Printing and stationery	57,709	90,099
Entertainment	101,700	161,200
Others	1,534,723	922,717
	825,616,173	695,042,665
Work in process		
Opening stock	4,396,854	2,758,872
Closing stock	(5,006,759)	(4,396,854)
	(609,905)	(1,637,982)
	825,006,268	693,404,683

20.1.1 Salaries, wages and other benefits include Rs. 1,913,003 (2005: Rs. 1,782,239) in respect of staff retirement benefits.

Note

2006
Rupees

2005
Rupees

21 ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	21.1	10,854,632	10,316,632
Traveling expenses		1,968,134	1,002,268
Depreciation	13.1	3,903,377	3,703,291
Legal and professional charges		1,484,728	1,148,473
Postage and telephone		1,212,733	1,176,872
Rent, rates and taxes		1,762,250	840,000
Motor vehicle expenses		918,927	1,011,987
Repair and maintenance		982,300	409,077
Printing and stationery		369,380	306,873
Auditors' remuneration	21.2	300,000	283,000
Advertisement		564,193	414,229
Utilities		491,843	571,502
Entertainment		362,291	221,634
Insurance		1,156,803	809,967
Subscription, news papers and periodicals		376,976	191,627
Miscellaneous		2,870,482	1,144,570
		29,579,049	23,552,002

21.1 Salaries, wages and other benefits include Rs. 357,286 (2005: Rs 323,913) in respect of staff retirement benefits.

	<i>Note</i>	2006	2005
		Rupees	Rupees
21.2 Auditors' remuneration			
Audit fee		180,000	150,000
Half yearly review fee		60,000	60,000
Certifications fee		40,000	70,000
Out of pocket expenses		20,000	3,000
		300,000	283,000

22 SELLING AND DISTRIBUTION EXPENSES

Salaries and other benefits	22.1	8,488,523	7,297,012
Local freight and forwarding		18,800,608	12,692,010
Export freight and forwarding		9,956,738	9,435,689
Traveling expenses		2,610,444	2,426,033
Advertisement, exhibitions and sales promotion		4,392,998	1,068,133
Postage and telephone		1,109,039	1,127,885
Depreciation	13.1	1,563,554	1,374,021
Rent, rates and taxes		766,400	352,000
Printing and stationery		268,156	712,676
Motor vehicle expenses		1,627,143	1,008,467
Breakage and incidental charges		8,870,142	230,501
		58,453,745	37,724,427

22.1 Salaries, wages and other benefits include Rs. 326,225 (2005: Rs.259,206) in respect of staff retirement benefits.

	<i>Note</i>	2006	2005
		Rupees	Rupees

23 FINANCIAL CHARGES

Mark-up on			
Long term loans		12,467,833	8,914,661
Short term borrowings		8,254,951	5,610,970
		20,722,784	14,525,631
Mark-up on lease finances		1,364,976	1,108,100
Interest on WPPF balance		97,397	310,936
Bank charges		2,986,346	2,828,744
LC discounting charges		290,024	210,117
		25,461,527	18,983,528

24 OTHER EXPENSES

Workers' profit participation fund	<i>11.1</i>	3,286,150	2,106,888
Workers' welfare fund		199,956	-
		3,486,106	2,106,888

25 TAXATION

Income tax - current	<i>25.1</i>	4,449,002	529,392
Deferred tax	<i>25.2</i>	8,675,158	5,245,749
		13,124,160	5,775,141

25.1 The current year's provision for taxation represents the tax chargeable under Normal Tax and the difference between the minimum tax on turnover and the tax arrived above is carried forward for adjustment in future years. Corresponding year figure represents presumptive tax which is full and final tax liability

25.2 Deferred tax expense relating to origination and reversal of temporary difference.

	2006	2005
	%age	%age
25.3 Reconciliation of tax charge for the year		
Applicable tax rate	35.00	35.00
Tax effect of inadmissible expenses and presumptive/minimum tax	(13.91)	(20.57)
Average effective rate charged to profit and loss account	21.09	14.43

