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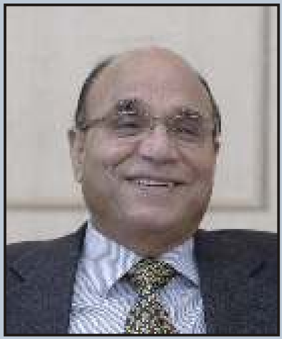
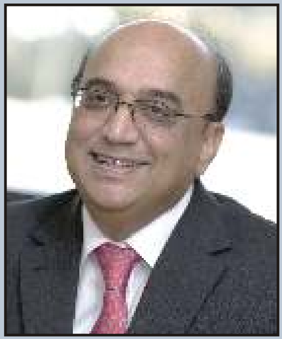


Sir M.A. Pervez
O.B.E, H.Pk.
Chairman



Zameer M. Choudrey
B.A. (Hons), A.C.A.
Chief Executive

Board of Directors

Sir Mohammed Anwar Pervez, O.B.E, H.Pk.	Chairman
Mr. Zameer Mohammed Choudrey	Chief Executive
Mr. Arshad Mehmood Chaudhary	Director
Mr. Muhammad Irfan A. Sheikh	Director Finance & CFO
Mr. Mazhar Rafi	Director Administration & Marketing
Mr. Ghulam Sarwar Malik	Director Projects, Procurement and Coordination
Mr. Mehmood Afzal	Director Works

Company Secretary

Mr. Kaleem Ashraf, ACA

Statutory Auditors

KPMG Taseer Hadi & Co., Chartered Accountants.

Cost Auditors

BDO Ebrahim & Co., Chartered Accountants.

Legal Advisors

Raja M. Bashir, Advocate Supreme Court.

Audit Committee

Mr. Mazhar Rafi	Chairman
Mr. Mehmood Afzal	
Mr. Ghulam Sarwar Malik	

Registered/ Head Office

Bestway Building, 19-A, College Road,
F-7 Markaz, Islamabad.
Tel: +92 (0) 51 265 4856 ~ 63
Fax: +92 (0) 51 265 4865
E-mail: management@bestway.com.pk

COMPANY INFORMATION

Plant Sites

Hattar
Suraj Gali Road, Village Shadi, Hattar, Distt. Haripur,
Khyber Pakhtunkhwa Pakistan.
Tel: +92 (0) 303 771 1057 ~ 58, Fax: +92 (0) 303 771 1056
E-mail: gmworks1@bestway.com.pk

Chakwal
Village Tatral, Near PSO Petrol Pump
22 Km Kallar Kahar, Choa Saiden Shah Road
Chakwal, Pakistan.
Tel: +92 (0) 543 584 560 ~ 3
Email: gmworks3@bestway.com.pk

Marketing Head Office

House 293-A, Peshawar Road, Rawalpindi
Tel: +92(0) 51 551 3110, 551 3110, 4492, 552 0962
Fax: +92(0) 51 551 3109
E-mail: gmmkt@bestway.com.pk

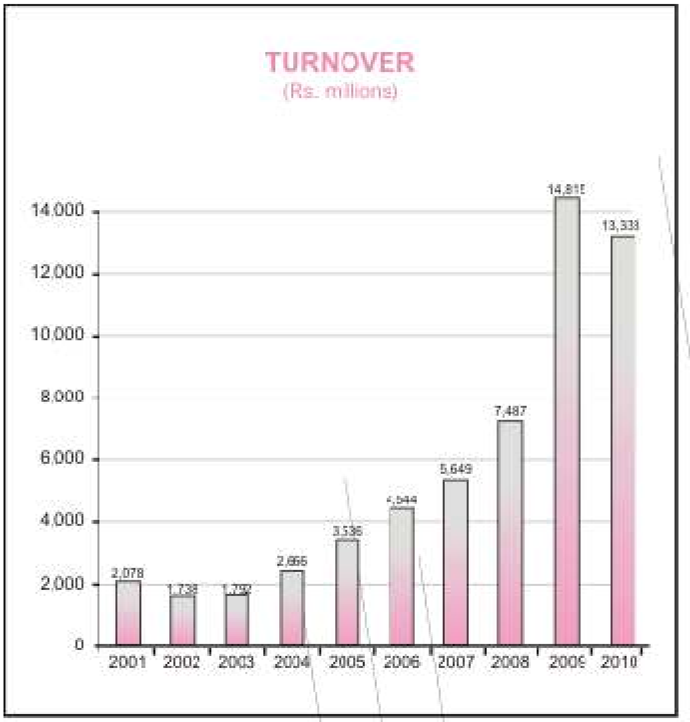
Shares Department

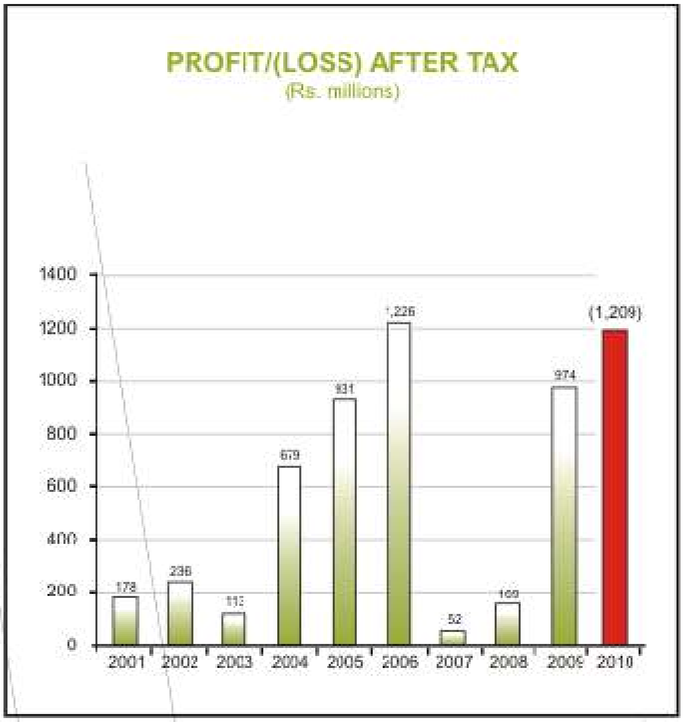
Progressive Management Services (Pvt) Ltd.
10th Floor, Mehdi Towers, A-115
S.M.C.H.S, Shahrah-e-Faisal, Karachi.
Tel: +92(0) 21 452 6983 - 84, Fax: +92(0) 21 452 6985

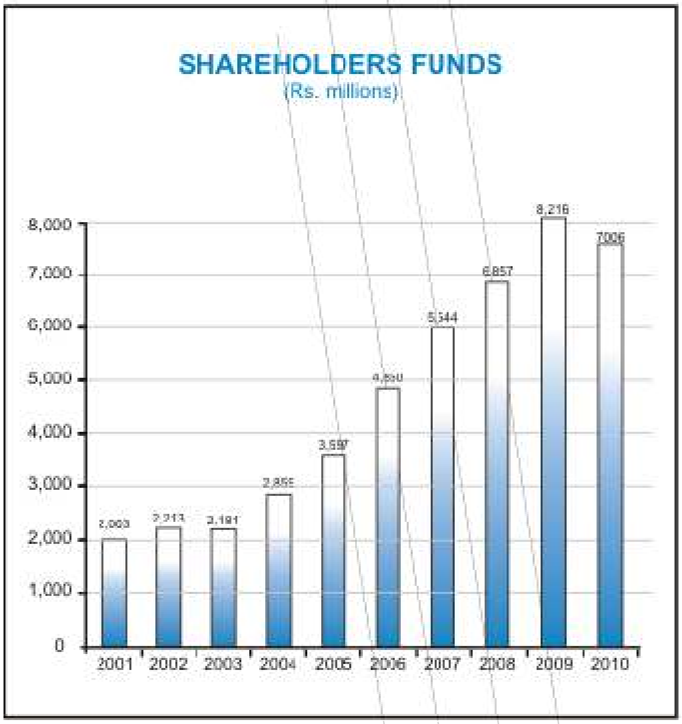
Bankers

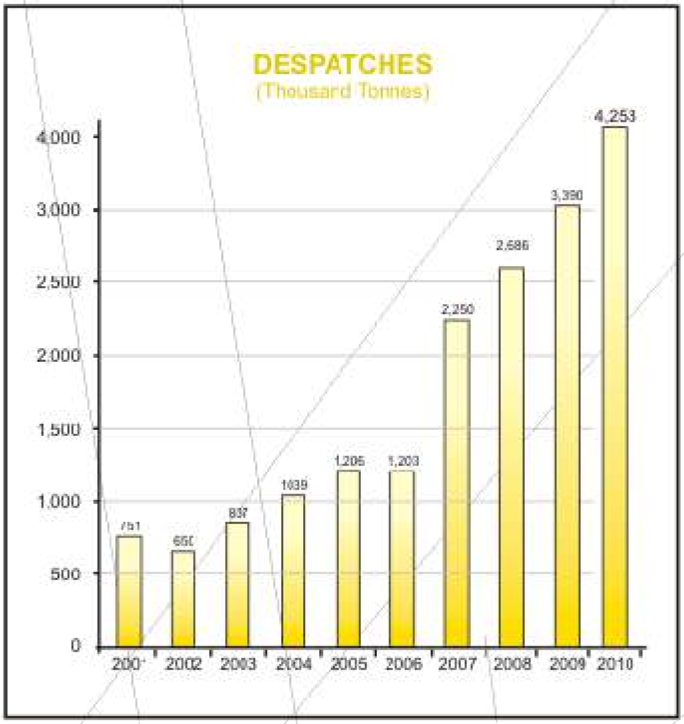
HabibBank Limited,
MCB Bank Limited,
Allied Bank Limited,
Standard Chartered Bank (Pakistan) Limited,
United Bank Limited,
Faysal Bank Limited,
The Bank of Punjab,
Askari Bank Limited,
Bank Al-Habib Limited,
Silkbank Limited,
HSBC Bank Middle East Limited,
Habib Metropolitan Bank Limited,
Soneri Bank Limited,
NIB Bank Limited,
Meezan Bank Limited,
Bank Alfalah Limited,
Barclays Bank PLC, Pakistan,
National Bank of Pakistan,

RESULTS AT A GLANCE









NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 17th Annual General Meeting of Bestway Cement Limited (the Company) will be held at Bestway Building, 19-A, College Road, F-7 Markaz, Islamabad at 11:30 a.m. on Saturday, 30th October, 2010 to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 16th Annual General Meeting held on October 31, 2009.
2. To receive, consider and adopt the audited accounts for the year ended June 30, 2010 together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors of the Company and fix their remuneration for the year 2010-11. The present auditors M/s KPMG Taseer Hadi & Co. retire and being eligible, offer themselves for reappointment.
4. To elect seven directors in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 for a term of three years commencing from October 30, 2010. The following Directors retire on the date of the AGM and are eligible for election:

   i. Sir Mohammed Anwar Pervez
   ii. Mr. Zameer Mohammed Choudrey
   iii. Mr. Arshad Mehmood Chaudhary
   iv. Mr. Muhammad Irfan Anwar Sheikh
   v. Mr. Mazhar Rafi
   vi. Mr. Ghulam Sarwar Malik
   vii. Mr. Mehmood Afzal

5. Any other business with the permission of the chair.

October 09, 2010
Islamabad

Kaleem Ashraf
Company Secretary

NOTES

The share transfer books of the Company will remain closed from October 29, 2010 to November 5, 2010 (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, 2010 will be treated in time 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 himself/herself 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.

NOTICES OF ANNUAL GENERAL MEETING

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.

DIRECTORS' REPORT

The Directors take pleasure in presenting their report together with the Company's Financial Statements for the year ended 30 June 2010 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 grew by 11.15% to 34.21 million tonnes as against 30.78 million tonnes for last year. The exports contracted by 6.38% however, domestic market grew and recorded a healthy increase of 21.43%. Capacity utilisation for the industry increased to 76.29% for the year under review as against 67.42% for last year.

Production and Sales

Hattar

	2010 Tonnes	2009 Tonnes	Increase Tonnes	Percentage Increase
Clinker production	1,139,861	1,074,607	65,254	6.07 %
Cement production	1,332,262	1,068,705	263,557	24.7 %
Cement sales	1,346,074	1,061,763	284,311	26.8 %
Clinker sales	3,439	1,221	2,218	181.7 %

Chakwal

	2010 Tonnes	2009 Tonnes	Increase/ (Decrease) Tonnes	Percentage Increase/ (Decrease)
Clinker production	2,522,131	2,183,928	338,203	15.5 %
Cement production	2,889,594	2,161,503	728,091	33.7 %
Cement sales	2,903,739	2,162,611	741,128	34.3 %
Clinker sales	-	164,010	(164,010)	(100 %)

2010 was another year of fierce competition however your Company was able to increase its share to 15.69 % of the market in the north zone as compared to 14.53% last year and retained its position as one of the largest cement producers in the country. Bestway Cement continued to be one of the largest exporters of cement to Afghanistan and India. The industry as a whole

DIRECTORS' REPORT

exported 10.66 million tonnes during the year as against 11.38 million tonnes during the year ended 30 June 2009. Bestway Cement's share stood at 9.19 % of total exports at 0.98 million tonnes as against 1.07 million tonnes in 2009.

Operating Highlights

The Company recorded sales of Rs. 18,486 million compared to Rs. 19,577 million during the preceding year. Net turnover amounted to Rs. 13,333 million compared to Rs. 14,815 million in the corresponding period last year, which represents a decrease of 10%, after payment of Rs. 4,290 million towards Sales Tax and Excise Duty and Rs. 863 million as rebates and discounts to customers. Gross Profit decreased to Rs. 1,768 million from Rs. 4,770 million last year. The drop in sales, net turnover and gross profit was primarily caused by significantly lower selling prices due to fierce competition.

Finance cost decreased to Rs.2,223 million for the year ended 30 June 2010 from Rs. 2,286 million last year. Loss before taxation for the year ended 30 June 2010 stood at Rs. 1,412 million as compared to profit of Rs.1,205 million for the previous year. Loss after taxation for the year ended 30 June 2010 amounted to Rs.1,209 million as compared to profit of Rs.974 million last year. Loss per share of the Company for the year ended 30 June 2010 on its paid up capital stood at Rs.3.71 as compared to last year's EPS of Rs. 3.17.

Balance Sheet

The capital and reserves of your Company decreased to Rs.7.01 billion as compared to Rs.8.22 billion at the end of last financial year. This was primarily due to the losses during the year ended 30 June 2010.

Your Company has continued to discharge its repayment obligations on all types of loans on time. The net current liabilities on 30 June 2010 stood at Rs.4,310 million as against Rs.2,606 million on 30 June 2009.

DIRECTORS' REPORT

Waste Heat Recovery Power Plant

During the year under review work on the waste heat recovery project at Chakwal was completed and it started commercial operation. The kiln preheater and clinker cooler outlet release a lot of exit gases at high temperature which leads to the wastage of heat energy. The implementation of this project has reduced emission of waste gases and have a very positive impact on Environment besides generating 14~15 MW power. The plant is now working satisfactorily. This project has significantly reduced Company's dependence on external source of electricity and is also helping in reduction of cost of production.

We feel immense pleasure in informing our shareholders that our waste heat recovery project has been registered with UNFCCC under the Clean Development Mechanism. It is a matter of great pride that this is the first project in cement industry and only the ninth project in Pakistan to have been registered to date.

Other Investments

Bestway's investment in United Bank Limited continues to prove highly successful as the bank continued to show steady performance for yet another year. Profit before tax for the year ended 31st December 2009 stood at Rs.14.4 billion as against Rs.14.1 billion for the corresponding period of last year which represents an increase of 2.4% year on year. During the year Customer deposits and other accounts increased by 2.3% to Rs.504 billion.

We are delighted to inform you that the Bank announced a cash dividend of 25% and 10% bonus shares for the year ended 31 December 2009 thus providing a return of Rs.213 million along with 8.5 million bonus shares on your investment in the Bank. Later in September 2010 the Bank also announced an interim dividend of 10% for the year ending 31 December 2010.

DIRECTORS' REPORT

Plants' 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 above its rated capacity. Both production lines at Chakwal also continued to operate smoothly throughout the year.

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

DIRECTORS' REPORT

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 and India 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. Your Company is the 2nd largest cement producer in Pakistan.

In recognition of its performance, your Company continues to win awards for being the leading exporter, including trophies from Rawalpindi and Sarhad Chambers of Commerce & Industry.

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.

DIRECTORS' REPORT

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 plants not only meet the stringent environmental quality standards prescribed by the Environment Protection Authority of Pakistan, they even surpass 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.

Impressed by Company's vision and its implementation through contributions in the field of environment friendly policies, the National Forum for Environment and Health has awarded its 7th Environment Excellence Award 2010 to your Company.

We feel immense pleasure in informing our shareholders that our waste heat recovery project has been registered with UNFCCC under the Clean Development Mechanism. It is a matter of great pride that this is the first project in cement industry and only the ninth project in Pakistan to have been registered to date.

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

DIRECTORS' REPORT

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.

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) adopted 29 schools in the far-flung corners of Rawalpindi District, which lacked basic infrastructure, facilities and sufficient number of teachers. You will be pleased to learn that the Foundation has been able to achieve desired results and the schools being supported by the Foundation have shown marked improvement and students have shown very good results in the Secondary School Examinations of 2010 also.

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. 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

During the financial year ended 30 June 2010 the demand for cement witnessed growth of more than 11 percent despite continued uncertainty on economic, political and law & order fronts. This indeed is a welcome sign as it indicates the resilience of demand for cement.

As a consequence of unprecedented flooding caused by heavy monsoon during the 1st quarter of 2010-2011 demand for cement has been adversely affected, however the devastation caused by the floods should result in additional demand for cement for the rehabilitation of infrastructure and housing.

In the year under review the cement industry has had to contend with low selling prices due to fierce competition, high interest rates, increasing power tariffs and increase in duties, taxes and royalty on raw materials. Selling prices have however started showing signs of firming up with further improvement likely in the coming months. There also has been improvement in the law & order situation recently. These factors should result in higher domestic demand and selling prices of cement.

On the export front, regional markets like the UAE are likely to remain depressed for the foreseeable future, while other markets like Afghanistan continue to generate good demand for Pakistani cement. Bestway is already firmly established as the leading brands in Afghanistan and your Company will continue to expand its share in that market. Other markets like Africa,

DIRECTORS' REPORT

India and Srilanka are likely to continue to generate some demand for our cement for few more years to come.
Your management is cognisant of the challenges that lie ahead and will continue to make all out efforts to ensure further growth and superior returns in the ensuing years.

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 the accounts.

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

One of the directors transacted following shares of the Company during the year under review:

Opening balance	22,450
Purchases during the year	9,500
Closing balance	31,950

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.

DIRECTORS' REPORT

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 ten years 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	02
Zameer Mohammed Choudrey	09
Arshad Mehmood Chaudhary	01
Muhammad Irfan Anwar Sheikh	22
Mazhar Rafi	25
Arshad Hameed	04
Ghulam Sarwar Malik	23
Mehmood Afzal	17

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.

DIRECTORS' REPORT

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, MCB Bank Limited, United Bank Limited, Standard Chartered Bank (Pakistan) Limited, Faysal Bank Limited, The Bank of Punjab, Askari Bank Limited, Bank Al-Habib Limited, The Royal Bank of Scotland Limited, Silkbank Limited, HSBC Bank Middle East Limited, Habib Metropolitan Bank Limited, Soneri Bank Limited, NIB Bank Limited, Meezan Bank Limited, Bank Alfalah Limited, Barclays Bank PLC, Pakistan, National Bank of Pakistan and various Government agencies throughout the year.

For and on behalf of the Board

Chief Executive
30 September 2010
Islamabad

CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in 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 Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. 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. A casual vacancy was occurred in the Board of Directors of the Company during the year ended June 30, 2010 and was duly filled in according to the procedures.

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 Directors of the Company have given a declaration that they are aware of their duties, powers and responsibilities under the Companies Ordinance, 1984 and the listing regulations of the stock exchange.

   The directors also attended orientation courses during the year for the changes in the corporate legislatures and to apprise their duties and responsibilities.

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

CODE OF CORPORATE GOVERNANCE

11. The Directors' Report for the FY 2009-10 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. Related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with the requirements of listing regulation number 37 of the Karachi Stock Exchange (Guarantee) Limited.

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

For and on behalf of Board

Zameer M. Choudrey

Chief Executive

KEY OPERATING AND FINANCIAL DATA FOR TEN YEARS

Year	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Operating Results					Rupees in millions					
Turnover (net)	13,333	14,814	7,487	5,649	4,544	3,536	2,666	1,792	1,738	2,078
Cost of sales	11,564	10,044	6,479	4,637	2,250	1,987	1,596	1,334	1,118	1,591
Gross profit	1,769	4,770	1,008	1,013	2,294	1,549	1,070	458	621	487
Operating profit	571	3,163	587	871	2,144	1,431	1,009	405	570	431
Financial charges	2,223	2,286	1,236	1,212	469	140	139	269	245	354
(Loss)/ profit before taxation	(1,412)	1,205	(419)	56	1,730	1,298	994	159	329	191
(Loss)/ profit after taxation	(1,209)	974	169	52	1,226	931	679	113	236	178
Balance Sheet					Rupees in millions					
Shareholders' funds	7,006	8,216	6,857	5,544	4,850	3,597	2,859	2,181	2,213	2,003
Operating fixed assets	16,896	16,991	16,004	14,175	10,689	5,069	3,200	3,306	3,287	3,456
Long term finance	11,571	11,786	12,507	12,380	9,459	3,148	1,895	1,701	1,579	1,993
Net current liabilities	4,310	2,606	1,622	607	624	221	80	1,289	168	50
Significant Financial Ratios					Percentages					
Gross profit ratio	13.27	32.20	13.46	17.93	50.48	43.81	40.14	25.56	35.73	23.44
Net profit ratio	(9.07)	6.57	2.26	0.92	26.98	26.33	25.47	6.31	13.58	8.57
Interest coverage ratio	0.36	1.53	0.66	1.05	4.69	10.27	8.15	1.59	2.34	1.54
Return on equity	(37.11)	29.90	7.09	2.02	52.37	43.75	35.10	5.84	12.20	9.20
(Loss)/ earnings per share	(3.71)	3.17	0.59	0.20	5.24	3.98	3.19	0.58	1.22	0.92
Dividend	-	-	-	-	10.00	10.00	10.00	7.50	7.50	5.00
					In thousand metric tonnes					
Despatches of cement	4,253	3,390	2,685	2,250	1,203	1,206	1,039	837	650	751

To the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statements of Compliance with the best practices("the Statement") contained in the Code of Corporate Governance prepared by the Board of Directors of Bestway Cement Limited, ("the Company") to comply with the Listing Regulations No.35 of 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 obtained an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement covers all risks or controls, or to form an opinion on the effectiveness of such controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval of related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 as applicable to the Company for the year ended June 30, 2010.

Islamabad
30 September 2010

KPMG Taseer Hadi & Co.
Chartered Accountants
Riaz Pesnani

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Bestway Cement Limited ("the Company")as at 30 June 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied; except for the change as mentioned in note 3.1 with which we concur.

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

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2010 and of the loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Islamabad
30 September, 2010

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: Riaz Pesnani

BALANCE SHEET AS AT 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
SHARE CAPITAL AND RESERVES			
Authorised share capital			
350,000,000 (2009: 350,000,000) ordinary shares of Rs. 10 each		**3,500,000,000**	3,500,000,000
Issued, subscribed and paid up share capital	4	**3,257,475,910**	3,257,475,910
Share premium		**1,963,498,330**	1,963,498,330
Unappropriated profit		**1,785,148,713**	2,994,585,223
		7,006,122,953	8,215,559,463
NON CURRENT LIABILITIES			
Long term financing - secured	5	**9,686,358,893**	11,455,803,336
Liability against assets subject to finance lease - secured	6	**154,309,555**	194,033,624
Long term murabaha - secured	7	**1,885,000,000**	330,000,000
Long term advances	8	**-**	1,749,960
Deferred liabilities	9	**386,112,881**	613,414,947
		12,111,781,329	12,595,001,867
CURRENT LIABILITIES			
Trade and other payables	10	**1,558,426,981**	1,355,336,265
Markup payable		**278,889,458**	341,291,606
Short term borrowings - secured	11	**3,584,835,474**	2,385,747,374
Current portion of long term financing	5	**3,419,444,445**	3,170,833,334
Current portion of liability against assets subject to finance lease	6	**43,433,792**	38,672,516
Current portion of long term murabaha	7	**120,000,000**	120,000,000
		9,005,030,150	7,411,881,095
		28,122,934,432	28,222,442,425
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes from 1 to 39 form an integral part of these financial statements.

