

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		
	2007	2006	Change
• 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	77.368	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 utilised 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 ended 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**

Tariq Glass Industries Limited

Balance Sheet

As at 30 June 2007

	<i>Note</i>	2007 Rupees	2006 Rupees		<i>Note</i>	2007 Rupees	2006 Rupees
EQUITY AND LIABILITIES				ASSETS			
SHARE CAPITAL AND RESERVES				Property, plant and equipment			
Authorised capital					13	613,788,046	446,858,434
12,000,000 ordinary shares of Rs 10 each		<u>250,000,000</u>	<u>120,000,000</u>	LONG TERM SECURITY DEPOSITS			
					14	9,113,303	7,467,740
Issued, subscribed and paid-up capital				CURRENT ASSETS			
11,550,000 (2006: 11,000,000) ordinary shares of Rs 10 each	4	115,500,000	110,000,000	Stores and spares	15	169,038,950	146,888,174
Unappropriated profit		<u>176,217,886</u>	<u>135,743,328</u>	Stock in trade	16	79,543,999	78,882,179
		291,717,886	245,743,328	Trade debtors - Unsecured, considered good		14,302,719	9,238,710
NON CURRENT LIABILITIES				Advances, deposits, prepayments and			
Long term loans				other receivables	17	71,751,633	75,132,890
Secured		137,288,299	46,089,502	Cash and bank balances	18	11,450,815	7,783,889
Unsecured		164,305,514	129,005,514			346,088,116	317,925,842
	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				
CURRENT LIABILITIES							
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				
CONTINGENCIES AND COMMITMENTS							
	12	968,989,465	772,252,016			968,989,465	772,252,016

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 2007

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

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 2007

	<i>Note</i>	2007 Rupees	2006 Rupees
Cash flow from operating activities			
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
		95,262,540	78,833,116
Operating profit before working capital changes		172,630,415	141,070,002
(Increase)/decrease in current assets			
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)
		(24,495,348)	(63,837,482)
Increase in current liabilities			
Short term borrowings		(11,236,692)	15,894,946
Trade and other payables		10,673,435	19,310,824
		(563,257)	35,205,770
Cash generated from operations		147,571,810	112,438,290
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)
		(33,116,497)	(24,717,768)
Net cash generated from operating activities		114,455,313	87,720,522
Cash flow from investing activities			
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)
Net cash used in investing activities		(221,227,929)	(107,873,599)
Cash flow from financing activities			
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)
Net cash generated from financing activities		110,439,542	21,212,680
Net increase in cash and cash equivalents		3,666,926	1,059,603
Cash and cash equivalents at the beginning of the year		7,783,889	6,724,286
Cash and cash equivalents at the end of the year	18	11,450,815	7,783,889

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 2007

	Share capital	Unappropriated profit	Total
	Rupees	Rupees	Rupees
Balance as at 30 June 2005	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
Balance as at 30 June 2006	110,000,000	135,743,328	245,743,328
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
Balance as at 30 June 2007	115,500,000	176,217,886	291,717,886

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 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.

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

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

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

	<i>Note</i>	2007	2006
		Rupees	Rupees
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
		82,569,095	93,805,787

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 pasu 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 pasu hypothecation charge on current assets of the Company.

9.3 Finance against imported merchandise

Th Company has obtained finance against imported merchandises of Rs. 15 million (2006: Rs. 10 million) from commercial banks. The rate of markup 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.

<i>Note</i>	2007	2006
	Rupees	Rupees

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
		41,345,741	47,374,652

	<i>Note</i>	2007	2006
		Rupees	Rupees
11 TRADE AND OTHER PAYABLES			
Trade creditors		63,621,952	61,460,440
Advances from customers		33,616,399	33,852,990
Accrued markup 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
		176,140,914	154,155,241

11.1 Workers' Profit Participation Fund

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
		7,728,523	5,801,371
Less: Amount paid to the fund		3,383,547	2,417,824
Closing balance		4,344,976	3,383,547

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. 18.1million).