29 CAPACITY AND PRODUCTION

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

	2006	2005
	M. Tons	M. Tons
Furnaces capacity		
Containers	21,182	21,182
Tableware	35,172	35,172
	56,354	56,354
Actual packed production		
Containers	16,032	16,394
Tableware	22,487	19,769
	38,519	36,163

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

		2006	2005
30	BASIC AND DILUTED EARNINGS PER SHARE		
	Net profit after tax	49,112,726	34,255,738
	Weighted average number of ordinary shares	11,000,000	11,000,000
	Basic and Diluted Earnings per share	4.46	3.11

31 DIVIDENDS

The Board of Directors have proposed cash dividend @ Rs. 1 per share(10%) and bonus shares at the rate of 5% for the year ended 30 June 2006 at their meeting held on _____ for approval of the members at the Annual General Meeting to be held on _____.

32 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on _____ by the Board of Directors of the Company.

33 FIGURES

- have been rounded off to the nearest rupee.

Lahore:

Chairman and Managing Director

Director

5 LONG TERM LOANS

	Note	2006 Rupees	2005 Rupees	Mark-up rate	Number of instalments	Mark-up payable
Loans from banks/financial institutions						
<i>Secured</i>						
Habib Bank Limited						
I	Demand finance	7,500,000	14,957,448	6 Months Kibor + 1.5%	8 equal semi annual instalments ending February 2007.	Semi annually
II	Demand finance	3,855,994	8,062,547	6 Months Kibor + 1.5%	33 equal monthly instalments ending April 2007.	Monthly
III	Demand finance	16,666,672	26,666,668	6 Months Kibor + 1.5%	36 equal monthly instalments ending February 2008.	Monthly
IV	Demand finance	8,509,816	-	6 Months Kibor + 1.5%	9 equal monthly instalments ending December 2006.	Monthly
V	Demand finance	-	6,666,667	6 Months Kibor + 1.5%	9 equal monthly instalments ending December 2005.	Monthly
		36,532,482	56,353,330			
National Bank of Pakistan						
VI	Demand finance	5,000,000	7,500,000	6 Months Kibor + 2% with floor of 5.0% p.a	16 quarterly instalments ending June 2008.	Quarterly
VII	Demand finance	43,438,619		6 Months Kibor + 2% with floor of 5.0% p.a	60 monthly instalments ending September 2011.	Monthly
		48,438,619	7,500,000			
		84,971,101	63,853,330			
Less:	Current maturity	38,881,599	30,830,671			
		46,089,502	33,022,659			
<i>Unsecured</i>						
	Industrial Products Investment Limited (IPI)	100,000,000	100,000,000	Libor + 1.5%	Interest is payable in 12 semi annual installments commencing from 01 July 2003.	Semi annually
Loan from related party						
	Loan from Director - <i>unsecured</i>	29,005,514	29,005,514	Mark-up free	20 quarterly installments commencing from 30 June 2007.	-
		175,095,016	162,028,173			

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 parri 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 This foreign currency loan shall be repayable after major portion of loans from banks have been paid. The repayment schedule of principal payments of the loan is yet to be agreed between the Company and the lender.

This loan has been frozen at the rate of exchange prevailing on 31 December 2003. No exchange fluctuation has accordingly been accounted for in these accounts.

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:

	2006			2005		
	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	9,542,498	1,049,445	8,493,053	6,595,715	659,772	5,935,943
Later than one year and not later than five years	11,453,133	525,499	10,927,634	6,390,335	210,614	6,179,721
	20,995,631	1,574,944	19,420,687	12,986,050	870,386	12,115,664

The Company has entered into various lease agreements with Orix Leasing Pakistan Limited, Bank Alfiah Limited, First National Modaraba and Askari Commercial Bank Limited for leasing machinery and vehicles. Lease rentals are payable in monthly equal instalments and include finance charges ranging from 7.51% to 14% per annum (2005: 7.5% to 18%), 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.

