

## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 27<sup>th</sup> Annual General Meeting of the members of the Company will be held on Wednesday, the October 26, 2005 at 04:30 PM at the Defence Services Officers' Mess, 71 – Tufail Road, Lahore Cantt to transact the following business:

1. To confirm the minutes of the Extra Ordinary General Meeting of the members held on September 03, 2005.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2005, comprising Balance Sheet, Profit and Loss Account and Reports of the Auditors and Directors thereon.
3. To declare final cash dividend and bonus shares. The Directors have recommended 5% cash dividend and 10% bonus shares for the year ended June 30, 2005.
4. To appoint Auditors of the company for the year ending June 30, 2006 and fix their remuneration. The retiring Auditors M/S Taseer Hadi Khalid & Co., Chartered Accountants being eligible offer themselves for re-appointment.
5. To transact any other business with the permission of the chairman.

**BY ORDER OF THE BOARD**

**October 05, 2005  
Lahore**

**(WAQAR ULLAH)  
COMPANY SECRETARY**

### **NOTES**

1. The share transfer books of the Company will remain closed from October 20, 2005 to October 26, 2005 (both days inclusive). Transfer received in order upto the close of business hours on October 19, 2005 at registered office of the company at 128-J Block, Model Town, Lahore will be entitled to dividend and to affect the voting rights at the Annual General Meeting.
2. A member of the Company entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote. Votes may be given personally or by proxy or by Attorney or in case of corporation by representative. The instrument of proxy duly executed should be lodged at the Registered Office of the Company not later than 48 hours before the time of 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.

## DIRECTORS' REPORT

The directors take pleasure to present the 27<sup>th</sup> Annual Report along with the audited Financial Statements of the company for the year ended June 30, 2005.

### Some Significant Achievements

We would like to share with you some of the achievements attained during the year.

- Successfully commenced captive power generation that resulted in un-interrupted power supply together with cost savings.
- Launched printed range of tumblers that adds value to our product and is gaining customer attraction.
- Highest ever volume of tableware export that is over Rs. 70 million, a 240% increase over the last year

### Financial Results:

The Board takes pleasure to inform you that your company has maintained the momentum of profit earnings. Certainly, the profit figure after taxation has not increased as compared to volume of the sales. Some reasons which certainly affected the profit margins are:

- New export markets have been explored and in order to compete with other manufacturers in the area, prices of our products have been kept considerably lower.
- Raw Materials and other overheads play an important part in the overall profitability of the company. Prices of Soda Ash and Sui Gas have increased by 10 % and 8% respectively during the year.
- Initial operating costs necessary to bring the new machinery into the intended use has caused increase in production overheads.

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

	Rupees
<b><i>Profit for the year before taxation:</i></b>	40,030,879
Taxation	5,775,141
Profit after taxation	34,255,738
Un-Appropriated Profit Brought Forward (Restated)	77,374,864
Profit Available for Appropriation	<hr/> 111,630,602
Proposed and Paid Final Dividend 2004	10,000,000
Un- Appropriated Profit Carried Forward	<hr/> <hr/> 101,630,602
<b><i>Earnings Per Share</i></b>	3.43

## **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 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 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 note no. 35.

## **Board of Directors**

During the year 4 board meetings were held and the number of meetings attended by each Director is given hereunder:

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

## **Audit Committee**

The Board constituted an audit committee with effect from July 01, 2002 comprising the following:

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

## **Cash Dividend and Bonus Shares**

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 5% (2004: 10%) and Bonus of 1 for 10 shares held i.e 10% (2004: Nil) for the year ended June 30, 2005.

### **Future Outlook.**

Management is planning to expand its production capacity with the introduction of new tableware making machines and improving production efficiencies through automation. Another furnace is being contemplated to be built in the near future if export market so demands.

We are confident that with the blessings of Allah we will reap the fruit in the years ahead of the investments made in own power generation, additional production machinery and the goodwill earned in the export markets

### **Statement of Ethics and Business Practices**

The Board has adopted the statement of Ethics and Business Practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to customers, suppliers and regulations.

### **Auditors**

The present auditors M/s Taseer Hadi Khalid & 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, 2006 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 whose support and feedback has been invaluable. We also appreciate the efforts and dedication shown by the staff for managing the company's affairs successfully.

**For and on behalf of the Board**

**September 30, 2005  
Lahore**

**TARIQ BAIG  
CHAIRMAN & MANAGING DIRECTOR**

## **Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Tariq Glass Industries Limited** (“the Company”) to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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

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

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

**Lahore:**

---

**Taseer Hadi Khalid & Co.  
Chartered Accountants**

## ***Statement of Compliance with the Code of Corporate Governance***

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

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

1. The company encourages the representation of independent non-executive directors on its Board of Directors. At present, the Board includes four independent non-executive directors. However, there is no representation of minority shareholders on the Board.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payments of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by the stock exchange.
4. No casual vacancy occurred in the Board during the year
5. The company has prepared a “Statement of Ethics and Business Practices” which has been signed by all directors and employees of the company.
6. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. There were no new appointments of CEO and other executive director during the year.
8. The meetings of the Board were presided over by the Chairman and Managing Director and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged one orientation course for its directors to apprise them of their duties and responsibilities
10. There were no new appointments of CFO, Company Secretary or Head of Internal Audit during the year.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises of three members, of whom two are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set up an effective internal audit function.
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

September 30, 2005  
Lahore

**TARIQ BAIG**  
**Chairman and Managing Director**

***Statement of Compliance with the Best Practices on Transfer Pricing  
for the year ended June 30, 2005***

The company has fully complied with the best practices on Transfer Pricing as contained in the listing Regulation No. 38 of the Karachi Stock Exchange.

