Company Information

Board of Directors

Sir Mohammed Anwar Pervez	Chairman
Mr. Zameer Mohammed Choudrey	Chief Executive
Mr. Arshad Mehmood Chaudhary	Director
Mr. Muhammad lrfan A Sheikh	Director Finance & CFO
Mr. Mazhar Rafi	Director Administration & Marketing
Mr. Arshad Hameed	Director Coordination
Mr. Ghulam Sarwar Malik	Director Works

Company Secretary

Mr. Mazhar Rafi

Statutory Auditors

KPMG Taseer Hadi & Co., Chartered Accountants.

Cost Auditors

S. Ebrahim & Co., Chartered Accountants.

Legal Advisors

Raja M. Bashir, Advocate Supreme Court.

Audit Committee

Mr. Mazhar Rafi
Mr. Arshad Hameed
Mr. Ghulam Sarwar Malik

Registered Office

Bestway Building, 19-A, College Road,
F-7 Markaz, Islamabad.
Tel: (92-51) 265-4856 -63, Fax: (92-51) 265-4865
E-mail: management@bestway.com.pk

Head Office

Bestvvay Building, 19-A, College Road, F-7 Markaz, Islamabad.
Tet (92-51) 265-4856 -63, Fax: (92-51) 265-4865
E-mail: management@bestway.com.pk

Plant Site '

Hattar
SwajGali Road, VillageShadi, Hattar, Distt.Haripur,
N.W.F.P. Pakistan.
Tel: (92) 0303-771-1057 - 58,Fax: (92) 0303-71-1056
E-mail: bclhtr@isb.paknet.com.pk

Chakwal

Village Tatra.1. Near PSG Petrol Pump
22Km KallarKahar, ChoaSaiden Shall Road
Chakwal, Pakistan, Tel: (92-543) 584560-3

Marketing Office

167-A, Adamjee Road, Rawalpindi Cantt.
Tet (92-51) 551-3110, 51,492, 552-0962 Fax: (92-51) 551-3109
E-mail: bdrwp@isb.paknet.com.pk

Shares Department

10th Floor, **Mehdi** Towers/A-1l5
8,M.C.H.S, Shahrah-e-Faisal, Karachi.
Tel: (92-21) 452-6983 - 84, Fax: (92-21) 452-6985

Bankers

Habib Bank Limited.
MCB Bank Limited.
Allied Bank Limited.
Standard Chartered Bank.
Bank of Punjab.
Faysal Bank Limited.
Union Bank Limited.
Askari Commercial Bank Limited.
Bank Al-Habib Limited.
NIB Bank Limited.
National Bank of Pakistan.
United Bank Limited.
Citibank N. A.
Bank Alfalah Limited.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 13th Annual General Meeting of Bestway Cement Limited (the Company) will be held at Bestway Building, 19-A, College Road, F-7 Markaz, Islamabad at 11:00 a.m on Monday, 30th October, 2006 to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of 12th Annual General Meeting.
2. To receive, consider and adopt the audited accounts for the year ended June 30, 2006 together with the Directors' and Auditors' Report thereon.
3. To approve 10% cash dividend as recommended by the Board of Directors.
4. To appoint auditors of the Company and fix their remuneration for the year 2006-07. The present auditors M/s KPMG Taseer Hadi & Co. retire and being eligible, offer themselves for reappointment.
5. Any other business with the permission of the chair.

SPECIAL BUSINESS

6. To approve issuance of bonus shares in the ratio of 1 share for every 10 shares held (i.e @10%) as recommended by the Board of Directors.
7. To increase authorised share capital of the Company by Rs. 500,000,000 (Rupees five hundred million).
8. To approve the loans/advances given or to be given to Mustehkam Cement Limited.

October 9th ,2006
Islamabad

Mr. Mazhar Rafi
Company Secretary

<u>NOTES</u>

The share transfer book of the Company will remain closed from October 30, 2006 to November 6, 2006 (both days inclusive). No transfer will be accepted for registration during this period. Transfers received in order at Progressive Management Services (Pvt.) Ltd, 10th Floor, Mehdi Towers, A-115, S.M.C.H.S., Shahrah-e-Faisal, Karachi upto the close of business on October 28, 2006 will be treated in time for entitlement of dividend, bonus shares and to attend the Annual General Meeting.

1. A member entitled to attend, speak and vote at the Annual General Meeting may appoint a proxy to attend and vote in place of the member. The Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, 19-A, College Road, F-7 Markaz, Islamabad not less than 48 hours before the time of holding the meeting.

2. No person shall act as proxy unless he/she herself/himself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instrument of proxy is deposited by a member with the Company, all such instruments shall be rendered invalid.

For CDC Account Holders/Corporate Entities:
In addition to the above the following requirements have to be met:

4. The proxy form shall be witnessed by two persons whose names, addresses and NIC number shall be mentioned on the form.
5. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
6. The proxy shall produce his original NIC or original passport at the time of meeting.
7. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
8. Members are requested to promptly notify any changes in their addresses.

DRAFT RESOLUTIONS PROPOSED TO BE CONSIDERED IN THE MEETING

Item no.6: Issue of bonus shares

To consider and, if appropriate, pass the following resolution with or without modification(s) as special resolution:

"**RESOLVED** that a sum of Rs. 234,098,160 (Rupees two hundred thirty four million ninety eight thousand one hundred and sixty only) out of unappropriated profits of the Company be capitalised and applied towards the issue of 23,409,816 (Twenty three million, four hundred nine thousand, eight hundred and sixteen) ordinary shares of Rs. 10 each and allotted as fully paid bonus shares to the members who are registered in the books of the Company as at **October 28, 2006**, in proportion of one share for every ten shares held and that such new shares shall rank pari passu with the existing ordinary shares.

RESOLVED that the members entitled to fraction of a share shall be given sale proceeds of their fractional entitlement for which purpose the fractions shall be consolidated into whole shares and sold in the stock market.

FURTHER RESOLVED that the Company Secretary be and is hereby authorised to take all necessary steps on behalf of the Company."

Item no.7: Alteration in Memorandum of Association and Articles of Association

“**RESOLVED** that the authorised share capital of the Company be increased from Rs. 2,500,000,000 (Rupees two billion and five hundred million) to Rs. 3,000,000,000 (Rupees three billion).

In order to give effect to the said resolution, following alterations in the Memorandum of Association and Articles of Association be made:

1. In clause V of Memorandum of Association the words ‘2,500,000,000 (Rs. Two billion and five hundred million) divided into 250,000,000’ be substituted with ‘3,000,000,000 (Rupees three billion) divided into 300,000,000 (three hundred million)’.
2. In clause 3 of Articles of Association the words ‘2,500,000,000 (Rs. Two billion and five hundred million) divided into 250,000,000’ be substituted with ‘3,000,000,000 (Rupees three billion) divided into 300,000,000 (three hundred million)’.

STATEMENT UNDER SECTION 160 (b) OF THE COMPANIES ORDINANCE 1984

Item no.6: Issue of bonus shares

The directors are of the view that Company’s financial position and its reserves justify the capitalisation of free reserves upto Rs. 234,098,160 (Rupees two hundred thirty four million ninety eight thousand one hundred and sixty only). Therefore the directors have recommended the issuance of 23,409,816 (Twenty three million, four hundred nine thousand, eight hundred and sixteen) bonus shares by capitalisation of a part of free reserves of the Company. After the issue the total paid up capital of the Company will increase to Rs. 2,575,079,770 (Rupees two billion, five hundred seventy five million, seventy nine thousand seven hundred and seventy only). None of the directors are interested in this business except to the extent of their entitlement to bonus shares as ordinary members of the Company.

Item no.8: Loans/ Advances to Mustehkam Cement Limited

Bestway Cement Limited purchased 85.29% equity in the Mustehkam Cement Limited (MCL) and took over the charge in November 2005. Bestway Cement Limited has given advances to MCL for over hauling/servicing of plant and machinery and rebuilding of civil works. Further MCL is still in process of restoration therefore the Company will provide necessary finances to MCL for its smooth operations and will charge markup on the outstanding balance at average borrowing rate of the Company.

Directors' Report

The Directors take pleasure in presenting their report together with the Company's Financial Statements for the year ended 30th June 2006 and the Auditors' Report thereon.

Holding Company

Bestway (Holdings) Limited of United Kingdom is the ultimate parent company of the Company.

Industry Overview

During the year under review, despatches of cement by the industry increased by 13% to 18.4 million tonnes as against 16.4 million tonnes for last year. The domestic market grew by 14% while exports recorded a reduction of 4%. The decline in exports was the direct consequence of a voluntary restriction by the industry on exports for a few months during the year and withdrawal of rebates on exports by the government. Overall capacity utilisation for the industry stood at 91% for the year under review as against 93% for last year. The marginal decline in capacity utilisation was due to lower exports and additional capacity coming online during the year.

Production and Sales

Hattar

	2006 Tonnes	2005 Tonnes	Decrease Tonnes	Percentage Decrease
Clinker production	1,097,334	1,115,694	18,360	1.6%
Cement production	1,192,165	1,203,168	11,003	0.9%
Cement sales	1,200,596	1,205,588	4,992	0.4%

Chakwal

Clinker production	32,673	-	-	-
Cement production	4,940	-	-	-
Cement sales	2,364	-	-	-

Volumes for the year were almost identical to last year. The production of clinker and cement during the year under review was restricted due to lower volumes of exports and planned plant shutdowns. Nevertheless capacity utilisation for your Company during the year under review stood at 98%, which is among the highest in the industry and also well above the industry average of 91%.

The directors are pleased to inform that the Chakwal Plant went into commercial operation on 25th June 2006. During the year under review the plant produced 32,673 tonnes of clinker and 4,940 tonnes of cement. Despatches also commenced just before the year-end and your Company sold 2,364 tonnes from its new plant.

Despite fierce competition your Company was able to retain 8% of the market in the north zone and its position as one of the largest cement producers in the country. Bestway

Cement remains one of the largest exporters of cement to Afghanistan. The industry as a whole exported 1,505,159 tonnes during the year as against 1,565,170 tonnes during the year ended 30th June 2005. Bestway Cement's share was an impressive 12% of total exports at 182,510 tonnes.

Operating Highlights

The Company recorded sales of Rs. 6,131 million compared to Rs. 4,906 million during the preceding year. Net turnover amounted to Rs. 4,544 million compared to Rs. 3,536 million in the corresponding period last year, which represents an increase of 29%, after payment of Rs. 1,462 million towards Sales Tax and Excise Duty and Rs. 125 million as rebates and discounts to customers.