13.1 Operating assets

	Cost					Rate	Depreciation					Net book value as at 30 June 2006
	As at 1 July 2005	Additions during the year	Transfers/ adjustments	Disposals during the year	As at 30 June 2006		As at 1 July 2005	Transfers/ adjustments	For the year	On Disposals	As at 30 June 2006	
	Rupees	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees	
<i>Owned</i>												
Freehold land	5,267,380	6,521,622	-	-	11,789,002	-	-	-	-	-	11,789,002	
Factory building -freehold	61,196,879	215,280	-	-	61,412,159	10	39,402,448	-	2,186,619	-	41,589,067	
Office building - freehold	49,281,810	-	-	-	49,281,810	5	33,931,067	-	767,537	-	34,698,604	
Plant and machinery	708,140,256	75,039,659	-	2,526,031	780,653,884	10 - 20	414,468,394	-	36,715,846	2,111,001	449,073,239	
Furniture and fixtures	3,328,869	13,225	-	-	3,342,094	10	2,517,301	-	82,038	-	2,599,339	
Tools and equipment	761,525	-	-	-	761,525	10	634,623	-	12,690	-	647,313	
Electric installation	12,771,571	576,267	-	84,500	13,263,338	10	8,337,004	-	482,700	49,686	8,770,018	
Vehicles	27,359,849	3,967,618	5,753,713	5,735,321	31,345,859	20	12,081,068	2,752,244	3,750,483	3,767,967	14,815,828	
Moulds	55,591,045	6,418,269	-	-	62,009,314	30	44,414,141	-	5,191,183	-	49,605,324	
Fire fighting equipment	39,606	-	-	-	39,606	10	27,823	-	1,179	-	29,002	
	923,738,790	92,751,940	5,753,713	8,345,852	1,013,898,591		555,813,869	2,752,244	49,190,275	5,928,654	601,827,734	
<i>Leased</i>												
Plant and machinery	15,810,820	5,000,000	(1,482,520)	-	19,328,300	10	5,329,265	(455,801)	1,160,785	-	6,034,249	
Vehicles	9,311,063	10,496,620	(4,271,193)	-	15,536,490	20	3,443,705	(2,296,443)	2,530,900	-	3,678,162	
	25,121,883	15,496,620	(5,753,713)	-	34,864,790		8,772,970	(2,752,244)	3,691,685	-	9,712,411	
2006	948,860,673	108,248,560	-	8,345,852	1,048,763,381		564,586,839	-	52,881,960	5,928,654	611,540,145	
2005	833,312,651	121,082,020	(4,000)	5,529,998	948,860,673		507,500,137	-	60,057,445	2,970,743	564,586,839	

Note
2006
Rupees

2005
Rupees

Depreciation charge for the year has been allocated as follows:

Cost of sales	20.1	47,415,029	54,980,134
Administrative expenses	21	3,903,377	3,703,291
Selling and distribution	22	1,563,554	1,374,021
		52,881,960	60,057,446

