

Company Information

Board of Directors

Sir Mohammed Anwar Pervez
Mr. Zameer Mohammed Choudrey
Mr. Arshad Mehmood Chaudhary
Mr. Muhammad Irfan A Sheikh
Mr. Mazhar Rafi
Mr. Mohammed Akram
Mr. Arshad Hameed
Mr. Ghulam Sarwar Malik

Chairman
Chief Executive
Director
Director Finance & CFO
Director Administration
Director Marketing
Director Coordination
Director Works

Company Secretary

Mr. Mohammad Akram

Statutory Auditors

Khalid Majid Rehman Sarfarz.Rahim Iqbal Rafiq, Chartered Accountants.

Cost Auditors

S.M. Masood & Co., Chartered Accountants.

Legal Advisors

Raja M. Bashir, Advocate Supreme Court.

Audit Committee

Mr. Mazhar Rafi
Mr. Mohammed Akram
Mr. Ghulam Sarwar Malik

Registered Office

5th Floor, UBL Building, Jinnah Avenue, Islamabad
Tel: (92-51) 220-6146 -51, Fax: (92-51) 2272150
E-mail: management@bestway.com.pk

Head Office

5th Floor, UBL Building, Jinnah Avenue, Islamabad
Tel: (92-51) 220-6146 -51, Fax: (92-51) 2272150,
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

Marketing Office

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

Shares Department

First Floor, Modern Motors House
Beaumont Road, Karachi.
Tel: (92-21) 452-6983 - 84, Fax: (92-21) 452-6985

Bankers

Habib Bank Limited.
Standard Chartered Bank.
Faysal Bank Limited.
Union Bank Limited.
Askari Commercial Bank Limited.
Bank Al-Habib Limited.
National Bank of Pakistan.
United Bank Limited.
Citibank N. A.
Bank Alfalah Limited.
Shamil Bank of Bahrain E.C.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 10th Annual General Meeting of the members of Bestway Cement Limited will be held at 5th Floor, UBL Building, Jinnah Avenue, Islamabad at 11 a.m. on Thursday, the 30th October 2003 to transact the following business:

1. To confirm the minutes of the 9th Annual General Meeting held on 1st November 2002.
2. To receive, consider and adopt the audited accounts for the year ended June 30, 2003 and reports of the Directors and the Auditors thereon.
3. To approve 7.5% cash dividend as recommended by the Board of Directors.
4. To appoint the auditors of the Company and fix their remuneration.
5. To transact any other business as may be placed before the meeting with permission of the Chairman.

The Share Transfer Books of the Company will remain closed from 29th October 2003 to 7th November 2003 (both dates inclusive).

By order of the Board

Muhammad Akram
Company Secretary

9th October 2003
Islamabad

Notes:

1. The Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, 5th Floor, UBL Building, Jinnah Avenue 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:

- i) The proxy form shall be witnessed by two persons whose names, addresses and NIC number shall be mentioned on the form.
- ii) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii) The proxy shall produce his original NIC or original passport at the time of meeting.
- iv) 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.

Directors' Report

The Directors take pleasure in presenting their report together with the Company's Financial Statements for the year ended 30th June 2003 and the Auditors' Report thereon.

Demand

During the year ended 30th June 2003, although the industry as a whole continued to suffer from over-capacity, the extent of it reduced significantly due to a pick up in domestic off-take and exports to Afghanistan. The despatches of cement by the industry as a whole were 11.4 million tonnes during the year ended 30th June 2003 as against 9.8 million tonnes for last year which represents a growth of 16%.

The despatches of cement by the Company increased from 650,403 tonnes to 837,476 tonnes for the year ended 30th June 2003, which is an increase of 29%. Bestway Cement was not only able to retain 9% of the market in the north zone and its position as one of the largest cement producers in the country but also emerged as one of the major exporters to Afghanistan. The industry as a whole exported 430,322 tonnes to Afghanistan during the year as against 107,220 tonnes during the year ended 30th June 2002. Of this, 93,980 tonnes was dispatched by Bestway Cement alone which accounts for 22% of the total exports to Afghanistan.

Operating Performance

The production and despatches for the year under review were as follows:

Production	2003 Tonnes	2002 Tonnes	Increase Tonnes	Percentage Decrease
Clinker	795,255	675,487	119,768	18%
Cement	858,774	632,669	226,105	36%
Despatches	837,476	650,403	187,073	29%

Volumes for the year saw significant growth on the back of lower prices and exports. The production of clinker and cement during the year under review was accordingly increased to cope with the demand. Capacity utilisation during the period under review was 81% which is well above industry average of 69%. During the year your Company has emerged as one of the leading exporters to Afghanistan.

Operating Results

Turnover net of sales tax, excise duty and rebates and discounts to customers for the year ended 30th June 2003 amounted to Rs.1,792 million compared to Rs.1,738 million in the

corresponding period last year, which is an increase of 3%. The significant increase in volumes could not translate into a similar increase in turnover as the selling prices remained under considerable pressure for most part of the year. This resulted in a decline of 26% in gross profit from Rs.621million to Rs.458 million.

Operating profit for the year under review also declined by 29% to Rs.406 million compared to Rs.570 million for the same period last year. Financial Charges increased from Rs.245 million to Rs.269 million for the current year under review, which translates into an increase of 10%. Profit before taxation for the year ended 30th June 2003 decreased by 51% to Rs.160 million as compared to Rs.329 million for the previous year. Profit after taxation for the year ended 30th June 2003 amounted to Rs.113 million as compared to Rs.236 million for the previous year, which represents a decrease of 52% year on year.

Dividends

The Directors and Management team of your Company are mindful of providing a superior return to the shareholders. Despite a considerable decline in profits for the year, the Directors believe that the current year bodes well for the cement industry in general and your company in particular. The Directors therefore feel pleasure in proposing a ***cash dividend of 7.5%***.

Balance Sheet

Although it was another profitable year for your Company, the capital and reserves have remained at Rs. 2.2 billion, which is the same as last year, as a result of a ***7.5% dividend*** and provision of Rs.122 million on account of deferred taxation subsequent to the adoption of the revised International Accounting Standard IAS 12, "Income Taxes".

Your Company has continued to discharge its repayment obligations on all types of loans on time. The net current liabilities on 30th June 2003 stood at ***Rs.1,289*** million as against Rs. 168 million on 30th June 2002.

During the year the acquisition of 7.65% equity of United Bank Limited was successfully completed. As anticipated, investment in the Bank has proved to be worthwhile as the Bank has already started to show considerable improvement in profitability and balance sheet. Profit before tax for the year ended 31st December 2002 stood at Rs. 2.7 billion as against a huge loss of Rs. 5.7billion for the year ended 31st December 2001.

Plant performance

Work on the full conversion of cement plant to coal was successfully completed during last quarter of the financial year and the plant has continued to perform smoothly. The machinery for coal conversion was procured from IPPR Engineering of China while some of the fabrication and erection work done locally. The whole project was supervised by a highly skillful team of Chinese engineers alongside your Company's own engineers. The

entire project from signing of agreement to commissioning was completed within a record period of 10 months. Your Company has also set up its own coal testing and analysis laboratory which has been equipped with the most up-to-date equipment to ensure that only quality coal is used in the process to prevent and undesired operational and environmental effects.

The entire plant continued to operate smoothly throughout the year at above its rated capacity. This was possible through an elaborate plan of preventative maintenance which the Company has adopted right from the beginning and due to a well-knit team of managers, engineers, technicians and other members of the management and administrative staff.