The increase of 29% in net turnover resulted from better selling prices achieved during the year both in the local as well as export markets. Gross Profit registered an increase of 48% to Rs. 2,294 million from Rs. 1,549 million despite rising energy costs.

Operating profit for the year under review also saw a substantial increase of 50% to Rs.2,144 million compared to Rs. 1,431 million for the same period last year. Financial cost increased to Rs.469 million for the year ended 30th June 2006 from Rs. 140 million last year. This was due to financial charges incurred on monies borrowed during the year for the acquisition of Mustehkam Cement Limited and the increasing cost of borrowing. Profit before taxation for the year ended 30th June 2006 increased by 33% to Rs. 1,730 million as compared to Rs. 1,298 million for the previous year. Profit after taxation for the year ended 30th June 2006 amounted to Rs.1,226 million as compared to Rs. 931 million for the previous year, which represents an increase of 32%. Earnings per share (EPS) of the Company for the year ended 30th June 2006 on its increased paid up capital after issue of bonus shares stand at Rs. 5.24 as compared to last year's EPS of Rs. 3.98.

Balance Sheet

This was yet another profitable year for your Company and the capital and reserves have grown by 35% to Rs 4.8 billion from Rs. 3.6 billion even after payment of 10% cash dividend.

Your Company has continued to discharge its repayment obligations on all types of loans on time. The net current liabilities on 30th June 2006 stood at Rs.624 million as against Rs. 221 million on 30th June 2005.

Chakwal Project

Line-1

The directors feel immense pleasure in informing that work on the new 6,000 tpd cement plant in District Chakwal was completed just before the year end in record time and within budget. Commercial operation commenced on 25th June 2006. Subsequent to the year-end, the plant was formally inaugurated on 31st July 2006 by the President of Pakistan.

Line-2

In keeping with your Company's philosophy of remaining a leading player in the business, the directors and management of your Company, after careful consideration decided to setup another production line at Chakwal which will be identical to the recently completed Line-1. This new Line-2 of 6,000 tpd cement capacity is expected to commence production during third quarter of 2007-08 with an estimated cost of Rs.7 billion. Sufficient land and raw material leases are already available for Line-2; letter of credit for the import of plant & machinery has been established and various contractors for different activities have been engaged. Arrangement of necessary financing for Line-2 at competitive pricing is also in the final stages.

With the completion of Line-1 your Company has become the 2nd largest producer of cement in the country. Line-2 will enable Bestway to further strengthen its position in the market and will also ensure better profitability and more resilience against the every changing market dynamics.

Mustehkam Cement Limited

Subsequent to your Company's successful acquisition of Mustehkam Cement Limited in September 2005 the management has made all out efforts to revive Mustehkam's plant which had remained shut since January 1999. The directors are pleased to report that due to the tireless efforts of the staff and management we were successful in restarting the 1,000 tpd dry process line during December 2005, with commercial production commencing just before the end of same month. During the last quarter of the year under review, one of the two semi-dry process lines of 550 tpd was also successfully resumed and it has been operating satisfactorily. Also during the same quarter the company entered into an agreement with a Chinese company for the supply and installation of coal mill. The conversion of plant to coal should be completed during the third quarter of 2006-07, which will result in significant savings in cost of production.

Other Investments

Bestway's investment in United Bank Limited continues to prove highly successful as the bank continued to show exceptional performance for yet another year. Profit before tax for the year ended 31st December 2005 stood at Rs.9.5 billion as against Rs.4.9 billion for the corresponding period of last year which represents a staggering increase of 194% year on year. The bank's balance sheet further strengthened during the year with a staggering 45% growth in Performing Advances to Rs. 201 billion, which is one of the highest growth rates amongst the large network banks. Customer deposits and other accounts increased by 25% to Rs.289 billion.

We are delighted to inform you that the Bank announced a cash dividend of 25% and 25% bonus shares for the year ended 31st December, 2005 thus providing a return of Rs.99 million along with 9.9 million bonus shares on your investment in the Bank.

Return to shareholders

The directors and management team of your Company are committed to providing a superior return to the shareholders. In view of another year of good performance by your Company, the Directors feel delighted in proposing a cash dividend of 10% and bonus of 1 share for every 10 shares.

Plant performance

Your Company's management follows an elaborate plan of preventative maintenance, which it has adopted, right from the beginning. This proactive approach ensures efficient and stable operations with minimum disruptions. Our well-knit team of dedicated managers, engineers, technicians and other members of the management and administrative staff play key role in the successful implementation of this approach.

Hattar plant continued to operate smoothly throughout the year at well above its rated capacity.

Chakwal Line-1 commenced operation just before the year-end and, barring a few teething problems, has been operating smoothly ever since.

Marketing

Bestway Cement is a company driven by efficiency and quality consciousness. Strict quality control procedures are applied to ensure that these aims are achieved. Some of the best quality control equipment in Pakistan is in use at the plants. Apart from the usual equipment, Bestway's laboratories are equipped with state-of-the-art technology including X-ray Fluorescent Analyser and Diffractometer. Bestway Cement introduced this technology in Pakistan for the first time. By virtue of this equipment, the Company has been able to consistently produce better quality cement than is currently available in the country.

Bestway continues to be among the top brands both in the domestic market and in Afghanistan where it is now firmly established as the best brand. Your Company has been able to maintain its status as a market leader due to its consistently superior quality, effective marketing strategy, customer care and sheer dedication of its marketing team. With the successful completion of Chakwal Line-1 your Company has become the 2nd largest cement producer in Pakistan.

In recognition of its performance, your Company continues to win awards for being the leading exporter to Afghanistan including a trophy from the Rawalpindi Chamber of Commerce & Industry for the 4th consecutive year.

Training and development

The Company places great importance on the training, development and education of its personnel. In order to keep its workforce abreast with best operational techniques and practices, technical and general managerial training courses are organised for various departments and categories of personnel. Staff is also sent on courses, workshops and seminars organised externally by other institutions. The Company actively encourages and assists its employees in pursuit of professional development and career enhancement.

Health, Safety and Environment

Your Company attaches highest priority to the health and safety of its personnel who are an essential and valuable component of its operations. Initiatives including safety meetings, incident reporting, safety audits, good housekeeping and hygiene controls are actively and consistently pursued to instil safe behaviour in all personnel.

Bestway Cement actively pursues protection and up gradation of the environment by ensuring that its plants continue to comply with established environmental quality standards at all times. Our plant not only meets the stringent environmental quality standards prescribed by the Environment Protection Authority of Pakistan, it even surpasses the international standards for emissions. Your Company always participates in various environment uplift programmes including the Tree Plantation drive each year by planting thousands of plants and trees in our factory areas and surrounding hills in order to contribute our share towards the improvement of environment.

Social Responsibility

Your Company regards itself as a responsible corporate citizen. Right from the outset, Bestway Cement has taken its social responsibilities, particularly towards the local community, very seriously and takes pride in its active participation in the development and welfare of the under-privileged.

Bestway Foundation, the charitable trust of the Bestway Group to which your Company is a major contributor, was established in the year 1997. The Foundation is also certified from the Pakistan Centre for Philanthropy. During the year ended 30th June 2006, your Company contributed nearly Rs.30 million to the Foundation for its various social causes.

Bestway Foundation's main goal is provision of education in rural communities. Quality education is fundamental to building up a strong and vibrant society. This aspect has long been neglected especially in the rural areas where masses are still deprived of good educational facilities. Bearing this in mind the Foundation embarked upon an ambitious plan of revitalising primary and secondary education in rural areas. Bestway Foundation, in collaboration with the District Government Education Department, recently adopted 29 schools in the far-flung corners of Rawalpindi District, which lack basic infrastructure, facilities and sufficient number of teachers. You will be pleased to learn that in line with the plans, the Foundation has so far provided 49 qualified teachers, commenced work on improving the buildings and provided furniture and teaching aids to these schools. In order to attract quality teachers, attractive salary packages and facilities have been provided to the teaching staff.

In addition, the Foundation continues to provide scholarships to talented students who, for want of sufficient resources are unable to continue with their higher studies. At present the Foundation is sponsoring 200 under-graduate and post-graduate students especially in the fields of medicine and engineering. Financial assistance is also provided to a large number of widows and indigents of the local community in the shape of monthly stipends. In the area of basic health, free medical facilities are provided to the local community through a dispensary located at our factory premises.

Future Prospects

A number of green field and expansion projects are nearing completion and the year ahead will see a surge in cement production capacity in the country. Prices are witnessing a downward trend and are expected to soften further during the coming year.

However, management believes that demand for cement is likely to remain robust aided by official GDP forecasts for the year 2006-07 at a respectable 7%. The continued acute shortage of housing in the country, easier availability of housing finance, government's continued emphasis on improving and further developing the infrastructure across the country and allocation of nearly Rs.415 billion for PSDP, and a growing export market should help in mitigating to some extent the impact of excess supply and falling prices. As always, the management will be working hard to ensure further growth and provide superior return to you, the shareholders in the ensuing year.

Corporate Governance

Statement on Compliance with Code of Corporate Governance is annexed.

Pattern of shareholding

Pattern of shareholding as required under the Code of Corporate Governance is given in note 34 to the accounts.

Shares transacted by CEO, Directors, CFO, Company Secretary and their spouses and minor children

None of the directors transacted any shares of the Company during the year under review.

Presentation of Financial Statements

The financial statements prepared by the management of the Company fairly present its state of affairs, the results of its operations, cash flows and changes in equity.

Books of Account

The Company has maintained proper books of account.

Accounting Policies

Appropriate accounting policies have been adopted and consistently applied in preparation of financial statements, except for the change in estimate as mentioned in the note 3.6, and accounting estimates are based on reasonable and prudent judgement.

Application of International Accounting Standards

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

Internal Control System

The system of internal controls is sound in design and has been effectively implemented. The system itself is also subject to continuous review for enhancement wherever and whenever necessary.

Going Concern

There are no doubts about the Company's ability to continue as a going concern.

Listing Regulations

There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Financial highlights

Key financial data for the last six year is annexed.

Board Meetings

Attendance by each director in the 28 Board Meetings held during the year was as given below:

	No. of meetings attended
Sir Mohammed Anwar Pervez	04
Mr. Zameer Mohammed Choudrey	08
Mr. Arshad Mehmood Chaudhary	03
Mr. Muhammad Irfan Anwar Sheikh	26
Mr. Mazhar Rafi	28
Mr. Arshad Hameed	24
Mr. Ghulam Sarwar Malik	26

The directors who could not attend a Board Meeting were duly granted leave of absence from the Board in accordance with the Law.

Auditors

The present auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants retire at the conclusion of the Meeting and, being eligible, have offered themselves for reappointment. The Audit committee of the Company has considered the matter and recommended the retiring auditors for reappointment.