CHIEF EXECUTIVE

BALANCE SHEET AS AT 30 JUNE 2010

	Note	**2010 Rupees**	2009 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	13	**16,896,396,926**	16,991,285,086
Investment property	14	**340,715,834**	336,340,149
Long term investments	15	**6,096,182,548**	5,297,909,985
Long term advances	16	**24,018,000**	720,741,010
Long term deposits	17	**70,450,847**	70,450,847
		23,427,764,155	23,416,727,077
CURRENT ASSETS			
Stores, spare parts and loose tools	18	**2,167,264,132**	1,779,660,333
Stock in trade	19	**785,462,819**	1,056,308,381
Trade debts - considered good	20	**297,188,037**	585,065,905
Advances	21	**395,685,381**	333,071,964
Deposits and prepayments	22	**7,619,146**	9,041,107
Interest accrued		**62,490**	89,941
Other receivables	23	**30,579,142**	27,546,535
Due from Government agencies	24	**823,532,386**	562,639,377
Bank balances	25	**187,776,744**	452,291,805
		4,695,170,277	4,805,715,348
		28,122,934,432	28,222,442,425

DIRECTOR & CFO

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
Turnover - net	26	**13,333,062,606**	14,814,797,196
Cost of sales	27	**11,564,255,751**	10,044,450,173
Gross profit		**1,768,806,855**	4,770,347,023
Administrative expenses	28	**123,548,579**	140,138,550
Distribution cost	29	**1,074,655,856**	1,395,877,311
Other operating expenses	30	**-**	71,506,461
Finance cost	31	**2,223,124,658**	2,286,086,256
Other operating income	32	**(240,527,682)**	(327,972,309)
		3,180,801,411	3,565,636,269
(Loss)/ profit before taxation		**(1,411,994,556)**	1,204,710,754
Taxation	33	**202,558,046**	(230,686,768)
(Loss)/ profit for the year		**(1,209,436,510)**	974,023,986
(Loss)/ earnings per share (basic and diluted)	36	**(3.71)**	3.17

The annexed notes from 1 to 39 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR & CFO**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	Rupees	Rupees
(Loss)/ profit for the year	**(1,209,436,510)**	974,023,986
Other comprehensive income for the year	**-**	-
Total comprehensive income/ (expense) for the year	**(1,209,436,510)**	974,023,986

The annexed notes from 1 to 39 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR & CFO**

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/ profit before taxation	**(1,411,994,556)**	1,204,710,754
Adjustments for:		
Gain on disposal of operating fixed assets	**(1,370,555)**	(841,402)
Depreciation	**666,723,685**	584,903,235
Rental income from investment property	**(12,797,185)**	(21,746,044)
Profit on deposit accounts	**(723,668)**	(918,961)
Profit on held to maturity investment	**(8,802)**	(7,684)
Gain on remeasurement of investment property to fair value	**(4,375,685)**	(45,009,385)
Finance cost	**2,223,124,658**	2,286,086,256
Provision for staff retirement benefits	**34,739,153**	21,191,221
Trial period electricity generation from waste heat recovery project	**89,922,000**	-
Dividend income	**(212,840,328)**	(193,491,208)
	2,782,393,273	2,630,166,028
	1,370,398,717	3,834,876,782
(Increase)/ decrease in current assets		
Stores, spare parts and loose tools	**(387,603,799)**	209,096,326
Stock in trade	**270,845,562**	(326,581,637)
Trade debts	**287,877,868**	(219,945,264)
Advances	**(62,613,417)**	(136,436,531)
Deposits and prepayments	**1,421,961**	12,588,904
Other receivables	**(3,032,607)**	(69,539,913)
Due from Government agencies	**43,998,999**	73,715,604
(Decrease)/ increase in current liabilities		
Long term advances	**(1,749,960)**	(10,499,760)
Trade and other payables	**173,792,131**	(236,165,612)
	322,936,738	(703,767,883)
Cash generated from operations	**1,693,335,455**	3,131,108,899
Finance cost paid	**(2,320,489,599)**	(2,257,226,642)
Staff retirement benefits paid	**(17,387,403)**	(9,139,100)
Income tax paid	**(304,892,008)**	(256,799,701)
	(2,642,769,010)	(2,523,165,443)
Net cash (used in)/ from operating activities	**(949,433,555)**	607,943,456
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in operating fixed assets	**(95,922,864)**	(333,442,537)
Additions in capital work in progress	**(577,524,924)**	(2,061,473,547)
Decrease/ (increase) in stores held for capitalization	**9,797,148**	(121,277,984)
Proceeds from encashment of performance guarantees	**-**	674,903,451
Proceeds from sale of operating fixed assets	**3,263,670**	1,622,605
Decrease/ (increase) in long term advances	**4,003,000**	(688,717,010)
Profit on deposit accounts received	**751,119**	927,691
Dividend received	**212,840,328**	193,491,208
Additions in long term investments	**(105,543,751)**	-
Net cash used in investing activities	**(548,336,274)**	(2,333,966,123)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance for issue of right shares	**-**	385,031,267
Long term financing - disbursements	**2,050,000,000**	2,570,000,000
- repayments	**(3,570,833,332)**	(1,883,363,332)
Long term murahaba - disbursements	**1,675,000,000**	-
- repayments	**(120,000,000)**	(120,000,000)
Increase in short term borrowings	**1,199,088,100**	878,072,550
Net cash from financing activities	**1,233,254,768**	1,829,740,485
Net (decrease)/ increase in cash and cash equivalents	**(264,515,061)**	103,717,818
Cash and cash equivalents at beginning of the year	**452,291,805**	348,573,987
Cash and cash equivalents at end of the year	**187,776,744**	452,291,805

The annexed notes from 1 to 39 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR & CFO**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Issued, subscribed and paid up share capital	Capital reserve		Revenue reserve	Total
		Share premium	Advance for issue of right shares	Unappropriated profit	
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at July 01, 2008	2,832,587,750	901,277,930	1,102,077,293	2,020,561,237	6,856,504,210
Total comprehensive income for the year					
Profit for the year	-	-	-	974,023,986	974,023,986
Total comprehensive income for the year	-	-	-	974,023,986	974,023,986
Transaction with owners, recorded directly in equity					
Advance for issue of right shares received during the year	-	-	385,031,267	-	385,031,267
Issue of share capital	424,888,160	-	(424,888,160)	-	-
Premium on issue of right shares	-	1,062,220,400	(1,062,220,400)	-	-
Total transaction with owners, recorded directly in equity	424,888,160	1,062,220,400	(1,102,077,293)	-	385,031,267
Balance as at June 30, 2009	**3,257,475,910**	**1,963,498,330**	-	**2,994,585,223**	**8,215,559,463**
Balance as at July 01, 2009	**3,257,475,910**	**1,963,498,330**	-	**2,994,585,223**	**8,215,559,463**
Total comprehensive income for the year					
Loss for the year	-	-	-	(1,209,436,510)	(1,209,436,510)
Total comprehensive income/ (expense) for the year	-	-	-	(1,209,436,510)	(1,209,436,510)
Balance as at June 30, 2010	**3,257,475,910**	**1,963,498,330**	-	**1,785,148,713**	**7,006,122,953**

The annexed notes from 1 to 39 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR & CFO**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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 (Guarantee) Limited 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. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

These financial statements are separate financial statements of the company in which investment in subsidiary and associates is accounted for on the basis of direct equity interest rather than on the basis of reported results.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except that investment property is stated at fair value.

2.3 Functional currency

The Company's functional currency is Pakistan Rupee (PKR). Figures in these financial statements have been rounded off to the nearest PKR, unless otherwise stated.

2.4 Use of estimates and judgments

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.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

statements is discussed in the ensuing paragraph.

2.4.1 Property, plant and equipment

The Company reviews the useful lives and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years which might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding effect on the depreciation charge and impairment loss.

2.4.2 Provision for inventory obsolescence and doubtful receivables

The Company reviews the carrying amount of stores, spare parts and loose tools and stock in trade on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spare parts and loose tools. Further the carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of provision is made.

2.4.3 Taxation

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

The Company also regularly reviews the trend of proportion of incomes between Presumptive Tax Regime income and Normal Tax Regime income and the change in proportions, if significant, is accounted for in the year of change.

2.4.4 Provision of staff retirement gratuity

The Company adopts certain actuarial assumptions as disclosed in note 9.2 to these 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.

2.4.5 Provisions and contingencies

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcome and lawyers' judgments, appropriate disclosure of provision is made.

2.5 New accounting standards, interpretations and amendments not yet effective

The following standards, interpretations and amendments to approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements;

IFRS 2 (amendments relating to group cash-settled share-based Payment transactions) - Share-based Payment (effective for annual periods beginning on or after 01 January 2010).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

IFRS 5 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Non-Current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 01 January 2010).

IFRS 8 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Operating Segments (effective for annual periods on or after 01 January 2010).

IFRS 9 - (Classification and Measurement) - Financial Instruments (effective for annual periods beginning on or after 01 January 2010).

IAS 1 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2010).

IAS 7 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Statement of Cash Flows (effective for annual periods beginning on or after 01 January 2010).

IAS 17 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Leases (effective for annual periods beginning on or after 01 January 2010).

IAS 24 (revised definition of related parties) - Related Party Disclosures (effective for annual periods beginning on or after 01 January 2011).

IAS 32 (amendments relating to classification of right issue) - Financial Instruments: Presentation (effective for annual periods beginning on or after 01 January 2010).

IAS 36 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Impairment of Assets (effective for annual periods beginning on or after 01 January 2010).

IAS 39 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 01 January 2010).

IFRIC 14 (IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction), amendment with respect to voluntary prepaid contributions is effective for annual periods beginning on or after 01 January 2011.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 01 July 2010.

The International Accounting Standards Board made certain amendments to existing standards as part of its improvement project. The effective dates for these amendments vary by standard and will be applicable to the Company in ensuing years. These amendments are unlikely to have an impact on the Company's financial statements.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the change as mentioned in note 3.1 to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

3.1 Change in accounting policy

The Company has applied revised IAS-1; "Presentation of financial Statements (2007)", which became effective as of 01 January 2009. This change requires the Company to present all transactions with the owners in the statement of changes in equity whereas all other changes in equity are presented in statement of comprehensive income. This presentation has been applied in this financial information as of and for the year ended June 30, 2010.

Comparative information has been represented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on (loss)/ earnings per share.

3.2 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 valuation was conducted as at June 30, 2010.

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. Past service cost resulting from changes to defined benefit plans to the extent the benefits are already vested is recognised immediately and remaining unrecognised past service cost is recognised as an expense on a straight line basis over the average period until the benefits become vested.

Certain actuarial assumptions have been adopted as disclosed in note 9.2 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 recognises 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 due at the reporting date.

3.3 Taxation

Income tax expense comprises current and deferred tax. Income tax is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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, in accordance with the provisions of the Income Tax Ordinance, 2001.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Deferred

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is recognized using the balance sheet liability method, providing for temporary difference between the carrying value of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary difference when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authorities on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis for these tax assets and liabilities will be realised simultaneously.

The effects on deferred taxation of the portion of income expected to fall under presumptive tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan. Deferred tax is charged or credited to income.

3.4 Provisions

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

3.5 Borrowing cost

Markup, interest and other charges on borrowings are capitalized up to the date when the qualifying assets are substantially ready for their intended use. Borrowing cost is included in the related property, plant and equipment acquired/ constructed out of the proceeds of such borrowings. All other markup, interest and related charges are charged to the profit and loss account in the period in which they are incurred.

3.6 Property, plant and equipment

3.6.1 Tangible assets

Owned

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

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

Capital work in progress is stated at cost including where appropriate, related borrowing costs less impairment loss, if any. These costs are transferred to operating fixed assets as and when assets are

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

available for use.

Depreciation is charged to income applying the reducing balance method except leasehold land, buildings and plant and machinery. Buildings and plant and machinery are depreciated on straight line method. Leasehold land is amortized over the remaining period of the lease. Rates of depreciation/ estimated useful lives are mentioned in note 13.1.

Depreciation is charged on prorated basis from the month in which an asset is acquired or capitalized, 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.

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

Leased

Leases in term of which the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Assets acquired by way of finance lease are stated at amounts equal to the lower of their fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Outstanding obligations under the lease less finance charges allocated to the future periods are shown as liability. Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Company.

3.6.2 Intangible assets

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and that the cost of such asset can also be measured reliably. These are stated at cost less accumulated amortisation and impairment losses, if any.

Amortisation is charged by applying straight line method, so as to write off the cost of assets at amortisation rate as mentioned in note 13.3 to the financial statements.

Subsequesnt expenditure is capitalised only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognised in profit and loss account as incurred.

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 recognized 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. If any such indication exists, then the asset's recoverable amount is estimated. Impairment losses are recognized as expense in the profit and

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

loss account. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. For non-financial assets, financial assets measured at amortized cost, available-for-sale financial assets that are debt securities, the reversal is recognised in 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

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 .

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

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.

3.11 Stores, spare parts 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, spare parts and loose tools at their present location for intended use less recoverable government levies. Items in transit are valued at costs accumulated up to the balance sheet date.

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 affect such sale.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Materials in transit are stated at cost comprising invoice purchase price plus other charges paid thereon

3.13 Revenue recognition

Revenue from sales is recognized on dispatch of goods when significant risks and rewards of ownership are transferred to the buyer. Return on investments is recognised on effective yield method. Dividend income is recognized when the right to receive such income is established. Rental income on investment property is recognised when due.

3.14 Markup bearing borrowings

Markup bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, markup bearing borrowings are stated at original cost less subsequent repayments, while the difference between the original recognized amounts (as reduced by periodic payments) and redemption value is recognized in the profit and loss account over the period of borrowings on an effective rate basis. The borrowing cost on qualifying asset is included in the cost of related asset as explained in note 3.5.

3.15 Financial instruments

Financial assets and liabilities are recognized 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. The Company de-recognizes the financial assets and liabilities when it ceases to be a party to such contractual provision of the instruments. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account.

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.

Trade debts and other receivables

Trade debts and other receivables are recognized at original invoice amount less allowance for estimated irrecoverable amounts.

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.

3.16 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 balance, demand deposits, other

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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

3.17 Dividend

Dividend distribution to the shareholders is recognised as liability in the period in which it is declared.

4. Issued, subscribed and paid up share capital

2010	2009		2010	2009
Number of shares			Rupees	Rupees
261,709,169	261,709,169	Ordinary shares of Rs.10 each issued for cash	**2,617,091,690**	2,617,091,690
64,038,422	64,038,422	Ordinary shares of Rs. 10 each issued as fully paid bonus share	**640,384,220**	640,384,220
325,747,591	325,747,591	**Total**	**3,257,475,910**	3,257,475,910

Bestway (Holdings) Limited, U.K. is the parent company controlling 222,358,381 i.e. 68.26% shares (2009: 222,358,381 i.e. 68.26% shares) of the Company.

5. Long term financing - secured	Note	2010 Rupees	2009 Rupees
Loans from banking companies	5.1	**4,362,500,000**	5,500,000,000
Syndicate term finance facilities	5.2	**8,743,303,338**	9,126,636,670
		13,105,803,338	14,626,636,670
Current portion of long term financing		**(3,419,444,445)**	(3,170,833,334)
		9,686,358,893	11,455,803,336

5.1 Loans from banking companies

Term Finance from MCB Bank Limited	5.1.1	**962,500,000**	1,100,000,000
Term Finance from Allied Bank Limited	5.1.2	**1,000,000,000**	1,000,000,000
Term Finance from Habib Bank Limited		**-**	400,000,000
Term Finance from Habib Bank Limited	5.1.3	**2,400,000,000**	3,000,000,000
		4,362,500,000	5,500,000,000

5.2 Syndicate term finance facilities

Term finance from syndicate	5.2.1	**1,719,970,000**	2,579,970,000
Term finance from syndicate	5.2.2	**1,333,333,338**	1,866,666,670
Term finance from syndicate	5.2.3	**3,640,000,000**	4,680,000,000
Term finance from syndicate	5.2.4	**2,050,000,000**	-
		8,743,303,338	9,126,636,670

5.1.1 This represents term finance facility of Rs. 1,100 million. This facility is repayable in 8 equal semi annual installments started from April 2010. Markup is payable on quarterly basis at three months' KIBOR plus 0.55% (2009: three months' KIBOR plus 0.55%) per annum. The facility is secured by first pari passu hypothecation charge on all present and future assets excluding land and building of the Company for an amount of Rs. 1,466.67 million.

5.1.2 This represents the term finance facility of Rs. 1,000 million. This facility is repayable in 9 equal semi annual installments starting from June 2011. Markup is payable on semi annual basis at six

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

months' KIBOR plus 2.45% (2009: six months' KIBOR plus 2.45%) per annum. The facility is secured by first pari passu hypothecation charge on all present and future assets excluding land and building of the Company for an amount of Rs. 1,333.34 million.

5.1.3 This represents the term finance facility of Rs. 3,000 million. This facility is repayable in 10 equal semi annual installments started from December 2009. Markup is payable on quarterly basis at three months' KIBOR plus 1.25% (2009: three months' KIBOR plus 1.25%) per annum. The facility is secured by first pari passu hypothecation charge on all present and future current and movable assets of the Company and equitable mortgage ranking pari passu charge over the immovable assets of the Company including land and building for an amount of Rs. 4,000 million.

5.2.1 This represents a syndicated term finance facility of Rs. 4,300 million from a syndicate of Habib Bank Limited, MCB Bank Limited, The Bank of Punjab, Allied Bank Limited and Standard Chartered Bank (Pakistan) Limited 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 semi annual installments started from November 2007. Markup is payable on semi annual basis at six months' KIBOR plus 1.10% (2009: six months' KIBOR plus 1.10 %) per annum. The facility is secured by first pari passu hypothecation charge on all present and future assets of the Company and first pari passu equitable mortgage over immovable properties of the Company for an amount of Rs. 4,586.67 million in favour of syndicate.

5.2.2 This represents a syndicated term finance facility of Rs. 3,200 million from a syndicate of Habib Bank Limited, MCB Bank Limited and Allied Bank Limited with the participation of Rs. 1,000 million, Rs. 1,000 million, and Rs. 1,200 million respectively. This facility is repayable in 12 equal semi annual installments started from May 2007. Markup is payable on quarterly basis at six months' KIBOR plus 1.25 % (2009: six months' KIBOR plus 1.25 %) per annum. The facility is secured by first pari passu hypothecation charge on all the present and future assets of the Company and first pari passu equitable mortgage over immovable properties of the Company for an amount of Rs. 2,844.44 million (2009: Rs. 4,266.67 million) in favour of syndicate and pledge over 85.29% shares of Mustehkam Cement Limited.

5.2.3 This represents a syndicated term finance facility of Rs. 5,200 million from a syndicate of Allied Bank Limited, Bank Alfalah Limited, Standard Charterd Bank (Pakistan) Limited, Askari Bank Limited, Fayasal Bank Limited , Habib Bank Limited, Silk Bank Limited, HSBC Bank Middle East Limited, Bank Al Habib Limited, Habib Metropolitan Bank Limited and Soneri Bank Limited with the participation of Rs. 550 million, Rs. 1,000 million, Rs. 600 million, Rs. 500 million, Rs. 500 million, Rs. 500 million, Rs. 500 million, Rs. 400 million, Rs. 300 million, Rs. 250 million and Rs. 100 million respectively. This facility is repayable in 10 equal semi annual installments started from April 2009. Markup is payable on semi annual basis at rate of six months' KIBOR plus 2.05 % (2009: six months' KIBOR plus 2.05 %) per annum. The facility is secured by first pari passu hypothecation charge on all present and future assets of the Company and equitable mortgage over immovable properties of the Company for an amount of Rs. 6,933.33 million.

5.2.4 This represents a syndicated term finance facility of Rs. 2,050 million obtained during the year from a syndicate of Allied Bank Limited, Habib Bank Limited, The Bank of Punjab and Faysal Bank Limited with the participation of Rs. 1,000 million, Rs. 500 million, Rs. 300 million and Rs. 250 million respectively. This facility is repayable in 06 equal semi annual installments starting from December, 2012. Mark up is payable on semi annual basis at six months' KIBOR plus 2.25% per annum. The facility is secured by first pari passu hypothecation charge on all the present and future assets of the Company excluding land and building for an amount of Rs. 2,733.33 million in favour of syndicate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

6. Liability against assets subject to finance lease - secured

	2010			2009
	Minimum lease payments	**Finance cost for future periods**	**Present value of minimum lease payments**	Present value of minimum lease payments
	Rupees	**Rupees**	**Rupees**	Rupees
Not later than one year	**65,405,134**	**21,971,342**	**43,433,792**	38,672,516
Later than one year and not later than five years	**195,216,735**	**40,907,180**	**154,309,555**	194,033,624
Current portion of liability against assets subject to finance lease	-	-	**(43,433,792)**	(38,672,516)
	260,621,869	**62,878,522**	**154,309,555**	194,033,624

6.1 This represents lease finance facility of Rs. 227.05 million (present value of Rs. 197.74 million (2009: Rs. 232.71 million)) for acquisition of plant and machinery obtained from Meezan Bank Limited, repayable in 10 semi annual installments started from November 2009. Markup is payable on a biannual basis at six months' KIBOR plus 2.05% (2009: six months' KIBOR plus 2.05%) per annum with a floor and cap of 2.5% (2009: 2.5%) and 28% (2009: 28%) respectively. The facility is secured by way of ownership of leased assets and 10% security deposit of the financed asset.

7 Long term murabaha - secured

	Note	2010 Rupees	2009 Rupees
Faysal Bank Limited	7.1	**120,000,000**	180,000,000
Faysal Bank Limited	7.2	**210,000,000**	270,000,000
Meezan Bank Limited	7.3	**1,675,000,000**	-
		2,005,000,000	450,000,000
Current portion of long term murabaha		**(120,000,000)**	(120,000,000)
		1,885,000,000	330,000,000

7.1 This represents murabaha finance facility of Rs. 300 million. This facility is repayable in 10 equal semi annual installments started from November 2007. Markup is payable on semi annual basis at six months' KIBOR plus 1.10 % (2009: six months' KIBOR plus 1.10 %) per annum. The facility is secured by first pari passu hypothecation charge on all present and future assets of the Company and equitable mortgage over the immovable properties of the Company for an amount of Rs. 320 million.

7.2 This represents murabaha finance facility of Rs. 300 million. This facility is repayable in 10 equal semi annual installments started from April 2009. Markup is payable on semi annual basis at rate of six months' KIBOR plus 2.05% (2009: six months' KIBOR plus 2.05%) per annum. The facility is secured by first pari passu hypothecation charge on the present and future assets of the Company and equitable mortgage over immovable properties of the Company for an amount of Rs. 400 million.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

7.3 This represents during the year utilized amount of commodity murabaha finance facility of Rs 1,900 million. This facility is repayable in bullet installment at the time of maturity in July, 2012. Mark up is payable on annual basis at the rate of two years' KIBOR per annum. The facility is secured by standby letter of credit(s) (SBLCs) of worth USD 19.78 million and ranking hypothecation charge on the present and future both current and fixed assets of the Company excluding land building for an amount of Rs. 285 million.