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 plant. Apart from the usual equipment, Bestway's laboratories are equipped with such state-of-the-art technology as X-ray Fluorescent Analyser and Diffractometer. This technology was introduced in Pakistan for the first time by Bestway Cement. By virtue of this equipment, the company has been able to consistently produce better quality cement than is currently available in the country.

Bestway Cement is now an established brand and is already amongst the top brands within the industry, due mainly to better quality. Not only your Company continues to enjoy approximately 9% of the market share in the North Zone of the country, it has successfully introduced its brand in Afghanistan where it has achieved swift recognition.

Training and development

The Company has shown its commitment to the training and development of its personnel by organising a number of technical training courses for various departments, which were attended by a large number of staff. Some members of staff also attended general management courses organised internally by the company as well as courses organised externally by other educational institutions. Special emphasis is placed on safety within the plant and off site offices and the company has retrained almost all members of staff in this field.

Environment

We have always participated in 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.

Future outlook

The year under review witnessed a sharp decline in profits of the industry as a whole despite a significant increase in volumes. This was a direct consequence of persistently lower prices. However, prices have been stable at a respectable level since the last quarter of the financial year and the trend is expected to continue during the current year. This, coupled with reduction increased exports to Afghanistan and a sharp decline in cost of finance should result in better profitability for the current 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 these individuals transacted any shares of the Company during the year.

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 mentioned in the note 2.4, 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.

Financial highlights

Key financial data for the of last five year is annexed.

Board Meetings

Attendance by each director in the 21 board meetings held during the year is as under:

	No. of meetings attended
Sir Mohammed Anwar Pervez	01
Mr. Zameer Mohammed Choudrey	04
Mr. Arshad Mehmood Chaudhary	00
Mr. Muhammad Irfan Anwar Sheikh	21
Mr. Mazhar Rafi	21
Mr. Muhammad Akram	20
Mr. Ghulam Sarwar Malik	21

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 Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants retire at the conclusion of the Annual General 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, Shamil Bank of Bahrain E.C., Faysal Bank Limited, Habib Bank Limited, United Bank Limited, Standard Chartered Bank, Citibank N.A., Union Bank Limited, Askari Commercial Bank Limited, Bank AL Habib Limited and various Government agencies throughout the year.

Zameer M. Choudrey
Chief Executive

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 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:

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.

The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

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 NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

No casual vacancy occurred in the Board of Directors of the Company during the year ended June 30, 2003.

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 developed a Code of Business Principles which is now being communicated and acknowledged by each Director and member of the workforce of the Company which shall be signed by all the directors and employees of the Company.

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.

All the powers of the Board have been duly exercised and decisions on material transactions. The Chief Executive of the Company is not an employee of the Company and is one of the directors elected by the shareholders, nominated/appointed by the Board of Directors before the amendment in

the listing regulation No. 37 of the Karachi Stock Exchange and does not draw any remuneration from the company therefore, the determination of the term and condition of the of employment of the CEO is not applicable. The appointment and determination of remuneration and terms and conditions of employment of other executive directors has been approved by the Board. These directors were also elected by the share holders in its AGM.

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.

The Board arranged two orientation courses for its directors during the year to apprise them of their duties and responsibilities and intends to arrange the orientation courses for its directors and senior executives in the ensuing years.

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.

The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

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

The Board has formed an audit committee. It comprises three members, and all the members including chairman of the committee are executive directors. The Security and Exchange Commission of Pakistan vide letter no SECP/ICAP/SCD/36/2000/476 dated August 18,2003 given relaxation in clause (XXX) of the code of corporate Governance after due consideration to the relevant facts in case of the Company.

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.

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.

The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

We confirm that all other material principles contained in the Code have been complied with except for the following, towards which reasonable progress is being made by the Company to seek compliance by the end of next accounting year.

For and On behalf of Board

Zameer Choudrey
Chief Executive
NIC Number

BESTWAY CEMENT LIMITED**JUNE 30, 2003****Five Years Key Financial Data**

Year	2003	2002	2001	2000	1999
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9 months

Rupees in millions

Operating Results

Turnover (net)	1,792	1,738	2,078	1,800	1,070
Cost of Sales	1,334	1,118	1,591	1,295	884
Gross Profit	458	621	487	505	187
Operating Profit	405	570	431	462	151
Profit before Tax	159	329	191	173	(170)
Profit after Tax	113	236	178	163	(176)
Financial Charges	269	245	354	390	391

Balance Sheet

Shareholders' Funds	2,181	2,213	2,003	1,922	1,758
Operating Fixed Assets	3,306	3,287	3,456	3,761	4,063
Net Current Liabilities	1,289	168	50	148	812
Long Term Liabilities	1,701	1,579	1,993	2,236	1,846

Percentages

Significant Financial Ratios

Gross Profit Ratio	25.56	35.73	23.44	28.06	17.48
Net Profit Ratio	6.31	13.58	8.57	9.06	(16.45)
Interest Coverage Ratio	1.59	2.34	1.54	1.44	0.39
Earnings Per Share	0.58	1.22	0.92	0.84	(0.91)
Dividend	7.50	7.50	5.00	-	-
Return on Equity	0.06	0.12	0.09	0.08	(0.91)

In thousand metric tonnes

Despatches of Cement	837	650	751	681	601
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REVIEW Report

TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control *covers* all controls and the effectiveness of such internal controls.

Based on our *review*, nothing has come to our attention which causes us to believe that the Statement of compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended june30, 2005.

September 30, 2003
Islamabad

KHALID MAJID RAHMAN SARFARAZ
RAHIM IQBAL RAFIQ
Chartered Accountants

Auditors' Report to the Members

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

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

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

- A) In our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- B) In our opinion:
 - (i) The balance sheet and profit and loss account together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for changes as stated in note 2.17 with which we concur;
 - (ii) The expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) The business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- C) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2005 and of the profit, changes in equity and its cash flows for the year then ended; and
- D) In our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in Central Zakat Fund established under section 7 of the Ordinance.

September 30, 2003
ISLAMABAD

KHALID MAJID REHMAN SARFARAZ
RAHIM IQBAL RAFIQ
Chartered Accountants

BESTWAY CEMENT LIMITED
BALANCE SHEET AS AT JUNE 30, 2003

	Note	2003 Rupees	2002 Rupees		Note	2003 Rupees	2002 Rupees
Capital and reserves				Tangible fixed assets			
<i>Authorised share capital</i>				Operating assets	11	3,305,577,680	3,286,693,981
200,000,000 ordinary shares of Rs. 10 each		2,000,000,000	2,000,000,000	Capital work in progress	12	490,983	28,165,586
						3,306,068,663	3,314,859,567
<i>Issued, subscribed and paid up share capital</i>				Long term deposits, prepayments and deferred costs	13	19,190,309	25,588,632
193,469,555 ordinary shares of Rs.10 each issued for cash consideration	3	1,934,695,550	1,934,695,550				
<i>Accumulated profit/(loss)</i>		245,949,188	278,407,895	Long term investments	14	1,864,950,530	598,197,560
		2,180,644,738	2,213,103,445				
Long term finance	4	1,700,900,000	1,578,805,649	Deferred tax asset	6.1	-	34,840,437
Liabilities against assets subject to finance lease	5	-	-	Current assets			
Deferred liabilities	6	19,987,498	13,515,428	Stores, spares and loose tools	15	318,619,484	283,348,518
Current liabilities				Stock in trade	16	155,641,894	129,371,498
Short term finance	7	1,154,265,674	185,877,476	Receivable from customers	17	64,068,687	45,576,823
Current maturity of long term liabilities	8	1,066,938,356	432,095,966	Advances, deposits, prepayments and other receivables	18	59,597,495	62,984,937
Creditors, provisions, accrued and other liabilities	9	266,473,636	229,769,909	Short term investments	19	704,557,810	287,396,827
Proposed dividend		145,102,166	145,102,166	Cash and bank balances	20	41,617,196	16,105,240
		2,632,779,833	992,845,517			1,344,102,566	824,783,843
Contingencies and commitments	10	-	-				
		6,534,312,068	4,798,270,039			6,534,312,068	4,798,270,039