	<i>Note</i>	2007	2006
		Rupees	Rupees
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
		613,788,046	446,858,434

<i>Note</i>	2007	2006
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	Rupees	Rupees
13.2 Capital work in progress		
Opening balance	9,635,198	8,703,804
Add: Additions during the year	177,911,800	10,363,169
	<u>187,546,998</u>	<u>19,066,973</u>
Less: Transferred to plant and machinery	20,151,671	9,431,775
	<u>167,395,327</u>	<u>9,635,198</u>

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.

	2007	2006
	Rupees	Rupees
15 STORES AND SPARES		
Stores	133,736,628	40,761,920
Spares	35,302,322	106,126,254
	<u>169,038,950</u>	<u>146,888,174</u>

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>	2007	2006
		Rupees	Rupees
16 STOCK IN TRADE			
Raw materials		23,888,459	21,584,891
Chemical and ceramic colours		15,104,332	19,704,271
Packing material		11,325,911	12,711,793
Material in process		5,466,576	5,006,760
Finished goods		23,758,721	19,874,464
		<u>79,543,999</u>	<u>78,882,179</u>

**17 ADVANCES, DEPOSITS, PREPAYMENTS
AND OTHER RECEIVABLES**

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
		71,751,633	75,132,890

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).

2007	2006
Rupees	Rupees

18 CASH AND BANK BALANCES

Cash in hand	1,244,062	521,676
Cash at bank - current accounts	10,206,753	7,262,213
	11,450,815	7,783,889

<i>Note</i>	2007	2006
	Rupees	Rupees

19 SALES

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
Net Sales	1,108,446,723	1,010,876,238

20 COST OF SALES

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
		908,757,268	834,700,727

20.1 Cost of goods manufactured

Raw material consumed	249,131,532	232,494,028
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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
		913,101,342	825,616,173
Work in process			
Opening stock		5,006,759	4,396,854
Closing stock		(5,466,576)	(5,006,759)
		(459,817)	(609,905)
		912,641,525	825,006,268

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

	<i>Note</i>	2007	2006
		Rupees	Rupees
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
		29,340,674	29,579,049

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

	<i>Note</i>	2007	2006
		Rupees	Rupees
21.2 Auditors' remuneration			
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
		300,000	300,000

22 SELLING AND DISTRIBUTION EXPENSES

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
		54,551,193	58,453,745

22.1 Salaries, wages and other benefits include Rs. 381,160 (2006: Rs. 326,225) in respect of staff retirement benefits.

	Note	2007 Rupees	2006 Rupees
23 FINANCIAL CHARGES			
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
		27,601,900	20,722,784
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
		33,699,627	25,461,527
24 OTHER EXPENSES			
Workers' profit participation fund	11.1	4,153,433	3,286,150
Workers' welfare fund		1,547,357	199,956
		5,700,790	3,486,106
25 TAXATION			
Income tax - current	25.1	8,994,618	4,449,002
Deferred tax	25.2	18,047,001	8,675,158
		27,041,619	13,124,160

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
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 on turnover and others	(0.05)	(12.51)
Average effective rate charged to profit and loss account	34.95	22.49

29 CAPACITY AND PRODUCTION

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

	2007	2006
	M. Tons	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.

30 BASIC AND DILUTED EARNINGS PER SHARE

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

31 DIVIDENDS

The Board of Directors have proposed cash dividend @ _____ and bonus shares @ _____ 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	2007 Rupees	2006 Rupees	Mark-up rate	Number of instalments	Mark-up payable
Loans from banks/financial institutions						
<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 + 3.75%	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
		32,893,205	36,532,482			
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
		39,422,619	48,438,619			
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
		101,061,440	-			
		173,377,264	84,971,101			
Less:	Current maturity	10 36,088,965	38,881,599			
		137,288,299	46,089,502			
Loan from related party						
<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 installments commencing from 01 July 2003.	Semi annually
Loan from Directors	5.5	64,305,514	29,005,514	Mark-up free	-	-
		301,593,813	175,095,016			

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
	14,516,710	870,581	13,646,129	20,995,631	1,574,944	19,420,687

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.