	Note	**2010 Rupees**	2009 Rupees
8. Long term advances			
Advance rents	8.1	**6,357,960**	12,249,720
Current portion of advance rents	10	**(6,357,960)**	(10,499,760)
		-	1,749,960

8.1 This represents advance rent received in respect of investment property held for rental purposes.

9. Deferred liabilities			
Deferred taxation	9.1	**307,869,780**	552,523,596
Provision for gratuity	9.2	**64,649,982**	49,522,737
Provision for compensated absences	9.3	**13,593,119**	11,368,614
		386,112,881	613,414,947

9.1 Deferred tax liability is recognised on following major temporary differences:

Taxable temporary differences		
Accelerated depreciation	**2,921,708,816**	2,467,378,905
Deductible temporary differences		
Liability against assets subject to finance lease	**(53,983,934)**	(63,528,776)
Unabsorbed tax losses	**(2,559,855,102)**	(1,851,326,533)
	(2,613,839,036)	(1,914,855,309)
	307,869,780	552,523,596

9.1.1 Movement of deferred tax liability is as follows:

Opening balance	**552,523,596**	392,368,409
(Credit)/ charge for the year	**(244,653,816)**	160,155,187
Closing balance	**307,869,780**	552,523,596

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
9.2 The amount recognised in the balance sheet is as follow:			
Present value of defined benefit obligation		**85,085,476**	68,599,173
Net actuarial losses not recognized		**(20,435,494)**	(19,076,436)
Net liability at end of the year		**64,649,982**	49,522,737
The movement in present value of defined benefit obligation is as follows;			
Opening balance		**49,522,737**	36,351,025
Charge for the year		**25,146,563**	18,919,917
Benefits paid during the year		**(10,019,318)**	(5,748,205)
Closing balance		**64,649,982**	49,522,737
Expense recognised in profit and loss account:			
Current service cost		**12,775,772**	10,554,093
Interest cost		**9,927,487**	6,410,812
Actuarial losses recognised		**2,443,304**	1,955,012
		25,146,563	18,919,917

Actuarial Assumptions

	2010	2009
Valuation discount rate	13%	13%
Salary increase rate	13%	13%

Expected gratuity expense for the next financial year is Rs. 27,587,174 (2009: Rs. 21,836,239)

Historical information

Present value of the defined benefit obligation

	2010	2009	2008	2007	2006
(Rupees)	**64,649,982**	49,522,737	36,351,025	28,009,841	19,789,808

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
10. Trade and other payables			
Payable to contractors and suppliers		**631,863,980**	290,124,710
Accrued liabilities	10.1	**488,223,452**	538,049,574
Advances from customers	10.2	**120,744,210**	177,511,469
Security deposits		**27,498,062**	23,498,062
Workers' Profit Participation Fund		**-**	47,412,246
Workers' Welfare Fund		**24,094,215**	24,094,215
Retention money		**15,800,654**	25,624,071
Sales tax payable		**35,384,336**	17,326,545
Excise duty payable		**186,921,254**	179,142,726
Current portion of advance rents	8	**6,357,960**	10,499,760
Other payables	10.3	**21,225,508**	21,739,537
Unclaimed dividend		**313,350**	313,350
		1,558,426,981	1,355,336,265

10.1 This includes an amount of Rs. 0.23 million (2009: Rs. Nil) payable to Sui Northern Gas Pipelines Limited (SNGPL) against gas consumption during the month of June 2010. The Company has issued bank guarantees in the normal course of business to SNGPL for commercial and industrial use of gas for an amount of Rs. 589.663 million (2009: Rs. 804.997 million).

10.2 This includes Rs. 40.10 million (2009: Rs. 146.45 million) advances from customers against export sales.

10.3 This includes an amount of Rs. 7.615 million (2009: Rs. 6.658 million) payable to parent company.

11. Short term borrowings - secured

Running finance from banking companies

	Note	2010 Rupees	2009 Rupees
Habib Bank Limited	11.1	**24,537,361**	35,248,523
Barclays Bank Limited	11.2	**348**	303,031,113
Bank Al Habib Limited	11.3	**5,641,012**	499,694,381
Askari Bank Limited	11.4	**499,987,281**	-
Soneri Bank Limited	11.5	**130,288,840**	122,149,900
Allied Bank Limited	11.6	**53,941,720**	478,734,518
Meezan Bank Limited	11.7	**300,000,000**	200,000,000
Habib Bank Limited	11.8	**365,000,000**	315,000,000
Habib Bank Limited	11.9	**354,997,244**	-
NIB Bank Limited		**-**	124,630,817
		1,734,393,806	2,078,489,252

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
Foreign currency import finance			
Meezan Bank Limited	11.10	**362,798,983**	-
Habib Bank Limited	11.11	**224,162,400**	-
Bank Al- Habib Limited	11.12	**318,592,794**	-
MCB Bank Limited	11.13	**249,842,491**	230,101,122
		1,155,396,668	230,101,122
Export refinance			
Soneri Bank Limited	11.14	**93,045,000**	77,157,000
Allied Bank Limited	11.15	**350,000,000**	-
Barclays Bank Limited	11.16	**65,000,000**	-
NIB Bank Limited	11.17	**187,000,000**	-
		695,045,000	77,157,000
		3,584,835,474	2,385,747,374

11.1 This represents running finance facility of Rs. 400 million for a period of one year (2009: Rs. 400 million). Markup is payable on quarterly basis at the rate of one month's KIBOR plus 1.00% (2009: one month's KIBOR plus 1.00%) per annum. The facility is secured by ranking hypothecation charge on all present and future book debts, receivables and other movable assets of the Company for an amount of Rs. 150 million and lien over US Dollar account upto Rs. 0.455 million of the Company.

11.2 This represents running finance facility of Rs. 500 million for a period of one year (2009: Rs. 500 million). Markup is payable on quarterly basis at the rate of one month's KIBOR plus 1.75% (2009: one month's KIBOR plus 1.70%) per annum. The facility is secured by first pari passu hypothecation charge on all present and future current assets of the Company and ranking hypothecation charge on all present and future fixed assets excluding land and building of the Company for an amount of Rs. 667 million.

11.3 This represents running finance facility of Rs. 500 million for a period of one year (2009: Rs. 500 million). Markup is payable on quarterly basis at the rate of three months' KIBOR plus 1.00% (2009: three months' KIBOR plus 1.50%) per annum. The facility is secured by first pari passu hypothecation charge on all present and future current assets of the Company for an amount of Rs. 666.67 million.

11.4 This represents the utilized amount of running finance facility of Rs. 500 million for a period of one year (2009: Rs. Nil). Mark up is payable on quarterly basis at the rate of three months' KIBOR plus 1.00% per annum. The facility is secured by first pari passu hypothecation charge on all present and future assets of the Company excluding land and building for an amount of Rs. 666.67 million.

11.5 This represents running finance facility of Rs. 375 million for a period of one year (2009: Rs. 375 million). Markup is payable on quarterly basis at the rate of three months' KIBOR plus 1 % (2009: three months' KIBOR plus 1 %) per annum. The facility is secured by first pari passu

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

hypothecation charge on all present and future current assets of the Company for an amount of Rs. 500 million.

11.6 This represents running finance facility of Rs. 1,000 million for a period of one year (2009: Rs. 1,000 million). Markup is payable on quarterly basis at the rate of one month's KIBOR plus 1.50% (2009: one month's KIBOR plus 1.50%) per annum. The facility is secured by first pari passu hypothecation charge on all present and future current assets of the Company for an amount of Rs. 1,333.33 million.

11.7 This represents Istisna facility of Rs. 300 million for a period of one year (2009: Rs. 200 million) with maximum tenure of 183 days. Mark up is payable at the time of maturity at the rate of six months' KIBOR plus 0.75% (2009: six months' KIBOR plus 0.75%) per annum. The facility is secured by first pari passu hypothecation charge on all present and future current assets of the Company and ranking hypothecation charge on all present and future fixed assets of the Company excluding land and building for an amount of Rs. 400 million.

11.8 This represents running finance facility of Rs. 365 million for a period of one year (2009: Rs. 365 million). Markup is payable at the time of maturity at the rate of one month's KIBOR plus 1.00% (2009: three months' KIBOR plus 1.50%) per annum. The facility is secured by first pari passu hypothecation charge on all present and future current assets of the company for an amount of Rs. 100 million and first pari passu hypothecation charge on all present and future fixed assets of the Company excluding land and building for an amount of Rs. 322 million. It is also secured over equitable mortgage over land and building.

11.9 This represents running finance facility of Rs. 355 million for a period of one year (2009: Rs. 225 million). Markup is payable at the time of maturity at the rate of one month's KIBOR plus 1.00% per annum. The facility is secured by ranking hypothecation charge on present and future current and movable assets of the Company for an amount of Rs. 474 million.

11.10 This represents utilized amount of USD 4.24 million of foreign currency import finance facility of USD 4.25 million obtained during the year for import of raw materials for maxium tenure of 180 days. The facility carries mark up at the rate of six months' LIBOR plus 2.50% per annum payable at the time of maturity or on quarterly basis whichever comes earlier. The facility is secured by ranking hyothecation charge on all present and future assets of the Company excluding land and building for an amount of Rs. 500 million.

11.11 This represents utilized amount of USD 2.62 million of foreign currency import finance facility of USD 8.35 million obtained during the year for import of raw materials for maximum tenure of 180 days. The facility carries mark up at the rate of six months' LIBOR plus 3.00 % per annum payable on maturity. The facility is secured by ranking hypothecation charge on all present and future current and movable assets of the Company for an amount of Rs. 486 million.

11.12 This represents foreign currency import finance facility of Rs. 500 million (2009: Rs. Nil) obtained for import of raw materials for a period of 6 months. The facility carries markup at the rate of six months' KIBOR plus 1.00 % per annum payable on maturity. The facility is secured by first pari passu hypothecation charge on all present and future current assets of the Company for an amount of Rs. 668 million.

11.13 This represents utilized amount of USD 2.93 million (2009: USD 2.82 million) of foreign currency import finance facility of USD 5.88 million (2009: USD 6.85 million) obtained for import of raw e

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

materials for maximum tenure of 180 days. The facility carries markup at the rate of six months' LIBOR plus 3.50% (2009: six months' LIBOR plus 3.00%) per annum payable at the time of maturity. The facility is secured by ranking hyothecation charge on all present and future assets of the Company excluding land and building for an amount of Rs. 500 million.

11.14 This represents export refinance facility of Rs. 100 million (2009: Rs. 100 million) for a period of one year. markup is payable at the time of settlement of the facility or on quarterly basis whichever comes earlier at the rate defined by State Bank of Pakistan plus 1.00% per annum. The facility is secured by first pari passu hypothecation charge on all present and future current assets of the Company for an amount of Rs. 134 million.

11.15 This represents export refinance facility of Rs. 350 million for a period of one year (2009: Rs. NIL) for maximum tenure of 180 days. Markup is payable at the time of settlement of the facility or on quarterly basis whichever comes earlier at the rate defined by State Bank of Pakistan plus 1.00% per annum. The facility is secured by first pari passu hypothecation charge on all present and future current assets of the Company for an amount of Rs. 1,333.33 million.

11.16 This represents utilized amount of export refinance facility of Rs. 75 million for a period of one year (2009: Rs. NIL) for maximum tenure of 180 days. Markup is payable at the time of settlement of the facility or on quarterly basis whichever comes earlier at the rate defined by State Bank of Pakistan plus 1.00% per annum. The facility is secured by first pari passu hypothecation charge on all present and future current assets of the Company and ranking hypothecation charge on all present and future fixed assets excluding land and building of the Company for an amount of Rs. 667 million.

11.17 This represents export refinance facility of Rs. 187 million for a period of one year (2009: Rs. NIL). Markup is payable at the time of settlement of the facility or on quarterly basis which comes earlier at the rate defined by State Bank of Pakistan plus 1.00% per annum.The facility is secured by first pari passu hypothecation charge on all present and future current assets of the Company for an amount of Rs. 250 million, ranking hypothecation charge on all present and future current assets of the Company for an amount of Rs. 388.80 million and ranking hypothecation charge on all present and future fixed assets of the Company excluding land building for an amount of Rs. 300 million.

11.18 Unavailed facilities

The Company has running finance facilities and other short term borrowings facilities for an amount of Rs. 685 million (2009: Rs. 655 million) which the Company has not availed as at the year end.

Facilities of letter of guarantee and letter of credit amounting to Rs. 633.61 million (2009: Rs. 229.63 million) and 3,657 million (2009: Rs. 3,806 million) respectively are available to the Company. Letter of guarantee is secured by first pari passu charge on present and future assets of the Company.

		Note	2010 Rupees	2009 Rupees
12.	**Contingencies and commitments**			
	In respect of bank guarantees	12.1	**68,329,762**	85,115,746
	In respect of letters of credits		**685,764,775**	894,060,562

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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

12.2 Competition Commission of Pakistan (CCP) has issued a show cause notice dated October 28, 2008 to 21 cement companies (including the Company) under section 30 of the Competition Ordinance, 2007. On August 27, 2009, CCP has imposed a penalty of Rs. 562 million on the Company. The cement manufacturers (including the Company) have challenged the CCP order in Honourable High Court and the Honourable High Court has passed an interim order restraining CCP from taking any adverse action against these 21 cement companies.

Against the above referred order of CCP dated 27 August 2009 an appeal was also filed as abundant caution in the Honourable Supreme Court of Pakistan under Section 42 of the Competition Ordinance, 2007. These appeals are still pending and management is confident of a favourable outcome of the case.

12.3 Tax related contingencies are disclosed in note 33 to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

13. Property, plant and equipment

	Note	2010 Rupees	2009 Rupees
Operating fixed assets	13.1	**16,670,843,327**	14,479,115,613
Capital work in progress	13.2	**84,072,763**	2,390,891,489
Intangible assets	13.3	**30,000,000**	-
Stores held for capitalization		**111,480,836**	121,277,984
		16,896,396,926	16,991,285,086

13.1 Operating fixed assets

	Owned									Leased	
	Free hold land	Lease hold land	Buildings on freehold land	Plant and machinery	Quarry equipment	Other equipment	Furniture and fixtures	Vehicles	Office equipment	Plant and machinery	Total
	Rupees										
Tangible assets											
Cost											
Balance as at July 01, 2008	459,707,852	37,093,572	4,771,232,478	11,833,672,441	672,018,059	66,006,293	71,896,966	153,564,420	52,124,913	227,054,048	**18,344,371,042**
Additions during the year	10,054,510	-	28,051,318	95,298,733	151,174,213	13,367,442	5,402,793	22,582,545	7,510,983	-	**333,442,537**
Transferred from CWIP	-	-	7,473,028	152,642,991	-	-	-	-	-	-	**160,116,019**
Adjustments	-	-	-	(951,792,763)	-	-	-	-	-	-	**(951,792,763)**
Disposals	-	-	-	-	-	-	-	(2,985,828)	(11,640)	-	**(2,997,468)**
Balance as at June 30, 2009	469,762,362	37,093,572	4,806,756,824	11,129,821,402	823,192,272	79,373,735	77,299,759	173,161,137	59,624,256	227,054,048	**17,883,139,367**
Balance as at July 01, 2009	469,762,362	37,093,572	4,806,756,824	11,129,821,402	823,192,272	79,373,735	77,299,759	173,161,137	59,624,256	227,054,048	**17,883,139,367**
Additions during the year	5,486,587	-	13,921,530	105,143,991	-	7,455,967	2,341,718	6,862,964	11,956,878	-	**153,169,635**
Transferred from CWIP	-	-	184,268,367	2,580,153,283	-	-	-	-	-	-	**2,764,421,650**
Adjustments	-	-	-	(85,729,919)	-	-	(402,516)	-	(277,622)	-	**(86,410,057)**
Disposals	-	-	-	-	-	-	-	(7,852,814)	-	-	**(7,852,814)**
Balance as at June 30, 2010	475,248,949	37,093,572	5,004,946,721	13,729,388,757	823,192,272	86,829,702	79,238,961	172,171,287	71,303,512	227,054,048	**20,706,467,781**
Depreciation											
Balance as at July 01, 2008	-	13,064,618	576,044,364	1,772,408,773	327,524,622	30,270,036	16,618,896	71,620,890	21,870,813	-	**2,829,423,012**
Charge for the year	-	1,342,191	157,754,471	326,014,198	57,341,198	5,342,983	5,685,522	18,688,766	5,165,438	7,568,468	**584,903,235**
Adjustments		-	-	(8,086,228)	-	-	-	-	-	-	**(8,086,228)**
Disposals	-	-	-	-	-	-	-	(2,214,734)	(1,531)	-	**(2,216,265)**
Balance as at June 30, 2009	-	14,406,809	733,798,835	2,090,336,743	384,865,820	35,613,019	22,304,418	88,094,922	27,034,720	7,568,468	**3,404,023,754**
Balance as at July 01, 2009	-	14,406,809	733,798,835	2,090,336,743	384,865,820	35,613,019	22,304,418	88,094,922	27,034,720	7,568,468	**3,404,023,754**
Charge for the year	-	1,342,191	161,308,591	396,791,357	65,748,968	6,139,474	5,562,426	16,659,580	5,602,630	7,568,468	**666,723,685**
Adjustments				(29,035,004)		-	(28,374)	-	(99,908)	-	**(29,163,286)**
Disposals	-	-	-	-	-	-	-	(5,959,699)	-	-	**(5,959,699)**
Balance as at June 30, 2010	-	15,749,000	895,107,426	2,458,093,096	450,614,788	41,752,493	27,838,470	98,794,803	32,537,442	15,136,936	**4,035,624,454**
Carrying value - 2010	**475,248,949**	**21,344,572**	**4,109,839,295**	**11,271,295,661**	**372,577,484**	**45,077,209**	**51,400,491**	**73,376,484**	**38,766,070**	**211,917,112**	**16,670,843,327**
Carrying value - 2009	469,762,362	22,686,763	4,072,957,989	9,039,484,659	438,326,452	43,760,716	54,995,341	85,066,215	32,589,536	219,485,580	14,479,115,613
Life in years/ rates of depreciation per annum		30yrs	30yrs	30yrs	15%	10-15%	10%	20%	15%	30yrs	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

13.1.1 Depreciation on operating fixed assets has been allocated as follows:

	Note	2010 Rupees	2009 Rupees
Cost of sales	27	**656,237,833**	573,955,696
Administrative expenses	28	**6,949,570**	7,159,219
Distribution cost	29	**3,536,282**	3,788,320
		666,723,685	584,903,235

13.1.2 Disposal of operating fixed assets

Description	Cost	Book value	Sale proceeds	Gain	Mode of disposal	Sold to
	Rupees	Rupees	Rupees	Rupees		
Vehicles						
Honda Civic	1,131,920	358,544	471,907	113,363	Negotiation	Employee
Suzuki Bolan	420,550	36,092	36,092	-	Negotiation	Employee
Honda Citi	840,042	219,858	288,284	68,426	Negotiation	Employee
Suzuki Baleno	790,245	182,990	322,804	139,814	Negotiation	Employee
Suzuki Alto	504,960	148,919	242,321	93,402	Negotiation	Employee
Honda Civic	1,223,950	340,904	470,583	129,679	Negotiation	Employee
Toyota Corolla	912,390	44,584	630,000	585,416	Negotiation	Employee
Suzuki Cultus	598,065	163,312	203,357	40,045	Negotiation	Employee
Honda Citi	837,342	242,369	378,295	135,926	Negotiation	Employee
Suzuki Cultus	593,350	155,543	220,027	64,484	Negotiation	Employee
2010	**7,852,814**	**1,893,115**	**3,263,670**	**1,370,555**		
2009	2,997,468	781,203	1,622,605	841,402		

13.2 Capital work in progress

	Note	2010	2009
Opening balance		**2,390,891,489**	489,533,961
Additions during the year	13.2.1	**487,602,924**	2,061,473,547
		2,878,494,413	2,551,007,508
Transferred to operating fixed assets:			
Plant and machinery		**(2,580,153,283)**	(152,642,991)
Buildings on free hold land		**(184,268,367)**	(7,473,028)
Intangible assets	13.3	**(30,000,000)**	-
		(2,794,421,650)	(160,116,019)
	13.2.2	**84,072,763**	2,390,891,489

13.2.1 This includes borrowing cost capitalised amounting to Rs. 203.83 million (2009: Rs. 188.43 million) at capitalisation rate of 13.98% (2009: 15.08%) per annum.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		Note	2010 Rupees	2009 Rupees
13.2.2	Break up of capital work in progress is as follows:			
	Plant and machinery and other equipment		**59,326,209**	2,050,465,243
	Building and civil works		**4,033,622**	105,489,629
	Advances for capital work in progress		**18,225,693**	46,502,100
	Borrowing cost		**2,487,239**	188,434,517
			84,072,763	2,390,891,489
13.3	**Intangible assets**			
	Cost			
	Opening balance July 01		**-**	-
	Additions during the year	13.2	**30,000,000**	
	Closing balance June 30		**30,000,000**	-
	Amortisation rate		**15%**	-

Intangible assets were available for use on June 30, 2010.

		Note	2010 Rupees	2009 Rupees
14.	**Investment property**			
	Opening balance		**336,340,149**	291,330,764
	Gain on remeasurement of investment property to fair value	14.1	**4,375,685**	45,009,385
	Closing balance		**340,715,834**	336,340,149

14.1 On June 28, 2010, an independent exercise was carried out to calculate the fair value of investment property. To assess the land prices, market research was carried out in the area around the plot where the investment property is situated. Fair value of investment property is based on independent valuer's judgment about average prices prevalent on the said date and has been prepared on openly available/ provided information after making relevant inquiries from the market. Valuation was carried out by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

		Note	2010 Rupees	2009 Rupees
15.	**Long term investments**			
	Investments in related parties - at cost - quoted			
	Subsidiary company - Mustehkam Cement Limited	15.1	**4,233,311,598**	3,435,047,837
	Associated company - United Bank Limited	15.2	**1,862,802,950**	1,862,802,950
			6,096,114,548	5,297,850,787
	Other investments			
	Held to maturity investment - at amortised cost	15.3	**68,000**	59,198
			6,096,182,548	5,297,909,985

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		Note	2010 Rupees	2009 Rupees
15.1	**Subsidiary company - Mustehkam Cement Limited (MCL)**			
	39,623,533 shares (2009: 13,014,741 shares) of Rs. 10 each Market value Rs.14.50 per share (2009: Rs. 42.75). Equity held 95.03% (2009: 86.59%)		**4,233,311,598**	3,435,047,837
15.2	**Associated company - United Bank Limited (UBL)**			
	93,649,694 shares (2009: 85,136,131 shares) of Rs. 10 each Market value Rs. 54.20 (2009: Rs. 38.29 per share)	15.2.1	**1,862,802,950**	1,862,802,950

15.2.1 This represents 7.65% share (2009: 7.65%) in the equity of 1,224.2 million (2009: 1,112.8 million) shares of Rs. 10 each in UBL, an associated undertaking. Bestway Group holds 30.3% (2009: 30.3 %) equity in UBL. Increase in number of shares represent bonus shares received during the year.

15.3 Held to maturity investment - at amortised cost

		2010	2009
Defense Saving Certificates (DSCs)		**68,000**	59,198

The fair value of DSCs is not expected to be materially different from its carrying value.

16. Long term advances

	Note	2010	2009
Advance against issue of right shares		**-**	692,720,010
Advance for gas pipe line	16.1	**28,021,000**	32,024,000
Current portion of advance for gas pipe line	21	**(4,003,000)**	(4,003,000)
		24,018,000	28,021,000
		24,018,000	720,741,010

16.1 This represents outstanding amount of long term advance of Rs. 40.03 million paid to Sui Northern Gas Pipelines Limited to facilitate gas pipeline laying for the Company's plant located at Chakwal. The advance along with markup at the rate of 1.5% per annum is recoverable in 10 equal annual installments which started from March 2008.

17. This includes security deposits amounting to Rs. 64.182 million (2009: Rs. 64.182 million) given for the electricity connections of the plants.

18. Stores, spare parts and loose tools

		2010	2009
Stores, spare parts and loose tools		**1,614,162,311**	1,594,862,258
Stores and spare parts in transit		**553,101,821**	184,798,075
		2,167,264,132	1,779,660,333

19. Stock in trade

	Note	2010	2009
Raw and packing material		**117,241,263**	72,714,881
Work in process		**547,211,031**	654,426,964
Finished stock	19.1	**121,010,525**	329,166,536
		785,462,819	1,056,308,381

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

19.1 This includes Rs. 30.785 million (2009: Rs. 141.26 million) stock in transit.

20. Trade debts

This includes Rs. 71.73 million (2009: Rs. 405.89) receivable from customers against export sales.