Acknowledgements

The Directors wish to place on record their appreciation for the continued support, contribution and confidence demonstrated in the Company by its shareholders, members of staff, customers, suppliers, our Bankers particularly, Habib Bank Limited, Allied Bank Limited, Muslim Commercial Bank Limited, United Bank Limited, Standard Chartered Bank, Faysal Bank Limited, Bank of Punjab, NIB Bank, Union Bank Limited, Askari Commercial Bank Limited, Bank Al-Habib Limited and various Government agencies throughout the year.

For and on behalf of the Board

Chief Executive
30th September, 2006
Islamabad

STATEMENT OF COMPLIANCE WITH THE
CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.37 of listing regulations of the Karachi Stock Exchange (Guarantee) Limited (KSE) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The present directors were elected before the implementation of the Code of Corporate Governance. Therefore, at present the Board does not include independent non-executive directors and directors representing minority shareholders.

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 directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred in the Board of Directors of the Company during the year ended June 30, 2006.

5. Bestway Group enjoys an enviable reputation for having high ethical standards. The Board considers this to be central to the Company's success and goodwill and is fully conscious of its responsibility to ensure adherence to these ethical standards. The Company has prepared "Statement of Ethics and Business Practices" which has been duly communicated, acknowledged and signed by all the 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, including appointment and determination of remuneration and terms and condtions of employment of CEO and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose 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 two orientation courses for its directors during the last year for the changes in the corporate legislatures and to apprise them of their duties and responsibilities.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The Directors' Report for the FY 2005-06 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 the CEO and the 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 shareholdings.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises of three members, and all the members including the Chairman of the Committee, are executive directors and the appointment has been made with the approval of Board of Directors including non-executive directors.

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 Company has had a fully functional audit department since inception. The members of the department are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

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 the International Federation of Accountants' (IFAC) guidelines on the code of ethics as adopted by the 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 of the KSE and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. The management of the Company is committed to good corporate governance and appropriate steps are being taken to comply with best practices.

21. We confirm that all other material principles contained in the Code have been complied with.

For and On behalf of Board

Chief Executive

BESTWAY CEMENT LIMITED

Key Operating and Financial data for Seven Years

Year	2006	2005	2004	2003	2002	2001	2000
				Rupees in millions			
Operating Results							
Turnover (net)	4,544	3,536	2,666	1,792	1,738	2,078	1,800
Cost of Sales	2,250	1,987	1,596	1,334	1,118	1,591	1,295
Gross Profit	2,294	1,549	1,070	458	621	487	505
Operating Profit	2,144	1,431	1,009	405	570	431	462
Financial Charges	469	140	139	269	245	354	390
Profit before Taxation	1,730	1,298	994	159	329	191	173
Profit after Taxation	1,226	931	679	113	236	178	163
Balance Sheet							
Shareholders' Funds	4,850	3,597	2,859	2,181	2,213	2,003	1,922
Operating Fixed Assets	10,689	5,069	3,200	3,306	3,287	3,456	3,761
Long Term Liabilities	9,459	3,148	1,895	1,701	1,579	1,993	2,236
Net Current Liabilities	624	221	80	1,289	168	50	148
				Percentages			
Significant Financial Ratios							
Gross Profit Ratio	50.48	43.81	40.14	25.56	35.73	23.44	28.06
Net Profit Ratio	26.98	26.33	25.47	6.31	13.58	8.57	9.06
Interest Coverage Ratio	4.69	10.27	7.69	1.59	2.34	1.54	1.44
Return on Equity	52.37	43.75	35.10	5.84	12.20	9.20	8.43
Earnings Per Share-Basic and diluted	5.24	3.98	3.19	0.58	1.22	0.92	0.84
Dividend	10.00	10.00	10.00	7.50	7.50	5.00	-
				In thousand metric tonnes			
Despatches of Cement	1,203	1,206	1,039	837	650	751	681

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 Bestway Cement Limited to comply with the Listing Regulation No. 37, of the Karachi Stock Exchange (Guarantee) Limited 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 bave 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 suchinterna! controls.

Based on our review, nothing has come to our attention which causes us to believe that the Settlement 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 for the year ended June30, 2006

September 30, 2006
Islamabad

KPMG TASEERHADl &CO.
Chartered Accountants

Auditors' Report to the Members

We have audited the almexed balance sheet of Bestway Cement Linuted ("the Company") as at 30 Jlme 2006 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 whid1, to the best of our knowledge and belief, were necessary for the pmposes afoUT 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 aCCoLmtmg standards and the requirements of the Companies Ordinance, 1984. Ow· responsibility is to express an opinion on these statements based on aUf 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 amowlts 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 financial statements. We believe that our audit provides a reasonable basis for OUI" 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 theComparlies 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 conforntity with the Companies Ordillance, 1984, and are in agreementwith the books of account and are further il, accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance wjth 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 the approved accounting standa.rds as applicable in Pakistan, and give the information required by the Companjes 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 2006 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 Us11.1" Ordinance, 1980 (XVIII of1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

The financial statement of the Company as of and for the year ended 30 June 2005 were audited by another auditor whose report dated 30 September 2005 expressed unqualified opinion on those financial statements.

September 30, 2006
ISLAMABAD

KPMGTASEERHADl&CO.
CHARTERED ACCOUNTANTS

BESTWAY CEMENT LIMITED
BALANCE SHEET AS AT JUNE 30, 2006

	Note	2006 Rupees	2005 Rupees
Share capital and reserves			
Authorised share capital			
250,000,000 ordinary shares of Rs. 10 each		2,500,000,000	2,500,000,000
Issued, subscribed and paid up share capital			
234,098,161(2005:212,816,510) ordinary shares of Rs.10 each	4	2,340,981,610	2,128,165,100
Surplus on remeasurement of available for sale investment to fair value		240,343,820	-
Unappropriated profit		2,268,637,348	1,468,417,191
		4,849,962,778	3,596,582,291
Non-current liabilities			
Long term financing	5	9,458,832,353	3,148,463,686
Deferred liabilities	6	1,075,913,123	594,653,794
Long term advance		44,458,500	-
		10,579,203,976	3,743,117,480
Current liabilities			
Trade and other payables	7	641,964,241	406,978,502
Markup payable		169,907,278	53,732,927
Short term borrowings	8	1,110,327,690	753,639,569
Current portion of long term financing	5	666,633,334	469,966,667
		2,588,832,543	1,684,317,665
		18,017,999,297	9,024,017,436
Contingencies and commitments	9		

	Note	2006 Rupees	2005 Rupees
Non-current assets			
Property, plant and equipment	10	9,752,139,389	3,147,107,940
Capital work in progress	11	936,567,384	1,922,261,302
Investment property	12	277,155,456	563,803,179
Long term investments	13	4,984,929,078	1,862,819,950
Long term advances and deposits	14	102,200,847	64,796,048
		16,052,992,154	7,560,788,419
Current assets			
Stores, spares and loose tools	15	795,246,779	578,150,212
Stock in trade	16	150,269,307	93,439,984
Trade debts- unsecured considered good		33,190,955	47,691,775
Available for sale investments	17	330,600,000	-
Advances, deposits, prepayments and other receivables	18	236,138,276	138,310,607
Bank balances	19	419,561,826	605,636,439
		1,965,007,143	1,463,229,017
		18,017,999,297	9,024,017,436

The annexed notes 1 to 32 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR & CFO**

BESTWAY CEMENT LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2006

	Note	2006 Rupees	2005 Rupees
Sales - net	20	4,543,808,323	3,535,841,713
Cost of sales	21	(2,250,304,518)	(1,986,891,718)
Gross profit		2,293,503,805	1,548,949,995
Administration and general expenses	22	(124,952,073)	(97,064,331)
Distribution cost	23	(24,563,397)	(20,876,316)
		(149,515,470)	(117,940,647)
		2,143,988,335	1,431,009,348
Finance cost	24	(468,727,103)	(139,637,148)
Other operating income	25	139,240,672	71,733,025
Workers' Profit Participation Fund		(84,034,307)	(65,183,235)
		(413,520,738)	(133,087,358)
Profit before taxation		1,730,467,597	1,297,921,990
Taxation	26	(504,614,420)	(367,090,178)
Profit after taxation		1,225,853,177	930,831,812
Earnings per share (basic and diluted)	30	5.24	3.98

The annexed notes 1 to 32 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR & CFO**

BESTWAY CEMENT LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2006

	June 30, 2006	June 30, 2005
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,730,467,597	1,297,921,990
Adjustments for:		
Gain on disposal of fixed assets	(748,176)	(375,366)
Depreciation	195,251,203	198,180,366
Profit on deposit accounts	(4,144,860)	(4,692,612)
Dividend income	(99,067,500)	(59,440,500)
Accrued interest on held to maturity investment	(22,035)	-
Gain on revaluation of investment property	(5,817,871)	-
Finance cost	468,727,103	139,637,148
Provision for WPPF	84,034,307	65,183,235
Provision for staff retirement benefits	6,582,309	4,439,000
Exchange loss/(gain)	2,049	(6,415,008)
	644,796,529	336,516,263
Operating profit before working capital changes	2,375,264,126	1,634,438,253
Increase in stores, spares and loose tools	(216,661,792)	(212,304,232)
(Increase)/decrease in stock in trade	(56,829,323)	19,703,823
Decrease/(increase) in trade debts	14,500,820	(6,061,320)
Increase in advances, deposits, prepayments and other receivables	(87,345,182)	(47,784,878)
Increase in trade and other payables	216,129,935	58,006,818
	(130,205,542)	(188,439,789)
Cash generated from operations	2,245,058,584	1,445,998,464
Finance cost paid	(352,552,755)	(99,744,240)
WPPF paid	(65,183,235)	(44,242,509)
Staff retirement benefits paid	(4,108,017)	(1,334,107)
Income tax paid	(35,914,870)	(24,485,114)
	(457,758,877)	(169,805,970)
Net cash generated from operating activities	**1,787,299,707**	**1,276,192,494**
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to capital work in progress	(5,101,450,766)	(1,922,455,356)
Additions to property, plant and equipment	(420,511,066)	(144,322,068)
Proceeds from sale of property, plant and equipment	2,034,835	620,300
Long term advances and deposits	(37,404,799)	(45,905,501)
Profit earned on deposit accounts	1,865,119	4,409,600
Dividend income	99,067,500	59,440,500
Long term advance	44,458,500	-
Purchase of investment property	-	(563,803,179)
Long term investments	(3,212,343,273)	-
Net cash used in investing activities	**(8,624,283,950)**	**(2,612,015,704)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short term finances	356,688,121	541,802,578
Long term financing- disbursements	7,015,000,000	1,777,998,000
- repayments	(507,964,666)	(484,467,647)
Dividend paid	(212,811,776)	(193,469,555)
Net cash generated from financing activities	**6,650,911,679**	**1,641,863,376**
Net cash (used in)/ generated during the year	**(186,072,564)**	**306,040,166**
Cash and cash equivalents at beginning of the year	605,636,439	293,181,265
Exchange (loss)/gain	(2,049)	6,415,008
Cash and cash equivalents at the end of the year	**419,561,826**	**605,636,439**