The auditors' report is annexed hereto.
The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

BESTWAY CEMENT LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2003

	2003	2002
Note	Rupees	Rupees
Sales - net	21 1,792,221,196	1,738,326,870
Cost of sales	22 1,334,003,861	1,117,735,468
Gross profit	458,217,336	620,591,402
Operating expenses		
Administration and general	23 32,024,468	31,157,583
Selling and distribution	24 20,745,232	19,818,317
	52,769,700	50,975,900
Operating profit	405,447,636	569,615,502
Financial charges	25 269,329,080	245,426,233
Other income	26 (31,980,083)	(21,948,396)
Workers profit participation fund	8,404,932	17,306,883
	245,753,929	240,784,721
Profit before taxation	159,693,707	328,830,781
Provision for taxation (current)	27 8,844,958	8,940,262
(deferred)	38,205,290	84,091,347
Profit after taxation	112,643,460	235,799,172
Accumulated profit brought forward	278,407,895	68,779,105
Adjustment for Change in accounting policy due to adoption of IAS 12 (Income Taxes)	-	118,931,784
Profit/(loss) available for appropriation	391,051,354	423,510,061
Proposed dividend at 7.5% (2002: 7.5%)	145,102,166	145,102,166
Accumulated profit carried forward	245,949,188	278,407,895
Earning per share	0.58	1.22

Auditors' report is annexed hereto.
The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

BESTWAY CEMENT LIMITED
CASH FLOW STATEMENT FOR THE YEAR
FROM JULY 01, 2002 TO JUNE 30, 2003

	June 30, 2003	June 30, 2002
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before taxation	159,693,707	328,830,781
Adjustments for:		
(Gain)/Loss on disposal of fixed assets	(583,078)	24,471
Depreciation	195,767,732	190,943,826
Profit on investments	(30,686,991)	(42,088,521)
Financial charges	269,329,080	245,426,233
Deferred costs' amortisation	899,054	899,054
Provision for staff retirement benefits	3,107,216	1,811,191
Exchange loss	624,428	22,047,978
	<u>438,457,441</u>	<u>419,064,232</u>
Operating profit before working capital changes	598,151,148	747,895,013
Increase in current assets	(69,231,835)	(54,784,503)
Increase in current liabilities	38,936,461	51,062,487
	<u>(30,295,374)</u>	<u>(3,722,016)</u>
Cash generated from operations	567,855,774	744,172,997
Financial charges paid	(266,418,849)	(276,882,046)
Income tax paid	(22,614,002)	(4,501,524)
	<u>(289,032,851)</u>	<u>(281,383,570)</u>
Net cash generated from operating activities	278,822,923	462,789,427
CASH FLOWS FROM INVESTING ACTIVITIES		
Deletions from/(Additions) in capital work in progress	27,674,604	(15,444,347)
Additions in fixed assets	(215,313,637)	(22,742,563)
Proceeds from sale of fixed assets	1,245,282	1,359,311
Long term security deposit, prepayments, receipts/(payments)	5,499,269	(5,349,269)
Income from Investments	31,899,124	38,854,343
(Encashment)/Additions in long/short term investments	(5,580)	120,225,000
Equity investment	(1,710,927,950)	(151,875,000)
Exchange loss on purchase of foreign currency & prepaid markup	(1,014,452)	(1,483,508)
Net cash used in investing activities	(1,860,943,341)	(36,456,033)
CASH FLOWS FROM FINANCING ACTIVITIES		
Additions in long term finances	1,101,001,161	150,266,838
Repayment of finance lease principal amount	(115,124,039)	(96,897,604)
Increase/(decrease) in short term finances	767,388,198	(428,252,352)
Dividend paid	(145,102,166)	(96,734,778)
Net cash generated/(used) from financing activities	1,608,163,154	(471,617,896)
NET CASH GENERATED/(USED) DURING THE YEAR	26,042,736	(45,284,502)
CASH EQUIVALENTS		
Cash and cash equivalents at 01st July	16,105,240	61,438,682
Exchange Loss on US\$ bank accounts	(530,779)	(48,939)
Cash and cash equivalents at 30th June	41,617,196	16,105,240

CHIEF EXECUTIVE

DIRECTOR

BESTWAY CEMENT LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2003

	Issued, subscribed and paid up capital Rupees	Unappropriated profit Rupees	Total Rupees
Balance as at June 30, 2001	1,934,695,550	68,779,105	2,003,474,655
Change in accounting policy due to adoption of IAS 12 (Income Taxes)	-	118,931,784	118,931,784
Restated balance	1,934,695,550	187,710,889	2,122,406,439
Profit after taxation for the year ended June 30, 2002	-	235,799,172	235,799,172
	1,934,695,550	423,510,061	2,358,205,611
Appropriation:			
Dividend	-	(145,102,166)	(145,102,166)
Balance as at June 30, 2002	1,934,695,550	278,407,895	2,213,103,445
Profit after taxation for the year ended June 30, 2003	-	112,643,460	112,643,460
	1,934,695,550	391,051,354	2,325,746,904
Appropriation:			
Dividend	-	145,102,166	145,102,166
Balance as at June 30, 2003	1,934,695,550	245,949,188	2,180,644,738

CHIEF EXECUTIVE

DIRECTOR

BESTWAY CEMENT LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2003

1. THE COMPANY AND ITS OPERATIONS

Bestway Cement Limited is a public company incorporated on December 22, 1993 under the Companies Ordinance, 1984 and formally listed on the Karachi Stock Exchange on April 9, 2001. The Company is engaged in production and sale of cement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

These financial statements have been prepared in accordance with 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 requirements of these Standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention without effects of inflation or current values.

2.3 Staff retirement benefits

The Company maintains an unfunded gratuity scheme for all its permanent employees. Provision for gratuity is calculated on the basis of last drawn salary for 30 days of each completed year of service. After first year of service, six months and above are considered as complete year for the calculation of gratuity.

2.4 Taxation

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 assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The revised International Accounting Standard IAS 12 "Income Taxes" effective from July 01, 2002, was adopted during the year. As a result the Company recognised a deferred tax expense of Rs. 38.2 million (2002: Rs. 84 million) and a net deferred tax liability of Rs. 3.3 million (2002: asset of Rs. 34.2 million). Had there not been a change in policy, the profits for the year would have been higher by the amount charged as deferred tax expense.

2.5 Tangible fixed assets

Operating fixed assets are stated at cost including where relevant, related borrowing costs and exchange differences 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 relevant, 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 at specified rates except leasehold land and plant and machinery. Plant and Machinery is depreciated on straight line method at specified rates and leasehold land is amortised over the remaining period of the lease. The specified rates are mentioned in note 11.

Full year's depreciation is charged on additions, while no depreciation is charged on assets disposed off during the year. Gains and losses arising on disposal of assets are included in the profit and loss account.

2.6 **Assets subject to finance lease**

Assets subject to finance lease are carried at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations of the leases are accounted for as liabilities.

Assets under finance lease are depreciated over the useful life of the assets on reducing balance method at the rates specified in note 11. Financial charges and depreciation of leased assets are charged to the profit and loss account.