21. Advances

	Note	2010 Rupees	2009 Rupees
Advances to directors and executives - considered good		**1,392,498**	575,897
Advances to suppliers and contractors - considered good		**173,422,108**	126,730,525
Advance for export related expenses	21.1	**24,722,069**	157,013,598
Advance to related party	21.2	**192,145,706**	44,748,944
Current portion advance for gas pipe line	16	**4,003,000**	4,003,000
		395,685,381	333,071,964

21.1 This represents advance paid for transportation of cement against export despatches from plant site to Karachi, the stock was in Karachi at the year end.

21.2 This represents amount due from Mustehkam Cement Limited, a related party and carries markup at Company's weighted average borrowing rate of 13.89% (2009: 15.08%) per annum. The Company has taken approval in its Annual General Meeting for giving advances to the related party to meet its urgent working capital requirement upto Rs. 200 million.

22. Deposits and prepayments

Security deposits	**4,483,946**	4,410,490
Prepayments	**3,135,200**	1,037,616
Margin on letter of credits	**-**	3,593,001
	7,619,146	9,041,107

23. Other receivables

	Note		
Due from related parties			
Mustehkam Cement Limited	23.1	**30,000,000**	25,000,000
Bestway Power Limited		**-**	1,771,974
		30,000,000	26,771,974
Others		**579,142**	774,561
		30,579,142	27,546,535

23.1 This represents amount due from related party against management charges.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
24. Due from Government agencies			
Advance tax - net	24.1	**571,926,716**	309,130,478
Excise duty		**357,706**	2,260,935
Customs duty	24.2	**28,372,522**	28,372,522
Capital value tax	24.2	**11,729,200**	11,729,200
Excise duty refundable	24.3	**211,146,242**	211,146,242
		823,532,386	562,639,377

24.1 This includes an amount of Rs. 14.70 million (2009: 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.

24.2 This represents customs duties paid in excess of 5% of the value assessed by the custom authorities for import of off high way dump trucks and the amount paid as Capital Value Tax (CVT) on this import. The collector of customs assessed 30% duty and CVT @ 7.5% of the assesed value on import of off high way dump trucks and did not allow exemption available to the Company under SRO No. 575(1) 2006 dated June 06, 2006. The Company deposited these amounts under protest as guarantee for clearance and filed an appeal before Honorable Sindh High Court. The Honorable High Court granted the leave of appeal and held that exemption for import of off high way dump trucks is available to the Company under SRO No. 575(1) 2006 dated June 06, 2006, therefore the excess amounts paid should be refunded to the Company.
The Company has obtained legal opinion on the basis of which it decided to account for these as refund in the books of account of the Company.

24.3 The Honourable Supreme Court of Pakistan in its judgment dated April 14, 2007 in a comparable case for levy of excise duty, dismissed the appeal filed by the Federal Board of Revenue (FBR) and upheld the decisions made by the Honourable High Courts of Peshawar, Sindh and Punjab. The dispute related to levy of excise duty on the retail price inclusive of excise duty or retail price excluding excise duty. The FBR's point of view was that excise duty be calculated on a declared retail price inclusive of excise duty whereas the concerned respondents contended that the excise duty would not be included in retail price for calculation of excise duty payable to the Government. The full bench of Supreme Court upheld the judgments made by High Courts and dismissed the appeal of FBR. The FBR moved a review petition before Supreme Court of Pakistan which is pending. Based on the legal opinion, the management believes that the Company's claim is valid and the amount is fully recoverable.

	Note	2010 Rupees	2009 Rupees
25. Bank balances			
Cash at banks			
Current accounts	25.1	**98,282,231**	72,328,800
Deposit accounts	25.2	**89,494,513**	379,963,005
		187,776,744	452,291,805

25.1 This includes Rs. 9.43 million (2009: Rs. 40.44 million) held in current accounts maintained with United Bank Limited, a related party.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

25.2 This includes an amount of US Dollar 0.457 million (2009: US Dollar 0.478 million) in US Dollar saving accounts. US Dollar 0.455 million (2009: US Dollar 0.476 million) are under lien with Habib Bank Limited.

25.3 Deposit accounts carry interest rates ranging from 1% to 5% (2009: 1% to 5%) per annum.

26. Turnover- net	**Note**	**2010 Rupees**	2009 Rupees
Gross turnover		**18,486,164,147**	19,576,807,743
Government levies			
Sales tax		**(1,912,814,087)**	(1,960,357,113)
Excise duties		**(2,376,790,578)**	(2,163,368,265)
		14,196,559,482	15,453,082,365
Rebates and discounts		**(863,496,876)**	(638,285,169)
		13,333,062,606	14,814,797,196

27. Cost of sales

Raw and packing materials consumed	27.1	**2,089,322,332**	1,450,068,038
Fuel and power		**7,576,383,560**	7,614,037,240
Stores, spare parts and loose tools consumed		**425,889,384**	385,314,722
Repairs and maintenance		**51,110,158**	22,239,490
Salaries, wages and benefits	27.2	**266,354,576**	248,822,437
Support services		**106,668,579**	101,710,229
Insurance		**22,131,998**	20,018,007
Equipment rental		**4,561,834**	9,441,214
Utilities		**5,960,926**	6,426,115
Travelling, conveyance and subsistence		**25,233,489**	28,613,170
Communication		**3,769,919**	4,393,172
Printing and stationery		**3,636,649**	3,128,210
Entertainment		**1,806,363**	2,185,257
Depreciation	13.1.1	**656,237,833**	573,955,696
Other manufacturing expenses		**9,816,207**	7,241,875
		11,248,883,807	10,477,594,872
Opening work in process		**654,426,964**	333,571,286
Closing work in process		**(547,211,031)**	(654,426,964)
Cost of goods manufactured		**11,356,099,740**	10,156,739,194
Opening finished stock		**329,166,536**	216,877,515
Closing finished stock		**(121,010,525)**	(329,166,536)
		11,564,255,751	10,044,450,173

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		Note	2010 Rupees	2009 Rupees
27.1	Raw and packing materials consumed			
	Opening balance		**72,714,881**	179,277,943
	Purchases made during the year		**2,133,848,714**	1,343,504,976
	Closing balance		**(117,241,263)**	(72,714,881)
			2,089,322,332	1,450,068,038

27.2 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 28.15 million (2009: Rs. 17.90 million)

28. Administrative expenses

	Note	2010 Rupees	2009 Rupees
Salaries, wages and benefits	28.1	**82,588,449**	80,037,199
Rent, rates and taxes		**1,270,220**	1,011,760
Repairs and maintenance		**4,816,958**	2,798,243
Insurance		**1,270,110**	448,731
Utilities		**2,908,323**	1,862,494
Travelling, conveyance and subsistence		**8,928,396**	8,552,981
Communication		**2,060,280**	1,887,990
Printing and stationery		**2,641,712**	1,646,420
Entertainment		**355,865**	277,115
Advertisements		**515,955**	271,267
Charitable donations	28.2	**120,100**	25,248,032
Legal and professional charges		**3,850,877**	1,755,342
Fees and subscription		**1,500,791**	3,424,049
Management charges	28.3	**511,292**	1,338,529
Auditors' remuneration	28.4	**2,182,000**	2,032,000
Depreciation	13.1.1	**6,949,570**	7,159,219
Other		**1,077,681**	387,179
		123,548,579	140,138,550

28.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 4.06 million (2009: Rs. 3.42 million).

28.2 A provision at 2.5% of the accounting profit after tax for an amount of Rs. Nil (2009: Rs. 24.35 million) has been made for donation to Bestway Foundation. The chief executive and directors are among the trustees of the Foundation. None of the trustees or their spouses have a beneficial interest in the Foundation.

28.3 This represents management charges of the parent company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		Note	2010 Rupees	2009 Rupees
28.4	**Auditors' remuneration**			
	Audit fee		**900,000**	800,000
	Audit of consolidated financial statements		**300,000**	300,000
	Fee of half year review		**300,000**	250,000
	Taxation services		**600,000**	600,000
	Out of pocket expenses		**82,000**	82,000
			2,182,000	2,032,000
29.	**Distribution cost**			
	Salaries, wages and benefits	29.1	**23,602,883**	22,252,686
	Support services		**536,634**	490,267
	Rent, rates and taxes		**3,982,966**	2,827,857
	Repairs and maintenance		**1,270,378**	623,558
	Utilities		**693,699**	578,517
	Travelling, conveyance and subsistence		**4,125,284**	3,224,167
	Communication		**1,182,119**	1,316,036
	Printing and stationery		**2,417,597**	2,439,118
	Entertainment		**559,805**	499,605
	Advertising and promotion		**2,052,475**	2,183,590
	Depreciation	13.1.1	**3,536,282**	3,788,320
	Fees and subscription		**31,366,718**	2,732,932
	Freight and handling - Local		**89,045,199**	47,814,072
	- Export		**910,203,637**	1,304,378,438
	Other		**80,180**	728,148
			1,074,655,856	1,395,877,311

29.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 2.52 million (2009: Rs. 2.46 million).

		2010 Rupees	2009 Rupees
30.	**Other operating expenses**		
	Workers' Profit Participation Fund	-	47,412,246
	Workers' Welfare Fund	-	24,094,215
		-	71,506,461
31.	**Finance cost**		
	Markup on long term financing	**1,984,266,153**	2,137,248,178
	Markup on long term morabaha	**62,070,952**	75,835,303
	Markup on liability agianst assets subject to finance lease	**37,089,423**	35,248,394
	Markup on short term borrowings	**128,023,401**	27,525,662
	Bank charges and commissions	**11,674,729**	10,228,719
		2,223,124,658	2,286,086,256

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		Note	2010 Rupees	2009 Rupees
32.	**Other operating income**			
	Income from financial assets			
	Profit on deposit accounts		**723,668**	918,961
	Exchange gain - net		**1,219,270**	57,267,631
	Profit on held to maturity investment		**8,802**	7,684
			1,951,740	58,194,276
	Income from non financial assets			
	Gain on disposal of operating fixed assets		**1,370,555**	841,402
	Dividend income from UBL (associated company)		**212,840,328**	193,491,208
	Rental income from investment property		**12,797,185**	21,746,044
	Gain on remeasurement of investment property to fair value		**4,375,685**	45,009,385
	Management fee from related parties - net		**5,307,498**	660,887
	Return on short term deposit receipt		**-**	3,103,907
	Other		**1,884,691**	4,925,200
			238,575,942	269,778,033
			240,527,682	327,972,309
33.	**Taxation**			
	Current		**42,095,770**	70,531,581
	Deferred - current		**(244,653,816)**	160,155,187
			(202,558,046)	230,686,768

33.1 Numerical reconciliation between tax (credit)/ expense and product of accounting (loss)/ profit multiplied by the applicable tax rate is as follows:

	2010	2009
Accounting (loss)/ profit	**(1,411,994,556)**	1,204,710,754
Tax on accounting (loss)/ profit at applicable rate of 35% (2009: 35%)	**(494,198,095)**	421,648,764
Tax effect of low rates on certain income	**337,265,494**	(17,872,909)
Tax effect of permanent differences	**85,211,023**	(44,136,066)
Tax effect of income taxable under final tax regime	**(130,836,468)**	(128,953,021)
	(202,558,046)	230,686,768

33.2 Provision for minimum tax at half a percent of turnover, under section 113 of Income Tax Ordinance, has not been made in the accounts due to gross loss to Company and current tax represents only final taxation on exports realisations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

33.3 Returns of total income for the Tax Years 2003 to 2006 and 2008 (years ended 30 June 2003 to 2006 and 2008) stand assessed in terms of section 120 of the Income Tax Ordinance, 2001 [Ordinance]. The tax authorities are empowered to amend the assessments within five years from the date of the original assessment. The assessment for the Tax Year 2005 was rectified in terms of section 221 of the Ordinance by the tax authorities on the issue of set off of brought forward losses thereby creating a tax demand of Rs. 40.55 million. Subsequently the aforesaid rectified order was further rectified under section 221 of the Ordinance in terms of which the demand of Rs. 40.55 million was reduced to Rs. 38 million.

Appeal filed by the Company with the Income Tax Appellate Tribunal for assessment year 2000-2001 was decided against the Company. A miscellaneous application has been filed by the Company with the Income Tax Appellate Tribunal which is pending adjudication. Further the Company contested the order of the Appellate Tribunal with the High Court which is also pending decision to date.

The tax audit for Tax Year 2007 was finalized by the income tax department and order under section 122(4) of the Ordinance was passed which was contested by the Company with Commissioner (Appeals). The Commissioner (Appeals) has deleted additions/ disallowances of Rs. 614 million and confirmed addition/disallowances of Rs. 7 million only, made through the amendment of original assessment as a result of audit. The Company preferred further appeal against the Commissioner (Appeals) order of confirmation of disallowances of Rs. 7 million, with the Income Tax Appellate Tribunal, which is pending decision to date.

No provision has been made in these financial statements in respect of outstanding issues as management is confident of a favourable outcome.

34. 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		Rupees		Rupees	
	2010	2009	**2010**	2009	**2010**	2009
Managerial remuneration and allowances	**18,000,000**	18,000,000	**40,624,674**	36,713,333	**66,596,846**	63,096,462
Bonus	-	-	**1,515,000**	2,140,000	-	3,429,450
Provision for gratuity	-	-	**1,256,098**	1,320,175	**6,411,989**	5,377,571
Compensated absences	-	-	**1,782,356**	1,386,082	**7,679,470**	4,002,843
	18,000,000	18,000,000	**45,178,128**	41,559,590	**80,688,305**	75,906,326
Number of persons	**1**	1	**5**	5	**41**	39

34.1 The directors and executives excluding chairman and chief executive are also provided with medical insurance facility as per their entitled limits.

35. Transactions with related parties

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

entities with common directorships and entities over which the directors are able to exercise influence. Balances with related parties are shown elsewhere in the notes to the financial statements. Transactions with related parties are as follows:

	Note	2010 Rupees	2009 Rupees
Transactions with parent company			
Management charges		**511,292**	1,338,529
Transactions with subsidiary company			
Advance against issue of right shares		**105,456,180**	692,720,010
Purchase of clinker		**359,153,437**	-
Sale of cement		**-**	54,070,009
Purchase of packing material		**2,338,693**	13,818,777
Sale of packing material		**7,214,731**	-
Sale of coal		**464,711,380**	245,517,510
Purchase of coal		**-**	266,595,676
Stores, spare parts and loose tools given		**17,877,221**	11,911,122
Stores, spare parts and loose tools received		**16,798,283**	4,828,040
Advances given		**569,797,000**	804,272,503
Recoveries made		**466,147,566**	784,675,356
Mark up on advances given		**51,077,349**	53,149,361
Management fee		**30,000,000**	25,000,000
Transactions with associated undertakings under common directorship			
Management fee		**480,000**	480,000
Service/ bank charges		**3,443,886**	2,845,807
Charitable donations		**-**	24,350,600
Dividend received		**212,840,328**	193,491,208
Sale of cement		**-**	189,150
Transactions with key management personnel			
Remuneration, allowances and benefits	35.1	**63,178,128**	59,559,590

35.1 Remuneration, allowances and benefits

	2010 Rupees	2009 Rupees
Managerial remuneration and allowances	**58,624,674**	54,713,333
Bonus	**1,515,000**	2,140,000
Provision for gratuity	**1,256,098**	1,320,175
Compensated absences	**1,782,356**	1,386,082
	63,178,128	59,559,590

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

36. (Loss)/ earnings per share (basic and diluted)

	2010	2009
(Loss)/ profit for the year (Rupees)	**(1,209,436,510)**	974,023,986
Weighted average number of ordinary shares in issue (Number)	**325,747,591**	307,420,129
(Loss)/ earnings per share - basic and diluted (Rupees)	**(3.71)**	3.17

There is no dilution effect on (loss)/ profit per share of the Company.

37. Financial instruments

The Company has exposures to the following risks from its use of financial instruments:

Credit risk

Liquidity risk

Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors of the Company oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board

37.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 Rupees	2009 Rupees
Long term deposits	**70,450,847**	70,450,847
Long term advances	**28,021,000**	32,024,000
Trade debts	**297,188,037**	585,065,905
Advances	**193,538,204**	45,324,841
Deposits	**4,483,946**	8,003,491
Interest accrued	**62,490**	89,941
Other receivables	**30,579,142**	27,546,535
Due from Government agencies	**251,605,670**	253,508,899
Bank balances	**187,776,744**	452,291,805
	1,063,706,080	1,474,306,264

The maximum exposure to the credit risk for trade debts at reporting date by geographical region is:

Domestic	**225,461,841**	179,177,231
Middle east and African countries	**48,338,944**	387,266,726
Asia - other than domestic	**23,387,252**	18,621,948
	297,188,037	585,065,905

The maximum exposure to the credit risk for trade debts at reporting date by counter party is:

End user customers	**17,035,489**	16,141,625
Dealers	**280,152,548**	568,924,280
	297,188,037	585,065,905

The maximum exposure to credit risk for trade debts at the reporting date are with dealers and represents debtors within the country. Included in the these an amount of Rs. 71.73 million (2009: Rs. 405.889 million) secured against the letter of credits.

The Company's most significant domestic customer is a dealer from whom Rs.21.28 million (2009: Rs. 22.99 million) is outstanding at the year end.

The Company has placed funds in financial institutions with high credit ratings. The Company assesses the credit quality of the counter parties as satisfactory. The Company does not hold any collateral as security against any of its financial assets except as mentioned above.

Impairment losses

The aging of trade debts at the reporting date is:

	Gross 2010	**Impairment 2010**	Gross 2009	Impairment 2009
	Rupees		Rupees	
Not past due	-	-	-	-
Past due 1-30 days	**210,389,477**	-	298,735,083	-
Past due 31-60 days	**56,501,739**	-	165,973,453	-
Past due 61-90 days	**4,449,873**	-	74,426,753	-
Over 90 days	**25,846,948**	-	45,930,616	-
	297,188,037	-	585,065,905	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Based on past experience, the management believes that no impairment allowance is necessary in respect of trade debts.

The allowance accounts in respect of trade debts are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible. The amount considered irrecoverable is written off against the financial asset directly.

37.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions,with-out incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	After five years
2010				**Rupees**			
Financial liabilities							
Long term financing	13,105,803,338	18,060,652,109	2,682,507,792	2,673,892,407	4,992,707,564	7,711,544,346	-
Liabilities against assets subject to finance lease	197,743,347	260,621,869	32,702,567	32,702,567	65,405,134	129,811,601	-
Long term murabaha	2,005,000,000	2,575,424,492	89,486,696	85,224,953	380,587,199	2,020,125,644	-
Trade and other payables	1,431,324,811	1,431,324,811	-	-	-	-	-
Markup accrued	278,889,458	278,889,458	278,889,458	-	-	-	-
Short term borrowings	3,584,835,474	4,149,118,928	1,546,127,164	2,602,991,764	-	-	-
	20,603,596,428	**26,756,031,667**	**4,629,713,677**	**5,394,811,691**	**5,438,699,897**	**9,861,481,591**	**-**
2009							
Financial liabilities							
Long term loans	14,626,636,670	20,138,281,761	2,576,963,423	2,494,823,580	5,020,581,373	9,800,208,667	245,704,718
Liabilities against assets subject to finance lease	232,706,139	333,812,960	33,381,296	39,033,387	78,066,774	183,331,503	-
Long term murabaha	450,000,000	715,903,329	93,626,959	84,992,876	163,855,891	373,427,603	-
Trade and other payables	1,355,336,265	1,355,336,265	1,355,336,265	-	-	-	-
Markup accrued	341,291,606	341,291,606	341,291,606	-	-	-	-
Short term borrowings	2,385,747,374	2,882,176,501	255,034,880	2,627,141,621	-	-	-
	19,391,718,054	25,766,802,422	4,655,634,429	5,245,991,464	5,262,504,038	10,356,967,773	245,704,718

37.2.1 The contractual cash flow relating to long and short term borrowings and murabaha have been determined on the basis of expected markup rates. The markup rates have been disclosed in note 5, 6, 7 and 11 to these financial statements.

37.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk and interest rates only.

37.3.1 Currency risk

Exposure to currency risk	**2010 US Dollars**	2009 US Dollars
Trade debts	**839,932**	4,985,367
Secured bank loans	**(13,529,995)**	(2,826,240)
Net exposure	**(12,690,063)**	2,159,128

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

The following significant exchange rates applied during the year

	Average rates		Reporting date spot rates	
Rupees/ Dollars	**84.00**	80.00	**85.40**	81.42

Sensitivity analysis

A five percent strengthening of the PKR against US Dollar at 30 June would have increased profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2009.

	Profit or loss Rupees
30 June 2010	
Effect in US Dollar - gain	54,183,524
	54,183,524
30 June 2009	
Effect in US Dollar - loss	(8,789,378)
	(8,789,378)

A five percent weakening of the PKR against US Dollar at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

37.3.2 Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks and short term deposits with banks. At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments is:

	Carrying Amount	
	2010 Rupees	2009 Rupees
Fixed rate instruments		
Financial assets	**28,089,000**	32,083,198
Financial liabilities	**3,525,441,668**	307,258,122
Variable rate instruments		
Financial assets	**119,494,513**	379,963,005
Financial liabilities	**15,367,940,491**	17,387,832,062

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Profit or loss	
	100 basis points increase	100 basis points decrease
	Rupees	Rupees
Cash flow sensitivity (net)		
Variable rate instruments	154,695,236	(154,695,236)
30 June 2010	**154,695,236**	**(154,695,236)**
Variable rate instruments	98,977,899	(98,977,899)
30 June 2009	98,977,899	(98,977,899)

37.4 Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

		2010		2009	
Assets carried at amortized cost	*Note*	**Carrying amount**	**Fair value**	Carrying amount	Fair value
		Rupees		Rupees	
Long term deposits	*17*	**70,450,847**	**70,450,847**	70,450,847	70,450,847
Long term advances	*16*	**28,021,000**	**28,021,000**	32,024,000	32,024,000
Trade debts	*20*	**297,188,037**	**297,188,037**	585,065,905	585,065,905
Advances	*21*	**193,538,204**	**193,538,204**	45,324,841	45,324,841
Deposits	*22*	**4,483,946**	**4,483,946**	8,003,491	8,003,491
Interest accrued		**62,490**	**62,490**	89,941	89,941
Other receivables	*23*	**30,579,142**	**30,579,142**	27,546,535	27,546,535
Due from Government agencies	*24*	**251,605,670**	**251,605,670**	253,508,899	253,508,899
Bank balances	*25*	**187,776,744**	**187,776,744**	452,291,805	452,291,805
		1,063,706,080	**1,063,706,080**	1,474,306,264	1,474,306,264
Liabilities carried at amortized cost					
Long term financing	*5*	**13,105,803,338**	**13,105,803,338**	14,626,636,670	14,626,636,670
Liabilities against assets subject to finance lease	*6*	**197,743,347**	**197,743,347**	450,000,000	450,000,000
Long term murabaha	*7*	**2,005,000,000**	**2,005,000,000**	232,706,139	232,706,139
Trade and other payables	*10*	**1,431,324,811**	**1,431,324,811**	1,355,336,265	1,355,336,265
Markup accrued		**278,889,458**	**278,889,458**	341,291,606	341,291,606
Short term borrowings	*11*	**3,584,835,474**	**3,584,835,474**	2,385,747,374	2,385,747,374
		20,603,596,428	**20,603,596,428**	19,391,718,054	19,391,718,054

37.5 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Non - derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

37.6 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements except for the maintenance of debt to equity ratios under the financing agreements.

38. Plant capacity and production of clinker

		Note	2010 Metric Tonnes	2009 Metric Tonnes
Available capacity	- Hattar		**1,170,000**	1,170,000
	- Chakwal line-I		**1,710,000**	1,710,000
	- Chakwal line-II		**1,710,000**	1,710,000
Actual production	- Hattar		**1,139,862**	1,074,607
	- Chakwal line-I	38.1	**1,059,316**	824,128
	- Chakwal line-II		**1,462,814**	1,359,800

38.1 During the year the actual production from Chakwal line-I and line II remained limited due to planned shut downs for the syncronisation with waste heat power project and for the improvement in operational efficiency of Chakwal line I.