CHIEF EXECUTIVE **DIRECTOR & CFO**

BESTWAY CEMENT LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2006

	Issued, subscribed and paid up share capital	Surplus on remeasurement of available for sale investment to fair value	Unappropriated profit	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at July 01, 2004	1,934,695,550	-	924,524,484	2,859,220,034
Profit for the year ended June 30, 2005	-	-	930,831,812	930,831,812
Final dividend for the year ended June 30, 2004 @ 10% (Re 1 per share)	-	-	(193,469,555)	(193,469,555)
Bonus shares issued for the year ended June 30, 2004 @ 10%	193,469,550	-	(193,469,550)	-
Balance as at June 30, 2005	2,128,165,100	-	1,468,417,191	3,596,582,291
Surplus on remeasurement of available for sale investment to fair value	-	240,343,820		240,343,820
Profit for the year ended June 30, 2006	-	-	1,225,853,177	1,225,853,177
Final dividend for the year ended June 30, 2005 @ 10% (Re 1 per share)	-	-	(212,816,510)	(212,816,510)
Bonus shares issued for the year ended June 30, 2005 @ 10%	212,816,510	-	(212,816,510)	-
Balance as at June 30, 2006	2,340,981,610	240,343,820	2,268,637,348	4,849,962,778

The annexed notes 1 to 32 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR & CFO**

1. The company and its operations

Bestway Cement Limited ("the Company") is a public company incorporated in Pakistan on December 22, 1993 under the Companies Ordinance, 1984 and is listed on the Karachi Stock Exchange since April 9, 2001. The Company is engaged in production and sale of cement . The Company's registered office is situated at Bestway Building,19-A, College Road F-7 Markaz, Islamabad.

2. Statement of compliance and significant accounting estimates

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the 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 the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Significant estimates

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year includes income taxes, staff retirement benefits, property, plant and equipment, stores, spares and loose tools, stock in trade , provision against doubtful debts which are discussed in their respective policy notes.

2.3 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after 1 July 2006 and are either not expected to have a significant effect on the Company's financial statements or are not relevant to the Company:

- IAS 1(Amendments) Presentation of Financial Statements Capital Disclosures
- IAS 19 (Amendment) Employee Benefits contractual agreement between the multi employer plan and defined benefit plan disclosures
- IAS 39 (Amendment) Cash Flow Hedge Accounting of Forecast Intergroup Transactions
- IAS 39 (Amendment) The Fair Value Option
- IAS 21 (Amendment) The Effects of Changes in Foreign Exchange Rates: Net investment in foreign operation
- IFRIC 4 Determining whether an Arrangement contains a Lease
- IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Fund
- IFRIC 6 Liabilities arising from Participating in a specific market - Waste Electrical and Electronic Equipment
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

3 Accounting convention and summary of significant accounting policies

These financial statements have been prepared under the historical cost convention except for investment property and available for sale investment which have been measured at fair market value and obligations under certain employee benefits have been measured at present value.

3.1 Staff retirement benefits

Gratuity

The Company maintains an unfunded gratuity scheme for all its eligible employees. Annual provision for gratuity is made on the basis of actuarial valuation carried out by using the Projected Unit Credit Method. Latest valuations were conducted as at June 30, 2006.

The amount recognized in the balance sheet represents the present value of defined benefits as adjusted for unrecognized actuarial gains and losses. The Company uses the corridor approach as defined in IAS 19 " Employee Benefits" for recognising actuarial gains or losses.

Certain actuarial assumptions have been adopted as disclosed in note 6.2 to the financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

Compensated absences

The Company recognizes provision for compensated absences payable to employees at the time of retirement / termination of service. The provision is determined on the basis of last drawn salary and accumulated leaves at reporting date.

3.2 Taxation

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax authorities at the assessment stage and where the Company considers that its view on items of material nature is in accordance with the law, the amounts are shown as contingent liabilities.

Current

The Company accounts for current taxation on the basis of taxable income at the current rates of taxation after taking into account tax credits and rebates if any, or half a percent of turnover, whichever is higher in accordance with the provisions of the Income Tax Ordinance, 2001.

Deferred

Deferred tax is accounted for using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the rates enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that the future taxable profits will be available and credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.3 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 received, whether or not billed to the Company.

3.4 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event if it is probable that an outflow of sources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount can be made.

3.5 Borrowing cost

Mark up, borrowing cost and other charges on borrowed monies are capitalised upto the date of commissioning of the asset acquired or created out of the proceeds of such borrowings. All other borrowing costs are charged to profit and loss account.

3.6 Property, plant and equipment

These are stated at cost, which includes purchase price, import duties, directly attributable costs and related borrowing costs less accumulated depreciation. Freehold land is stated at cost.

Normal repairs and maintenance are charged to the profit and loss account as and when incurred whereas major improvements and modifications are capitalised.

Capital work in progress is stated at cost including where appropriate, related borrowing costs. These costs are transferred to fixed assets as and when assets are available for use.

Depreciation is charged to income applying the reducing balance method except leasehold land and plant and machinery. Plant and machinery is depreciated on straight line method. Leasehold land is amortised over the remaining period of the lease. Rates of depreciation are mentioned in note 10.

Depreciation on property, plant and equipment is charged on prorated basis from the month in which an asset is acquired or capitalised , while no depreciation is charged for the month in which the asset is disposed off. Days in excess of fifteen days are considered as full month for the purpose of calculation of depreciation. Previously, full year's depreciation was being charged on all assets capitalised during the year while no depreciation was charged on assets in the year of disposal. Such a change has been accounted for prospectively as a change in an accounting estimate in accordance with International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

Had there been no change in the accounting estimate, the depreciation for the year would have been higher by Rs 355 million with corresponding decrease in carrying value of property, plant and equipment by the same amount. Consequently the earnings per share would have been lower by Rs. 1.45.

Gains and losses on disposals of property, plant and equipment are taken to the profit and loss account.

The Company reviews the useful life of property, plant and equipment on regular basis. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

3.7 Investment property

Investment property is stated at its fair value at the balance sheet date. Gains or losses, if any, arising from changes in the fair value of investment property are recognised as profit or loss for the period in which they arise.

3.8 Impairment

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss if any. Impairment losses are recognized as expense in the profit and loss account.

3.9 Foreign currency transactions

Foreign currency transactions are recorded on exchange rates prevailing on the dates of transactions. Monetary assets and liabilities in foreign currencies are translated at the exchange rates prevailing at the balance sheet date. Exchange gains and losses are included in the profit and loss account.

3.10 Investments

Investments in subsidiaries and associated companies

Investments in subsidiaries and associates are stated at cost and the carrying amount is adjusted for impairment, if any, of permanent nature.

Subsidiaries are those enterprises in which the Company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and/or appoint more than 50% of its directors.

Associates are those entities in which the Company has significant influence and which is neither a subsidiary nor a joint venture of the Company .

Held to maturity investments

Investments with fixed or determinable payments and fixed maturity and where the Company has positive intent and ability to hold to maturity are classified as held to maturity. These are initially recognized at cost and are subsequently carried at amortized cost using the effective interest rate method.

Available for sale investments

These are investments which do not fall under the "investments at fair value through profit or loss" or" held for maturity categories". These are stated at fair values with any resulting gains/losses recognized directly in the equity . The fair value of these investments representing listed equity securities are determined on the basis of closing price quoted on the stock exchange at the balance sheet date.

3.11 Stores, spares and loose tools

These are valued at lower of moving average cost and net realisable value, while items considered obsolete are carried at nil value. Cost comprises purchase price and other costs incurred in bringing the stores and spares at their present location for intended use less recoverable government levies. Net realisable value signifies estimated selling price less costs necessary to be incurred to effect such sale. Items in transit are valued at costs accumulated up to the balance sheet date.

The Company reviews the stores, spares, loose tools and stock in trade on regular basis. Further, the Company reviews the value of the inventory for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores and spares and stock in trade with a corresponding affect on the provision.

3.12 Stock in trade

Stocks of raw materials, work in process and finished goods are valued at the lower of weighted average cost and net realisable value. Cost of work in process and finished goods comprises of direct materials, labour and appropriate manufacturing overheads. Net realisable value signifies estimated selling price less costs necessary to be incurred to effect such sale.

3.13 Trade debts

These are carried at invoice value as reduced by appropriate allowances for estimated irrecoverable amounts.

The Company reviews its trade debts from customers to assess the amount of bad debts and provision required there against on annual basis.

3.14 Revenue recognition

Revenue from sales is recorded on dispatch of goods to the customers. Return on investments is accounted for on accrual basis. Dividend income is recognised when the right to receive such income is established.

3.15 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments.

3.16 Financial assets and liabilities

Financial assets and liabilities are recognised in the balance sheet when the Company becomes a party to the contractual provisions of an instrument. Financial assets are derecognised when the Company looses control of the contractual rights that comprise the financial asset. Financial liabilities are removed when they are extinguished. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account.

3.17 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to setoff the recognised amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.18 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 cash and bank balances, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change.

3.19 Dividend

Dividend distribution to the share holders is recognised as liability in the period in which it is approved by the shareholders.

4 Issued, subscribed and paid up share capital

2006	2005		2006	2005
(No. of shares)			Rupees	Rupees
193,469,555	193,469,555	Ordinary shares of Rs.10 each issued for cash	1,934,695,550	1,934,695,550
40,628,606	19,346,955	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	406,286,060	193,469,550
234,098,161	212,816,510		2,340,981,610	2,128,165,100

Bestway (Holdings) Limited of U.K. is the ultimate parent company controlling 156,948,297 i.e. 67.04% shares (2005: 144,896,770 i.e. 68.09% shares) of the Company.