2.7 **Deferred costs**

Deferred costs are amortised over a period of five years from the year of expenditure, or from the commencement of commercial operations in case of deferred costs accumulated prior to the commencement of commercial operations.

2.8 **Foreign currency transactions**

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

2.9 **Stock in trade**

Stocks of raw materials, work in process and finished goods are valued principally at the lower of 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.

2.10 **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. 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.

2.11 **Revenue recognition**

Revenue from sales is recorded on the basis of despatch of goods to the customers. Return on investments is accounted for on accrual basis.

2.12 **Investments**

Long term investments

Long term investments are carried at cost and provision is made where a permanent diminution in value has occurred. Investments are considered individually to determine if there has been a permanent diminution in value.

Short term investments

Short term investments are carried at the lower of cost and market value determined on an aggregate portfolio basis.

2.13 **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 the instrument. Financial assets are derecognised when the Company loses control of the contractual rights that comprise the financial asset. Financial liability is removed when it is extinguished.

2.14 **Receivable from customers**

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

	2003	2002
	Rupees	Rupees
3. ISSUED SUBSCRIBED AND PAID UP CAPITAL		
193,469,555 ordinary shares of Rs.10 each		
fully paid in cash	<u>1,934,695,550</u>	<u>1,934,695,550</u>

Bestway (Holdings) Limited of U.K. is the ultimate parent company controlling 132,177,337 i.e. 68.3% shares (2002: 132,479,337 i.e. 68.5% shares) of the Company.

		2003	2002
		Rupees	Rupees
4. LONG TERM FINANCE - SECURED			
Foreign currency Morabaha Finance from Shamil Bank of Bahrain E.C.	4.1	105,104,546	327,405,818
LMM Finance from United Bank Limited	4.2	-	112,208,294
Demand Finance from Habib Bank Limited	4.3	120,000,000	200,000,000
Term Finance from Standard Chartered Bank	4.4	461,000,000	461,000,000
Demand Finance from Standard Chartered Bank	4.5	86,250,000	-
Term Finance from Citibank N.A.	4.6	-	197,599,984
Term Finance from Citibank N.A.	4.7	-	195,400,000
Foreign currency Term Finance from Citibank N.A.	4.8	237,010,750	246,100,040
Foreign currency Term Finance from Citibank N.A.	4.9	150,299,500	156,063,440
Foreign currency Term Finance from Citibank N.A.	4.10	75,149,750	-
Term finance from syndicate	4.11	132,523,810	-
Term finance from syndicate	4.12	606,088,235	-
Term finance from syndicate	4.13	293,811,765	-
Term Finance from Habib Bank Limited	4.14	200,600,000	-
Morabaha Finance from Faysal Bank Limited	4.15	300,000,000	-
		<u>2,767,838,356</u>	<u>1,895,777,576</u>
Less: Current portion shown under current liabilities		<u>(1,066,938,356)</u>	<u>(316,971,927)</u>
		<u>1,700,900,000</u>	<u>1,578,805,649</u>

4.1 This represents foreign currency Morabaha Finance of US \$20 million with a repurchase price of US \$33.50 million. Markup is payable at LIBOR plus 2% per annum. The facility is repayable in eleven equal half yearly installments with first installment due in December 1998 and is secured against registered pari passu charge on machinery and assets of US \$33.50 million. The outstanding amount of principal at the balance sheet date is US \$1.82 million (2002: US \$5.45 million).

4.2 This represented sale and buyback facility for locally manufactured machinery of Rs.302.70 million. Markup was payable at 14% per annum. The facility was repayable in 16 half yearly installments with first installment due in June 1998. The facility was secured by registered mortgage/hypothecation charge of Rs.617.78 million on machinery, plant, tools, spares, accessories, equipment, fixtures & fittings, goods and other moveable properties of the Company, first floating charge on the business undertaking, all other assets and properties of the Company and registered mortgage on land of Rs.10 million. These mortgages and charges ranked pari passu. The facility had an option of prepayment which was exercised by the Company during the year and the facility was fully paid off.

4.3 This represents a Demand Finance facility of Rs.400 million obtained under sale and repurchase arrangement. Markup is payable at simple average of the cut-off yields of the last three auctions of six months treasury bills plus 2% per annum with a floor of 5.5%. The facility is payable in 10 equal half yearly installments with first installment due in June 2000 and is secured by way of registered mortgage/hypothecation of Rs.762.5 million on book debts, receivables and assets excluding land and second floating charge on these assets. These mortgages and charges rank pari passu.

4.4 This represents utilised amount of Term Finance facility of Rs.525 million (2002: Rs.525 million) repayable in July 2004. Markup is payable on quarterly basis at simple average of the cut-off yields of the last three auctions of six months treasury bills plus 1.5% per annum.

The facilities in 4.4, 7.6 and 7.8 together are secured by way of hypothecation charge over stocks & book debts for Rs.227 million and by way of lien on Special US \$ Bonds of a director of the ultimate parent company.

4.5 This represents the outstanding amount of a Rs.115 million facility for a period of one and half year repayable in June 2004 (2002: Nil). Markup is payable on quarterly basis at simple average of the cut-off yields of last three auctions of one year treasury bills plus 2% per annum with a floor of 5.5%.

The facilities in 4.5 and 7.7 together are secured by registered charge of Rs. 225.36 million over all present and future fixed assets of the Company.

4.6 This represented the utilised amount of a Term Finance facility of Rs.250 million (2002: Rs. 250 million) repayable in July 2003 but prepaid during the year. Markup was payable on quarterly basis at SBP Discount Rate minus 0.4% per annum. The facility was secured by way of lien on Special US \$ Bonds of the Company and a director of the ultimate parent company of US \$ 3.431 million and hypothecation charge as explained below.

4.7 This represented the utilised amount of a Term Finance facility of Rs.500 million for a period of one year (2002: Rs. 500 million). Markup was payable on quarterly basis at SBP Discount Rate minus 0.4% per annum. The facility was secured by way of lien on Special US \$ Bonds of a director of the ultimate parent company of US \$ 3.4 million and hypothecation charge as explained below.

4.8 This represents foreign currency Term Finance of US\$ 4.1 million (2002: US\$ 4.1 million) repayable in May 2004. Markup is payable on six monthly basis at LIBOR plus 2% of which 1.6% is paid in advance. The facility is secured by way of lien on Special US \$ Bonds of US\$ 4.1 million of the Company and hypothecation charge as explained below.

4.9 This represents foreign currency Term Finance of US\$ 2.6 million (2002: US\$ 2.6 million) repayable in April 2004. Markup is payable on six monthly basis at LIBOR plus 2% of which 1.6% is paid in advance. The facility is secured by way of lien on Special US \$ Bonds of US\$ 2.6 million of the Company and hypothecation charge as explained below.

4.10 This represents foreign currency Term Finance of US\$ 1.3 million for a period of twenty one months repayable in April 2004 (2002: US\$ Nil). Markup is payable on six monthly basis at LIBOR plus 1.85 % of which 1.6% is paid in advance. The facility is secured by way of lien on Special US \$ Bonds of US\$ 1.3 million of the Company and hypothecation charge as explained below.

The facilities in 4.6 to 4.10 together are also secured by hypothecation charge on current assets including, but not limited to stores, stocks, book debts and receivables of the Company amounting to Rs. 500 million.