39. General

39.1 These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 30 September, 2010.

CHIEF EXECUTIVE **DIRECTOR & CFO**

PATTERN OF HOLDING OF SHARES

Held by the
Shareholders as at June 30, 2010

No. of Shareholders	No. of Shareholders		Total Shares Held
	From	To	
76	1	100	3,873
42	101	500	12,573
38	501	1000	30,807
55	1001	5000	127,485
8	5001	10000	52,655
7	10001	15000	94,551
2	15001	20000	39,895
5	20001	25000	111,056
6	30001	35000	194,875
2	35001	40000	78,367
4	50001	55000	215,123
1	60001	65000	64,194
8	65001	70000	535,564
1	80001	85000	81,301
1	115001	120000	119,790
1	125001	130000	129,904
1	150001	155000	154,410
7	165001	170000	1,178,597
1	170001	175000	171,760
1	185001	190000	185,425
1	200001	205000	200,427
4	215001	220000	878,460
1	230001	235000	234,256
1	240001	245000	240,112
1	255001	260000	256,383
1	260001	265000	263,568
2	275001	280000	556,358
1	285001	290000	289,159
1	300001	305000	304,683
1	335001	340000	336,743
1	495001	500000	497,794
1	505001	510000	507,310
1	575001	580000	576,062
7	600001	1100000	6,431,151
1	1100001	1600000	1,216,134
2	1600001	2100000	3,713,961
2	2100001	2600000	5,157,645
1	2600001	3100000	2,698,994
3	3100001	3600000	9,947,199
1	4100001	4600000	4,323,753
4	6100001	6600000	24,716,368
1	11600001	12100000	12,014,147
1	12600001	13100000	12,647,560
1	15100001	15600000	15,191,463
1	60100001	110100000	83,194,720
1	110100001	160100000	135,770,976
312			325,747,591

PATTERN OF HOLDING OF SHARES

Categories of Shareholding as at June 30, 2010

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
MUTUAL FUNDS	1	3	00.00
JOINT STOCK COMPANIES	20	1,725,388	00.53
ASSOCIATED COMPANIES, UNDERTAKINS AND RELATED PARTIES	4	237,549,884	72.92
DIRECTORS, CEO AND THEIR SPOUSES AND MINOR CHILDREN	16	46,718,469	14.34
EXECUTIVES OF THE COMPANY / MODARABA	15	114,083	00.04
OTHERS	1	20,623	00.01
INDIVIDUALS	255	39,619,181	12.16
	312	325,747,591	100.00

Categories of Shareholders as at June 30, 2010

Categories of Shareholders		No. of Share Holders	Shares Held
MUTUAL FUNDS			
04192-2381	N. H. CAPITAL FUND LIMITED		3
		1	3
JOINT STOCK COMPANIES			
06122-8870	A 1 SUPPORT SERVICES (PVT) LTD.		256,383
00307-15812	ADHI SECURITIES (PVT) LTD.		900
03855-21	DARSON SECURITIES (PVT) LTD.		100
07286-27	DR. ARSLAN RAZAQUE SECURITIES (SMC-PVT) LTD.		150
11668-24	DURVESH SECURITIES (PVT) LTD.		65
01990-19373	FAIR DEAL SECURITIES (PVT) LTD.		499
04234-5651	FAIR EDGE SECURITIES (PVT) LTD.		1,000
03939-11093	HIGHLINK CAPITAL (PVT) LTD.		3,000
00307-46	IGI FINEX SECURITIES LIMITED		1
06122-9340	MAP RICE MILLS (PVT) LTD.		576,062
04184-12753	PACE INVESTMENT & SECURITIES (PRIVATE) LIMITED 50002.		6
05850-11	PACE INVESTMENT & SECURITIES (PRIVATE)		2,000
06122-1370	PAK PEARL RICE MILLS (PVT) LTD (00154).		819,794
06916-20	PASHA SECURITIES (PVT) LTD.		10
01917-33	PRUDENTIAL SECURITIES LTD.		500
06684-3924	SAFE SECURITIES (PVT) LTD.		54,618
09787-1022	STOCK MASTER SECURITIES (PVT) LTD.		300
06445-9870	STOCK STREET (PVT) LIMITED		1,000
03210-28	Y.S. SECURITIES & SERVICES (PVT) LTD.		6,000
03277-40179	YOUSUF YAQOOB KOLIA AND COMPANY (PVT) LTD.		3,000
		20	1,725,388

PATTERN OF HOLDING OF SHARES

Shareholders
as at June 30, 2010

Categories of Shareholders		No. of Share Holders	Shares Held
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES			
06122-3699	BESTWAY (HOLDINGS) LIMITED (00212)		3,392,685
00001	BESTWAY (HOLDINGS) LIMITED		83,194,720
00055	BESTWAY CASH & CARRY LIMITED		135,770,976
00059	BESTWAY NORTHERN LIMITED		15,191,463
		4	237,549,844
DIRECTORS, CEO AND THEIR SPOUSES AND MINOR CHILDREN			
00004	MR. ARSHAD MEHMOOD CHAUDHAREY		2,578,823
07476-1048	MR. GHULAM SARWAR MALIK		31,950
06122-1198	MR. M.IRFAN A. SHEIKH (00139)		68,686
00935-12185	MR. MAHMOOD AFZAL		8,000
00844	MR. MAZHAR RAFI		14,820
6122-11965	MR. MAZHAR RAFI		2,798
00048	MR. MOHAMMAD IRFAN ANWAR SHEIKH		81,301
00002	SIR. MOHAMMED ANWAR PERVEZ		12,647,560
00015	MST. RAKHSHANDA CHOUDREY		185,425
05264-8917	MST. RAKHSHINDA CHOUDREY		6,169,971
00008	MR. RIZWAN PERVEZ		6,188,213
00066	MR. SHUAIB ARSHAD CHAUDHARY		240,112
00067	MISS. TAHIRA ARSHAD CHAUDHARY		234,256
00003	MR. ZAMEER MOHAMMED CHOUDREY		6,188,213
00898	MST. ZOHRA PERVEZ		64,194
05264-8875	MST. ZOHRA PERVEZ		12,014,147
		15	46,718,469

PATTERN OF HOLDING OF SHARES

Shareholders
as at June 30, 2010

Categories of Shareholders		No. of Share Holders	Shares Held
EXECUTIVES OF THE COMPANY/MODARABA			
00875	COL. MUHAMMAD TARIQ		6,000
00364-45326	M. MUSADDAQ ALI KAHN		6,000
00876	MR. IRSHAD ALI AMEER		6,000
00884	MR. KALEEM AHMED		1,000
00894	MR. KAUSAR HUSSAIN		3,000
00878	MR. NAEEM ULLAH		5,000
00883	MR. SADAT ALAM		4,000
00890	MR. SAKHI ZAMAN		3,000
00885	MR. SHABBIR HUSSAIN		4,000
00887	MR. SHABBIR AHMED		3,000
00888	MR. TANVEER AHMED		3,000
00889	MR. ZAIGHAM ABBAS		3,000
05264-8826	MR. MUHAMMAD SAADAT ALAM		38,658
05264-8867	MR. SHAHID SOHAIL KHAN		23,425
00880	MR. SHAYAN AHMED		5,000
		15	114,083
OTHERS			
06411-21	CDC - TRUSTEE AND INDEX TRACKER FUND		20,623
11148-571			
03038-14955		1	20,623
CATEGORIES TOTAL		57	286,128,410
INDIVIDUALS		255	39,619,181
GRAND TOTAL		312	325,747,591

Categories of Shareholders		Shares Held	Percentage
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES			
00055	BESTWAY CASH & CARRY LIMITED	135,770,976	41.68
00001	BESTWAY (HOLDINGS) LIMITED	86,587,405	26.58
06122-3699			

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Bestway Cement Limited ("the Company")as at 30 June 2010 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year ended. We have also expressed separate opinion on the financial statements of Bestway Cement Limited and its subsidiary company.

These financial statements are th responsibility of the Company's management. Our responsibility is to express an opinion on these financial 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 amount 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.

In our opinion, the consolidated financial statements present fairly the financial position of the Company as at 30 June 2010, and the result of its operations, its comprehensive income, its cash flow and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Islamabad
30 September , 2010

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: Riaz Pesnani

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
SHARE CAPITAL AND RESERVES			
Authorised share capital			
350,000,000 (2009: 350,000,000) ordinary shares of Rs. 10 each		**3,500,000,000**	3,500,000,000
Issued, subscribed and paid up share capital	4	**3,257,475,910**	3,257,475,910
Share premium		**1,963,498,330**	1,963,498,330
Exchange translation reserve		**579,217,097**	486,648,272
Cash flow hedge reserve		**(13,189,978)**	(12,786,337)
Unappropriated profit		**4,271,289,486**	4,230,726,308
		10,058,290,845	9,925,562,483
Minority interest		**157,375,906**	481,507,638
		10,215,666,751	10,407,070,121
NON CURRENT LIABILITIES			
Long term financing - secured	5	**13,482,192,226**	15,655,803,336
Liability against assets subject to finance lease - secured	6	**154,309,555**	194,033,624
Long term murabaha - secured	7	**1,885,000,000**	330,000,000
Long term advance	8	**-**	1,749,960
Deferred liabilities	9	**1,225,693,196**	2,326,202,885
		16,747,194,977	18,507,789,805
CURRENT LIABILITIES			
Trade and other payables	10	**2,246,189,610**	1,515,469,677
Markup payable		**361,303,917**	435,441,878
Short term borrowings - secured	11	**4,641,908,139**	3,450,242,645
Current portion of long term financing	5	**4,298,611,112**	3,170,833,334
Current portion of liability against assets subject to finance lease	6	**43,433,792**	38,672,516
Current portion of long term murabaha	7	**120,000,000**	120,000,000
		11,711,446,570	8,730,660,050
		38,674,308,298	37,645,519,976
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes from 1 to 38 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	13	**25,755,960,207**	25,215,948,736
Goodwill		**1,135,192,353**	1,135,192,353
Investment property	14	**340,715,834**	336,340,149
Long term investments	15	**5,445,240,148**	4,793,728,886
Long term advance	16	**24,018,000**	28,021,000
Long term deposits	17	**87,495,534**	87,495,534
		32,788,622,076	31,596,726,658
CURRENT ASSETS			
Stores, spare parts and loose tools	18	**2,686,048,335**	2,218,330,368
Stock in trade	19	**1,065,833,617**	1,253,453,026
Trade debts - considered good	20	**315,857,176**	588,805,549
Advances	21	**257,510,799**	333,343,138
Deposits and prepayments	22	**8,578,946**	10,132,921
Interest accrued		**62,490**	89,941
Other receivables	23	**1,341,800**	3,845,193
Due from Government agencies	24	**1,339,808,133**	1,178,627,762
Bank balances	25	**210,644,926**	462,165,420
		5,885,686,222	6,048,793,318
		38,674,308,298	37,645,519,976

DIRECTOR & CFO

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
Turnover - net	26	**15,154,627,998**	16,146,838,417
Cost of sales	27	**13,457,014,344**	11,254,821,929
Gross profit		**1,697,613,654**	4,892,016,488
Administrative expenses	28	**200,787,352**	172,859,237
Distribution cost	29	**1,080,812,151**	1,473,601,596
Other operating expenses	30	**-**	71,506,461
Finance cost	31	**2,572,607,642**	2,442,877,083
Other operating income	32	**(22,124,400)**	(135,123,452)
		3,832,082,745	4,025,720,925
Share of profit in associated company	15.1	**772,394,949**	546,879,528
(Loss)/ profit before taxation		**(1,362,074,142)**	1,413,175,091
Taxation	33	**1,076,769,338**	(359,817,238)
(Loss)/ profit for the year		**(285,304,804)**	1,053,357,853
Attributable to:			
Shareholders of the Parent Company		**(264,470,503)**	1,068,892,075
Non-controlling interest		**(20,834,301)**	(15,534,222)
		(285,304,804)	1,053,357,853

The annexed notes 1 to 38 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE **DIRECTOR & CFO**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	2010 Rupees	2009 Rupees
(Loss)/ profit for the year attributable to:		
Shareholders of the Parent Company	**(264,470,503)**	1,068,892,075
Non-controlling interest	**(20,834,301)**	(15,534,222)
	(285,304,804)	1,053,357,853
Other comprehensive income:		
Exchange translation reserve	**92,568,825**	327,043,686
Loss on cash flow hedge reserve	**(620,986)**	(19,671,288)
Related deferred tax asset on cash flow hedge reserve	**217,345**	6,884,951
Other comprehensive income for the year - net of tax	**92,165,184**	314,257,349
Total comprehensive income for the year	**(193,139,620)**	1,367,615,202
Total comprehensive income for the year attributable to:		
Shareholders of the Parent Company	**(172,305,319)**	1,383,149,424
Non-controlling interest	**(20,834,301)**	(15,534,222)
	(193,139,620)	1,367,615,202

The annexed notes from 1 to 38 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE **DIRECTOR & CFO**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/ profit before taxation	**(1,362,074,142)**	1,413,175,091
Adjustments for:		
Gain on disposal of operating fixed assets	**(1,370,555)**	(841,402)
Depreciation	**999,158,131**	783,916,915
Provision for slow moving and obsolete stores, spare parts and loose tools	**41,000,000**	-
Rental income from investment property	**(12,797,185)**	(21,746,044)
Profit on deposit accounts	**(724,623)**	(1,077,485)
Share of profit in associated company	**(772,394,949)**	(546,879,528)
Profit on held to maturity investment	**(8,802)**	(7,684)
Gain on remeasurement of investment property to fair value	**(4,375,685)**	(45,009,385)
Finance cost	**2,572,607,642**	2,442,877,083
Trial run loss	**(28,701,556)**	-
Provision for staff retirement benefits	**42,668,497**	23,957,371
	2,835,060,915	2,635,189,841
	1,472,986,773	4,048,364,932
(Increase)/ decrease in current assets		
Stores, spare parts and loose tools	**(508,717,967)**	308,631,073
Stock in trade	**187,619,409**	(216,891,360)
Trade debts	**272,948,373**	(219,320,888)
Advances	**75,832,339**	(175,883,079)
Deposits and prepayments	**1,553,975**	14,308,755
Other receivables	**2,503,393**	443,125
Due from Government agencies	**176,579,594**	(63,634,858)
(Decrease)/ increase in current liabilities		
Long term advances	**(1,749,960)**	-
Trade and other payables	**701,421,348**	(117,255,780)
	907,990,504	(469,603,012)
Cash generated from operations	**2,380,977,277**	3,578,761,920
Finance cost paid	**(3,146,487,455)**	(2,341,456,120)
Staff retirement benefits paid	**(23,634,200)**	(11,512,896)
Income tax paid	**(338,221,497)**	(305,767,682)
	(3,508,343,152)	(2,658,736,698)
Net cash (used in)/ from operating activities	**(1,127,365,875)**	920,025,222
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in operating fixed assets	**(176,471,057)**	(367,533,795)
Additions in capital work in progress	**(917,555,471)**	(6,316,728,209)
Decrease/ (increase) in stores held for capitalization	**46,444,425**	(113,437,018)
Proceeds from encashment of performance guarantees	**-**	674,903,451
Proceeds from sale of operating fixed assets	**3,263,670**	1,622,605
Decrease in long term advance	**4,003,000**	4,003,000
Increase in long term deposits	**-**	(73,901)
Decrease in long term advances	**-**	(10,499,760)
Profit on deposit accounts received	**752,074**	1,086,215
Dividend received	**212,840,328**	193,491,208
Net cash used in investing activities	**(826,723,031)**	(5,933,166,204)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short term borrowings	**1,191,665,494**	1,225,605,951
Long term financing- disbursements	**2,525,000,000**	5,500,000,000
- repayments	**(3,570,833,332)**	(1,883,363,332)
Long term murahaba - disbursements	**1,675,000,000**	-
- repayments	**(120,000,000)**	(120,000,000)
Proceeds from issue of right shares	**1,736,250**	385,031,267
Net cash from financing activities	**1,702,568,412**	5,107,273,886
Net (decrease)/ increase in cash and cash equivalents	**(251,520,494)**	94,132,904
Cash and cash equivalents at beginning of the year	**462,165,420**	368,032,516
Cash and cash equivalents at end of the year	**210,644,926**	462,165,420

The annexed notes 1 to 38 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE **DIRECTOR & CFO**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Attributable to shareholders of the Parent Company								
	Issued, subscribed and paid up share capital	Share premium	Exchange translation reserve	Cash flow hedge reserve	Advance for issue of right shares	Unappropriated profit	Sub total	Non-controlling Interest	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at July 01, 2008	2,832,587,750	901,277,930	159,604,586	-	1,102,077,293	3,161,834,233	8,157,381,792	497,041,860	8,654,423,652
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	1,068,892,075	1,068,892,075	(15,534,222)	1,053,357,853
Other comprehensive income for the year - net of tax	-	-	327,043,686	(12,786,337)	-	-	314,257,349	-	314,257,349
Total comprehensive income for the year	-	-	327,043,686	(12,786,337)	-	1,068,892,075	1,383,149,424	(15,534,222)	1,367,615,202
Transaction with owners, recorded directly in equity									
Issue of share capital	424,888,160	-	-	-	(424,888,160)	-	-	-	-
Premium on issue of right shares	-	1,062,220,400	-	-	(1,062,220,400)	-	-	-	-
Advance for issue of right shares received during the year	-	-	-	-	385,031,267	-	385,031,267	-	385,031,267
Total transaction with owners, recorded directly in equity	424,888,160	1,062,220,400	-	-	(1,102,077,293)	-	385,031,267	-	385,031,267
Balance as at June 30, 2009	**3,257,475,910**	**1,963,498,330**	**486,648,272**	**(12,786,337)**	**-**	**4,230,726,308**	**9,925,562,483**	**481,507,638**	**10,407,070,121**
Balance as at July 01, 2009									
Total comprehensive income for the year									
Losss for the year	-	-	-	-	-	(264,470,503)	(264,470,503)	(20,834,301)	(285,304,804)
Other comprehensive income for the year - net of tax	-	-	92,568,825	(403,641)	-	-	92,165,184	-	92,165,184
Total comprehensive income for the year	-	-	92,568,825	(403,641)	-	(264,470,503)	(172,305,319)	(20,834,301)	(193,139,620)
Transaction with owners, recorded directly in equity									
Issue of right shares	-	-	-	-	-	-	-	578,750	578,750
Premium on issue of right shares	-	-	-	-	-	-	-	1,157,500	1,157,500
Effect of dilution in non-controlling interest due to purchase of unsubscribed non-controlling shares by Parent Company	-	-	-	-	-	305,033,681	305,033,681	(305,033,681)	-
Total transaction with owners, recorded directly in equity	-	-	-	-	-	305,033,681	305,033,681	(303,297,431)	1,736,250
Balance as at June 30, 2010	**3,257,475,910**	**1,963,498,330**	**579,217,097**	**(13,189,978)**	**-**	**4,271,289,486**	**10,058,290,845**	**157,375,906**	**10,215,666,751**

The annexed notes 1 to 38 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE **DIRECTOR & CFO**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1. The group and its operations

Bestway Cement Limited ("the Parent 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 (Guarantee) Limited since April 9, 2001. The Parent Company is engaged in production and sale of cement. The Parent Company's registered office is situated at Bestway Building, 19-A, College Road F-7 Markaz, Islamabad.

The Parent Company has 95.03% (2009: 86.59%) holding in Mustehkam Cement Limited ("the Subsidiary Company"). The Subsidiary Company is a public company incorporated in Pakistan on July 29, 1954 under the Companies Act, 1913 since repealed and replaced by the Companies Ordinance, 1984 and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Subsidiary Company is engaged in production and sale of cement. The Subsidiary Company's registered office is situated at Bestway Building, 19-A, College Road, F-7 Markaz, Islamabad.

2. Statement of compliance, basis of consolidation and significant accounting estimates

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of consolidation

These consolidated financial statements include the financial statements of the Parent Company and the Subsidiary Company together constituting "the Group".

Subsidiaries are those enterprises in which the Parent Company directly or indirectly controls, beneficially owns or holds more than 50 percent of the voting securities or otherwise has power to elect and appoint more than 50 percent of its directors. The financial statements of the Subsidiary Company are included in the consolidated financial statements from the date the control commences until the date the control ceases. The financial statements of the Subsidiary Company have been consolidated on a line-by-line basis.

All material inter company balances, transactions and resulting unrealized profits/ (losses) have been eliminated.

Minority interest is that part of net results of the operations of the Subsidiary Company attributable to interests which are not owned by the Parent Company. Minority interest is presented as a separate item in the consolidated financial statements.

2.3 Basis of measurement

These consolidated financial statements have been prepared on historical cost basis except that investment property is stated at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2.4 Functional currency

The Group's functional currency is Pakistan Rupee (PKR). Figures in these consolidated financial statements have been rounded off to the nearest PKR, unless otherwise stated.

2.5 Use of estimates and judgments

The preparation of consolidated 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.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is discussed in the ensuing paragraph.

2.5.1 Property, plant and equipment

The Group reviews the useful lives and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years which might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding effect on the depreciation charge and impairment loss.

2.5.2 Provision for inventory obsolescence and doubtful receivables

The Group reviews the carrying amount of stores, spare parts and loose tools and stock in trade on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spare parts and loose tools. Further the carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of provision is made.

2.5.3 Taxation

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

The Group also regularly reviews the trend of proportion of incomes between Presumptive Tax Regime income and Normal Tax Regime income and the change in proportions, if significant, is accounted for in the year of change.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2.5.4 Provision of staff retirement gratuity

The Group adopts certain actuarial assumptions as disclosed in note 9.2 to these consolidated 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.

2.5.5 Provisions and contingencies

The Group reviews the status of all the legal cases on a regular basis. Based on the expected outcome and lawyers' judgments, appropriate disclosure or provision is made.

2.6 New accounting standards, interpretations and amendments not yet effective

The following standards, interpretations and amendments to approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards, interpretations and the amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements;

IFRS 2 (amendments relating to group cash-settled share-based Payment transactions) - Share-based Payment (effective for annual periods beginning on or after 01 January 2010).
IFRS 5 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Non-Current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 01 January 2010).
IFRS 8 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Operating Segments (effective for annual periods on or after 01 January 2010).
IFRS 9 - (Classification and Measurement) - Financial Instruments (effective for annual periods beginning on or after 01 January 2010).
IAS 1 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2010).
IAS 7 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Statement of Cash Flows (effective for annual periods beginning on or after 01 January 2010).
IAS 17 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Leases (effective for annual periods beginning on or after 01 January 2010).
IAS 24 (revised definition of related parties) - Related Party Disclosures (effective for annual periods beginning on or after 01 January 2011).
IAS 32 (amendments relating to classification of right issue) - Financial Instruments: Presentation (effective for annual periods beginning on or after 01 January 2010).
IAS 36 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Impairment of Assets (effective for annual periods beginning on or after 01 January 2010).
IAS 39 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 01 January 2010).
IFRIC 14 (IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction), amendment with respect to voluntary prepaid contributions is effective for annual periods beginning on or after 01 January 2011.
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 01 July 2010).

The International Accounting Standards Board made certain amendments to existing standards as part of its improvement project. The effective dates for these amendments vary by standard and will

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

be applicable to the Group in ensuing years. These amendments are unlikely to have an impact on the Group's consolidated financial statements.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these cosolidated financial statements except for the change as mentioned in note 3.1 to these consolidated financial statements.

3.1 Change in accounting policy

3.1.1 The Group has applied revised IAS-1; "Presentation of financial Statements (2007)", which became effective as of 01 January 2009. This change requires the Group to present all transactions with the owners in the statement of changes in equity whereas all other changes in equity are presented in statement of comprehensive income. This presentation has been applied in this financial information as of and for the year ended June 30, 2010.