		Note	2006 Rupees	2005 Rupees
5	**Long term financing- secured**			
	Loan from banking companies	5.1	1,625,000,000	1,172,998,000
	Long term morabaha	5.2	575,000,000	322,500,000
	Syndicate financing	5.3	7,925,465,687	2,122,932,353
			10,125,465,687	3,618,430,353
	Less: Current portion of long term financing		(666,633,334)	(469,966,667)
			9,458,832,353	3,148,463,686
5.1	**Loan from banking companies**			
	Demand Finance from Habib Bank Limited		-	70,000,000
	Demand Finance from Habib Bank Limited	5.1.1	225,000,000	225,000,000
	Term Finances from Standard Chartered Bank	5.1.2	800,000,000	777,998,000
	Term Finance from Standard Chartered Bank	5.1.3	100,000,000	100,000,000
	Term Finance from Allied Bank Limited	5.1.4	500,000,000	-
			1,625,000,000	1,172,998,000
5.2	**Long term morabaha**			
	Faysal Bank Limited	5.2.1	150,000,000	-
	Faysal Bank Limited	5.2.2	125,000,000	225,000,000
	Faysal Bank Limited	5.2.3	300,000,000	97,500,000
			575,000,000	322,500,000
5.3	**Syndicate financing**			
	Term Finance from syndicate	5.3.1	303,044,118	505,073,529
	Term Finance from syndicate	5.3.2	122,421,569	220,358,824
	Term Finance from syndicate	5.3.3	4,300,000,000	1,397,500,000
	Term Finance from syndicate	5.3.4	3,200,000,000	-
			7,925,465,687	2,122,932,353

5.1.1 This represents a Demand Finance facility of Rs. 225 million. Markup is payable at simple average of three months' KIBOR plus 0.75 % per annum. Facility is secured by way of a ranking charge of Rs. 75 million over the Company's movable assets including vehicles, furniture, fixtures, stocks, spares & stores and lien on US $ deposit account of the Company and a director of the ultimate parent company.

5.1.2 This represents Term Finance facilities of Rs. 800 million. Markup is payable on quarterly basis and ranges between six months' KIBOR plus .6% to 1.0% per annum. The facilities are together secured by way of hypothecation charge over stocks and book debts for Rs.227 million and lien on Special US $ accounts of directors of the ultimate parent company.

5.1.3 This represents a Term Finance facility of Rs. 100 million . Mark up is payable at three months' KIBOR plus 1% per annum. The facility is secured by way of charge of Rs. 225.36 million over present and future fixed assets of the Company.

5.1.4 This represents a bridge finance facility of Rs. 500 million. Mark up is payable on quarterly basis at six months' KIBOR plus 2.05% per annum. The facility is secured by way of a ranking charge of Rs. 2.26 billion over the Company's present and future fixed assets excluding land and building.

5.2.1 This represents Morabaha Finance facility of Rs. 150 million . Mark up is payable at six months' KIBOR plus 2% per annum. The facility together with the unfunded facilities is secured by way charge of Rs. 600 million over present and future fixed and current assets of the Company.

5.2.2 This represents Morabaha Finance facility of Rs. 300 million repayable in 12 equal quarterly installments started from December 2004. Mark up is payable on quarterly basis at simple average of the cut-off yields of last three auctions of six months treasury bills plus 2 % per annum with a floor and cap of 4.5% and 15% respectively. The facility is secured by way of first pari passu charge of Rs. 400 million on all the present and future fixed assets of the Company.

5.2.3 This represents Morabaha Finance facility of Rs 300 million repayable in 10 equal biannual installments starting from August 2007. Mark up is payable on quarterly basis at six months' KIBOR plus 1.10 % per annum. The facility is secured by way of first pari passu charge on the Company's present and future assets and first pari passu equitable mortgage over the Company's immovable properties for an amount of Rs. 400 million .

5.3.1 This represents a Term Finance facility of Rs. 606.09 million from a syndicate of Habib Bank Limited, Union Bank Limited, Askari Commercial Bank Limited and Bank Al Habib Limited with the participation of Rs. 231.09 million, Rs. 150 million , Rs. 200 million and 25 million respectively. The facility is repayable in 12 equal quarterly installments started from January 2005. Mark up is payable on quarterly basis at simple average of the cut-off yields of last three auctions of six months treasury bills plus 2 % per annum with a floor and ceiling of 4.5 % and 15% respectively. The facility is secured by way of first pari passu charge of Rs. 808.12 million in favour of syndicate on all present and future fixed assets of the Company.

5.3.2 This represents a Term Finance facility of Rs. 293.81 million obtained from a syndicate of Habib Bank Limited and Union Bank Limited with the participation of Rs. 193.81 million and Rs. 100 million respectively. The facility is repayable in 12 equal quarterly installments started from December 2004. Mark up is payable on quarterly basis at simple average of the cut-off yields of last three auctions of six months' treasury bills plus 2 % per annum with a floor and ceiling of 4.5% and 15% respectively. The facility is secured by way of first pari passu charge of Rs. 391.75 million in favour of syndicate on all present and future fixed assets of the Company.

5.3.3 This represents a Term Finance facility of Rs. 4.3 billion from a syndicate of Habib Bank Limited, MCB Bank Limited, Bank of Punjab, Allied Bank Limited and Standard Chartered Bank with the participation of Rs. 1,500 million, Rs. 1,200 million, Rs. 600 million, Rs. 500 million and Rs. 500 million respectively. This facility is repayable in 10 equal biannual installments starting from August 2007. Mark up is payable on quarterly basis at six months' KIBOR plus 1.10 % per annum. The facility is secured by way of first pari passu charge on all the Company's present and future assets and first pari passu equitable mortgage over the Company's immovable properties for an amount of Rs. 5.733 billion in favour of syndicate.

5.3.4 This represents a Term Finance facility of Rs. 3.2 billion from a syndicate of Habib Bank Limited, MCB Bank Limited and Allied Bank Limited with the participation of Rs. 1 billion, Rs. 1 billion, and Rs. 1.2 billion respectively. This facility is repayable in 12 equal biannual installments starting from May 2007. Mark up is payable on quarterly basis at six months' KIBOR plus 1.7 % per annum. The facility is secured by way of first pari passu charge on all the Company's present and future assets and first pari passu equitable mortgage over the Company's immovable properties for an amount of Rs. 4.267 billion in favour of syndicate and additional charge over 85.29% shares of Mustehkam Cement Limited.

		Note	2006 Rupees	2005 Rupees
6	**Deferred liabilities**			
	Deferred taxation	6.1	1,049,450,237	572,547,942
	Provision for gratuity	6.2	19,789,808	17,125,978
	Provision for compensated absences	6.3	6,673,078	4,979,874
			1,075,913,123	594,653,794
6.1	Deferred tax liability is recognised on the following major temporary differences:			
	Accelerated depreciation		1,859,265,206	579,801,637
	Staff retirement benefit		(9,262,010)	(7,253,695)
	Unabsorbed tax losses		(800,552,959)	-
			(809,814,969)	(7,253,695)
			1,049,450,237	572,547,942
6.2	Reconciliation of defined benefit plan			
	Present value of defined benefit obligation		29,283,467	21,507,734
	Net actuarial losses not recognized		(9,493,659)	(4,381,756)
			19,789,808	17,125,978
	Movement in net liability recognised			
	Opening net liability		17,125,978	14,674,259
	Expense for the year		6,166,286	3,785,826
	Benefits paid		(3,502,456)	(1,334,107)
	Closing net liability		19,789,808	17,125,978
	Charge for the defined benefit plan			
	Current service cost		3,767,626	2,398,294
	Interest cost		2,150,773	1,387,532
	Actuarial losses recognised		247,887	-
			6,166,286	3,785,826
	Actuarial Assumptions			
	Valuation discount rate		10%	10%
	Salary increase rate		10%	10%

6.3 Actuarial valuation of compensated absences has not been carried out since the management believes that the affect of actuarial valuation would not be material.

		Note	2006 Rupees	2005 Rupees
7	**Trade and other payables**			
	Payable to contractors and suppliers		165,634,859	65,579,229
	Accrued liabilities		241,373,979	115,208,772
	Advances from customers		36,793,685	85,348,634
	Security deposits		25,434,214	9,325,500
	Retention money		32,953,526	15,513,879
	Workers' Profit Participation Fund	7.1	84,034,306	65,183,235
	Sales tax payable		28,647,360	23,400,541
	Other payables	7.2	27,071,867	27,403,001
	Unclaimed dividend		20,445	15,711
			641,964,241	406,978,502

		2006	2005
7.1	Workers' Profit Participation Fund		
	Balance at beginning of the year	65,183,234	44,242,508
	Allocation for the year	84,034,306	65,183,235
	Payment during the year	(65,183,234)	(44,242,508)
		84,034,306	65,183,235

7.2 This includes an amount of Rs 3.37 million (2005: Rs 2.23 million) payable to Bestway (Holding) Limited (parent company) and Rs 6.40 million (2005: Rs 7.33 million) payable to Bestway Foundation (associated undertaking).

		Note	2006 Rupees	2005 Rupees
8	**Short term borrowings -secured**			
	Running finance from banking companies			
	Habib Bank Limited	8.1	706,910,715	614,990,583
	NIB Bank Limited	8.2	51,075,408	-
			757,986,123	614,990,583
	Short term loans from banking companies			
	Habib Bank Limited	8.3	190,000,000	-
	Foreign Currency Finance from Habib Bank Limited		-	69,753,875
	Foreign Currency Finance from NIB Bank Limited	8.4	162,341,567	68,895,111
			352,341,567	138,648,986
			1,110,327,690	753,639,569

8.1 This represents the utilised amount of running finance facilities of Rs.750 million for a period of one year (2005: Rs.750 million). Mark up is payable on quarterly basis ranges between one month KIBOR plus 0.5% to 1.5% per annum. These facilities are secured by way of first pari passu hypothecation charge on present and future current assets of the Company for an amount of Rs. 100 million, ranking charge on book debts and movable property of the Company amounting to Rs.150 million and lien on Special US $ account of the Company and a director of the ultimate parent company.

8.2 This represents the utilised amount of a facility of Rs. 60 million for a period of one year (Rs. 2005: Nil) and carries mark up at the rate of six months' KIBOR plus 1 % payable quarterly. The facility along with the facility in note 8.4 are secured by way of first pari passu charge over present and future current assets of the Company upto Rs. 250 million.

8.3 This represents the utilised amount of the facility of Rs.300 million for a period of one year (2005: Rs. Nil). Mark up is payable on quarterly basis at one month KIBOR plus 1.5% per annum. The facility is secured by way of first hypothecation charge over present and future fixed assets (excluding land and building) of the Company and equitable mortgage charge over land and building ranking pari passu upto a limit of Rs. 762.5 million.

8.4 This represents utilised amount of US$ 2.696 million (2005 US $ 1.158 million) from a facility equivalent to Rs. 225 million extended for import of raw material. Mark up is payable on maturity of the utilised portion of the facility at the rate of six months' LIBOR plus 1.5 %.