September 30, 2005  
Lahore

**TARIQ BAIG**  
**Chairman and Managing Director**



## **Auditors' Report to the Members**

We have audited the annexed balance sheet of **Tariq Glass Industries Limited** (“the Company”) as at 30 June 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies except for the change referred to in note 11.1; with which we concur ;
  - ii) the expenditure incurred during the year was for the purpose of the Company’s business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company’s affairs as at 30 June 2005 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

**Lahore:**

---

**Taseer Hadi Khalid & Co.**  
**Chartered Accountants**

**Tariq Glass Industries Limited**

**Balance Sheet**

As at 30 June 2005

	<i>Note</i>	2005 Rupees	2004 Rupees		<i>Note</i>	2005 Rupees	2004 Rupees
<b>LIABILITIES</b>				<b>ASSETS</b>			
<b>SHARE CAPITAL AND RESERVES</b>				<b>FIXED ASSETS</b>			
Authorised Capital				Property, plant and equipment	13	384,273,834	325,812,515
12,000,000 ordinary shares of Rs 10 each		120,000,000	120,000,000	Capital work in progress	15	8,703,804	24,853,338
Issued, subscribed and paid-up capital						392,977,638	350,665,853
10,000,000 ordinary shares of Rs 10 each fully paid in cash		100,000,000	100,000,000	<b>LONG TERM SECURITY DEPOSITS</b>	16	3,315,095	3,956,870
Unappropriated profit		101,630,602	77,374,864	<b>CURRENT ASSETS</b>			
		201,630,602	177,374,864	Stores and spares	17	129,439,800	126,608,233
<b>LONG TERM AND DEFERRED LIABILITIES</b>				Stock in trade	18	71,998,298	48,091,769
Long term loans				Trade debtors - Unsecured, considered good		6,435,159	9,308,544
Secured		33,022,659	30,562,545	Advances, deposits, prepayments and other receivables	19	37,825,835	30,575,714
Unsecured		129,005,514	123,450,000	Cash and bank balances	20	6,724,286	5,810,239
	4	162,028,173	154,012,545			252,423,378	220,394,499
Liabilities against assets subject to finance lease	5	6,179,721	9,894,798				
Long term security deposits	6	5,207,203	5,211,106				
Deferred liabilities	7	26,218,591	21,008,772				
		199,633,688	190,127,221				
<b>CURRENT LIABILITIES</b>							
Short term borrowings - secured	8	77,910,841	75,918,159				
Current maturity of long term liabilities	9	36,766,614	27,194,013				
Trade and other payables	10	125,385,055	93,645,714				
Provision for taxation		3,054,649	6,166,337				
Dividends	11	4,334,662	4,590,914				
		247,451,821	207,515,137				
<b>CONTINGENCIES AND COMMITMENTS</b>	12						
		648,716,111	575,017,222			648,716,111	575,017,222

The annexed notes 1 to 34 form an integral part of these accounts.

Lahore:

\_\_\_\_\_  
CHAIRMAN & MANAGING DIRECTOR

\_\_\_\_\_  
DIRECTOR

# Tariq Glass Industries Limited

## Profit and Loss Account

For the year ended 30 June 2005

	<i>Note</i>	<b>2005</b> Rupees	2004 Rupees
Sales	21	<b>799,735,370</b>	703,833,982
Cost of sales	22	<b>679,437,891</b>	587,155,059
<b>Gross profit</b>		<b>120,297,479</b>	116,678,923
<b>Operating expenses</b>			
Administrative	23	<b>23,552,002</b>	21,139,605
Selling and distribution	24	<b>37,724,427</b>	35,424,995
		<b>61,276,429</b>	56,564,600
<b>Operating profit</b>		<b>59,021,050</b>	60,114,323
Financial charges	25	<b>18,983,528</b>	16,652,044
		<b>40,037,522</b>	43,462,279
Other income	14	<b>2,100,245</b>	2,350,165
		<b>42,137,767</b>	45,812,444
Workers' Profit Participation Fund	10.1	<b>2,106,888</b>	2,290,622
		<b>40,030,879</b>	43,521,822
<b>Profit before taxation</b>		<b>40,030,879</b>	43,521,822
Provision for taxation	26	<b>5,775,141</b>	5,938,148
		<b>34,255,738</b>	37,583,674
<b>Profit after taxation</b>		<b>34,255,738</b>	37,583,674
<b>Basic and diluted earnings per share</b>	31	<b>3.43</b>	3.76

The annexed notes 1 to 34 form an integral part of these accounts.