4.11 This represents a Term Finance facility of Rs. 132.52 million for a period of one and half year from a syndicate of Habib Bank Limited, Union Bank Limited & Bank Al Habib Limited, with the participation of Rs. 40.33 million, Rs. 74.91 million & Rs. 17.28 million respectively. This facility is repayable in April 2004. Mark up is payable on quarterly basis at simple average of the cut-off yields of the last three auctions of six months treasury bills plus 1% per annum with a floor of 2.75%. The facility is secured by way of a ranking charge of Rs. 80.67 million in favour of the syndicate on all the present and future current assets of the Company and by way of lien on Special US \$ Bonds of a director of the ultimate parent company.

4.12 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. This facility is repayable in 12 equal quarterly installments starting from January 2005. Mark up is payable on quarterly basis at simple average of the cut-off yields of the last three auctions of six months treasury bills plus 2 % per annum with a floor and ceiling of 5 % and 15% respectively. The facility is secured by way of first pari passu charge of Rs. 606.09 million in favour of syndicate on all its present and future fixed assets of the Company.

4.13 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 loan is repayable in 12 equal quarterly installments starting from December 2004. Mark up is payable on quarterly basis at simple average of the cut-off yield of the last three auctions of six months treasury bills plus 2 % per annum with a floor and ceiling of 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.

4.14 This represents a Term Finance facility of Rs. 200.60 million for a period of one and half year repayable in March 2004 (2002: Nil). Mark up is payable on quarterly basis at simple average of the cut-off yields of the last three auctions of six months treasury bills plus 1% per annum with a floor of 2.75%. The facility is secured by way of a ranking charge of Rs. 66.87 million on all the present and future current assets of the Company and by way of lien on Special US \$ Bonds of a director of the ultimate parent company.

4.15 This represents morabaha finance facility repayable in 12 equal installments payable quarterly starting from December 2004 (2002: Nil). Mark up is payable on quarterly basis at simple average of the cut-off yields of the last three auctions of six months treasury bills plus 2 % per annum with a floor and cap of 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. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2003 Rupees	2002 Rupees
Present value of lease installments	-	115,124,039
Less: Current portion of the present value of lease installments	-	(115,124,039)
	<u>-</u>	<u>-</u>

This facility was obtained from Faysal Bank Limited. The rentals were payable half yearly. The implicit rate used for discounting the first installment was 16.11% and for the subsequent installments is 18%. The agreement carried option of ownership at Nil residual value at the end of the lease term. This option was exercised by the Company upon payment of last installment on 30th June 2003.

The installments were due as follows :

Within one year

Total lease installments outstanding	-	130,888,876
Finance charge included therein	-	(15,764,837)
Present value of lease installments due within one year	-	115,124,039
	<u>-</u>	<u>115,124,039</u>

		2003	2002
		Rupees	Rupees
6. DEFERRED LIABILITIES			
Provision for deferred tax	6.1	3,364,854	-
Provision for gratuity		13,591,859	10,748,439
Provision for unavailed leaves		3,030,785	2,766,989
		<u>19,987,498</u>	<u>13,515,428</u>

6.1 Amount of deferred tax liabilities and assets recognised are as follows:

Accelerated depreciation for tax purposes	563,421,652	480,711,563
Leased assets and deferred costs	74,171	47,522,517
	563,495,823	528,234,080
Unfunded Staff retirement benefits	(5,485,473)	(4,460,091)
Liabilities against assets subject to finance lease	-	(37,990,933)
Unused tax losses	(554,645,498)	(520,623,493)
	(560,130,970)	(563,074,517)
	<u>3,364,853</u>	<u>(34,840,437)</u>

7. SHORT TERM FINANCE - SECURED

Running Finance from:

Habib Bank Limited	7.1	354,855,321	140,236,203
United Bank Limited	7.2	-	15,641,272
United Bank Limited	7.3	-	30,000,000
Habib Bank Limited	7.4	75,000,000	-
Term Finance from Citibank N.A.	7.5	232,250,000	-
Term Finance from Standard Chartered Bank	7.6	55,000,000	-
Term Finance from Standard Chartered Bank	7.7	50,000,000	-
Term Finance from Standard Chartered Bank	7.8	179,000,000	-
Morabaha Finance from Faysal Bank Limited	7.9	112,729,000	-
Morabaha Finance from Faysal Bank Limited	7.9	30,500,000	-
Morabaha Finance from Faysal Bank Limited	7.10	64,931,353	-
		<u>1,154,265,674</u>	<u>185,877,476</u>

- 7.1** This represents the utilised amount of a Rs.450 million facility for a period of one year (2002: Rs.450 million). 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 1% per annum with a floor of 3.5% . The facility is secured by way of lien on Special US \$ Bonds of the directors of the ultimate parent company and ranking charge on book debts & movable property of the Company amounting to Rs.150 million.
- 7.2** This represented the utilised amount of a Rs.250 million facility for a period of one year (2002: Rs. 250 million) repaid during the year. Mark up was payable on quarterly basis at weighted average of the cut-off yields of last three auctions of six months treasury bills plus 1.6% per annum with a floor of 10.5% . The facility was secured by way of lien on Special US \$ Bonds of the Company of US \$ 2.45 million and registered charge on stocks and receivables of the Company amounting to Rs.74 million.
- 7.3** This represented the utilised amount of sub-allocation of Rs.30 million from the facility in 7.2 (2002: Rs. 30 million). All terms and conditions applicable to this sub-allocation were the same as for the facility in 7.2.
- 7.4** This represents a running finance facility of Rs. 75 million for a period of seven months (2002: Nil). 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 1.5% per annum with a floor of 4.25% . The facility is secured by way of registered hypothecation of present and future current assets including, without limitation inventories, stock in trade, stores, spares, book debts and receivables of the Company. This charge ranks pari passu.
- 7.5** This represents the utilised amount of a Term Finance facility of Rs.241.95 million (2002: Rs. Nil) repayable in June 2004. Markup is payable on six monthly basis at six months US \$ LIBOR prevailing two business days prior to the due date plus 1.75 % per annum. The facility is secured by way of lien on Special US \$ Bonds of the Company of US \$ 4.188 million and charge as explained in note 4.10.
- 7.6** This represents a Term Finance facility of Rs.55 million (2002: Rs. Nil) repayable in September 2003. Markup is payable on quarterly basis at simple average of the last three auctions of six months treasury bills cutoff yield plus 1.5%.
- 7.7** This represents a facility of Rs.50 million for a period of 3 months (2002: Nil). Mark up is payable on quarterly basis at 4%.

- 7.8 This represents a facility of Rs. 179 million for a period of six months (2002: Nil). Mark up is payable on quarterly basis at simple average of the cut-off yield of the last three auctions of six months treasury bills plus 1.5 % per annum.
- 7.9 These represent morabaha finance facilities obtained for a period of one year (2002: Nil). 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 of 5 % . The facilities are secured by way of first pari passu charge over all the present and future fixed assets and all other movable assets of the Company.
- 7.10 This represents facilities of US\$ 0.58 million and US\$ 0.54 million obtained for importation of raw materials (2002: Nil). The facilities are payable in November 2003 and December 2003 and carry mark up @ 4.6 % and 3.5 % per annum respectively. The facilities are secured by way of first pari passu charge over all the present and future fixed assets and all other movable assets of the Company.