13.1 Operating assets

	Cost					Depreciation					Net book value as at 30 June 2007	
	As at 1 July 2006	Additions during the year	Transfers/ adjustments	Disposals during the year	As at 30 June 2007	As at 1 July 2006	Transfers/ adjustments	For the year	On Disposals	As at 30 June 2007		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rate %	Rupees	Rupees	Rupees	Rupees		Rupees
<i>Owned</i>												
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	41,589,067	-	2,186,651	-	43,775,718	33,996,117
Office building - freehold	49,281,810	-	-	-	49,281,810	5	34,698,604	-	729,160	-	35,427,764	13,854,046
Plant and machinery	780,653,884	42,106,298	14,328,300	-	837,088,482	10 - 20	449,073,239	6,572,642	42,150,488	-	497,796,369	339,292,113
Furniture and fixtures	3,342,094	-	-	-	3,342,094	10	2,599,339	-	74,275	-	2,673,614	668,480
Tools and equipment	761,525	-	-	-	761,525	10	647,313	-	11,421	-	658,734	102,791
Electric installation	13,263,338	128,501	-	-	13,391,839	10	8,770,018	-	457,290	-	9,227,308	4,164,531
Vehicles	31,345,859	4,732,397	895,400	5,714,890	31,258,766	20	14,815,828	490,440	3,488,891	3,185,599	15,609,560	15,649,206
Moulds	62,009,314	-	-	-	62,009,314	30	49,605,324	-	3,721,196	-	53,326,520	8,682,794
Fire fighting equipment	39,606	-	-	-	39,606	10	29,002	-	1,061	-	30,063	9,543
	<u>1,013,898,591</u>	<u>65,322,232</u>	<u>15,223,700</u>	<u>5,714,890</u>	<u>1,088,729,633</u>		<u>601,827,734</u>	<u>7,063,082</u>	<u>52,820,433</u>	<u>3,185,599</u>	<u>658,525,650</u>	<u>430,203,983</u>
<i>Leased</i>												
Plant and machinery	19,328,300	-	(14,328,300)	-	5,000,000	10	6,034,249	(6,572,642)	1,188,393	-	650,000	4,350,000
Vehicles	15,536,490	3,135,274	(895,400)	-	17,776,364	20	3,678,162	(490,440)	2,749,906	-	5,937,628	11,838,736
	<u>34,864,790</u>	<u>3,135,274</u>	<u>(15,223,700)</u>	<u>-</u>	<u>22,776,364</u>		<u>9,712,411</u>	<u>(7,063,082)</u>	<u>3,938,299</u>	<u>-</u>	<u>6,587,628</u>	<u>16,188,736</u>
2007	<u>1,048,763,381</u>	<u>68,457,506</u>	<u>-</u>	<u>5,714,890</u>	<u>1,111,505,997</u>		<u>611,540,145</u>	<u>-</u>	<u>56,758,732</u>	<u>3,185,599</u>	<u>665,113,278</u>	<u>446,392,719</u>
2006	<u>948,860,673</u>	<u>108,248,560</u>	<u>-</u>	<u>8,345,852</u>	<u>1,048,763,381</u>		<u>564,586,839</u>	<u>-</u>	<u>52,881,960</u>	<u>5,928,654</u>	<u>611,540,145</u>	<u>437,223,236</u>

Note
**2007
Rupees**

 2006
Rupees

Depreciation charge for the year has been allocated as follows:

Cost of sales	20.1	51,381,351	47,415,029
Administrative expenses	21	3,845,572	3,903,377
Selling and distribution	22	1,531,809	1,563,554
		<u>56,758,732</u>	<u>52,881,960</u>

13.1.1 Disposal of property, plant and equipment

Particulars of assets	Sold to	Cost	Accumulated depreciation	Written down value	Sale proceeds	Profit	Mode of disposal
		Rupees	Rupees	Rupees	Rupees	Rupees	
Vehicles							
	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		5,714,890	3,185,599	2,529,291	3,499,995	970,704	
2006		8,345,852	5,928,654	2,417,198	5,459,000	3,041,802	

	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		-	-	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
Financial liabilities						
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
Net financial liabilities 2007		(123,914,836)	(145,677,652)	(98,754,824)	(164,305,514)	(532,652,826)
Net financial liabilities 2006		(141,180,439)	(57,017,136)	(86,221,280)	(129,005,514)	(413,424,369)

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
	2,640,000	2,640,000	1,613,833	1,541,956	2,932,488	2,876,600
Number of persons	1	1	3	3	3	3

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 16. 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	Nature of transactions	2007	2006
			Rupees	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