Lahore:

\_\_\_\_\_  
**CHAIRMAN & MANAGING DIRECTOR**

\_\_\_\_\_  
**DIRECTOR**

**Tariq Glass Industries Limited**  
**Cash Flow Statement**

For the year ended 30 June 2005

	<i>Note</i>	2005 Rupees	2004 Rupees
<b>Cash flow from operating activities</b>			
Profit before taxation		40,030,879	43,521,822
Adjustments for:			
Depreciation		60,057,445	52,204,501
Profit on disposal of property, plant and equipment		(2,100,245)	(2,350,165)
Financial charges		18,983,528	16,652,044
Provision for workers' profit participation fund		2,106,888	2,290,622
Provision for staff retirement benefits		28,270	53,275
		<u>79,075,886</u>	<u>68,850,277</u>
<b>Operating profit before working capital changes</b>		<b>119,106,765</b>	<b>112,372,099</b>
<b>(Increase)/decrease in current assets:</b>			
Stores, spares and loose tools		(2,831,567)	(12,210,749)
Advances, deposits, prepayments and other receivables		(7,455,184)	(3,765,789)
Stock in trade		(23,906,529)	2,833,041
Trade debtors		2,873,385	5,875,303
		<u>(31,319,895)</u>	<u>(7,268,194)</u>
<b>Increase/(decrease) in current liabilities:</b>			
Short term borrowings		1,992,682	18,971,290
Trade and other payables		25,247,033	(9,207,071)
		<u>27,239,715</u>	<u>9,764,219</u>
<b>Cash generated from operations</b>		<b>115,026,585</b>	<b>114,868,124</b>
Financial charges paid		(12,307,481)	(13,829,251)
WPPF paid		(2,290,622)	(440,232)
Staff gratuity paid		(64,200)	(61,903)
Taxes paid		(3,436,018)	(11,452,854)
		<u>(18,098,321)</u>	<u>(25,784,240)</u>
<b>Net cash generated from operating activities</b>		<b>96,928,264</b>	<b>89,083,884</b>
<b>Cash flow from investing activities</b>			
Fixed capital expenditure incurred		(104,928,486)	(79,446,995)
Proceeds from sale of property, plant and equipment		4,659,501	3,485,350
Long term security deposits		641,776	1,743,605
<b>Net cash used in investing activities</b>		<b>(99,627,209)</b>	<b>(74,218,040)</b>
<b>Cash flow from financing activities</b>			
Long term loans		18,712,048	(5,454,150)
Liabilities against assets subject to finance lease		(4,838,900)	(5,587,360)
Long term security deposits		(3,903)	-
Dividend paid		(10,256,253)	(6,436,226)
<b>Net cash used in/generated from financing activities</b>		<b>3,612,992</b>	<b>(17,477,736)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>914,047</b>	<b>(2,611,892)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>5,810,239</b>	<b>8,422,131</b>
<b>Cash and cash equivalents at the end of the year</b>	20	<b>6,724,286</b>	<b>5,810,239</b>

The attached notes 1 to 34 form an integral part of these accounts.

Lahore:

CHAIRMAN & MANAGING DIRECTOR

DIRECTOR

# Tariq Glass Industries Limited

## Statement of Changes in Equity

For the year ended 30 June 2005

	Share capital Rupees	Unappropriated profit Rupees	Total Rupees
<b>Balance as at 30 June 2003 as previously reported</b>	100,000,000	39,791,190	139,791,190
Effect of change in accounting policy - <i>note 11.1</i>			
Final dividend for the year ended 30 June 2003 declared subsequent to year end	-	10,000,000	10,000,000
<b>Balance as at 30 June 2003 as restated</b>	<u>100,000,000</u>	<u>49,791,190</u>	<u>149,791,190</u>
Final dividend for the year ended 30 June 2003 Rs 1 per share	-	(10,000,000)	(10,000,000)
Net profit for the year	-	37,583,674	37,583,674
<b>Balance as at 30 June 2004 as restated</b>	<u>100,000,000</u>	<u>77,374,864</u>	<u>177,374,864</u>
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
<b>Balance as at 30 June 2005</b>	<u><u>100,000,000</u></u>	<u><u>101,630,602</u></u>	<u><u>201,630,602</u></u>

The attached notes 1 to 34 form an integral part of these accounts.

Lahore:

\_\_\_\_\_  
CHAIRMAN & MANAGING DIRECTOR

\_\_\_\_\_  
DIRECTOR

# **Tariq Glass Industries Limited**

## **Notes to the Accounts**

*For the year ended 30 June 2005*

### **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 Accounting convention**

These accounts have been prepared under the historical cost convention.

#### **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 to the accounts. Full year’s depreciation is charged on all assets in the year of acquisition. No depreciation is charged in the year of disposal.

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 materi	at weighted average cost
Work-in-process and finished goods	at weighted average cost and related manufacturing expense.

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**

Sales are recorded on dispatch of goods to 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 Related party transactions**

All transactions with related parties are conducted at arm's length basis using admissible valuation methods.