Comparative information has been represented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on (loss)/ earnings per share

3.1.2 As of 1 January 2009 the group determines and presents operating segments based on the information that internally is provided to the CEO, who is the group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS - 8 Operating Segments. Previously operating segments were determined and presented in accordance with IAS - 14 Segment Reporting.

Each of the group's plant qualify as a separate segment in accordance with IFRS 8, however, these have not been presented as separate segments and have been aggregated in the consolidated financial statements as they have similar economic characteristics, products, services and type of customers.

3.2 Staff retirement benefits

Gratuity

The Group 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 valuation was conducted as at June 30, 2010.

The amount recognized in the consolidated balance sheet represents the present value of defined benefits as adjusted for unrecognized actuarial gains and losses. The Group uses the corridor approach as defined in IAS 19 " Employee Benefits" for recognising actuarial gains or losses. Past service cost resulting from changes to defined benefit plans to the extent the benefits are already vested is recognised immediately and remaining unrecognised past service cost is recognised as an expense on a straight line basis over the average period until the benefits become vested.

Certain actuarial assumptions have been adopted as disclosed in note 9.2 to the consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Compensated absences

The Group recognises 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 due at the reporting date.

3.3 Taxation

Income tax expense comprises current and deferred tax. Income tax is recognized in consolidated profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current

The Group 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, in accordance with the provisions of the Income Tax Ordinance, 2001.

Deferred

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is recognized using the balance sheet liability method, providing for temporary difference between the carrying value of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary difference when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authorities on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

The effects on deferred taxation of the portion of income expected to fall under presumptive tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan. Deferred tax is charged or credited to income.

3.4 Provisions

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

3.5 Borrowing cost

Markup, interest and other charges on borrowings are capitalized up to the date when the qualifying assets are substantially ready for their intended use. Borrowing cost is included in the related property, plant and equipment acquired/ constructed out of the proceeds of such borrowings. All

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

other markup, interest and related charges are charged to the consolidated profit and loss account in the period in which they are incurred.

3.6 Property, plant and equipment

3.6.1 Tangible assets

Owned

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

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

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

Depreciation is charged to income applying the reducing balance method except leasehold land, buildings and plant and machinery. Buildings and plant and machinery are depreciated on straight line method. Leasehold land is amortized over the remaining period of the lease. Rates of depreciation/ estimated useful lives are mentioned in note 13.1.

Depreciation is charged on prorated basis from the month in which an asset is acquired or capitalized, 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.

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

Leased

Leases in term of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Assets acquired by way of finance lease are stated at amounts equal to the lower of their fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Outstanding obligations under the lease less finance charges allocated to the future periods are shown as liability. Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Group.

3.6.2 Intangible assets

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and that the cost of such asset can also be measured realiably. These are stated at cost less accumulated amortisation and impairment losses, if any.

Amortisation is charged by applying straight line method, so as to write off the cost of assets at amortisation rate as mentioned in note 13.3 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Subsequsent expenditure is capitalised only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognised in consolidated profit and loss account as incurred.

3.7 Investment property

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

3.8 Goodwill

Goodwill represents the excess of cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary company and associated undertaking recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost. Subsequently, goodwill is measured at cost less accumulated impairment losses, if any, and charged to the consolidated profit and loss account.

3.9 Impairment

The carrying amount of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Impairment losses are recognized as expense in the consolidated profit and loss account. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.10 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 consolidated profit and loss account.

3.11 Investments

Investment in associates

Associates are those entities in which the Parent Company has significant influence but not control over the financial and operating policies. Investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is initially recognized at cost and the carrying value is increased or decreased to recognize the Parent Company's share of the profit and loss of the associate after the date of its acquisition and the Parent Company's share in the associates' equity that has not been recognized in the associate's profit and loss account. The Parent Company's share of profit and loss of associates is included in the consolidated profit and loss for the year. This method is applied from the date when significant influence commences until the date when the significant influence ceases.

When the associates' share of losses exceed the carrying amount of investment in associates, the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

carrying amount is reduced to nil and the recognition of further losses is discontinued except to the extent that the Parent Company has incurred obligation in respect of the associate.

Held to maturity investments

Investments with fixed or determinable payments and fixed maturity and where the Group has both the intent and the ability to hold till maturity are classified as held to maturity. These are initially recognized at cost representing the fair value of consideration given and are subsequently carried at amortized cost using the effective interest rate method. Management determines the appropriate classification of its investments at the time of the purchase. All regular way purchases and sales of investment securities are accounted for at the settlement date.

3.12 Stores, spare parts 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, spare parts and loose tools at their present location for intended use less recoverable government levies. Items in transit are valued at costs accumulated up to the consolidated balance sheet date.

3.13 Stock in trade

Stocks of raw materials, work in process and finished stocks are valued at the lower of weighted average cost and net realisable value. Cost of work in process and finished stock 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.

Materials in transit are stated at cost comprising invoice purchase price plus other charges paid thereon.

3.14 Revenue recognition

Revenue from sales is recognized on dispatch of goods when significant risks and rewards of ownership are transferred to the buyer. Return on investments is recognised on effective yield method. Dividend income is recognized when the right to receive such income is established. Rental income on investment property is recognised when due.

3.15 Markup bearing borrowings

Markup bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, markup bearing borrowings are stated at original cost less subsequent repayments, while the difference between the original recognized amounts (as reduced by periodic payments) and redemption value is recognized in the consolidated profit and loss account over the period of borrowings on an effective rate basis. The borrowing cost on qualifying asset is included in the cost of related asset as explained in note 3.5.

3.16 Financial instruments

Financial assets and liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of an instrument. Financial assets are derecognised

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

when the Group looses control of the contractual rights that comprise the financial asset. The Group derecognises the financial assets and liabilities when it ceases to be a party to such contractual provision of the instruments. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to the consolidated profit and loss account.

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 Group.

Trade debts and other receivables

Trade debts and other receivables are recognized at original invoice amount less allowance for estimated irrecoverable amounts.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if the Group 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.

3.17 Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated balance sheet at cost. For the purpose of consolidated cash flow statement, cash and cash equivalents comprise cash and bank balance, demand deposits, 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.

3.18 Dividend

Dividend distribution to the shareholders is recognised as liability in the period in which it is declared.

4. Issued, subscribed and paid up share capital

2010	2009		**2010**	2009
Number of shares			**Rupees**	Rupees
261,709,169	261,709,169	Ordinary shares of Rs.10 each issued for cash	**2,617,091,690**	2,617,091,690
64,038,422	64,038,422	Ordinary shares of Rs. 10 each issued as fully paid bonus share	**640,384,220**	640,384,220
325,747,591	325,747,591	**Total**	**3,257,475,910**	3,257,475,910

Bestway (Holdings) Limited, U.K. is the parent company controlling 222,358,381 i.e. 68.26% shares (2009: 222,358,381 i.e. 68.26% shares) of the Parent Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
5. Long term financing - secured			
Loans from banking companies	5.1	**6,037,500,000**	6,700,000,000
Syndicate term finance facilities	5.2	**11,743,303,338**	12,126,636,670
		17,780,803,338	18,826,636,670
Current portion of long term financing		**(4,298,611,112)**	(3,170,833,334)
		13,482,192,226	15,655,803,336
5.1 Loans from banking companies			
Term Finance from MCB Bank Limited	5.1.1	**962,500,000**	1,100,000,000
Term Finance from Allied Bank Limited	5.1.2	**1,000,000,000**	1,000,000,000
Term Finance from Habib Bank Limited	5.1.3	**2,400,000,000**	3,000,000,000
Term Finance from Habib Bank Limited		**-**	400,000,000
Term Finance from Habib Bank Limited	5.1.4	**1,200,000,000**	1,200,000,000
Term Finance from Habib Bank Limited	5.1.5	**475,000,000**	-
		6,037,500,000	6,700,000,000
5.2 Syndicate term finance facilities			
Term Finance from syndicate	5.2.1	**1,719,970,000**	2,579,970,000
Term Finance from syndicate	5.2.2	**1,333,333,338**	1,866,666,670
Term Finance from syndicate	5.2.3	**3,640,000,000**	4,680,000,000
Term Finance from syndicate	5.2.4	**2,050,000,000**	-
Term Finance from syndicate	5.2.5	**3,000,000,000**	3,000,000,000
		11,743,303,338	12,126,636,670

5.1.1 This represents term finance facility of Rs. 1,100 million. This facility is repayable in 8 equal semi annual installments started from April 2010. Markup is payable on quarterly basis at three months' KIBOR plus 0.55% (2009: three months' KIBOR plus 0.55%) per annum. The facility is secured by first pari passu hypothecation charge on all present and future assets excluding land and building of the Group for an amount of Rs. 1,466.67 million.

5.1.2 This represents the term finance facility of Rs. 1,000 million. This facility is repayable in 9 equal semi annual installments starting from June 2011. Markup is payable on semi annual basis at six months' KIBOR plus 2.45% (2009: six months' KIBOR plus 2.45%) per annum. The facility is secured by first pari passu hypothecation charge on all present and future assets excluding land and building of the Group for an amount of Rs. 1,333.34 million.

5.1.3 This represents the term finance facility of Rs. 3,000 million. This facility is repayable in 10 equal semi annual installments started from December 2009. Markup is payable on quarterly basis at three months' KIBOR plus 1.25% (2009: three months' KIBOR plus 1.25%) per annum. The facility is secured by first pari passu hypothecation charge on all present and future current and movable assets of the Group and equitable mortgage ranking pari passu charge over the immovable assets of the Group including land and building for an amount of Rs. 4,000 million.

5.1.4 This represents a term finance facility of Rs. 1,200 million from Habib Bank Limited. The facility is repayable in 6 equal semi annual installments starting from June 2011. Markup is payable on semi annual basis at six months' KIBOR plus 0.25% (2009: six months' KIBOR plus 1.25%) per annum. The facility is secured by ranking hypothecation charge on all present and future book debts, receivables and movable assets of the Group for an amount of Rs. 1,412 million. This facility is also secured by lien for an amount of US Dollars 15.124 million of directors of the ultimate Parent Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

5.1.5 This represents term finance facility of Rs. 475 million from Habib Bank Limited. This facility is repayable in 6 equal semi annual installments starting from June 2011. Markup is payable on semi annual basis at six months' KIBOR plus 0.25% per annum (2009: Nil). The facility is secured by ranking hypothecation charge on all present and future book debt, receivables and other movable assets of the Group for an amount of Rs. 560 million. This facility is also secured by lien for an amount of US Dollars 5.862 million of directors of the ultimate Parent Company.

5.2.1 This represents a syndicated term finance facility of Rs. 4,300 million from a syndicate of Habib Bank Limited, MCB Bank Limited, The Bank of Punjab, Allied Bank Limited and Standard Chartered Bank (Pakistan) Limited 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 semi annual installments started from November 2007. Markup is payable on semi annual basis at six months' KIBOR plus 1.10% (2009: six months' KIBOR plus 1.10%) per annum. The facility is secured by first pari passu hypothecation charge on all present and future assets of the Group and first pari passu equitable mortgage over immovable properties of the Group for an amount of Rs. 4,586.67 million in favour of syndicate.

5.2.2 This represents a syndicated term finance facility of Rs. 3,200 million from a syndicate of Habib Bank Limited, MCB Bank Limited and Allied Bank Limited with the participation of Rs. 1,000 million, Rs. 1,000 million, and Rs. 1,200 million respectively. This facility is repayable in 12 equal semi annual installments started from May 2007. Markup is payable on quarterly basis at six months' KIBOR plus 1.25% (2009: six months' KIBOR plus 1.25%) per annum. The facility is secured by first pari passu hypothecation charge on all the present and future assets of the Group and first pari passu equitable mortgage over immovable properties of the Group for an amount of Rs. 2,844.44 million (2009: Rs. 4,266.67 million) in favour of syndicate and pledge over 85.29% shares of Subsidiary Company.

5.2.3 This represents a syndicated term finance facility of Rs. 5,200 million from a syndicate of Allied Bank Limited, Bank Alfalah Limited, Standard Charterd Bank (Pakistan) Limited, Askari Bank Limited, Fayasal Bank Limited , Habib Bank Limited, Silk Bank Limited, HSBC Bank Middle East Limited, Bank Al Habib Limited, Habib Metropolitan Bank Limited and Soneri Bank Limited with the participation of Rs. 550 million, Rs. 1,000 million, Rs. 600 million, Rs. 500 million, Rs. 500 million, Rs. 500 million, Rs. 500 million, Rs. 400 million, Rs. 300 million, Rs. 250 million and Rs. 100 million respectively. This facility is repayable in 10 equal semi annual installments started from April 2009. Markup is payable on semi annual basis at rate of six months' KIBOR plus 2.05 % (2009: six months' KIBOR plus 2.05 %) per annum. The facility is secured by first pari passu hypothecation charge on all present and future assets of the Group and equitable mortgage over immovable properties of the Group for an amount of Rs. 6,933.33

5.2.4 This represents a syndicated term finance facility of Rs. 2,050 million obtained during the year from a syndicate of Allied Bank Limited, Habib Bank Limited, The Bank of Punjab and Faysal Bank Limited with the participation of Rs. 1,000 million, Rs. 500 million, Rs. 300 million and Rs. 250 million respectively. This facility is repayable in 6 equal semi annual installments starting from December, 2012. Markup is payable on semi annual basis at six months' KIBOR plus 2.25% per annum. The facility is secured by first pari passu hypothecation charge on all the present and future assets of the Group excluding land and building for an amount of Rs. 2,733.33 million in favour of syndicate.

5.2.5 This represents a syndicated term finance facility of Rs. 3,000 million from syndicate of Allied Bank Limited, Arif Habib Bank, Standard Chartered Bank (Pakistan) Limited, Askari Bank Limited, Bank Al Habib Limited and MCB Bank Limited with participation of Rs. 1,400 million, Rs. 500 million, Rs. 400 million, Rs. 300 million, Rs. 200 million and Rs. 200 million respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

This facility is repayable in 10 equal semi annual installments starting from November 2010. Markup is payable on semi annual basis at six months' KIBOR plus 0.75% (2009: six months' KIBOR plus 0.75%) per annum. This facility is secured by first pari passu mortgage charge on all present and future immovable properties and first pari passu hypothecation charge on all present and future moveable properties of the Group for an amount of Rs. 4,000 million.

6 Liability against assets subject to finance lease - secured

	2010			2009
	Minimum lease payments	**Finance cost for future periods**	**Present value of minimum lease payments**	Present value of minimum lease payments
	Rupees	**Rupees**	**Rupees**	Rupees
Not later than one year	**65,405,134**	**21,971,342**	**43,433,792**	38,672,516
Later than one year but not later than five years	**195,216,735**	**40,907,180**	**154,309,555**	194,033,624
Current portion of liability against assets subject to finance lease	**-**	**-**	**(43,433,792)**	(38,672,516)
	260,621,869	**62,878,522**	**154,309,555**	194,033,624

6.1 This represents lease finance facility of Rs. 227.05 million {present value of Rs. 197.74 million (2009: Rs. 232.71 million)}for acquisition of plant and machinery obtained from Meezan Bank Limited, repayable in 10 semi annual installments started from November 2009. Markup is payable on a biannual basis at six months' KIBOR plus 2.05% (2009: six months' KIBOR plus 2.05%) per annum with a floor and cap of 2.5% (2009: 2.5%) and 28% (2009: 28%) per annum respectively. The facility is secured by way of ownership of leased assets and 10% security deposit of the financed asset.

7 Long term murabaha - secured

	Note	2010 Rupees	2009 Rupees
Faysal Bank Limited	7.1	**120,000,000**	180,000,000
Faysal Bank Limited	7.2	**210,000,000**	270,000,000
Meezan Bank Limited	7.3	**1,675,000,000**	-
		2,005,000,000	450,000,000
Current portion of long term murabaha		**(120,000,000)**	(120,000,000)
		1,885,000,000	330,000,000

7.1 This represents murabaha finance facility of Rs. 300 million. This facility is repayable in 10 equal semi annual installments started from November 2007. Markup is payable on semi annual basis at six months' KIBOR plus 1.10 % (2009: six months' KIBOR plus 1.10 %) per annum. The facility is secured by first pari passu hypothecation charge on all present and future assets of the Group and equitable mortgage over the immovable properties of the Group for an amount of Rs. 320 million.

7.2 This represents murabaha finance facility of Rs. 300 million. This facility is repayable in 10 equal semi annual installments started from April 2009. Markup is payable on semi annual basis at rate of six months' KIBOR plus 2.05% (2009: six months' KIBOR plus 2.05%) per annum. The facility is secured by first pari passu hypothecation charge on the present and future assets of the Group and equitable mortgage over immovable properties of the Group for an amount of Rs. 400 million.

7.3 This represents during the year utilized amount of commodity murabaha finance facility of Rs. 1,900 million. This facility is repayable in bullet installment at the time of maturity in July 2012. Markup is payable on annual basis at the rate of two years' KIBOR per annum. The facility is secured by standby letter of credit(s) (SBLCs) of worth USD 19.78 million and ranking hypothecation charge on the present and future both current and fixed assets of the Group excluding land and building for an amount of Rs. 285 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		Note	2010 Rupees	2009 Rupees
8.	**Long term advances**			
	Advance rents	8.1	**6,357,960**	12,249,720
	Current portion of advance rents	10	**(6,357,960)**	(10,499,760)
			-	1,749,960

8.1 This represents advance rent received in respect of investment property held for rental purposes.

		Note	2010 Rupees	2009 Rupees
9	**Deferred liabilities**			
	Deferred taxation	9.1	**1,140,320,765**	2,259,864,751
	Provision for gratuity	9.2	**69,552,586**	53,705,502
	Provision for compensated absences	9.3	**15,819,845**	12,632,632
			1,225,693,196	2,326,202,885

9.1 Deferred tax liability is recognised on following major temporary differences:

	2010 Rupees	2009 Rupees
Taxable temporary differences		
Accelerated depreciation	**4,005,081,005**	2,578,029,952
Fair value of identifiable assets	**930,583,324**	1,052,779,060
Profits of associate	**302,344,437**	862,361,414
Deductible temporary differences		
Liability against assets subject to finance lease	**(53,983,934)**	(63,528,776)
Cash flow hedge reserve	**(7,102,295)**	(6,884,950)
Unabsorbed tax losses	**(4,036,601,772)**	(2,162,891,949)
	(4,097,688,001)	(2,233,305,675)
	1,140,320,765	2,259,864,751

9.1.1 Movement of deferred tax liability is as follows:

	2010 Rupees	2009 Rupees
Opening balance	**2,259,864,751**	392,368,409
Credit to cashfkow hedge reserve	**(217,345)**	(6,884,950)
(Credit)/ charge for the year	**(1,119,326,641)**	286,149,758
Closing balance	**1,140,320,765**	2,259,864,751

9.2 The amount recognised in the consolidated balance sheet is as follows:

	2010 Rupees	2009 Rupees
Present value of defined benefit obligation	**91,824,649**	73,835,573
Net actuarial losses not recognized	**(22,272,063)**	(20,130,071)
Net liability at end of the year	**69,552,586**	53,705,502

Movement in the present value of defined benefit obligation is as follows:

	2010 Rupees	2009 Rupees
Opening balance	**53,705,502**	39,618,179
Charge for the year	**28,139,767**	21,269,779
Benefits paid during the year	**(12,292,683)**	(7,182,456)
Closing balance	**69,552,586**	53,705,502

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
Expense recognised in consolidated profit and loss account is as follows:			
Current service cost		**14,910,338**	12,485,835
Interest cost		**10,737,944**	6,828,932
Actuarial losses recognised		**2,491,485**	1,955,012
		28,139,767	21,269,779
Actuarial assumptions			
Valuation discount rate		**13%**	13%
Salary increase rate		**13%**	13%

Expected gratuity expense for the next financial year is Rs. 31,012,369 (2009: Rs. 24,699,718).

Historical information

Present value of the defined benefit obligation

	2010	2009	2008	2007	2006
Rupees	**69,552,586**	53,705,502	39,618,179	29,809,661	19,789,808

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

10 Trade and other payables

	Note	2010 Rupees	2009 Rupees
Payable to contractors and suppliers		**1,081,931,876**	365,784,206
Accrued liabilities	10.1	**647,377,299**	587,183,063
Advances from customers	10.2	**134,017,523**	180,787,721
Security deposits		**28,048,062**	23,723,062
Workers' Profit Participation Fund		**1,970,768**	49,383,014
Workers' Welfare Fund		**4,351,852**	28,446,067
Retention money		**30,548,987**	36,957,064
Sales tax payable		**35,384,336**	17,326,545
Excise duty payable		**233,654,421**	193,044,895
Current portion of advance rent	8	**6,357,960**	10,499,760
Other payables	10.3	**41,951,783**	21,739,537
Unclaimed dividend		**594,743**	594,743
		2,246,189,610	1,515,469,677

10.1 This includes an amount of Rs. 0.23 million (2009: Rs. Nil) payable to Sui Northern Gas Pipelines Limited (SNGPL) against gas consumption during the month of June 2010. The Group has issued bank guarantees in the normal course of business to SNGPL for commercial and industrial use of gas for an amount of Rs. 664.96 million (2009: Rs. 914.15 million).

10.2 This includes Rs. 40.10 million (2009: Rs. 146.45) advances from customers against export sales.

10.3 This includes an amount of Rs. 7.61 million (2009: Rs. 6.66 million) payable to Bestway (Holdings) Limited, U.K. (ultimate parent company).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		Note	2010 Rupees	2009 Rupees
11	**Short term borrowings - secured**			
	Running finance from banking companies			
	Habib Bank Limited	11.1	**24,537,361**	35,248,523
	Barclays Bank Limited	11.2	**348**	303,031,113.00
	Bank Al Habib Limited	11.3	**5,641,012**	499,694,381
	Askari Bank Limited	11.4	**499,987,281**	-
	Soneri Bank Limited	11.5	**130,288,840**	122,149,900.00
	Allied Bank Limited	11.6	**53,941,720**	478,734,518
	Meezan Bank Limited	11.7	**300,000,000**	200,000,000
	Habib Bank Limited	11.8	**365,000,000**	315,000,000
	Habib Bank Limited	11.9	**354,997,244**	-
	NIB Bank Limited		**-**	124,630,817
	Allied Bank Limited	11.10	**136,934,916**	148,823,974
	Bank Al Habib Limited	11.11	**399,990,113**	399,613,353
	NIB Bank Limited	11.12	**133,769,727**	245,699,947
	Barclays Bank Limited	11.13	**300,128,837**	270,357,997
			2,705,217,399	3,142,984,523
	Foreign currency import finance			
	Meezan Bank Limited	11.14	**362,798,983**	-
	Habib Bank Limited	11.15	**224,162,400**	-
	Bank Al-Habib Limited	11.16	**318,592,794**	-
	MCB Bank Limited	11.17	**249,842,491**	230,101,122
	Allied Bank Limited	11.18	**86,249,072**	-
			1,241,645,740	230,101,122
	Export refinance			
	Soneri Bank Limited	11.19	**93,045,000**	77,157,000
	Allied Bank Limited	11.20	**350,000,000**	-
	Barclays Bank Limited	11.21	**65,000,000**	-
	NIB Bank Limited	11.22	**187,000,000**	-
			695,045,000	77,157,000
			4,641,908,139	3,450,242,645

11.1 This represents running finance facility of Rs. 400 million for a period of one year (2009: Rs. 400 million). Markup is payable on quarterly basis at the rate of one month's KIBOR plus 1.00% (2009: one month's KIBOR plus 1.00%) per annum. The facility is secured by ranking hypothecation charge on all present and future book debts, receivables and other movable assets of the Group for an amount of Rs. 150 million and lien over US Dollar account upto Rs. 0.455 million of the Group.

11.2 This represents running finance facility of Rs. 500 million for a period of one year (2009: Rs. 500 million). Markup is payable on quarterly basis at the rate of one month's KIBOR plus 1.75% (2009: one month's KIBOR plus 1.70%) per annum. The facility is secured by first pari passu

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hypothecation charge on all present and future current assets of the Group and ranking hypothecation charge on all present and future fixed assets excluding land and building of the Group for an amount of Rs. 667 million.