13.1.1 Disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Profit/(loss)	Mode of disposal	Particulars of buyer
	Rupees	Rupees	Rupees	Rupees	Rupees		
Plant and machinery							
2500 KVA Transformer	2,526,031	2,111,001	415,030	500,000	84,970	Negotiation	M/S Hi-Tech Electronics
Vehicles							
Suzuki Khyber (LXM 9237)	412,000	309,397	102,603	350,000	247,397	Negotiation	Mr. Muhammad Ashraf
Suzuki Khyber (LXL 9190)	434,000	325,918	108,082	350,000	241,918	Negotiation	Mr. Muhammad Aslam
Suzuki Khyber (LXN 6947)	434,000	325,918	108,082	370,000	261,918	Negotiation	Mrs. Fareeha Amer
Suzuki Cultus (AEV 028)	573,680	350,450	223,230	445,000	221,770	Negotiation	Mr. Abdul Wahid
Honda City (ADZ 206)	863,700	527,617	336,083	720,000	383,917	Negotiation	Mr. Zubair Ahmed
Honda City (LRM 9788)	855,500	439,385	416,115	735,000	318,885	Negotiation	Mr. Syed Muhammad Shaukat
Honda City (LXY 2444)	720,897	496,485	224,412	642,000	417,588	Negotiation	Mr. Zafar Iqbal Awan
Honda City (LXY 2121)	720,772	496,399	224,373	685,000	460,627	Negotiation	Mr. Imran Saeed
Honda City (LXY 1450)	720,772	496,399	224,373	640,000	415,627	Negotiation	Mr. Bilal Muqet
Office equipment							
4 - Air Conditioners	60,000	42,897	17,103	12,000	(5,103)	Negotiation	Mr. Naeem Kabaria
General Air Conditioner	24,500	6,788	17,712	10,000	(7,712)	Negotiation	Mr. Sheikh Abid
2006	8,345,852	5,928,654	2,417,198	5,459,000	3,041,802		
2005	5,529,998	2,970,743	2,559,255	4,659,500	2,100,245		

26 FINANCIAL INSTRUMENTS

	Effective mark-up rates %	Interest bearing		Non-interest bearing		Total Rupees
		Maturity upto one year Rupees	Maturity after one year Rupees	Maturity upto one year Rupees	Maturity after one year Rupees	
Financial assets						
Trade debts		-	-	9,238,710	-	9,238,710
Advances, deposits and other receivables		-	-	7,894,543	-	7,894,543
Cash and bank balances		-	-	7,783,889	-	7,783,889
		-	-	24,917,142	-	24,917,142
Financial liabilities						
Long term loans	5 - 11.43	38,881,599	46,089,502	-	29,005,514	113,976,615
Liabilities against assets subject to finance lease	7.51 - 14	8,493,053	10,927,634	-	-	19,420,687
Short term borrowings	10.55 - 13.51	93,805,787	-	-	-	93,805,787
Trade and other payables		-	-	111,138,422	-	111,138,422
		141,180,439	57,017,136	111,138,422	29,005,514	338,341,511
Net financial liabilities 2006		(141,180,439)	(57,017,136)	(86,221,280)	(29,005,514)	(313,424,369)
Net financial liabilities 2005		(114,677,452)	(139,202,376)	(69,128,926)	(29,005,514)	(352,014,268)

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 24,917,142 (2005: Rs 18,067,833), the financial assets which are subject to credit risk amount to Rs 14,301,545 (2005: Rs 15,807,737). 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	
	2006	2005	2006	2005	2006	2005
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Remuneration	1,786,400	1,786,400	923,500	493,500	1,713,200	548,400
House rent	671,360	671,360	415,598	222,075	770,940	246,780
Conveyance	3,600	3,600	11,400	7,200	11,400	3,600
Medical and other allowances	-	-	99,103	53,055	209,740	62,236
Utilities	178,640	178,640	92,355	49,350	171,320	58,840
	2,640,000	2,640,000	1,541,956	825,180	2,876,600	919,856
Number of persons	1	1	2	2	3	1

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. Transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment disclosed above, are as follows:

Amounts due from related parties are shown under advances, deposits, prepayments and other receivables in note 17.

Name	Relationship	Nature of transactions	2006	2005
			Rupees	Rupees
Omer Glass Industries Limited	Associated company	Purchases	2,559,255	616,285
		Sales	2,032,752	1,918,916
Provident fund	Employee benefit plan	Contributions	2,551,189	2,337,586
M & M Glass Industries (Private) Limited	Common directors		-	-
RIFFINO Rice Mills (Private) Limited	Common directors		-	-