### **3.16 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.



#### 4. LONG TERM LOANS

		2005 Rupees	2004 Rupees	Mark-up rate	Number of instalments	Mark-up payable
<b>Secured</b>						
I	Habib Bank Limited - Demand finance	14,957,448	22,457,448	5-10.34% per annum	8 equal semi annual instalments ending February 2007.	Semi annually
II	Habib Bank Limited - Demand finance	8,062,547	11,568,000	5-10.34% per annum	33 equal monthly instalments ending April 2007.	Monthly
III	Habib Bank Limited - Restructured debt	-	1,333,332	Mark-up free	72 monthly instalments ended October 2004.	-
IV	Habib Bank Limited - Demand finance	26,666,668	-	6 Months Kibor + 1.5%	36 equal monthly instalments ending February 2008.	Monthly
V	Habib Bank Limited - Demand finance	6,666,667	-	6 Months Kibor + 1.5%	9 equal monthly instalments ending December 2005.	Monthly
VI	National Bank of Pakistan - Demand finance	7,500,000	10,000,000	SBP Discount with Floor of 8% p.a.	16 quarterly instalments ending June 2008.	Quarterly
		63,853,330	45,358,780			
Less:	Current maturity - Note 9	30,830,671	14,796,235			
		<b>33,022,659</b>	<b>30,562,545</b>			
<b>Un secured</b>						
	Industrial Products Investment Limited (IPI) - Note 4.3	100,000,000	100,000,000	Libor + 1.5%	Interest is payable in 12 semi annual instalments commencing from 01 July 2003.	Semi annually
	Loan from Director	29,005,514	29,005,514	Mark-up free	20 quarterly instalments commencing from 30 June 2006.	-
		129,005,514	129,005,514			
Less:	Current maturity - Note 4.4	-	5,555,514			
		<b>129,005,514</b>	<b>123,450,000</b>			
<b>Total</b>		<b>162,028,173</b>	<b>154,012,545</b>			

#### 4.1 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. 55 million and personal guarantees of Directors of the Company.

#### 4.2 Securities for loan VI

This loan is 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 50 million and personal guarantees of Directors of the Company.

4.3 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.

4.4 Current maturity of Director's loan for the year 2005 has been reclassified as long term consequent to the new arrangement with the Director of the Company.

## 5. 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:

	2005			2004		
	Minimum lease payments Rupees	Financial charges for future periods Rupees	Present value Rupees	Minimum lease payments Rupees	Financial charges for future periods Rupees	Present value Rupees
Not later than one year	6,595,715	659,772	5,935,943	7,913,193	1,070,929	6,842,264
Later than one year and not later than five years	6,390,335	210,614	6,179,721	10,554,945	660,147	9,894,798
	<b>12,986,050</b>	<b>870,386</b>	<b>12,115,664</b>	<b>18,468,138</b>	<b>1,731,076</b>	<b>16,737,062</b>

The Company has entered into various lease agreements with Orix Leasing Pakistan Limited, Bank Alflah Limited and Askari Commercial Bank Limited for leasing machinery and vehicles. Lease rentals are payable in monthly equal instalments and include finance charges ranging from 7.5% to 18% per annum (2004: 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.

## 6. LONG TERM SECURITY DEPOSITS

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

	Note	2005 Rupees	2004 Rupees
7. DEFERRED LIABILITIES			
Deferred taxation	7.1	25,565,887	20,320,138
Staff gratuity		652,704	688,634
		<b>26,218,591</b>	<b>21,008,772</b>

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

## 8. SHORT TERM BORROWINGS - SECURED

	Note	2005 Rupees	2004 Rupees
Habib Bank Limited - Running finance	8.1	38,812,692	42,270,131
National Bank of Pakistan - Cash finance	8.2	31,612,536	31,654,157
Bank Al - Falah Limited - FIM	8.3	7,485,613	-
PICIC Commercial Bank Limited - FIM		-	1,993,871
		<b>77,910,841</b>	<b>75,918,159</b>

8.1 This facility is secured against assets of the Company as mentioned in Note 4.1 and carries mark up at the rate of 6 months Karachi Inter Bank Offered Rate (KIBOR) asking rate plus 1.5 % bank's spread with floor of 4.5 % per annum. The facility will expire on 31 December

8.2 This facility is secured against assets of the Company as mentioned in Note 4.2 and carries mark up at the rate of 6 months Karachi Inter Bank Offered Rate (KIBOR) asking rate plus 1.5 % bank's spread with floor of 4.5 % per annum. The facility will expire on 30 June 2006.

8.3 Finance against imported merchandize (FIM) facility is priced at 6 months Karachi Inter Bank Offered Rate (KIBOR) asking rate plus 1.5 % bank's spread with floor of 4.5 % 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 October 2005.

	Note	2005 Rupees	2004 Rupees
9. CURRENT MATURITY OF LONG TERM LIABILITIES			
Long term loans - Secured	4	30,830,671	14,796,235
Loan from Director - Un secured	4	-	5,555,514
Liabilities against assets subject to finance lease	5	5,935,943	6,842,264
		<b>36,766,614</b>	<b>27,194,013</b>

	<i>Note</i>	<b>2005</b> <b>Rupees</b>	2004 Rupees
<b>10. TRADE AND OTHER PAYABLES</b>			
Trade creditors		<b>48,370,720</b>	37,968,251
Advances from customers		<b>30,835,371</b>	23,165,412
Accrued mark up on:			
Short term loans - Secured		<b>1,934,751</b>	532,035
Long term loans - Secured		<b>729,069</b>	740,370
Long term loans - Unsecured		<b>10,000,000</b>	5,000,000
Leases		<b>66,878</b>	93,185
Accrued expenses		<b>25,508,133</b>	19,526,994
Sales tax payable		<b>4,935,020</b>	2,699,835
Workers' Profit Participation Fund payable	<i>10.1</i>	<b>2,417,824</b>	2,290,622
Payable to provident fund		<b>297,780</b>	359,442
Others		<b>289,509</b>	1,269,568
		<b><u>125,385,055</u></b>	<b><u>93,645,714</u></b>