11.3 This represents running finance facility of Rs. 500 million for a period of one year (2009: Rs. 500 million). Markup is payable on quarterly basis at the rate of three months' KIBOR plus 1.00% (2009: three months' KIBOR plus 1.50%) per annum. The facility is secured by first pari passu hypothecation charge on all present and future current assets of the Group for an amount of Rs. 666.67 million.

11.4 This represents the utilized amount of running finance facility of Rs. 500 million for a period of one year (2009: Rs. Nil). Mark up is payable on quarterly basis at the rate of three months' KIBOR plus 1.00% per annum. The facility is secured by first pari passu hypothecation charge on all present and future assets of the Group excluding land and building for an amount of Rs. 666.67 million.

11.5 This represents running finance facility of Rs. 375 million for a period of one year (2009: Rs. 375 million). Markup is payable on quarterly basis at the rate of three months' KIBOR plus 1 % (2009: three months' KIBOR plus 1 %) per annum. The facility is secured by first pari passu hypothecation charge on all present and future current assets of the Group for an amount of Rs. 500 million.

11.6 This represents running finance facility of Rs. 1,000 million for a period of one year (2009: Rs. 1,000 million). Markup is payable on quarterly basis at the rate of one month's KIBOR plus 1.50% (2009: one month's KIBOR plus 1.50%) per annum. The facility is secured by first pari passu hypothecation charge on all present and future current assets of the Group for an amount of Rs. 1,333.33 million.

11.7 This represents Istisna facility of Rs. 300 million for a period of one year (2009: Rs. 200 million) with maximum tenure of 183 days. Mark up is payable at the time of maturity at the rate of six months' KIBOR plus 0.75% (2009: six months' KIBOR plus 0.75%) per annum. The facility is secured by first pari passu hypothecation charge on all present and future current assets of the Group and ranking hypothecation charge on all present and future fixed assets of the Group excluding land and building for an amount of Rs. 400 million

11.8 This represents running finance facility of Rs. 365 million for a period of one year (2009: Rs. 365 million). Markup is payable at the time of maturity at the rate of one month's KIBOR plus 1.00% (2009: three months' KIBOR plus 1.50%) per annum. The facility is secured by first pari passu hypothecation charge on all present and future current assets of the Group for an amount of Rs. 100 million and first pari passu hypothecation charge on all present and future fixed assets of the Group excluding land and building for an amount of Rs. 322 million. It is also secured over equitable mortgage over land and building.

11.9 This represents running finance facility of Rs. 355 million for a period of one year (2009: Rs. 225 million). Markup is payable at the time of maturity at the rate of one month's KIBOR plus 1.00% per annum. The facility is secured by ranking hypothecation charge on present and future current and movable assets of the Group for an amount of Rs. 474 million.

11.10 This represents running finance facility of Rs.150 million (2009: Rs. 150 million). Markup is payable on quarterly basis at one month's KIBOR plus 1.5% (2009: one month's KIBOR plus s.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1.5%) per annum. The facility is secured by first pari passu hypothecation charge on all present and future assets (excluding land and building) of the Group for an amount of Rs. 200 million.

11.11 This represents running finance facility of Rs. 400 million (2009: Rs. 400 million). Markup is payable on quarterly basis at three months' KIBOR plus 1.5% (2009: three months' KIBOR plus 1.5%) per annum. The facility is secured by first pari passu hypothecation charge on all present and future current assets of the Group for an amount of Rs. 533.34 million.

11.12 This represents running finance facility of Rs. 250 million (2009: Rs. 250 million). Markup is payable on quarterly basis at three months' KIBOR plus 2.85% (2009: three months' KIBOR plus 3.15%) per annum. The facility is secured by first pari passu hypothecation charge on all present and future fixed assets of the Group for an amount of Rs. 333.34 million.

11.13 This represents running finance facility of Rs. 300 million (2009: Rs. 300 million). Markup is payable on quarterly basis at one month's KIBOR plus 2.5% (2009: one month's KIBOR plus 2.5%) per annum. The facility is secured by first pari passu hypothecation charge on all present and future current and movable assets of the Group for an amount of Rs. 400 million.

11.14 This represents utilized amount of USD 4.24 million of foreign currency import finance facility of USD 4.25 million obtained during the year for import of raw materials for maxium tenure of 180 days. The facility carries mark up at the rate of six months' LIBOR plus 2.50% per annum payable at the time of maturity or on quarterly basis whichever comes earlier. The facility is secured by ranking hyothecation charge on all present and future assets of the Group excluding land and building for an amount of Rs. 500 million.

11.15 This represents utilized amount of USD 2.62 million of foreign currency import finance facility of USD 8.35 million obtained during the year for import of raw materials for maximum tenure of 180 days. The facility carries mark up at the rate of six months' LIBOR plus 3.00 % per annum payable on maturity. The facility is secured by ranking hypothecation charge on all present and future current and movable assets of the Group for an amount of Rs. 486 million.

11.16 This represents foreign currency import finance facility of Rs. 500 million (2009: Rs. Nil) obtained for import of raw materials for a period of six months. The facility carries markup at the rate of six months' KIBOR plus 1.00 % per annum payable on maturity. The facility is secured by first pari passu hypothecation charge on all present and future current assets of the Group for an amount of Rs. 668 million.

11.17 This represents utilized amount of USD 2.93 million (2009: USD 2.82 million) of foreign currency import finance facility of USD 5.88 million (2009: USD 6.85 million) obtained for import of raw materials for maximum tenure of 180 days. The facility carries markup at the rate of six months' LIBOR plus 3.50% (2009: six months' LIBOR plus 3.00%) per annum payable at the time of maturity. The facility is secured by ranking hyothecation charge on all present and future assets of the Group excluding land and building for an amount of Rs. 500 million.

11.18 This represents the foreign currency import finance facility of Rs. 150 million (2009: Rs. Nil) utilizable in USD. Markup is payable on quarterly basis or on maturity whichever is earlier at six months' LIBOR plus 2.75% per annum. The facility is secured by first pari passu hypothecation charge on all present and future assets (excluding land and building) of the Group for an amount of Rs. 200 million.

11.19 This represents export refinance facility of Rs. 100 million (2009: Rs. 100 million) for a period of

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one year. Markup is payable at the time of settlement of the facility or on quarterly basis whichever comes earlier at the rate defined by State Bank of Pakistan plus 1.00% per annum. The facility is secured by first pari passu hypothecation charge on all present and future current assets of the Group for an amount of Rs. 134 million.

11.20 This represents export refinance facility of Rs. 350 million for a period of one year (2009: Rs. Nil) for maximum tenure of 180 days. Markup is payable at the time of settlement of the facility or on quarterly basis whichever comes earlier at the rate defined by State Bank of Pakistan plus 1.00% per annum. The facility is secured by first pari passu hypothecation charge on all present and future current assets of the Group for an amount of Rs. 1,333.33 million.

11.21 This represents utilized amount of export refinance facility of Rs. 75 million for a period of one year (2009: Rs. Nil) for maximum tenure of 180 days. Markup is payable at the time of settlement of the facility or on quarterly basis whichever comes earlier at the rate defined by State Bank of Pakistan plus 1.00% per annum. The facility is secured by first pari passu hypothecation charge on all present and future current assets of the Group and ranking hypothecation charge on all present and future fixed assets excluding land and building of the Group for an amount of Rs. 667 million.

11.22 This represents export refinance facility of Rs. 187 million for a period of one year (2009: Rs. Nil). Markup is payable at the time of settlement of the facility or on quarterly basis which comes earlier at the rate defined by State Bank of Pakistan plus 1.00% per annum.The facility is secured by first pari passu hypothecation charge on all present and future current assets of the Group for an amount of Rs. 250 million, ranking hypothecation charge on all present and future current assets of the Group for an amount of Rs. 388.80 million and ranking hypothecation charge on all present and future fixed assets of the Group excluding land building for an amount of Rs. 300 million.

11.23 Unavailed facilities

The Group has running finance facilities and other short term borrowings facilities for an amount of Rs. 685 million (2009: Rs. 655 million) which the Group has not availed as at the year end.

Facilities of letter of guarantee and letter of credit amounting to Rs. 633.61 million (2009: Rs. 229.63 million) and 3,657 million (2009: Rs. 3,806 million) respectively are available to the Group. Letter of guarantee is secured by first pari passu charge on present and future assets of the Group.

12. Contingencies and commitments

		2010 Rupees	2009 Rupees
12.1	Contingencies of Parent and Subsidiary company		
12.1.1	In respect of bank guarantees	**68,329,762**	85,115,746

All bank guarantees are secured by way of charge over operating fixed assets of the group.

12.1.2 Sales Tax Department has conducted Sales Tax Audit u/s 25 and raised a tax demand of Rs. 52,749,082 vide Order-IN-Original No. 01 of 2010 dated 27/3/2010 mainly consisting of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

misconstrued/ duplicate demand raised on account of sales tax and federal excise duty relating to sale of clinker and rejection of input tax on certain eligible items. The Group has filed an appeal before the Commissioner of Inland Revenue (Appeals) against the impugned order, which is pending for adjudication. No Provision has been made in the financial statements as the management is confident of a favourable outcome of the case.

12.1.3 Competition Commission of Pakistan (CCP) has issued a show cause notice dated October 28, 2008 to 21 cement manufactures (including the Group) under section 30 of the Competition Ordinance, 2007. On August 27, 2009, CCP imposed a penalty of Rs. 636 million on the Group. The cement manufacturers (including the Group) have challenged the CCP order in Honourable High Court and the Honourable High Court has passed an interim order restraining CCP from taking any adverse action against these 21 cement manufactures.

Against the above referred order of CCP dated 27 August 2009 an appeal was also filed as abundant caution in the Honourable Supreme Court of Pakistan under Section 42 of the Competition Ordinance, 2007. These appeals are still pending and management is confident of a favourable outcome of the case.

12.1.4 Tax related contingencies are disclosed in note 33 to these consolidated financial statements.

	2010 Rupees	2009 Rupees
12.2 Commitments of Parent and Subsidiary company		
In respect of letters of credit and contract for upgradation	**710,599,823**	1,028,021,410
12.3 Share of contingencies and commitments in associated company		
Contingencies		
Direct credit substitutes	**1,617,110,015**	1,966,958,744
Transactions related	**7,595,060,378**	6,662,352,029
Trade related	**9,101,532,573**	10,998,792,626
Tax related	**469,000,000**	396,000,000
Others	**1,581,325,610**	1,418,947,934
Commitments		
In respect of sale of forward foreign exchange contract	**3,633,708,308**	4,208,754,371
In respect of purchase of forward foreign exchange contract	**7,044,624,135**	4,780,999,769
Others	**3,925,269,468**	4,551,837,440

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

13 Property, plant and equipment

	Note	2010 Rupees	2009 Rupees
Operating fixed assets	13.1	**25,518,104,298**	17,972,580,058
Capital work in progress	13.2	**84,072,764**	7,073,141,108
Stores held for capitalisation		**123,783,145**	170,227,570
Intangible assets	13.3	**30,000,000**	-
		25,755,960,207	25,215,948,736

13.1 Operating fixed assets

	Owned									Leased	
	Free hold land	Lease hold land	Buildings on free hold land	Plant and machinery	Quarry equipment	Other equipment	Furniture and fixtures	Vehicles	Office equipment	Plant and machinery	Total
	Rupees										
Cost											
Balance as at July 01, 2008	1,075,895,470	40,652,466	5,211,356,954	14,801,148,011	729,011,085	71,296,604	76,438,683	171,483,468	77,540,832	227,054,048	**22,481,877,621**
Additions during the year	18,452,210	-	28,630,087	100,718,725	151,174,213	27,029,643	6,279,440	25,664,809	9,629,668	-	**367,578,795**
Transferred from CWIP	-	-	7,473,028	152,642,991	-	-	-	-	-	-	**160,116,019**
Adjustments	-	-	-	(951,792,763)	(45,000)	-	-	-	-	-	**(951,837,763)**
Disposals	-	-	-	-	-	-	-	(2,985,828)	(11,640)	-	**(2,997,468)**
Balance as at June 30, 2009	1,094,347,680	40,652,466	5,247,460,069	14,102,716,964	880,140,298	98,326,247	82,718,123	194,162,449	87,158,860	227,054,048	**22,054,737,204**
Balance as at July 01, 2009	1,094,347,680	40,652,466	5,247,460,069	14,102,716,964	880,140,298	98,326,247	82,718,123	194,162,449	87,158,860	227,054,048	**22,054,737,204**
Additions during the year	7,436,144	-	35,944,911	152,923,245	-	8,076,832	3,950,085	9,001,057	16,385,552	-	**233,717,826**
Transferred from CWIP	-	-	184,268,367	8,185,836,064	-	-	-	-	-	-	**8,370,104,431**
Adjustments	-	-	-	(85,729,919)	-	-	(402,516)	-	(277,622)	-	**(86,410,057)**
Disposals	-	-	-	-	-	-	-	(7,852,814)	-	-	**(7,852,814)**
Balance as at June 30, 2010	1,101,783,824	40,652,466	5,467,673,347	22,355,746,354	880,140,298	106,403,079	86,265,692	195,310,692	103,266,790	227,054,048	**30,564,296,590**
Depreciation											
Balance as at July 01, 2008	-	13,450,165	666,186,390	2,127,209,611	349,830,334	31,064,054	17,194,584	76,812,000	26,795,586	-	**3,308,542,724**
Charge for the year	-	1,520,136	192,400,757	475,306,092	64,256,701	6,822,965	6,123,526	21,531,905	8,386,365	7,568,468	**783,916,915**
Adjustments	-	-	-	(8,086,228)	-	-	-	-	-	-	**(8,086,228)**
Disposals	-	-	-		-	-	-	(2,214,734)	(1,531)	-	**(2,216,265)**
Balance as at June 30, 2009	-	14,970,301	858,587,147	2,594,429,475	414,087,035	37,887,019	23,318,110	96,129,171	35,180,420	7,568,468	**4,082,157,146**
Balance as at July 01, 2009	-	14,970,301	858,587,147	2,594,429,475	414,087,035	37,887,019	23,318,110	96,129,171	35,180,420	7,568,468	**4,082,157,146**
Charge for the year	-	1,520,136	235,702,497	640,803,483	71,463,343	7,829,338	6,114,856	19,429,911	8,726,099	7,568,468	**999,158,131**
Adjustments	-	-	-	(29,035,004)	-	-	(28,374)	-	(99,908)	-	**(29,163,286)**
Disposals	-	-	-	-	-	-	-	(5,959,699)	-	-	**(5,959,699)**
Balance as at June 30, 2010	-	16,490,437	1,094,289,644	3,206,197,954	485,550,378	45,716,357	29,404,592	109,599,383	43,806,611	15,136,936	**5,046,192,292**
Carrying value - 2010	**1,101,783,824**	**24,162,029**	**4,373,383,703**	**19,149,548,400**	**394,589,920**	**60,686,722**	**56,861,100**	**85,711,309**	**59,460,179**	**211,917,112**	**25,518,104,298**
Carrying value - 2009	1,094,347,680	25,682,165	4,388,872,922	11,508,287,489	466,053,263	60,439,228	59,400,013	98,033,278	51,978,440	219,485,580	17,972,580,058
Life in years/ rates of depreciation per annum		30yrs	5%	5-10%	15%	10-15%	10%	20%	15%	30yrs	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
13.1.1 Depreciation on operating fixed assets has been allocated as follows:			
Cost of sales	27	**986,094,103**	770,368,898
Administrative expenses	28	**8,238,658**	8,459,458
Distribution cost	29	**4,825,370**	5,088,559
		999,158,131	783,916,915

13.1.2 Disposal of operating fixed assets

Description	Cost	Book value	Sale proceeds	Gain	Mode of disposal	Sold to
	Rupees	Rupees	Rupees	Rupees		
Vehicles						
Honda Civic	1,131,920	358,544	471,907	113,363	Negotiation	Employee
Suzuki Bolan	420,550	36,092	36,092	-	Negotiation	Employee
Honda City	840,042	219,858	288,284	68,426	Negotiation	Employee
Suzuki Baleno	790,245	182,990	322,804	139,814	Negotiation	Employee
Suzuki Alto	504,960	148,919	242,321	93,402	Negotiation	Employee
Honda Civic	1,223,950	340,904	470,583	129,679	Negotiation	Employee
Toyota Corolla	912,390	44,584	630,000	585,416	Negotiation	Employee
Suzuki Cultus	598,065	163,312	203,357	40,045	Negotiation	Employee
Honda City	837,342	242,369	378,295	135,926	Negotiation	Employee
Suzuki Cultus	593,350	155,543	220,027	64,484	Negotiation	Employee
2010	**7,852,814**	**1,893,115**	**3,263,670**	**1,370,555**		
2009	2,997,468	781,203	1,622,605	841,402		

13.2 Capital work in progress

	Note	2010 Rupees	2009 Rupees
Opening balance		**7,073,141,108**	916,528,918
Additions during the year	13.2.1	**1,382,334,531**	6,316,728,209
Trial run loss	13.2.2	**28,701,556**	-
		8,484,177,195	7,233,257,127
Transferred to operating fixed assets:			
Plant and machinery		**(8,185,836,064)**	(152,642,991)
Buildings on free hold land		**(184,268,367)**	
Transferred to intangible assets:			
Intangible assets	13.3	**(30,000,000)**	(7,473,028)
		(8,400,104,431)	(160,116,019)
	13.2.3	**84,072,764**	7,073,141,108

13.2.1 This includes borrowing cost capitalised amounting to Rs. 668.58 million (2009: Rs. 679.02 million) at capitalisation rate ranging from 13.85% to 13.98% (2009: 14.64% to 15.08%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		Note	2010 Rupees	2009 Rupees
13.2.2	**Trial run loss**			
	Turnover - net		**569,292,201**	-
	Cost of sales		**(597,993,757)**	-
			(28,701,556)	-
13.2.3	Break up of capital work in progress is as follows:			
	Plant and machinery and other equipment		**59,326,209**	5,464,856,096
	Building and civil works		**4,033,622**	818,925,459
	Advances for capital work in progress		**18,225,693**	46,781,219
	Borrowing cost		**2,487,239**	679,029,881
	Other directly attributable expenses		**-**	63,548,453
			84,072,763	7,073,141,108
13.3	**Intangible assets**			
	Cost			
	Opening balance July 01		**-**	-
	Additions during the year	13.2	**30,000,000**	-
	Closing balance June 30		**30,000,000**	-
	Amortisation rate		**15%**	-
	Intangible assets were available for use on June 30, 2010.			
14.	**Investment property**			
	Opening balance		**336,340,149**	291,330,764
	Gain on remeasurement of investment property to fair value		**4,375,685**	45,009,385
	Closing balance	14.1	**340,715,834**	336,340,149

14.1 On June 28, 2010, an independent exercise was carried out to calculate the fair value of investment property. To assess the land prices, market research was carried out in the area around the plot where the investment property is situated. Fair value of investment property is based on independent valuer's judgment about average prices prevalent on the said date and has been prepared on openly available/ provided information after making relevant inquiries from the market. Valuation was carried out by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

		Note	2010 Rupees	2009 Rupees
15.	**Long term investments**			
	Equity accounted investment - quoted			
	Associated company - United Bank Limited	15.1	**5,445,172,148**	4,793,669,688
	Other investments			
	Held to maturity investment - at amortised cost	15.2	**68,000**	59,198
			5,445,240,148	4,793,728,886

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
15.1 Associated company - United Bank Limited			
Cost of investment 93,649,694 shares (2009: 85,136,131 shares) of Rs. 10 each		**1,862,802,950**	1,862,802,950
Share of post acquisition profits brought forward		**2,463,889,753**	2,110,501,433
		4,326,692,703	3,973,304,383
Share of profit for the year		**772,394,949**	546,879,528
Dividend received during the year		**(212,840,328)**	(193,491,208)
		559,554,621	353,388,320
Parent Company's share of the associate's exchange translation reserve		**579,217,097**	486,648,272
Parent Company's share of the cash flow hedge reserve		**(20,292,273)**	(19,671,287)
		5,445,172,148	4,793,669,688

15.1.1 This represents 7.65% share (2009: 7.65%) in the equity of 1,224.2 million (2009: 1,112.8 million) shares of Rs. 10 each in UBL, an associated company. Bestway Group as a whole controls 30.3% (2009: 30.3 %) equity in UBL. Increase in number of shares represent bonus shares received during the year.

15.1.2 Summarised financial information of the associated company is as follows:

	Assets	Liabilities	Income	Profit after tax
2010 (Rupees, 000)	**668,774,588**	**599,281,657**	**34,168,135**	**10,016,009**
2009 (Rupees, 000)	654,134,958	595,878,407	32,122,658	4,597,772

Fair value of the investment in associated company as of the year end was Rs. 5,075 million (2009: Rs. 3,260 million).

Investment in the associated company is less than 20%, however the Group has significant influence due to its representation on the Board of Directors of the associated company.

15.2 Held to maturity investment - at amortised cost

	Note	2010 Rupees	2009 Rupees
Defence Saving Certificates (DSCs)		**68,000**	59,198

The fair value of DSCs is not expected to be materially different from its carrying value.

16. Long term advance

	Note	2010 Rupees	2009 Rupees
Advance for gas pipe line	16.1	**28,021,000**	32,024,000
Current portion of advance for gas pipe line	21	**(4,003,000)**	(4,003,000)
		24,018,000	28,021,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

16.1 This represents outstanding amount of long term advance of Rs. 40.03 million paid to Sui Northern Gas Pipelines Limited to facilitate gas pipeline laying for the Parent Company's plant located at Chakwal. The advance along with markup at the rate of 1.5% per annum is recoverable in 10 equal annual installments which started from March 2008.

17. Long term deposits

This includes security deposits amounting to Rs. 79.482 million (2009: Rs. 79.482 million) given for the electricity connections of the plants.

18. Stores, spare parts and loose tools

	Note	2010 Rupees	2009 Rupees
Stores, spare parts and loose tools		**2,129,397,531**	2,040,287,310
Stores and spare parts in transit		**608,545,217**	188,937,471
		2,737,942,748	2,229,224,781
Provision for slow moving and obsolete stores, spare parts and loose tools		**(51,894,413)**	(10,894,413)
		2,686,048,335	2,218,330,368

19. Stock in trade

	Note	2010	Rupees
Raw and packing material		**155,652,564**	75,331,221
Work in process		**780,333,422**	819,807,569
Finished stock	19.1	**129,847,631**	358,314,236
		1,065,833,617	1,253,453,026

19.1 This includes Rs. 31.60 million (2009: Rs. 141.26 million) stock in transit.

20. Trade debts- considered good

This includes Rs. 71.73 million (2009: Rs. 405.89 million) receivable from customers against export sales.

21. Advances

	Note	2010	2009
Advances to directors and executives - considered good		**1,392,497**	575,897
Advances to suppliers and contractors - considered good		**227,393,233**	171,750,643
Advance for export related expenses	21.1	**24,722,069**	157,013,598
Current portion of advance for gas pipe line	16	**4,003,000**	4,003,000
		257,510,799	333,343,138

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

21.1 This represents advance paid for transportation of cement against export despatches from plant site to Karachi, the stock was in Karachi at the year end.

	Note	**2010 Rupees**	2009 Rupees
22. Deposits and prepayments			
Security deposits		**5,293,746**	5,220,290
Prepayments		**3,285,200**	1,319,630
Margin on letter of credits		**-**	3,593,001
		8,578,946	10,132,921
23. Other receivables			
Due from related party - Bestway Power Limited		**-**	1,771,974
Others		**1,341,800**	2,073,219
		1,341,800	3,845,193
24. Due from Government agencies			
Advance tax - net	24.1	**665,778,591**	370,114,396
Sales tax		**18,423,872**	151,004,467
Excise duty		**357,706**	2,260,935
Customs duty	24.2	**28,372,522**	28,372,522
Capital value tax	24.2	**11,729,200**	11,729,200
Excise duty refundable	24.3	**615,146,242**	615,146,242
		1,339,808,133	1,178,627,762

24.1 This includes an amount of Rs. 14.70 (2009: Rs. 14.70 million) pertaining to tax suffered by the Group on a sale and lease back transaction for which the claim of refund has been lodged.