		2006 Rupees	2005 Rupees
9	**Contingencies and commitments**		
	In respect of letters of credit and contracts for Chakwal Plant	2,950,117,166	2,262,342,904
	In respect of insurance guarantees against excise duty on exports	-	34,500,000
	In respect of bank guarantees	616,555,933	150,828,195

9.1 All bank guarantees are secured by way of charge over fixed assets of the Company.

BESTWAY CEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30,2006

10 Property, plant and equipment

	Free hold land	lease hold land	Buildings	Plant and machinery	Quarry Equipment	Other Equipment	Furniture and Fixture	Vehicles	Office equipment	Total
					Rupees					
Cost										
Balance as at July 01, 2004	78,844,518	30,694,261	1,090,588,529	3,156,012,535	295,596,912	30,252,908	11,108,830	35,606,884	14,353,905	4,743,059,282
Additions during the year	63,872,139	14,560	5,952,376	53,953,179	-	5,432,916	1,508,595	46,782,779	8,106,226	185,622,770
Disposals	-	-	-	-	-	-	-	(1,681,395)	(12,000)	(1,693,395)
Balance as at June 30, 2005	142,716,657	30,708,821	1,096,540,905	3,209,965,714	295,596,912	35,685,824	12,617,425	80,708,268	22,448,131	4,926,988,657
Balance as at July 01, 2005	142,716,657	30,708,821	1,096,540,905	3,209,965,714	295,596,912	35,685,824	12,617,425	80,708,268	22,448,131	4,926,988,657
Additions during the year	271,380,831	6,182,751	2,187,855,777	3,997,878,259	249,294,477	10,789,887	31,091,131	38,040,385	15,703,324	6,808,216,822
Disposals	-	-	-	-	-	-	-	(3,852,767)	-	(3,852,767)
Transfers	-	-	-	-	-	-	-	-	(511,500)	(511,500)
Balance as at June 30, 2006	414,097,488	36,891,572	3,284,396,682	7,207,843,973	544,891,389	46,475,711	43,708,556	114,895,886	37,639,955	11,730,841,212
Depreciation										
Balance as at July 01, 2004	-	8,177,972	271,703,735	1,084,214,938	163,650,744	15,950,694	5,063,664	21,238,285	7,558,211	1,577,558,243
Depreciation charge for the year	-	1,072,898	41,241,857	123,968,510	19,791,925	2,506,604	755,376	12,179,159	2,233,758	203,750,087
Disposals	-	-	-	-	-	-	-	(1,425,813)	(1,800)	(1,427,613)
Balance as at June 30, 2005	-	9,250,870	312,945,592	1,208,183,448	183,442,669	18,457,298	5,819,040	31,991,631	9,790,169	1,779,880,717
Balance as at July 01, 2005	-	9,250,870	312,945,592	1,208,183,448	183,442,669	18,457,298	5,819,040	31,991,631	9,790,169	1,779,880,717
Depreciation charge for the year	-	1,129,366	41,380,383	124,143,033	17,461,918	2,786,750	1,109,619	11,054,974	2,397,896	201,463,939
Disposals	-	-	-	-	-	-	-	(2,566,108)		(2,566,108)
Transfers	-	-	-	-	-	-	-	-	(76,725)	(76,725)
Balance as at June 30, 2006	-	10,380,236	354,325,975	1,332,326,481	200,904,587	21,244,048	6,928,659	40,480,497	12,111,340	1,978,701,823
Carrying value -2005	142,716,657	21,457,951	783,595,313	2,001,782,266	112,154,243	17,228,526	6,798,385	48,716,637	12,657,962	3,147,107,940
Carrying value -2006	414,097,488	26,511,336	2,930,070,707	5,875,517,492	343,986,802	25,231,663	36,779,897	74,415,389	25,528,615	9,752,139,389
Rates of depreciation	-	30yrs	5%	5%	15%	10-15%	10%	20%	15%	

10.1 Depreciation on property plant and equipment has been allocated as follows:

	2006 Rupees	2005 Rupees
Cost of sales	189,091,756	194,053,006
Administration and general expenses	4,127,639	2,063,680
Distribution cost	2,031,807	2,063,680
Depreciation on assets used at Chakwal project (Capitalised)	6,212,737	5,569,721
	201,463,939	**203,750,087**

10.2 Disposal of property, plant and equipment

Description	Cost Rupees	Book Value Rupees	Sale Proceeds Rupees	Gain Rupees	Mode of Disposal	Sold to
Vehicles						
Suzuki Khyber	403,591	105,798	375,000	269,202	Insurance Claim	Int. General Insurance Co. Islamabad
Mazda Double Cabin	948,366	101,830	367,200	265,370	By Negotiation	Ch. Mohammad Saleem, Islamabad
Honda Civic	1,117,160	714,982	714,982	-	By Negotiation	Mr. Mohammad Akram, Islamabad
Suzuki Mehran	383,210	196,203	196,203	-	By Negotiation	MAP Rice Mills (Pvt) Limited, associated company
Suzuki Margalla	487,770	81,834	181,450	99,616	By Negotiation	Mr. Imran Shah, Islamabad
Suzuki Margalla	512,670	86,012	200,000	113,988	By Negotiation	Mr. Mohammad Zafar, Islamabad
2006	3,852,767	1,286,659	2,034,835	748,176		
2005	1,647,795	242,434	620,300	377,866		

	Note	2006 Rupees	2005 Rupees
11 Capital work in progress			
Opening balance		1,922,261,302	34,654,972
Additions during the year	11.1	5,109,546,244	1,928,907,033
		7,031,807,546	1,963,562,005
Transferred to property, plant and equipment:			
Plant and machinery and other equipment		(3,951,141,711)	(41,300,703)
Buildings and civil works		(2,137,915,700)	-
Lease hold land		(6,182,751)	-
		(6,095,240,162)	(41,300,703)
		936,567,384	1,922,261,302

11.1 This includes capitalised borrowing cost amounting to Rs 435.2 million at capitalisation rate of 9.31% p.a (2005: Rs 32.7 million at 9% p.a).

	Note	2006 Rupees	2005 Rupees
11.3 Break up of Capital work in progress is as follows:			
Plant and machinery and other equipment		154,081,138	623,374,341
Building and civil works		-	713,294,718
Advances for Chakwal project		782,486,246	384,011,510
Stores and spares held for chakwal project		-	195,397,982
Lease hold land		-	6,182,751
		936,567,384	1,922,261,302

	Note	2006 Rupees	2005 Rupees
12 Investment property			
Opening balance		563,803,179	-
Additions		-	563,803,179
Transferred to owner occupied property		(292,465,594)	-
Gain on remeasurement of investment property to fair value		5,817,871	-
	12.1	277,155,456	563,803,179

12.1 This represents the proportionate share of the Company's building premises in Islamabad which has been rented out and accounted for as investment property. Fair value is determined by a qualified independent valuer using recent market value.

		Note	2006 Rupees	2005 Rupees
13	**Long term investments**			
	Associated company-at cost (quoted)	13.1	1,772,546,770	1,862,802,950
	Subsidiary company-at cost (quoted)	13.2	3,212,343,273	-
	Held to maturity investment-at amortised cost	13.3	39,035	17,000
			4,984,929,078	1,862,819,950
13.1	**United Bank Limited (UBL)**			
	49,533,750 shares (2005: 39,627,000 shares) of Rs. 10 each			
	(Market value Rs 137.75 per share). Equity held 7.65% (2005: 7.65%)	13.1.1	1,862,802,950	1,862,802,950
	Less: Transferred to available for sale investment			
	2,400,000 shares (2005: Nil) of Rs 10 each		(90,256,180)	-
			1,772,546,770	1,862,802,950

13.1.1 This represents 7.65% share in the equity of 647.5 million shares of Rs. 10 each in UBL, an associated company. Bestway Group as a whole controls 25.5 % equity in UBL. Increase in number of shares represent bonus shares received during the year. Pursuant

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		Note	2006 Rupees	2005 Rupees
13.2	**Mustehkam Cement Limited (MCL)**			
	10,548,298 shares (2005: Nil) of Rs. 10 each			
	Market value Rs 150.55 per share (2005: Rs 29.50). Equity held 85.62% (2005: Nil)	13.2.1	3,212,343,273	-

13.2.1 This includes 10,507,934 shares (representing 85.29% of MCL) acquired by the Company at Rs 305 per share through Privatisation Commission of Pakistan.

		Note	2006 Rupees	2005 Rupees
13.3	**Held to maturity investment-at amortised cost**			
	Defence Saving Certificates (DSCs)		39,035	17,000
14	**Long term advances and deposits**			
	Advance for gas pipe line	14.1	40,030,000	40,030,000
	Security deposits	14.2	62,170,847	24,766,048
			102,200,847	64,796,048

14.1 This represents a long term advance paid to Sui Northern Gas Pipelines Limited to facilitate gas pipeline laying for the Company's plant located at Chakwal. The advance alongwith mark up at the rate of 1.5% per annum is recoverable in 10 equal yearly inst

14.2 This includes security deposits amounting to Rs. 56.145 million (2005: Rs 18.74 million) given for the electricity connections for the plants.

		2006 Rupees	2005 Rupees
15	**Stores, spares and loose tools**		
	Stores, spares and loose tools	763,242,300	505,638,046
	Stores and spares in transit	32,004,479	72,512,166
		795,246,779	578,150,212
16	**Stock in trade**		
	Raw and packing material	52,677,996	22,001,536
	Work in process	86,458,156	52,563,860
	Finished stock	11,133,155	18,874,588
		150,269,307	93,439,984

		Note	2006 Rupees	2005 Rupees
17	**Available for sale investment**			
	2,400,000 shares (2005: Nil) of UBL at Rs 10 each		90,256,180	-
	Surplus on remeasurement of available for sale investment to fair value		240,343,820	-
			330,600,000	-

		Note	2006 Rupees	2005 Rupees
18	**Advances, deposits, prepayments and other receivables**			
	Due from Directors- secured, considered good		-	338,564
	Due from executives - unsecured, considered good		1,005,665	1,340,452
	Advances to suppliers and contractors - considered good		149,344,184	77,372,510
	Due from subsidiary company - unsecured, considered good	18.1	1,536,785	-
	Short term security deposits		2,408,549	2,236,099
	Prepayments		22,704,040	1,534,021
	Accrued profits		2,586,525	306,784
	Claims and tax refunds due from the Government :			
	Income tax claims	18.2	43,567,715	35,364,969
	Excise duty		727,198	1,358,250
	Insurance claims receivable - considered good		3,615,585	-
	Other receivables-considered good		8,642,030	18,458,958
			236,138,276	138,310,607

18.1 This represents amount due from MCL (a subsidiary company) and carries mark up at Company's weighted average borrowing rate of 9.31% p.a.(2005: Nil).