		2003	2002
		Rupees	Rupees
8. CURRENT MATURITY OF LONG TERM LIABILITIES			
Current portion of long term finance	4	1,066,938,356	316,971,927
Current portion of liabilities against assets subject to finance lease	5	-	115,124,039
		<u>1,066,938,356</u>	<u>432,095,966</u>
9. CREDITORS, PROVISIONS, ACCRUED AND OTHER LIABILITIES			
Payable to suppliers and creditors		27,950,492	25,097,833
Accrued liabilities		115,167,794	102,779,528
Accrued interest -Long term finance		16,375,814	18,663,363
-Short term finance		7,446,050	2,248,270
Advances from customers		45,283,743	8,135,831
Security deposits		8,390,500	7,766,500
Retention money		891,734	745,654
Provision for Workers' Profit Participation Fund		8,404,932	17,306,883
Provision for taxation		-	5,142,964
Sales tax payable		20,162,791	25,468,036
Other creditors		16,396,650	16,412,547
Unclaimed dividends		3,136	2,500
		<u>266,473,636</u>	<u>229,769,909</u>
10. CONTINGENCIES AND COMMITMENTS			
In respect of letter of credits		<u>89,441,193</u>	<u>78,803,121</u>
In respect of insurance guarantee		<u>15,000,000</u>	<u>-</u>
In respect of bank guarantees		<u>116,057,082</u>	<u>85,217,066</u>

BESTWAY CEMENT LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2003

11. OPERATING ASSETS

Particulars	COST				Rate anz %	DEPRECIATION				Written down value Rupees
	As at July 01, 2002	Additions during the year	Deletions/Adjustments during the year	As at June 30, 2003		As at July 01, 2002	On deletions/ adjustments	For the year	As at June 30, 2003	
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	
Freehold land	78,731,890	620,093	-	79,351,983	-	-	-	-	-	79,351,983
Leasehold land	30,694,261	-	-	30,694,261	30 yrs	5,926,343	-	1,125,814	7,052,157	23,642,104
Buildings and civil works	1,057,074,030	25,810,679	-	1,082,884,709	5	183,673,188	-	44,960,576	228,633,764	854,250,945
Plant and machinery	2,971,581,732	180,552,693	(2,147,404)	3,149,987,021	5	842,980,784	(353,637)	120,969,575	963,596,722	2,186,390,299
Quarry equipment	-	-	261,817,364	261,817,364	15	-	118,933,554	21,432,572	140,366,126	121,451,239
Other Equipment	26,696,148	1,351,926	(50,383)	27,997,691	10-15	12,167,769	-	1,972,243	14,140,012	13,857,679
Furniture and fixtures	10,015,758	771,386	(100,000)	10,687,144	10	3,733,467	(40,951)	699,463	4,391,979	6,295,165
Vehicles	29,546,001	5,680,366	(2,340,377)	32,885,990	20	17,412,007	(1,838,535)	3,462,504	19,035,976	13,850,014
Office equipment	10,709,716	2,419,406	(280,230)	12,848,892	15	5,345,808	(130,154)	1,144,986	6,360,640	6,488,252
	<u>4,215,049,536</u>	<u>217,206,550</u>	<u>256,898,970</u>	<u>4,689,155,056</u>		<u>1,071,239,366</u>	<u>116,570,277</u>	<u>195,767,733</u>	<u>1,383,577,376</u>	<u>3,305,577,680</u>

11.1 ASSETS SUBJECT TO FINANCE LEASE

Quarry equipment	261,817,364	-	(261,817,364)	-	15	118,933,554	(118,933,554)	-	-	-
Total June 30, 2003	<u>4,476,866,900</u>	<u>217,206,550</u>	<u>(4,918,394)</u>	<u>4,689,155,056</u>		<u>1,190,172,920</u>	<u>(2,363,277)</u>	<u>195,767,733</u>	<u>1,383,577,376</u>	<u>3,305,577,680</u>
Total June 30, 2002	<u>4,458,954,252</u>	<u>25,353,088</u>	<u>(7,440,441)</u>	<u>4,476,866,900</u>		<u>1,002,675,229</u>	<u>(3,588,067)</u>	<u>191,085,757</u>	<u>1,190,172,919</u>	<u>3,286,693,981</u>

11.2 Depreciation has been allocated as follows:

	2003 Rupees	2002 Rupees
Cost of sales	193,644,950	189,072,583
Administration and general expenses	1,061,391	935,621
Selling and distribution expenses	1,061,391	935,621
	<u>195,767,732</u>	<u>190,943,824</u>

11.3 The adjustment to plant costs reflects the items decapitalised and transferred to stores during the year.

11.4 The cost of fixed assets include borrowing costs of Rs.2.813 million (2002: 0.744 million) capitalised on coal firing equipment and related civil works upto the date of completion at 5.94 %.

11.5 DISPOSAL OF FIXED ASSETS

S.No	DESCRIPTION	COST Rupees	BOOK VALUE Rupees	SALE PROCEEDS Rupees	GAIN / (LOSS) Rupees	MODE OF DISPOSAL	SOLD TO
VEHICLES							
1	Daewoo Racer	373,952	98,030	135,000	36,970	By Negotiation	Mr. Sajid Ali
2	Toyota Corolla	614,985	103,177	500,000	396,823	By Negotiation	Pak Pearl Rice Mills
3	Suzuki Bolan	290,550	60,933	85,000	24,067	By Negotiation	Mr. Mohsin Hamid
4	Daewoo Racer	328,400	86,088	170,000	83,912	By Negotiation	Mr. Raja Mohd. Alam
5	Honda Civic	732,490	153,614	285,000	131,386	By Negotiation	Mr. Abdullah Rehman
Office Equipment							
6	Photocopier	211,600	93,888	63,392	(30,496)	Settlement	Gestetner Inc.
7	Mobile Phone	8,250	7,425	3,200	(4,225)	Insurance Claim	New Jubilee Ins Co.
Furniture & Fixture							
8	Neon Sign	100,000	59,049	3,690	(55,359)	By Negotiation	Advertising Agent
TOTAL		2,660,227	662,204	1,245,282	583,078		

	2003 Rupees	2002 Rupees
12. CAPITAL WORK IN PROGRESS		
Civil works	25,134,053	8,403,557
Plant and machinery	180,177,634	26,238,316
Coal lab	258,714	-
Advances for Capital work in progress	-	7,556,092
	<u>205,570,401</u>	<u>42,197,965</u>
Transferred to operating fixed assets:		
Civil works	24,643,070	8,401,017
Plant and machinery	180,177,634	5,631,362
Lab equipment	258,714	-
	<u>490,983</u>	<u>28,165,586</u>

12.1 Capital work in progress includes capitalised borrowing cost amounting to Rs. Nil (2002: Rs.1.85 million).

13. LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COSTS

Security deposits	13.1	18,965,547	19,115,547
Deferred costs	13.2	224,762	1,123,816
Long term portion of prepaid markup		-	5,349,269
		<u>19,190,309</u>	<u>25,588,632</u>

13.1 This includes deposits of Rs. 18.74 million with Water and Power Development Authority.

13.2 Deferred costs

Fee for increase in authorised capital	4,150,800	4,150,800
Preliminary expenses	344,468	344,468
	4,495,268	4,495,268
Amortisation of deferred costs	(4,270,506)	(3,371,452)
	<u>224,762</u>	<u>1,123,816</u>

		2003	2002
		Rupees	Rupees
14. LONG TERM INVESTMENTS			
Equity investments	14.1	1,862,802,950	151,875,000
Apartment at cost (fair value Rs2.13 million)		2,130,580	2,125,000
Defense Saving Certificates		17,000	17,000
Special US Dollar Bonds		-	444,180,560
		<u>1,864,950,530</u>	<u>598,197,560</u>

- 14.1** This represents 7.65% share in the equity of 518 million shares of Rs. 10 each in United Bank Limited (UBL), an associated undertaking. Bestway Group as a whole controls 25.5 % equity in UBL. The amount represents purchase price and costs incurred in con

The break up value of shares calculated by reference to net assets amount to Rs.16.65 per share based on audited accounts for the year ended December 31, 2002.