**10.1 Workers' Profit Participation Fund**

Opening balance		<b>2,290,622</b>	440,230
Add: Allocation for the year		<b>2,106,888</b>	2,290,622
Interest on funds utilized by the Company		<b>310,936</b>	-
		<b><u>4,708,446</u></b>	<u>2,730,852</u>
Less: Amount paid to the fund		<b>2,290,622</b>	440,230
Closing balance		<b><u>2,417,824</u></b>	<u>2,290,622</u>

**11. DIVIDENDS**

Unclaimed		<b>4,334,662</b>	4,590,914
Proposed	<i>11.1 &amp; 11.2</i>	<b>-</b>	-
		<b><u>4,334,662</u></b>	<u>4,590,914</u>

**11.1** The Company effective from the current year, has not recognized the final dividend, proposed subsequent to year end, as a liability to comply with the substituted Fourth Schedule to the Companies Ordinance, 1984. Such a change in policy has been accounted for retrospectively and comparative financial statements have been restated in accordance with the recommended benchmark treatment of IAS-8, Net profit or loss for the period, fundamental errors and changes in accounting policy. Had there been no change, the unappropriated profit and the current liabilities for the year ended 30 June 2005 would have been lower and higher respectively by Rs.5,000,000 (2004: Rs 10,000,000).

**11.2** The Board of Directors have proposed cash dividend @ Rs. 0.5 per share ( 5% ) and bonus shares at the rate of 10 % for the year ended 30 June 2005 at their meeting held on 30 September 2005 for approval of the members at the Annual General Meeting to be held on 26 October 2005. These financial statements do not reflect this dividend payable, as explained above.

**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. 39 million (2004: 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. 4.6 million (2004: Rs. 33.664 million).

13. PROPERTY, PLANT AND EQUIPMENT

	COST					Rate %	DEPRECIATION					Net book value as at 30 June 2005 Rupees
	As at 1 July 2004 Rupees	Additions during the year Rupees	Transfers/ adjustments Rupees	Disposals during the year Rupees	As at 30 June 2005 Rupees		As at 1 July 2004 Rupees	Transfers/ adjustments Rupees	For the year Rupees	On Disposals Rupees	As at 30 June 2005 Rupees	
<b>OWNED</b>												
Freehold land	5,267,380	-	-	-	5,267,380	-	-	-	-	-	-	5,267,380
Factory building -freehold	60,368,607	828,272	-	-	61,196,879	10	36,980,845	-	2,421,603	-	39,402,448	21,794,431
Office building - freehold	49,281,810	-	-	-	49,281,810	5	33,123,133	-	807,934	-	33,931,067	15,350,743
Plant and machinery	601,410,784	106,729,472	-	-	708,140,256	10 - 20	369,480,053	-	44,988,341	-	414,468,394	293,671,862
Furniture and fixtures	3,207,609	121,260	-	-	3,328,869	10	2,427,127	-	90,174	-	2,517,301	811,568
Tools and equipment	761,525	-	-	-	761,525	10	620,523	-	14,100	-	634,623	126,902
Electric installation	12,381,521	459,118	-	69,068	12,771,571	10	7,879,098	-	492,730	34,824	8,337,004	4,434,567
Vehicles	18,726,247	7,080,757	7,013,775	5,460,930	27,359,849	20	7,343,465	3,853,827	3,819,695	2,935,919	12,081,068	15,278,781
Moulds	52,575,589	3,015,456	-	-	55,591,045	30	39,624,039	-	4,790,102	-	44,414,141	11,176,904
Fire fighting equipment	39,606	-	-	-	39,606	10	26,513	-	1,310	-	27,823	11,783
	804,020,678	118,234,335	7,013,775	5,529,998	923,738,790		497,504,796	3,853,827	57,425,989	2,970,743	555,813,869	367,924,921
<b>LEASED</b>												
Plant and machinery	15,810,820	-	-	-	15,810,820	10	4,164,648	-	1,164,617	-	5,329,265	10,481,555
Vehicles	13,481,153	2,847,685	(7,013,775)	-	9,311,063	20	5,830,693	(3,853,827)	1,466,839	-	3,443,705	5,867,358
	29,291,973	2,847,685	(7,017,775)	-	25,121,883		9,995,341	(3,853,827)	2,631,456	-	8,772,970	16,348,913
<b>2005</b>	<b>833,312,651</b>	<b>121,082,020</b>	<b>(4,000)</b>	<b>5,529,998</b>	<b>948,860,673</b>		<b>507,500,137</b>	<b>-</b>	<b>60,057,445</b>	<b>2,970,743</b>	<b>564,586,839</b>	<b>384,273,834</b>
<b>2004</b>	<b>783,091,116</b>	<b>56,231,308</b>	<b>-</b>	<b>6,009,773</b>	<b>833,312,651</b>		<b>458,532,573</b>	<b>-</b>	<b>52,204,501</b>	<b>3,236,938</b>	<b>507,500,136</b>	<b>325,812,515</b>

Depreciation charge for the year has been allocated as follows:

	Note	2005 Rupees	2004 Rupees
Cost of sales	22.1	54,980,134	47,621,475
Administrative expenses	23	3,703,291	3,432,045
Selling and distribution	24	1,374,021	1,150,981
		<b>60,057,446</b>	<b>52,204,501</b>

14. DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Particulars	Cost Rupees	Accumulated depreciation Rupees	Written down value Rupees	Sale proceeds Rupees	Profit / ( Loss ) Rupees	Mode of disposal	Particulars of buyer
<b>Vehicles</b>							
Toyota Corolla (LRH 2220)	1,250,930	450,335	800,595	1,050,000	249,405	Insurance claim	EFU
Land Crusier (LXS 7)	4,210,000	2,485,584	1,724,416	3,600,000	1,875,584	Negotiation	Mrs. Farzana
<b>Office equipment</b>							
Airconditioner PEL	15,068	9,522	5,546	2,500	(3,046)	Negotiation	Mr. M. Adil Naseem
Split Unit - 2 Ton	54,000	25,302	28,698	7,000	(21,698)	Negotiation	Mr. M. Qaiser Rehman
<b>2005</b>	<b>5,529,998</b>	<b>2,970,743</b>	<b>2,559,255</b>	<b>4,659,500</b>	<b>2,100,245</b>		
<b>2004</b>	<b>6,009,773</b>	<b>3,236,938</b>	<b>2,772,835</b>	<b>5,123,000</b>	<b>2,350,165</b>		

	<i>Note</i>	<b>2005</b> <b>Rupees</b>	2004 Rupees
<b>15. CAPITAL WORK IN PROGRESS</b>			
Opening balance		24,853,338	-
Add : Additions during the year		<u>80,394,904</u>	24,853,338
		<b>105,248,242</b>	24,853,338
Less: Transferred to plant and machinery		<u>96,544,438</u>	-
		<b><u>8,703,804</u></b>	<b><u>24,853,338</u></b>
<b>16. LONG TERM SECURITY DEPOSITS</b>			
This mainly comprise of security deposits with leasing companies in respect of leasing facilities availed.			
<b>17. STORES AND SPARES</b>			
Stores		60,099,340	52,021,906
Spares		67,415,463	59,462,948
Goods in transit		<u>1,924,997</u>	15,123,379
		<b><u>129,439,800</u></b>	<b><u>126,608,233</u></b>
<b>17.1</b>	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.		
<b>18. STOCK IN TRADE</b>			
Raw materials		15,478,492	15,947,480
Chemical and ceramic colours		12,545,887	6,797,309
Packing material		10,008,142	6,985,977
Material in process		4,396,854	2,758,872
Finished goods		<u>29,568,923</u>	15,602,131
		<b><u>71,998,298</u></b>	<b><u>48,091,769</u></b>
<b>19. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECIEVABLES</b>			
Advances to suppliers - Un secured, considered good	<i>19.1</i>	9,372,578	5,233,558
Advances to staff - Un secured, considered good		204,340	129,100
Prepaid expenses		1,772,204	215,854
Advance income tax		17,392,713	17,597,775
Income tax refund		1,585,553	-
Sales tax refundable		2,064,098	1,330,594
Security deposits		2,885,475	4,188,455
Prepaid insurance		2,066,374	1,360,378
Prepaid rent		27,500	65,000
Others		<u>455,000</u>	455,000
		<b><u>37,825,835</u></b>	<b><u>30,575,714</u></b>

**19.1** Included in advances to suppliers is an amount of Rs. 1.6 million due from an associated undertaking (Omer Glass Industries Limited). The maximum aggregate balance due to associated undertaking at the end of any month during the year was Rs 1.6 million (2004: Rs 2.783 million).

	<i>Note</i>	<b>2005</b> <b>Rupees</b>	2004 Rupees
<b>20. CASH AND BANK BALANCES</b>			
Cash in hand		<b>631,401</b>	700,984
Cash at bank - current accounts		<b>6,092,885</b>	5,109,255
		<b>6,724,286</b>	5,810,239
<b>21. SALES</b>			
Local		<b>902,344,964</b>	805,001,116
Export		<b>70,585,659</b>	20,763,944
Gross sales		<b>972,930,623</b>	825,765,060
Less: Sales tax		<b>117,698,544</b>	79,353,325
Trade discounts		<b>55,496,709</b>	42,577,753
		<b>173,195,253</b>	121,931,078
Net Sales		<b>799,735,370</b>	703,833,982
<b>22. COST OF SALES</b>			
Cost of goods manufactured	22.1	<b>693,404,683</b>	578,753,093
Finished goods:			
Opening		<b>15,602,131</b>	24,004,097
Closing		<b>(29,568,923)</b>	(15,602,131)
		<b>(13,966,792)</b>	8,401,966
		<b>679,437,891</b>	587,155,059
<b>22.1 Cost of goods manufactured</b>			
Raw material consumed		<b>210,957,051</b>	160,590,086
Packing material consumed		<b>84,869,916</b>	67,633,058
Stores and spares consumed		<b>26,198,654</b>	29,195,447
Salaries, wages and other benefits	22.1.1	<b>100,727,366</b>	83,697,971
Fuel and power		<b>207,401,842</b>	177,632,137
Depreciation	13	<b>54,980,134</b>	47,621,475
Carriage and freight		<b>2,996,559</b>	4,092,003
Repair and maintenance		<b>1,109,857</b>	3,431,928
Traveling and conveyance		<b>2,044,822</b>	2,815,678
Insurance		<b>1,372,173</b>	1,173,698
Postage and telephone		<b>880,244</b>	843,212
Rent, rates and taxes		<b>330,031</b>	288,450
Printing and stationery		<b>90,099</b>	101,660
Entertainment		<b>161,200</b>	140,600
Others		<b>922,717</b>	625,937
		<b>695,042,665</b>	579,883,340
<b>Work in process</b>			
Opening stock		<b>2,758,872</b>	1,628,625
Closing stock		<b>(4,396,854)</b>	(2,758,872)
		<b>(1,637,982)</b>	(1,130,247)
		<b>693,404,683</b>	578,753,093

**22.1.1** Salaries, wages and other benefits include Rs. 1,782,239 (2004: Rs. 1,595,252) in respect of staff retirement benefits.