18.2 This includes an amount of Rs 14.70 million pertaining to tax suffered by the Company on a sale and lease back transaction for which the claim of refund has been lodged with taxation authorities.

		Note	2006 Rupees	2005 Rupees
19	**Bank balances**			
	`			
	Current accounts		141,731,296	31,723,054
	Deposit accounts	19.1	277,830,530	573,913,385
			419,561,826	605,636,439

19.1 This includes Rs 140.669 million (2005:Rs 18.960) held in current accounts maintained with UBL - an associated company.

19.2 This includes an amount of US$ 4.317 million (2005: US $ 4.483) in US Dollar Saving Account out of which US $ 4 million (2005: US $ 4.39 million) are under lien against financing arrangements as explained in notes 5.1.1 and 8.1.

		2006 Rupees	2005 Rupees
20	**Sales- net**		
	Gross sales	6,131,141,365	4,905,886,078
	Less:		
	Sales tax	(703,592,516)	(534,639,159)
	Excise duty	(758,725,665)	(690,878,850)
	Net sales	4,668,823,184	3,680,368,069
	Less: Rebates and discounts	(125,014,861)	(144,526,356)
		4,543,808,323	3,535,841,713

		Note	2006 Rupees	2005 Rupees
21	**Cost of sales**			
	Raw and packing materials consumed		321,622,880	280,103,827
	Rent, rates and taxes		313,512	997,320
	Fuel and power		1,531,411,245	1,323,138,883
	Stores and spares consumed		80,449,940	51,336,853
	Repairs and maintenance		12,125,613	5,237,277
	Salaries, wages and benefits	21.1	86,995,240	63,314,852
	Support services		27,806,239	18,796,098
	Insurance		5,228,699	5,120,729
	Equipment rental		6,884,283	5,880,789
	Utilities		1,681,423	1,224,962
	Traveling, conveyance and subsistence		8,675,810	5,329,141
	Communication expenses		1,679,823	1,501,017
	Printing and stationery		1,296,802	820,892
	Entertainment		956,213	199,625
	Depreciation	10.1	189,091,756	194,053,006
	Miscellaneous expenses		1,666,193	653,464
			2,277,885,671	1,957,708,735
	Opening work in process		52,563,860	77,952,781
	Closing work in process		(86,458,156)	(52,563,860)
	Cost of goods manufactured		2,243,991,375	1,983,097,656
	Opening finished stocks		18,874,588	22,668,650
	Closing finished stocks		(11,133,155)	(18,874,588)
	Cost of sales including trial run sales		2,251,732,808	1,986,891,718
	Less: Cost of sales during trial run		(1,428,290)	-
	Cost of sales		2,250,304,518	1,986,891,718

21.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 2.77 million (2005 Rs. 3.278 million)

		Note	2006 Rupees	2005 Rupees
22	**Administration and general expenses**			
	Salaries, wages and benefits	22.1	58,208,720	50,932,881
	Rent, rates and taxes		2,782,315	4,604,220
	Repairs and maintenance		1,543,340	488,845
	Insurance		432,258	45,631
	Utilities		1,475,704	538,593
	Traveling, conveyance and subsistence		7,656,248	5,776,683
	Communication expenses		1,457,059	1,332,395
	Printing and stationery		682,735	690,577
	Entertainment		768,552	205,229
	Advertisements		4,227,673	2,073,696
	Charitable donations	22.2	30,946,329	22,703,215
	Legal and professional charges		4,831,639	2,898,755
	Fees and subscription		2,786,913	1,110,790
	Management charges	22.3	1,190,000	1,142,000
	Equipment rental		480,000	-
	Auditors' remuneration	22.4	870,500	390,353
	Depreciation	10.1	4,127,639	2,063,680
	Miscellaneous expenses		484,449	66,788
			124,952,073	97,064,331

22.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 3.34 million (2005 Rs. 0.878 million).

22.2 A provision at 2.5% of the accounting profit after tax for an amount of Rs. 30.646 million has been made for donation to Bestway Foundation (2005: Rs.22.70 million). The chief executive and directors are among the trustees of the Foundation. None of the

22.3 This represent management charges of parent company.

		Note	2006 Rupees	2005 Rupees
22.4	**Auditors' remuneration**			
	KPMG Taseer Hadi & Co.			
	Audit fee		500,000	-
	Taxation services		100,000	-
	Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq			
	Audit fee		-	160,000
	Half yearly audit		55,000	55,000
	Taxation services		215,500	173,938
	Out of pocket expenses		-	1,415
			870,500	390,353

		Note	2006 Rupees	2005 Rupees
23	**Distribution cost**			
	Salaries, wages and benefits	23.1	8,871,300	6,824,872
	Support services		481,486	319,181
	Rent, rates and taxes		2,518,929	1,898,728
	Repairs and maintenance		466,510	292,900
	Utilities		636,796	601,836
	Traveling, conveyance and subsistence		1,408,277	1,295,355
	Communication expenses		1,245,025	1,374,191
	Printing and stationery		800,872	1,036,502
	Entertainment		308,851	434,706
	Advertising and promotion		131,180	351,049
	Depreciation	10.1	2,031,807	2,063,680
	Fees and subscription		1,126,224	1,133,806
	Freight and handling		4,138,550	3,079,757
	Miscellaneous expenses		397,590	169,753
			24,563,397	20,876,316

23.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 0.472 million (2005: Rs. 0.283 million).

		2006 Rupees	2005 Rupees
24	**Finance cost**		
	Finance cost on long term finance	416,622,907	107,333,658
	Finance cost on short term finance	46,398,419	27,411,919
	Bank charges and commissions	5,705,777	4,891,571
		468,727,103	139,637,148
25	**Other operating income**		
	Income from financial assets		
	Profit on deposit accounts	4,144,860	4,692,612
	Exchange (loss)/ gain	(2,049)	6,415,008
		4,142,811	11,107,620
	Income from assets other than financial assets		
	Gain on disposal of fixed assets	748,176	375,366
	Dividend income from UBL (associated company)	99,067,500	59,440,500
	Rental income from investment property	16,660,400	-
	Surplus on remeasurement of investment property to fair value	5,817,871	-
	Management fee from related parties	12,270,000	670,000
	Other	533,914	139,539
		139,240,672	71,733,025

26 Taxation

	2006 Rupees	2005 Rupees
Current	27,712,124	26,927,192
Deferred	476,902,296	340,162,986
	504,614,420	367,090,178

26.1 Major components of tax expense

Numerical reconciliation between tax expense and product of accounting profit multiplied by the applicable tax rate is as follows

	2006	2005
Accounting profit	1,730,467,597	1,297,921,990
Applicable tax rate	35%	35%
	605,663,659	454,272,697
Tax effects of:		
Accelerated tax depreciation	(1,279,463,569)	4,964,627
Income taxable under presumptive tax	(88,302,703)	(92,899,575)
Tax effect of exempt income	(8,730,096)	(2,475,857)
Tax effect of low rates on certain income	(29,720,250)	(17,832,150)
Unabsorbed tax losses available against future tax profits	800,552,959	(346,029,742)
Recognition of tax impact on temporary differences	476,902,296	340,162,986
Minimum tax	27,712,124	26,927,192
	504,614,420	367,090,178

Provision for minimum tax at half a percent of turnover has been made in accordance with section 113 of the Income Tax Ordinance, 2001 due to brought forward tax losses of the Company.

27 Remuneration of the chief executive, directors and executives

The aggregate amounts charged in the financial statements for the year with respect to remuneration, including benefits and perquisites, were as follows:

	Chief Executive		Directors, including chairman		Executives	
	Rupees					
	2006	2005	2006	2005	2006	2005
Managerial remuneration and allowances	18,000,000	18,000,000	31,674,979	28,403,218	15,258,745	6,965,634
Bonus	-	-	2,117,732	1,101,579	4,494,690	718,634
Company's contribution to gratuity fund	-	-	630,097	1,061,800	947,142	1,702,548
Compensated absences	-	-	115,552	457,304	825,728	419,356
	18,000,000	18,000,000	34,538,360	31,023,901	21,526,305	9,806,172
Number of persons	1	1	5	5	13	6

27.1 The Directors excluding chairman and the executives are also provided with medical insurance facility as per their entitled limits.

28 Transactions with related parties

The Company is a subsidiary of Bestway (Holdings) Limited, UK, therefore all subsidiaries and associated undertakings of parent company are related parties of the Company. Other related parties comprise of subsidiary, associate company, directors, key man

	2006 Rupees	2005 Rupees
Transactions with parent company		
Management charges (expense)	1,190,606	1,142,003
Dividend paid	144,896,770	131,733,419
Issuance of bonus shares	144,896,770	131,733,419
Transactions with subsidiary company		
Purchase of cement	43,826,652	-
Sale of cement	1,812,550	
Advances given	433,536,002	
Management charges (income)	11,550,000	-
Markup on advances given	6,586,476	
Recoveries made	450,135,693	
Transactions with associated undertakings under common directorship		
Management charges (income)	720,000	670,000
Purchase of husk	-	2,967,102
Office rent	2,689,309	4,610,244
Service/bank charges	2,465,863	1,782,735
Charitable donations	30,646,329	22,709,596
Dividend received	99,067,500	59,440,500
Sale of vehicle	196,203	-
Transactions with key personnel		
Remuneration to chief executive and directors (note: 27)		