24.2 This represents customs duties paid in excess of 5% of the value assessed by the custom authorities for import of off high way dump trucks and the amount paid as Capital Value Tax (CVT) on this import. The collector of customs assessed 30% duty and CVT @ 7.5% of the assesed value on import of off high way dump trucks and did not allow exemption available to the Group under SRO No. 575(1) 2006 dated June 06, 2006. The Group deposited these amounts under protest as guarantee for clearance and filed an appeal before Honorable Sindh High Court. The Honorable High Court granted the leave of appeal and held that exemption for import of off high way dump trucks is available to the group under SRO No. 575(1) 2006 dated June 06, 2006, therefore the excess amounts paid should be refunded to the Group.

The Group has obtained legal opinion on the basis of which it decided to account for these as refund in the books of account of the Group.

24.3 The Honourable Supreme Court of Pakistan in its judgment dated April 14, 2007 in a comparable case for levy of excise duty, dismissed the appeal filed by the Federal Board of Revenue (FBR) and upheld the decisions made by the Honourable High Courts of Peshawar, Sindh and Punjab. The dispute related to levy of excise duty on the retail price inclusive of excise duty or retail price excluding excise duty. The FBR's point of view was that excise duty be calculated on a declared retail price inclusive of excise duty whereas the concerned respondents contended that the excise duty would not be included in retail price for calculation of excise duty payable to the Government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

The full bench of Supreme Court upheld the judgments made by High Courts and dismissed the appeal of FBR. The FBR moved a review petition before Supreme Court of Pakistan which is pending. Based on the legal opinion, the management believes that the Group's claim is valid and the amount is fully recoverable.

25. Bank balances

	Note	2010 Rupees	2009 Rupees
Cash at banks			
Current accounts	25.1	**121,139,436**	81,929,956
Deposit accounts	25.2	**89,505,490**	380,235,464
		210,644,926	462,165,420

25.1 This includes Rs. 21.42 million (2009: Rs. 46.68 million) held in current accounts maintained with United Bank Limited, an associated company.

25.2 This includes an amount of US Dollar 0.457 million (2009: US Dollar 0.478 million) in US Dollar deposit accounts. US Dollar 0.455 million (2009: US Dollar 0.476 million) are under lien with Habib Bank Limited.

25.3 Deposit accounts carry interest rates ranging from 1% to 5% (2009: 1% to 5%) per annum.

26. Turnover - net

	2010	2009
Gross turnover	**21,841,583,424**	21,363,131,330
Government levies		
Sales tax	**(2,307,234,154)**	(2,161,425,614)
Excise duties	**(2,869,191,407)**	(2,375,585,196)
	16,665,157,863	16,826,120,520
Rebates and discounts	**(941,237,664)**	(679,282,103)
	15,723,920,199	16,146,838,417
Turnover - net during trial run	**(569,292,201)**	-
	15,154,627,998	16,146,838,417

27. Cost of sales

	Note	2010	2009
Raw and packing materials consumed	27.1	**2,719,816,342**	1,568,533,940
Fuel and power		**8,999,714,705**	8,291,323,094
Stores, spare parts and loose tools consumed		**470,149,944**	415,266,290
Repairs and maintenance		**54,615,201**	25,328,454
Salaries, wages and benefits	27.2	**317,025,657**	277,853,750
Support services		**142,095,958**	142,238,517
Insurance		**27,798,008**	22,588,354
Equipment rental		**7,277,579**	12,427,408
Utilities		**6,928,496**	7,600,505

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
Traveling, conveyance and subsistence		**33,498,637**	33,636,300
Communication		**4,108,351**	4,701,158
Professional charges		**1,160,333**	449,933
Printing and stationery		**4,382,980**	3,634,391
Entertainment		**1,806,363**	2,185,257
Depreciation	13.1.1	**986,094,103**	770,368,898
Other manufacturing expenses		**10,594,693**	8,525,949
		13,787,067,350	11,586,662,198
Opening work in process		**819,807,568**	599,148,613
Closing work in process		**(780,333,422)**	(819,807,569)
Cost of goods manufactured		**13,826,541,496**	11,366,003,242
Opening finished stock		**358,314,236**	247,132,923
Closing finished stock		**(129,847,631)**	(358,314,236)
		14,055,008,101	11,254,821,929
Cost of sales during trial run		**(597,993,757)**	-
		13,457,014,344	11,254,821,929

27.1 Raw and packing materials consumed

Opening balance	**75,331,221**	190,280,130
Purchases made during the year	**2,800,137,685**	1,453,585,031
Closing balance	**(155,652,564)**	(75,331,221)
	2,719,816,342	1,568,533,940

27.2 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 35.93 million (2009: Rs. 20.50 million).

28. Administrative expenses

	Note	2010 Rupees	2009 Rupees
Salaries, wages and benefits	28.1	**109,638,235**	106,560,483
Rent, rates and taxes		**1,692,620**	1,414,960
Repairs and maintenance		**4,816,958**	2,798,243
Insurance		**1,296,354**	478,833
Utilities		**2,908,323**	1,862,494
Traveling, conveyance and subsistence		**9,295,320**	8,673,698
Communication		**2,066,273**	1,888,990
Printing and stationery		**2,791,246**	1,881,030
Entertainment		**376,364**	291,245
Advertisements		**730,255**	723,417
Provision for slow moving and obsolete stores, spare parts and loose tools		**41,000,000**	-
Charitable donations	28.2	**120,100**	25,248,032

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
Legal and professional charges		**6,098,811**	4,154,832
Fees and subscription		**4,972,991**	3,935,883
Management charges	28.3	**511,292**	1,338,529
Auditors' remuneration	28.4	**3,002,000**	2,727,000
Depreciation	13.1.1	**8,238,658**	8,459,458
Miscellaneous		**1,231,552**	422,110
		200,787,352	172,859,237

28.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 4.159 million (2009: Rs. 3.548 million).

28.2 A provision at 2.5% of the accounting profit after tax of the Parent Company for an amount of Rs. Nil (2009: Rs. 24.35 million) has been made for donation to Bestway Foundation. The chief executive and directors are among the trustees of the Foundation. None of the trustees or their spouses have a beneficial interest in the Foundation.

28.3 This represent management charges of the ultimate parent company.

28.4 Auditors' remuneration

	2010	2009
Audit fee	**1,300,000**	1,100,000
Audit fee of consolidated financial statements	**300,000**	300,000
Half yearly review	**400,000**	325,000
Taxation services	**900,000**	900,000
Out of pocket expenses	**102,000**	102,000
	3,002,000	2,727,000

29. Distribution cost

	Note	2010	2009
Salaries, wages and benefits	29.1	**26,175,469**	26,176,954
Support services		**663,066**	958,158
Rent, rates and taxes		**3,982,966**	2,827,857
Repairs and maintenance		**1,333,628**	675,034
Utilities		**693,699**	578,517
Traveling, conveyance and subsistence		**4,125,284**	3,224,167
Communication		**1,259,534**	1,377,910
Printing and stationery		**2,587,752**	2,638,257
Entertainment		**600,829**	537,101
Advertising and promotion		**2,052,475**	2,183,590
Depreciation	13.1.1	**4,825,370**	5,088,559
Fees and subscription		**31,634,107**	3,746,793
Freight and handling - local		**90,461,644**	48,936,642
- export		**910,319,611**	1,373,899,712
Miscellaneous		**96,717**	752,345
		1,080,812,151	1,473,601,596

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

29.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 2.57 million (2009: Rs. 2.493 million).

		2010 Rupees	2009 Rupees
30.	**Other operating expenses**		
	Workers' Profit Participation Fund	-	47,412,246
	Workers' Welfare Fund	-	24,094,215
		-	71,506,461
31.	**Finance cost**		
	Markup on long term financing	**2,230,993,853**	2,137,248,178
	Markup on short term borrowings	**228,159,709**	181,370,344
	Markup on long term murabaha	**62,070,952**	75,835,303
	Markup on liability against assets subject to finance lease	**37,089,423**	35,248,394
	Bank charges and commissions	**14,293,705**	13,174,864
		2,572,607,642	2,442,877,083
32.	**Other operating income**		
	Income from financial assets		
	Profit on deposit accounts	**724,623**	1,077,485
	Exchange gain - net	**12,242**	55,849,621
	Profit on held to maturity investment	**8,802**	7,684
		745,667	56,934,790
	Income from non financial assets		
	Gain on disposal of operating fixed assets	**1,370,555**	841,402
	Insurance claim received	-	1,500,000
	Rental income from investment property	**12,797,185**	21,746,044
	Gain on remeasurement of investment property to fair value	**4,375,685**	45,009,385
	Management fee from related party	**480,000**	480,000
	Return on short term deposit receipt	-	3,103,907
	Sale of scrap	**470,618**	442,689
	Others	**1,884,690**	5,065,235
		22,124,400	135,123,452
33.	**Taxation**		
	Current	**42,557,303**	73,667,479
	Deferred	**(1,119,326,641)**	286,149,758
		(1,076,769,338)	359,817,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

33.1 Numerical reconciliation between tax (credit)/ charge and product of accounting (loss)/ profit multiplied by the applicable tax rate is as follows:

	2010 Rupees	2009 Rupees
Accounting (loss)/ profit	**(1,362,074,142)**	1,413,175,091
Tax on accounting (loss)/ profit at applicable rate of 35% (2009: 35%)	**(476,725,950)**	494,611,282
Tax effect of low rates on certain income	**(390,074,276)**	4,211,123
Tax effect of permanent differences	**2,449,372**	(3,432,748)
Tax effect of income taxable under final tax regime	**(212,418,484)**	(135,572,420)
	(1,076,769,338)	359,817,237

33.2 Parent company

Returns of total income for the Tax Years 2003 to 2006 and 2008 (years ended 30 June 2003 to 2006 and 2008) stand assessed in terms of section 120 of the Income Tax Ordinance, 2001 [Ordinance]. The tax authorities are empowered to amend the assessments within five years from the date of the original assessment. The assessment for the Tax Year 2005 was rectified in terms of section 221 of the Ordinance by the tax authorities on the issue of set off of brought forward losses thereby creating a tax demand of Rs. 40.55 million. Subsequently the aforesaid rectified order was further rectified under section 221 of the Ordinance in terms of which the demand of Rs. 40.55 million was reduced to Rs. 38 million.

Appeal filed by the Parent Company with the Income Tax Appellate Tribunal for assessment year 2000-2001 was decided against the Group. A miscellaneous application has been filed by the Company with the Income Tax Appellate Tribunal which is pending adjudication. Further the Parent Company contested the order of the Appellate Tribunal with the High Court which is also pending decision to date.

The tax audit for Tax Year 2007 was finalized by the income tax department and order under section 122(4) of the Ordinance was passed which was contested by the Company with Commissioner (Appeals). The Commissioner (Appeals) has deleted additions/ disallowances of Rs. 614 million and confirmed addition/disallowances of Rs. 7 million only, made through the amendment of original assessment as a result of audit. The Company preferred further appeal against the Commissioner (Appeals) order of confirmation of disallowances of Rs. 7 million, with the Income Tax Appellate Tribunal, which is pending decision to date.

33.3 Subsidiary company

Tax assessments of the Subsidiary Company up to and including the Assessment Year 2002-03 (year ended 30 June 2002) stands finalized under relevant sections of the repealed Income Tax Ordinance 1979 [1979 Ordinance]. Assessments for Tax Years 2003 to 2009 also stands finalized under section 120 of the Income Tax Ordinance, 2001.

For the Assessment Year 1998-99 the Taxation Officer raised additional tax demand under section 87 of the 1979 Ordinance amounting to Rs. 10.388 million for non payment of advance tax. No appeal was filed with the Commissioner (Appeals) against the impugned order upon instructions by

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

the Government of Pakistan, being a State owned Enterprise, which insists upon resolution of disputes with FBR through inter ministerial consultations. As the Subsidiary Company is no more a State owned Enterprise, it has therefore, pursued the case before the appellate authorities and accordingly filed an appeal with the Commissioner (Appeals) with the request for condonation of delay in filing appeal within prescribed time. This request for condonation of delay was not accepted. The Company filed appeal with the Income Tax Appellate Tribunal where the request for condonation in filing of appeal was again not entertained. The Company has now filed a reference with the Honorable High Court and believes for a favourable outcome of No provision has been made in these financial statements in respect of outstanding issues as management is confident of a favourable outcome.

34. Remuneration of the chief executive, directors and executives

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

	Chief Executive		Directors, including Chairman		Executives	
	Rupees					
	2010	2009	**2010**	2009	**2010**	2009
Managerial remuneration and allowances	**18,000,000**	18,000,000	**40,624,674**	36,713,333	**70,752,221**	67,651,500
Bonus	**-**	-	**1,515,000**	2,140,000	**-**	3,429,450
Provision for gratuity	**-**	-	**1,256,098**	1,320,175	**6,626,500**	5,572,189
Compensated absences	**-**	-	**1,782,356**	1,386,082	**8,157,691**	4,180,115
	18,000,000	18,000,000	**45,178,128**	41,559,590	**85,536,412**	80,833,254
Number of persons	**1**	1	**5**	5	**45**	39

34.1 The Directors and executives excluding chairman and chief executive are also provided with medical insurance facility as per their entitled limits.

35. Financial instruments

The Group has exposures to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors of the Group oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

management framework in relation to the risks faced by the Group. The Board is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

35.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of the following financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2010	2009
	Rupees	Rupees
Long term deposits	**87,495,534**	87,495,534
Long term advance	**28,021,000**	32,024,000
Trade debts	**315,857,176**	588,805,549
Advances	**1,392,497**	575,897
Deposits	**5,293,746**	8,813,291
Interest accrued	**62,490**	89,941
Other receivables	**1,341,800**	3,845,193
Due from Government agencies	**655,605,670**	657,508,899
Bank balances	**210,644,926**	462,165,420
	1,305,714,839	1,841,323,724

The maximum exposure to the credit risk for trade debts at reporting date by geographical region is:

Domestic	**244,130,980**	182,916,875
Middle east and African countries	**48,338,944**	387,266,726
Asia - other than domestic	**23,387,252**	18,621,948
	315,857,176	588,805,549

The maximum exposure to the credit risk for trade debts at reporting date by counter party is:

End user customers	**17,035,489**	16,141,625
Dealers	**298,821,687**	572,663,924
	315,857,176	588,805,549

The maximum exposure to credit risk for trade debts at the reporting date are with dealers and represents debtors within the country. Included in these is an amount of Rs. 71.73 million (2009: Rs. 405.889 million) secured against the letter of credits.

The Group's most significant domestic customer is a dealer from whom Rs. 21.28 million (2009: Rs. 24.57 million) is outstanding at the year end.

The Group has placed funds with financial institutions with high credit ratings. The Group assesses the credit quality of the counter parties as satisfactory. The Group does not hold any collateral as security against any of its financial assets except as mentioned above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Impairment losses

The aging of trade debts at the reporting date is:

	Gross 2010	**Impairment 2010**	Gross 2009	Impairment 2009
	Rupees		Rupees	
Not past due	**-**	**-**	-	-
Past due 1-30 days	**229,058,616**	**-**	302,214,824	-
Past due 31-60 days	**56,501,739**	**-**	166,233,356	-
Past due 61-90 days	**4,449,873**	**-**	74,426,753	-
Over 90 days	**25,846,948**	**-**	45,930,616	-
	315,857,176	**-**	588,805,549	-

Based on past experience, the management believes that no impairment allowance is necessary in respect of trade debts.

The allowance accounts in respect of trade debts are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. The amount considered irrecoverable is written off against the financial asset directly.

35.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

	Carrying amount	**Contractual cash flows**	**Six months or less**	**Six to twelve months**	**One to two years**	**Two to five years**	**After five years**
2010				**Rupees**			
Financial liabilities							
Long term loans	17,780,803,338	24,356,752,356	3,283,935,381	3,532,070,499	6,617,349,226	10,923,397,250	-
Long term murabaha	2,005,000,000	2,575,424,492	89,486,696	85,224,953	380,587,199	2,020,125,644	-
Liability against assets subject to finance lease	197,743,347	260,621,869	32,702,567	32,702,567	65,405,134	129,811,601	-
Trade and other payables	2,105,814,127	2,105,814,127	2,105,696,040	54,236	63,851	-	-
Markup accrued	361,303,917	361,303,917	361,303,917	-	-	-	-
Short term borrowings	4,641,908,139	5,369,307,399	1,716,871,097	3,652,436,302	-	-	-
	27,092,572,868	**35,029,224,160**	**7,589,995,698**	**7,302,488,557**	**7,063,405,410**	**13,073,334,495**	**-**
2009							
Financial liabilities							
Long term loans	18,826,636,670	26,821,791,460	2,874,823,807	2,843,464,676	6,497,290,962	13,683,797,708	922,414,307
Long term murabaha	450,000,000	715,903,329	93,626,959	84,992,876	163,855,891	373,427,603	-
Liability against assets subject to finance lease	232,706,140	333,812,960	33,381,296	39,033,387	78,066,774	183,331,503	-
Trade and other payables	1,324,182,196	1,324,182,196	1,315,702,743	8,136,366	54,236	63,851	-
Markup accrued	435,441,878	435,441,878	435,441,878	-	-	-	-
Short term borrowings	3,450,242,645	4,118,899,619	342,951,593	3,775,948,026	-	-	-
	24,719,209,529	33,750,031,442	5,095,928,276	6,751,575,331	6,739,267,863	14,240,620,665	922,414,307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

35.2.1 The contractual cash flow relating to long and short term borrowings and murabaha have been determined on the basis of expected markup rates. The markup rates have been disclosed in note 5, 6, 7 and 11 to these financial statements.

35.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Group is exposed to currency risk and interest rates risk only.

35.3.1 Currency risk

Exposure to currency risk	2010 US Dollars	2009 US Dollars
Trade debts	**839,933**	4,985,367
Secured bank loans	**(14,540,008)**	(2,826,240)
Net exposure	**(13,700,075)**	2,159,127

The following significant exchange rates applied during the year

	Average rate		Reporting date spot rates	
	2010	2009	**2010**	2009
Rupees/ Dollars	84.00	80.00	85.40	81.42

Sensitivity analysis

A five percent strengthening of the PKR against US Dollar at 30 June 2010 would have increased profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2009.

	Profit or loss Rupees
30 June 2010	
Effect in US Dollar - gain	**58,495,979**
	58,495,979
30 June 2009	
Effect in US Dollar - loss	8,789,376
	8,789,376

A five percent weakening of the PKR against US Dollar at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

35.3.2 Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

arises from short and long term borrowings from banks and short term deposits with banks. At the balance sheet date the interest rate profile of the Group's interest bearing financial instruments is:

	Carrying Amount	
	2010 Rupees	2009 Rupees
Fixed rate instruments		
Financial assets	**28,021,000**	32,083,198
Financial liabilities	**3,611,690,740**	307,258,122
Variable rate instruments		
Financial assets	**89,505,490**	380,235,464
Financial liabilities	**21,013,764,084**	22,652,327,333

Fair value sensitivity analysis for variable rate instruments

The Group does not hold any financial asset or liability at fair value through profit and loss

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit or loss	
	100 basis points increase Rupees	**100 basis points decrease Rupees**
Cash flow sensitivity (net)		
Variable rate instruments	206,814,707	(206,814,707)
30 June 2010	**206,814,707**	**(206,814,707)**
Variable rate instruments	141,318,213	(141,318,213)
30 June 2009	141,318,213	(141,318,213)

35.4 Fair value of financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010		2009	
Assets carried at amortized cost	*Note*	**Carrying amount**	**Fair value**	Carrying amount	Fair value
		Rupees		Rupees	
Long term deposits	*17*	**87,495,534**	**87,495,534**	87,495,534	87,495,534
Long term advance	*16*	**28,021,000**	**28,021,000**	32,024,000	32,024,000
Trade debts	*20*	**315,857,176**	**315,857,176**	588,805,549	588,805,549
Advances	*21*	**1,392,497**	**1,392,497**	575,897	575,897
Deposits	*22*	**5,293,746**	**5,293,746**	8,813,291	8,813,291
Interest accrued		**62,490**	**62,490**	89,941	89,941
Due from Government agencies	*24*	**655,605,670**	**655,605,670**	657,508,899	657,508,899
Other receivables	*23*	**1,341,800**	**1,341,800**	3,845,193	3,845,193
Bank balances	*25*	**210,644,926**	**210,644,926**	462,165,420	462,165,420
		1,305,714,839	**1,305,714,839**	1,841,323,724	1,841,323,724
Liabilities carried at amortized cost					
Long term loans	*5*	**17,780,803,338**	**17,780,803,338**	18,826,636,670	18,826,636,670
Liability against assets subject to finance lease	*6*	**197,743,347**	**197,743,347**	450,000,000	450,000,000
Long term murabaha	*7*	**2,005,000,000**	**2,005,000,000**	232,706,140	232,706,140
Trade and other payables	*10*	**2,105,814,127**	**2,105,814,127**	1,324,182,196	1,324,182,196
Markup accrued		**361,303,917**	**361,303,917**	435,441,878	435,441,878
Short term borrowings	*11*	**4,641,908,139**	**4,641,908,139**	3,450,242,645	3,450,242,645
		27,092,572,868	**27,092,572,868**	24,719,209,529	24,719,209,529

35.5 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Non - derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

35.6 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Group's approach to capital management during the year and the Group is not subject to externally imposed capital requirements except for the maintenance of debt to equity ratios under the financing agreements.

36. Transactions with related parties

The Group is controlled by the ultimate parent company, therefore all subsidiaries and associated undertakings of the ultimate parent company are related parties of the Group. Other related parties comprise of associate company, directors, key management personnel, entities with

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

common directorships and entities over which the directors are able to exercise influence. Balances with related parties are shown elsewhere in the notes to these consolidated financial statements. Transactions with related parties are as follows:

	Note	**2010** Rupees	2009 Rupees
Transactions with ultimate parent company			
Management charges		**511,292**	1,338,529
Transactions with associated undertakings under common directorship			
Management fee		**480,000**	480,000
Service/ bank charges		**3,443,886**	3,368,890
Charitable donations		**-**	24,350,600
Dividend received		**212,840,328**	193,491,208
Sale of cement		**-**	189,150
Transactions with key personnel			
Remuneration to chief executive, directors and executives	36.1	**63,178,128**	59,559,590

36.1 Remuneration, allowances and benefits

		2010	2009
Managerial remuneration and allowances		**58,624,674**	54,713,333
Bonus		**1,515,000**	2,140,000
Provision for gratuity		**1,256,098**	1,320,175
Compensated absences		**1,782,356**	1,386,082
		63,178,128	59,559,590

37. Plant capacity and production of clinker

	Note	**Tonnes**	Tonnes
Available capacity			
Parent Company:			
Hattar plant		**1,170,000**	1,170,000
Chakwal line-I		**1,710,000**	1,710,000
Chakwal line-II		**1,710,000**	1,710,000
Subsidiary Company:			
Hattar plant	37.2	**1,109,700**	573,000
Actual production			
Parent Company:			
Hattar plant		**1,139,862**	1,074,607
Chakwal line-I	37.1	**1,059,316**	824,128
Chakwal line-II	37.1	**1,462,814**	1,359,800
Subsidiary Company:			
Hattar plant	37.3	**669,847**	225,982

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37.1 During the year the actual production from Chakwal line-I and line II remained limited due to planned shut downs for the syncronisation with waste heat recovery power project and for the improvement in operational efficiency of Chakwal line I.

37.2 Work on upgradation of dry line was completed and commercial operations commenced on February 01, 2010. The new line is consistently producing clinker well above its rated capacity.

37.3 Shortfall in actual production is due to less production from the upgraded kiln during trial run period and temporary shutdown of semi-wet lines due to higher cost of production. Available capacity has also been adjusted for the period in which the production facilities remained unavailable due to upgradation.

38. General

These consolidated financial statements were authorized for issue by the Board of Directors of the Parent Company in their meeting held on 30 September 2010.

CHIEF EXECUTIVE **DIRECTOR & CFO**