	<i>Note</i>	<b>2005</b> Rupees	2004 Rupees
<b>23. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and other benefits	<i>23.1</i>	<b>10,316,632</b>	8,207,799
Traveling expenses		<b>1,002,268</b>	1,350,098
Depreciation	<i>13</i>	<b>3,703,291</b>	3,432,045
Legal and professional charges		<b>1,148,473</b>	1,089,285
Postage and telephone		<b>1,176,872</b>	1,641,283
Rent, rates and taxes		<b>840,000</b>	707,500
Motor vehicle expenses		<b>1,011,987</b>	731,395
Repair and maintenance		<b>409,077</b>	517,903
Printing and stationery		<b>306,873</b>	324,521
Auditors' remuneration	<i>23.2</i>	<b>283,000</b>	213,000
Advertisement		<b>414,229</b>	438,131
Utilities		<b>571,502</b>	495,358
Entertainment		<b>221,634</b>	287,353
Insurance		<b>809,967</b>	849,238
Subscription, news papers and periodicals		<b>191,627</b>	274,436
Miscellaneous		<b>1,144,570</b>	580,260
		<b><u>23,552,002</u></b>	<b><u>21,139,605</u></b>

**23.1** Salaries, wages and other benefits include Rs. 323,912 (2004: Rs 294,181) in respect of staff retirement benefits.

	<i>Note</i>	<b>2005</b> Rupees	2004 Rupees
<b>23.2 Auditors' remuneration</b>			
Audit fee		<b>150,000</b>	150,000
Half yearly review fee		<b>60,000</b>	60,000
Certifications fee		<b>70,000</b>	-
Out of pocket expenses		<b>3,000</b>	3,000
		<b><u>283,000</u></b>	<b><u>213,000</u></b>

**24. SELLING AND DISTRIBUTION EXPENSES**

Salaries and other benefits	<i>24.1</i>	<b>7,297,012</b>	7,434,486
Local freight and forwarding		<b>12,692,010</b>	15,158,970
Export freight and forwarding		<b>9,435,689</b>	1,768,454
Traveling expenses		<b>2,426,033</b>	3,430,849
Advertisement, exhibitions and sales promotion		<b>1,068,133</b>	2,038,361
Postage and telephone		<b>1,127,885</b>	1,530,981
Depreciation	<i>13</i>	<b>1,374,021</b>	1,150,981
Rent, rates and taxes		<b>352,000</b>	778,420
Printing and stationery		<b>712,676</b>	514,696
Motor vehicles expenses		<b>1,008,467</b>	951,332
Brokerage and incidental charges		<b>230,501</b>	310,693
Others		<b>-</b>	356,772
		<b><u>37,724,427</u></b>	<b><u>35,424,995</u></b>

**24.1** Salaries, wages and other benefits include Rs. 259,206 (2003: Rs.265,058) in respect of staff retirement benefits.

	<i>Note</i>	<b>2005</b> <b>Rupees</b>	2004 Rupees
<b>25. FINANCIAL CHARGES</b>			
Mark-up on:			
Long term loans		<b>8,914,661</b>	7,466,749
Short term borrowings		<b>5,610,970</b>	4,683,210
		<b>14,525,631</b>	12,149,959
Mark-up on lease finances		<b>1,108,100</b>	2,433,982
Interest on WPPF balance		<b>310,936</b>	-
Bank charges		<b>2,828,744</b>	1,748,559
LC discounting charges		<b>210,117</b>	319,544
		<b>18,983,528</b>	16,652,044

**26. TAXATION**

Income tax - Current	<i>26.1</i>	<b>529,392</b>	3,571,080
Deferred tax	<i>26.2</i>	<b>5,245,749</b>	2,367,068
		<b>5,775,141</b>	5,938,148

**26.1** Current tax charge for the year represents presumptive tax which is full and final tax liability. Accordingly, no tax reconciliation has been prepared. The Company is also subject to minimum tax on turnover due to available tax losses, which is adjustable against future tax liability upto the next five years in accordance with the Income Tax Ordinance, 2001.

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

**27. FINANCIAL INSTRUMENTS**

	Effective mark-up rates %	<u>Interest bearing</u>		<u>Non-interest bearing</u>		Total Rupees
		Maturity upto one year Rupees	Maturity after one year Rupees	Maturity upto one year Rupees	Maturity after one year Rupees	
<b>Financial assets</b>						
Trade debts		-	-	6,435,159	-	<b>6,435,159</b>
Advances, deposits and other receivables		-	-	4,908,388	-	<b>4,908,388</b>
Cash and bank balances		-	-	6,724,286	-	<b>6,724,286</b>
		-	-	18,067,833	-	<b>18,067,833</b>
<b>Financial liabilities</b>						
Long term loans	5 - 10	30,830,668	133,022,659	-	29,005,514	<b>192,858,841</b>
Liabilities against assets subject to finance lease	7.5 - 18	5,935,943	6,179,717	-	-	<b>12,115,660</b>
Short term borrowings	5 - 5.5	77,910,841	-	-	-	<b>77,910,841</b>
Trade and other payables		-	-	87,196,759	-	<b>87,196,759</b>
		114,677,452	139,202,376	87,196,759	29,005,514	<b>370,082,101</b>
<b>Net financial liabilities 2005</b>		<b>(114,677,452)</b>	<b>(139,202,376)</b>	<b>(69,128,926)</b>	<b>(29,005,514)</b>	<b>(352,014,268)</b>
Net financial liabilities 2004		(101,778,840)	(163,907,343)	(51,292,018)	-	(316,978,201)