15. STORES, SPARES AND LOOSE TOOLS

Stores, spares and loose tools		285,198,872	278,434,936
Stores and spares in transit		33,420,612	4,913,582
		<u>318,619,483</u>	<u>283,348,518</u>

16. STOCK IN TRADE

Raw and packing material		11,722,470	4,972,073
Work in process		86,663,950	117,169,924
Finished stock		57,255,474	7,229,501
		<u>155,641,894</u>	<u>129,371,498</u>

17. RECEIVABLE FROM CUSTOMERS

Unsecured - considered good		<u>64,068,687</u>	<u>45,576,823</u>
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18. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Due from Directors- secured	18.2	963,522	1,302,368
Due from Directors-unsecured	18.2	-	345,900
Due from Employees unsecured	18.3	-	54,473
Due from suppliers and contractors		8,442,203	15,546,211
Short term security deposits		1,201,599	787,599
Prepayments		8,586,973	7,862,990
Accrued profit		4,963,768	6,175,901
Claims and tax refunds due from the government :			
Income tax claims	18.4	25,360,291	16,679,602
Excise duty		2,333,250	3,548,000
Insurance claims receivable		6,400	6,629,962
Others		7,739,489	4,051,931
		<u>59,597,495</u>	<u>62,984,937</u>

- 18.1** The maximum amount due from the parent company, Bestway (Holdings) Limited, at the end of any month during the year was Rs. Nil (2002: Rs. 2.17 Million).

- 18.2** The maximum amount due from directors at the end of any month during the year was Rs.1.90 million (2002: Rs.2.05 million).

- 18.3** The maximum amount due from executives at the end of any month during the year was Rs. 0.09 million (2002: Rs.0.35 million).

- 18.4** 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.

		2003 Rupees	2002 Rupees
19. SHORT TERM INVESTMENTS			
Special US Dollar Bonds	19.1	704,557,810	287,396,827
19.1 Special US Dollar Bonds			
This includes Special US \$ Bonds amounting to US \$ 12.188 million (2002: US \$ 4.788 million) under lien against various financing arrangements as explained in notes 4.8, 4.9, 4.10 and 7.5.			
20. CASH AND BANK BALANCES			
Cash at bank			
Current accounts		23,847,511	6,957,367
Savings accounts		17,769,686	9,091,450
		41,617,196	16,048,817
Funds in transit		-	56,423
		41,617,196	16,105,240
21. SALES - NET			
Gross sales		2,993,191,561	2,827,831,738
Less: Sales tax		(391,612,376)	(424,537,817)
Excise duty		(746,494,000)	(626,824,000)
Net sales		1,855,085,185	1,776,469,921
Less: Rebates and discounts to customers		(62,863,989)	(38,143,051)
		1,792,221,196	1,738,326,870
22. COST OF SALES			
Raw and packing materials consumed		218,417,091	153,973,994
Fuel and power		825,813,082	669,414,666
Stores and spares consumed		35,157,181	52,194,053
Repairs and maintenance		1,578,415	3,109,815
Salaries, wages and benefits		63,765,323	61,731,704
Insurance		6,504,585	6,152,848
Equipment rental		849,169	66,283
Utilities		735,829	522,380
Traveling, conveyance and subsistence		4,009,029	4,219,663
Communication expenses		1,281,781	1,358,181
Printing and stationery		661,650	682,139
Entertainment		22,729	95,998
Depreciation	11	193,644,951	189,072,584
Miscellaneous expenses		1,083,044	5,483,365
		1,353,523,860	1,148,077,673
Opening work in process		117,169,924	35,830,727
Closing work in process		(86,663,950)	(117,169,924)
Cost of goods manufactured		1,384,029,834	1,066,738,476
Opening finished stocks		7,229,501	58,226,493
Closing finished stocks		(57,255,474)	(7,229,501)
Cost of sales		1,334,003,861	1,117,735,468

23. ADMINISTRATION AND GENERAL EXPENSES		2003	2002
		Rupees	Rupees
	Salaries, wages and benefits	9,818,835	7,899,805
	Rent, rates and taxes	4,257,133	3,933,934
	Repairs and maintenance	247,377	132,083
	Insurance	55,347	42,756
	Utilities	192,829	339,559
	Traveling, conveyance and subsistence	2,975,682	1,825,556
	Communication expenses	812,268	896,418
	Printing and stationery	641,559	768,444
	Entertainment	401,539	83,818
	Advertisements	86,309	117,837
	Charitable donations	5,107,000	4,207,750
23.1	Legal and professional charges	2,951,975	1,373,022
	Fees and subscription	2,148,605	7,038,735
23.2	Auditors' remuneration	315,483	305,338
	Depreciation	1,061,391	935,621
11	Amortisation of deferred cost	899,054	899,054
13.1	Miscellaneous expenses	52,082	357,853
		<u>32,024,468</u>	<u>31,157,583</u>

23.1 Donations include Rs.4.673 million (2002: Rs.4.18 million) to Bestway Foundation. The chief executive and directors are among the trustees of the Foundation. Neither of the trustees nor their spouses have a beneficial interest in the Foundation.

23.2 This amount includes Rs.1.32 million (2002: Rs. 6.88 million) payable to the parent company for provision of management services.

23.3 Auditors' remuneration

	Audit fees	125,000	125,000
	Taxation and corporate services	145,000	145,000
	Out of pocket expenses	45,483	35,338
		<u>315,483</u>	<u>305,338</u>

24. SELLING AND DISTRIBUTION EXPENSES

	Salaries, wages and benefits	8,790,085	10,433,371
	Rent, rates and taxes	2,186,337	1,191,616
	Repairs and maintenance	1,059,352	274,154
	Utilities	558,472	626,720
	Traveling, conveyance and subsistence	1,597,378	2,081,151
	Communication expenses	1,504,817	1,556,401
	Printing and stationery	808,874	844,485
	Entertainment	280,294	361,386
	Advertising and promotion	1,390,947	1,070,417
	Depreciation	1,061,391	935,621
11	Fees and subscription	267,737	332,806
	Miscellaneous expenses	1,239,548	110,190
		<u>20,745,232</u>	<u>19,818,317</u>

25. FINANCIAL CHARGES

	Financial charges on long term finance	222,856,648	176,240,483
	Financial charges on finance lease	15,764,843	31,345,270
	Financial charges on short term finance	25,632,772	33,261,946
	Bank charges and commissions	5,074,817	4,578,535
		<u>269,329,080</u>	<u>245,426,233</u>

		2003	2002
		Rupees	Rupees
26. OTHER INCOME			
Profit on investments	26.1	30,412,566	42,088,521
Profit on bank accounts		274,425	175,166
Exchange loss		(624,428)	(22,047,978)
Gain / (Loss) on disposal of fixed assets		555,139	(24,471)
Other income		1,362,381	1,757,158
		<u>31,980,083</u>	<u>21,948,396</u>

26.1 This represents income earned on Special US \$ Bonds.

27. TAXATION

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

28. 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		Executives	
	Rupees					
	2003	2002	2003	2002	2003	2002
Managerial remuneration and allowances	-	-	7,389,529	3,763,560	32,195,809	32,688,112
Company's contribution to gratuity fund	-	-	650,761	1,862,801	1,345,180	(1,044,498)
Unavailed leaves	-	-	24,487	437,610	148,770	(420,029)
Medical	-	-	-	-	-	-
	-	-	<u>8,064,777</u>	<u>6,063,971</u>	<u>31,223,585</u>	<u>31,223,585</u>
Number of persons	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>105</u>	<u>93</u>