29 Financial assets and liabilities

Particulars		Interest / Markup bearing							Non-interest/Markup bearing			
	Effective rate of interest	Maturity up to one year Rupees	Maturity after one year and upto two years Rupees	Maturity after two years and upto three years Rupees	Maturity after three years and upto four years Rupees	Maturity after four years and upto five years Rupees	Maturity after five years Rupees	Sub total Rupees	Maturity up to one year Rupees	Maturity after one year Rupees	Sub total Rupees	Total Rupees
Financial assets												
Long term investments		-	-	-	-	39,035		39,035	-	-	-	39,035
Long term advances and deposits	1.50%	-	4,003,000	4,003,000	4,003,000	4,003,000	24,018,000	40,030,000	-	62,170,847	62,170,847	102,200,847
Trade debts		-	-	-	-	-	-	-	33,190,955	-	33,190,955	33,190,955
Available for sale investments		-	-	-	-	-	-	-	330,600,000	-	330,600,000	330,600,000
Advances, deposits and other receivables								-				
- due from executives	5.00%	-	-	-	-	-	-	-	1,005,665	-	1,005,665	1,005,665
- due from group companies	9.30%	1,536,785	-	-	-	-	-	1,536,785	-	-	-	1,536,785
- security deposits		-	-	-	-	-	-	-	2,408,549	-	2,408,549	2,408,549
- Accrued profit		-	-	-	-	-	-	-	2,586,525	-	2,586,525	2,586,525
Insurance claim receivable									3,615,585		3,615,585	3,615,585
Other receivables		-	-	-	-	-	-	-	8,642,030	-	8,642,030	8,642,030
Bank balances	1-4.5%	277,830,530	-	-	-	-	-	277,830,530	141,731,296	-	141,731,296	419,561,826
June 30, 2006		**279,367,315**	**4,003,000**	**4,003,000**	**4,003,000**	**4,042,035**	**24,018,000**	**319,436,350**	**523,780,605**	**62,170,847**	**585,951,452**	**905,387,802**
Financial liabilities												
Long term financing	8-11%	666,633,334	2,728,832,353	2,103,333,334	1,453,333,333	1,453,333,333	1,720,000,000	10,125,465,687	-	-	-	10,125,465,687
Trade and other payables		-	-	-	-	-	-	-	605,170,556	-	605,170,556	605,170,556
Markup payable		-	-	-	-	-	-	-	169,907,278	-	169,907,278	169,907,278
Short term borrowings	8-11%	1,110,327,690					-	1,110,327,690	-	-	-	1,110,327,690
June 30, 2006		**1,776,961,024**	**2,728,832,353**	**2,103,333,334**	**1,453,333,333**	**1,453,333,333**	**1,720,000,000**	**11,235,793,377**	**775,077,833**	**-**	**775,077,833**	**12,010,871,211**
Financial assets												
Investments		-	-				17,000	17,000	-	-	-	17,000
Long term advances and deposits		-	-	4,003,000	4,003,000	4,003,000	28,021,000	40,030,000	-	24,766,048	24,766,048	64,796,048
Trade debts		-	-	-	-	-	-	-	47,691,775	-	47,691,775	47,691,775
Advances, deposits and other receivables								-				
- due from employees / directors	5.00%	1,488,460	-	-	-	-	-	1,488,460	190,556	-	190,556	1,679,016
- security deposits		-	-	-	-	-	-	-	2,236,099	-	2,236,099	2,236,099
- Accrued profit		-	-	-	-	-	-	-	306,784	-	306,784	306,784
- Others		-	-	-	-	-	-	-	18,458,958	-	18,458,958	18,458,958
Bank balances	1-4.5%	573,913,385	-	-	-	-	-	573,913,385	31,723,054	-	31,723,054	605,636,439
June 30, 2005		**575,401,845**	**-**	**4,003,000**	**4,003,000**	**4,003,000**	**28,038,000**	**615,448,845**	**100,607,226**	**24,766,048**	**125,373,274**	**740,822,119**
Financial liabilities												
Long term financing	7-10%	469,966,667	399,966,665	2,173,856,021	575,000,000	-	-	3,618,789,353	-	-	-	3,618,789,353
Tarde and other payables		-					-	-	321,629,867	-	321,629,867	321,629,867
Markup payable		-	-	-	-	-	-	-	53,732,927	-	53,732,927	53,732,927
Short term borrowings	7-10%	753,639,569	-	-	-	-	-	753,639,569	-	-	-	753,639,569
June 30, 2005		**1,223,606,236**	**399,966,665**	**2,173,856,021**	**575,000,000**	**-**	**-**	**4,372,428,922**	**375,362,794**	**-**	**375,362,794**	**4,747,791,716**

29.1 CREDIT RISK

The Company believes that it is not exposed to major concentration of credit risk. To manage exposure to the risk, the company applies credit limits and monitors debt on continuous basis.

29.2 FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly where payables exist due to transactions with foreign undertakings. The Company is partially hedged against foreign currency payables through investment in foreign currency saving accounts for an amount of US $ 4.3 million.

29.3 FAIR VALUE OF ASSETS

The carrying value of assets and liabilities reflected in the financial statements approximates their fair value except for long term investment, which are stated at cost (Note 13).

29.4 INTEREST / MARKUP RATE RISK EXPOSURE

The Company is exposed to interest/markup rate risk on some of the financial obligations for an amount of Rs 11.2 billion. The rates of interest/markup and their maturities are given in the respective notes.

29.5 LIQUIDITY RISK

Liquidity risk represents an enterprise's inability in raising funds to meet commitments. The Company manages its liquidity position to ensure availability of funds and to take appropriate measures for new requirements.

		2006	2005
30	**Earnings per share (basic and diluted)**		
	Profit after tax (Rupees.)	1,225,853,177	930,831,812
	Number of ordinary shares in issue (including bonus shares)	234,098,161	234,098,161
	Earnings per share - basic and diluted (Rupees)	5.24	3.98

The number of ordinary shares outstanding at June 30, 2005 have been adjusted to reflect the bonus shares issued during 2005-2006.

			2006	2005
31	**Plant capacity and production of clinker**		**Tonnes**	**Tonnes**
	Available capacity	Hattar	1,170,000	1,170,000
		Chakwal	1,710,000	-
	Actual production	Hattar	1,097,334	1,115,694
		Chakwal	32,673	-

Decrease in production at Hattar plant was due to planned shut down of plant for modifications.
Trial production at chakwal plant was started on May 27, 2006 while the commercial production commenced on June 25, 2006.

32 General

32.1 These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on September 30, 2006.

32.2 Figures have been rounded off to the nearest Rupee.

32.3 The Board of Directors of the Company in their meeting held on 30 September 2006 proposed final cash dividend of Re 1 per share and stock dividend of 10% i.e. 1 bonus share for every 10 shares held. The final dividend shall be recorded in the financial s

CHIEF EXECUTIVE **DIRECTOR & CFO**

Pattern of Holding of Shares Held By the Shareholders As At June 30, 2006

No. of Shareholders	No. of Shareholders From	To	Total Shares Held
31	1	100	1,436
21	101	500	8,435
30	501	1000	21,095
15	1001	5000	30,560
5	5001	10000	31,200
3	10001	15000	36,300
4	15001	20000	77,167
2	20001	25000	44,150
2	25001	30000	53,582
1	30001	35000	32,795
1	35001	40000	35,090
1	40001	45000	40,535
1	45001	50000	45,914
7	60001	65000	432,510
1	85001	90000	90,000
1	100001	105000	102,850
1	105001	110000	108,900
8	120001	125000	968,000
2	140001	145000	285,820
6	180001	185000	1,091,750
2	190001	195000	387,200
1	195001	200000	198,440
1	215001	220000	218,961
2	225001	230000	459,800
1	235001	240000	238,975
1	240001	245000	242,000
1	410001	415000	411,400
1	415001	420000	419,265
1	480001	485000	484,000
7	600001	1100000	5,231,978
2	1100001	1600000	2,661,758
3	1600001	2100000	5,276,326
3	2100001	2600000	7,123,512
1	3600001	4100000	3,930,685
4	4100001	4600000	17,715,126
2	8600001	9100000	17,723,112
1	10600001	11100000	10,889,237
1	59600001	60100000	59,627,700
1	60100001	110100000	97,320,597
179			234,098,161

Categories of Shareholding As At June 30, 2006

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
Public Sector Companies and Corporations	1	20,650	00.01
Modarabas	1	1,500	00.00
Joint Stock Companies	8	2,623,330	01.12
Associated Companies, Undertakings and Related Parties	4	168,546,554	72.00
Directors, CEO and Their Spouses and Minor Children	14	33,504,426	14.31
Executives of The Company/Modaraba	3	54,475	00.02
Individuals	148	29,347,226	12.54
	179	234,098,161	100.00

# of Shareholders
As at June 30, 2006

		No. of Share Holders	Shares Held
PUBLIC SECTOR COMPANIES AND CORPORATIONS			
02857-30	ARIF HABIB SECURITIES LIMITED		20,650
		1	20,650
MODARABAS			
00364-8522	AL-ZAMIN LEASING MODARABA(010074)		1,500
		1	1,500
JOINT STOCK COMPANIES			
00364-11369	AI SUPPORT SERVICES (PVT) LTD. (023030)		184,250
04184-22	AZEE SECURITIES (PRIVATE) LIMITED		50
05751-6432	EXCEL SECURITIES (PVT) LTD.		2
03715-19	EXCEL SECURITIES (PVT.) LTD.		48
06122-26	FOUNDATION SECURITIES (PRIVATE) LIMITED		2,438,150
03863-7371	HI-TECH COMPUTERS ASSOCIATES PVT LTD		230
05587-6474	PROGRESSIVE INVESTMENT MANAGEMENT (PVT)LTD.		100
03210-10	Y.S. SECURITIES & SERVICES (PVT) LTD.		500
		8	2,623,330
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES			
00001	BESTWAY (HOLDINGS) LIMITED		59,627,700
00055	BESTWAY CASH & CARRY LIMITED		97,320,597
00059	BESTWAY NORTHERN LIMITED		10,889,237
06122-1370	PAK PEARL RICE MILLS (PVT) LTD (00154)		709,020
		4	168,546,554
DIRECTORS,CEO AND THEIR SPOUSES AND MINOR CHILDREN			
00056	ARSHAD HAMEED		121,000
00004	ARSHAD MEHMOOD CHAUDHARY		1,668,348
04168-1550	GHULAM SARWAR MALIK		102,850
06122-1198	M.IRFAN A. SHEIKH (00139)		40,535
00844	MAZHAR RAFI		6,050
00002	MOHAMMAD ANWAR PERVEZ		9,089,157
00048	MOHAMMAD IRFAN ANWAR SHEIKH		60,510
05264-8917	RAKHSHANDA CHOUDREY		4,434,045
00015	RAKHSHINDA CHOUDREY		108,900
00008	RIZWAN PERVEZ		4,423,518
00066	SHUAIB ARSHAD CHAUDHARY		198,440
00067	TAHIRA ARSHAD CHAUDHARY		193,600
00003	ZAMEER MOHAMMAD CHOUDREY		4,423,518
05264-8875	ZOHRA PERVEZ		8,633,955
		14	33,504,426
EXECUTIVES OF THE COMPANY/MODARABA			
05215-10207	MUHAMMAD MEHRAB KHAN		25
05264-8826	MUHAMMAD SAADAT ALAM		35,090
05264-8867	SHAHID SOHAIL KHAN		19,360
		3	54,475
	CATEGORIES TOTAL	31	204,750,935
	INDIVIDUALS	148	29,347,226
	GRAND TOTAL	179	234,098,161

ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES

		Shares Held	Percentage
00055	BESTWAY CASH & CARRY LIMITED	97,320,597	41.57
00001	BESTWAY (HOLDINGS) LIMITED	59,627,700	25.47