### 27.1 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 18,067,833 (2004: Rs 19,472,681), the financial assets which are subject to credit risk amount to Rs 15,807,737 (2004: Rs 14,376,659). 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.

### 27.2 Interest rate risk

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

### 27.3 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.

### 27.4 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.

## 28. REMUNERATION OF DIRECTORS AND EXECUTIVES

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

	Managing Director		Directors		Executives	
	2005 Rupees	2004 Rupees	2005 Rupees	2004 Rupees	2005 Rupees	2004 Rupees
Remuneration	1,786,400	928,800	493,500	453,300	548,400	-
House rent	671,360	417,960	222,075	203,986	246,780	-
Conveyance	3,600	3,600	7,200	7,200	3,600	-
Medical and other allowances	-	-	53,055	45,330	62,236	-
Utilities	178,640	89,640	49,350	45,330	58,840	-
	<u>2,640,000</u>	<u>1,440,000</u>	<u>825,180</u>	<u>755,146</u>	<u>919,856</u>	<u>-</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>1</u>	<u>-</u>

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

Persuant to recent amendment in the Fourth schedule to Companies Ordinance, 1984, executive means an employee, whose basic salary exceeds Rs. 500,000 ( 2004: Rs. 100,000) in a financial year. Therefore, the figures of the previous year have been restated for the purposes of comparison.

## 29. 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:

Name	Relationship	Nature of transactions	Pricing method	2005 Rupees	2004 Rupees
Omer Glass Industries Limited	Associated Company	Purchases	Cost plus	616,285	891,943
		Sales	Cost plus	1,918,916	1,457,614
Provident fund	Employee benefit plan	Contributions	10% of basic salary of employees	2,337,586	2,086,014

### 30. CAPACITY AND PRODUCTION

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

	2005 M. Tons	2004 M. Tons
<b>Furnaces capacity</b>		
Containers	21,182	32,141
Tableware	35,172	25,100
	<u>56,354</u>	<u>57,241</u>
<b>Actual packed production</b>		
Containers	16,394	23,668
Tableware	19,769	14,748
	<u>36,163</u>	<u>38,416</u>

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

		2005	2004
<b>31. BASIC AND DILUTED EARNINGS PER SHARE</b>			
Net profit after tax	<i>Rupees</i>	<u>34,255,738</u>	<u>37,583,674</u>
Weighted average number of ordinary shares	<i>Numbers</i>	<u>10,000,000</u>	<u>10,000,000</u>
Basic and Diluted Earnings per share	<i>Rupees</i>	<u>3.43</u>	<u>3.76</u>

### 32. NUMBER OF EMPLOYEES

The total number of employees at the end of the year	<i>Numbers</i>	<u>1,111</u>	<u>1,096</u>
--	----------------	--------------	--------------

### 33. DATE OF AUTHORIZATION FOR ISSUE

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

### 34. FIGURES

- have been rounded off to the nearest rupee.
- corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. During the year the following re-arrangement has been made for more appropriate presentation.

From	To	2005 Rupees	2004 Rupees
Trade and other payable	Long term security deposits	5,207,203	5,211,106

Lahore:

\_\_\_\_\_  
CHAIRMAN & MANAGING DIRECTOR

\_\_\_\_\_  
DIRECTOR

### 34. Financial Statistical Summary

	2005	2004	2003	2002	2001	2000
<b>Investment Measures</b>						
	(Amounts in Million Rupees)					
Share Capital	100	100	100	100	100	100
Shareholders' Equity	201.6	167.4	139.8	146.6	114.5	56.6
Profit before tax	40.0	43.5	9.2	45.3	75.2	42.5
Profit after tax	34.2	37.6	3.5	35.8	62.4	40.5
<b>Measure of Financial Status</b>						
	(Amounts in Rupees)					
Dividend per share	0.5	1.0	1.0	1.2	1.2	1.0
Earning Per Share	3.43	3.76	0.35	3.6	6.2	4.0
Break-up Value per share	20.16	16.74	13.98	14.66	11.45	5.66
PE Ratio	7.7	9.7	84.4	4.6	2.1	1.1
<b>Measure of Financial Performance</b>						
Return on Capital Employed	30.31%	22.50%	2.50%	24.50%	54.50%	75.06%
Gross Profit Ratio	15.04%	16.60%	14.10%	30.20%	32%	32%
Profit before Tax to Sales Ratio	5.00%	6.18%	1.80%	13.20%	10.70%	10.70%
Profit after Tax to Sales Ratio	4.28%	5.34%	0.70%	11.0%	10.20%	10.20%
Debt Equity Ratio	45%	53%	59%	55%	66%	82%