29. FINANCIAL ASSETS AND LIABILITIES

Particulars	Interest / Markup bearing			Non-interest/Markup bearing			Total Rupees
	Maturity up to one year Rupees	Maturity after one year Rupees	Sub total Rupees	Maturity up to one year Rupees	Maturity after one year Rupees	Sub total Rupees	
FINANCIAL ASSETS							
Investments	704,557,810	17,000	704,574,810	-	1,862,802,950	1,862,802,950	2,567,377,760
Long term deposits	-	-	-	-	18,965,547	18,965,547	18,965,547
Receivable from customers	-	-	-	64,068,687	-	64,068,687	64,068,687
Advances, deposits and other receivables							
- due from employees / directors	963,522	-	963,522	-	-	-	963,522
- security deposits	-	-	-	1,201,599	-	1,201,599	1,201,599
- Accrued profit	-	-	-	4,963,768	-	4,963,768	4,963,768
- Others	-	-	-	7,745,889	-	7,745,889	7,745,889
Cash and bank balances	17,769,686	-	17,769,686	23,847,511	-	23,847,511	41,617,196
June 30, 2003	723,291,018	17,000	723,308,018	101,827,454	1,881,768,497	1,983,595,951	2,706,903,969
June 30, 2002	298,136,545	444,197,560	742,334,105	69,926,478	170,990,547	240,917,025	983,251,130
FINANCIAL LIABILITIES							
Long term finance	1,066,938,356	1,700,900,000	2,767,838,356	-	-	-	2,767,838,356
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-
Short term/running finance	1,154,265,674	-	1,154,265,674	-	-	-	1,154,265,674
Deferred liabilities	-	-	-	-	19,987,498	19,987,498	19,987,498
Creditors accrued and other liabilities	-	-	-	221,189,893	-	221,189,893	221,189,893
Dividend	-	-	-	145,102,166	-	145,102,166	145,102,166
June 30, 2003	2,221,204,030	1,700,900,000	3,922,104,030	366,292,060	19,987,498	386,279,558	4,308,383,588
June 30, 2002	617,973,442	1,578,805,649	2,196,779,091	361,593,280	13,515,427	375,108,707	2,571,887,798
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.

FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly where payables exist due to transactions with foreign undertakings. The company is fully hedged against foreign currency payables through investment in foreign currency securities.

FAIR VALUE OF ASSETS

The carrying value of assets and liabilities reflected in the financial statements approximates their fair value except for long term investments, which are stated at cost (Note 14).

INTEREST / MARKUP RATE RISK EXPOSURE

The company is exposed to interest/markup rate risk on some of the financial obligations. The rates of interest/markup and their maturities are given in the respective notes.

30. AVERAGE NUMBER OF EMPLOYEES

Average number of employees during the year	<u>286</u>	<u>280</u>
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31. EARNINGS PER SHARE (EPS)

Net profit after taxation	<u>112,643,460</u>	<u>235,799,172</u>
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Average number of ordinary shares in issue	<u>193,469,555</u>	<u>193,469,555</u>
Earnings per share basic and diluted	<u>0.58</u>	<u>1.22</u>

32. PLANT CAPACITY AND PRODUCTION OF CLINKER

Available capacity (metric tons)	990,000	990,000
Actual production (metric tons)	<u>795,255</u>	<u>675,487</u>

33. GENERAL

- The Financial statements were authorized for issue in the Board of Directors meeting held on September 30, 2003
- Figures have been rounded off to the nearest rupee.
- Figures of the previous year have been rearranged, wherever necessary, for the purpose of comparison.

CHIEF EXECUTIVE**DIRECTOR**

PATTERN OF SHAREHOLDING

Pattern of Holding of Shares Held by the Shareholders As at June 30, 2003

No. of Shareholders	Shareholding		Shares Held
	From	To	
16	101	500	8,000
5	1,001	5,000	20,000
4	5,001	10,000	40,000
1	10,001	15,000	15,000
1	15,001	20,000	16,263
1	20,001	25,000	21,783
1	25,001	30,000	27,104
1	35,001	40,000	37,946
1	85,001	90,000	90,000
10	95,001	100,000	1,000,000
2	115,001	120,000	236,216
4	145,001	150,000	600,000
2	155,001	160,000	320,000
1	160,001	165,000	164,000
1	180,001	185,000	180,960
2	185,001	190,000	380,000
8	195,001	200,000	1,597,500
1	335,001	340,000	340,000
1	345,001	350,000	346,500
1	395,001	400,000	400,000
1	495,001	500,000	500,000
2	560,001	565,000	1,125,800
3	1,100,001	1,600,000	3,883,400
2	1,600,001	2,100,000	3,872,200
2	3,600,001	4,100,000	7,311,600
1	7,100,001	7,600,000	7,511,700
1	8,600,001	9,100,000	8,999,370
1	24,600,001	25,100,000	24,714,876
1	49,100,001	49,600,000	49,279,091
1	60,100,001	110,100,000	80,430,246
79			193,469,555

CATEGORIES OF SHAREHOLDERS

As at June 30, 2003

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
Central Depository	1	24,714,876	12.77
Financial Institutions	0	0	00.00
Insurance Companies	0	0	00.00
Investment Companies	0	0	00.00
Modaraba Companies	0	0	00.00
Joint Stock Companies	0	0	00.00
Associated Companies, Undertakings and Related Parties	3	138,708,707	71.70
Directors, CEO and their Spouses and Minor Children	9	13,075,300	06.76
Executives of the Company/Modaraba	0	0	00.00
Others	0	0	00.00
Individuals	66	16,970,672	08.77
	79	193,469,555	100.000

DETAILS OF CATEGORIES OF SHAREHOLDERS

As at June 30, 2003

	No. of Shareholders	Shares Held
<u>CENTRAL DEPOSITORY</u>		
0083 M/S CENTRAL DEPOSITORY COMPANY OF PAKISTAN LTD.		24,714,876
	1	24,714,876
<u>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</u>		
00001 BESTWAY (HOLDINGS) LIMITED		49,279,091
00055 BESTWAY CASH & CARRY LIMITED		80,430,246
00059 BESTWAY NORTHERN LIMITED		8,999,370
	3	138,708,707
<u>DIRECTORS, CEO AND THEIR SPOUSES AND MINOR CHILDREN</u>		
00002 MOHAMMED ANWAR PERVEZ		7,511,700
00003 ZAMEER MOHAMMED CHOUDREY		3,655,800
00004 ARSHAD MEHMOOD CHAUDHARY		1,378,800
00015 RAKHSHINDA CHOUDREY		90,000
00048 MUHAMMAD IRFAN ANWAR SHEIKH		100,000
00066 SHUAIB ARSHAD CHAUDHARY		164,000
00067 TAHIRA ARSHAD CHAUDHARY		160,000
00803 MR. MOHAMMAD AKRAM		10,000
00844 MAZHAR RAFI		5,000
	9	13,075,300
CATEGORIES TOTAL	13	176,498,883
INDIVIDUALS	66	16,970,672
GRAND TOTAL	79	193,469,555

SHAREHOLDERS HOLDING (CDC AND OTHER CDC) 10% OR MORE VOTING INTEREST IN THE COMPANY

As at June 30, 2003

	Shares Held	Percentage
<u>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</u>		
00001 BESTWAY (HOLDINGS) LIMITED	51,402,091	26.57
364-1365		
00055 BESTWAY CASH & CARRY LIMITED	80,430,246	41.57