

BESTWAY CEMENT LIMITED

Directors' Report

The Directors take pleasure in presenting the Company's un-audited accounts for the quarter ended 30th September 2009.

Industry Overview

During the quarter under review, the industry witnessed some volumetric recovery however fierce competition resulted in sharp decline in selling prices. The situation was further exacerbated by worsening law & order and hostile economic environment currently prevailing in the country, thus severely impacting profitability of the industry.

Production and Sales

	2009 Tonnes	2008 Tonnes	Increase/ (Decrease) Tonnes	Percentage Increase/ (Decrease)
Clinker production	834,798	812,098	22,700	-
Cement production	1,103,603	795,534	308,069	39%
Cement sales	1,097,459	822,201	275,258	33%
Clinker sales	3,439	124,810	(121,371)	(97)%

The capacity utilisation of the Company during the three months under review stood at 93% as against 86% for the same period of last year. Despite fierce competition, Bestway was able to retain its market share in the north zone and its position as one of the leading exporters of the country.

Operating Highlights

The turnover net of sales tax, excise duty and rebates and discounts to customers stood at Rs.4,089 million for the quarter as compared to Rs.4,218 million for the corresponding period of last year.

Financial charges stood at Rs.503 million for the quarter ended September 30, 2009 as against Rs.500 million for the corresponding quarter of last year.

Profit before tax for the period under review amounted to Rs.101 million as compared to Rs.419 million during the quarter ended September 30, 2008. Profit after taxation stood at Rs.53 million as compared to Rs.320 million for the same period of last year. This was primarily due to sharp decline in net retention prices caused by fierce competition in both the domestic and export markets, higher distribution cost on exports and absence of dividend income on long term investments during the period.

Waste Heat Recovery Power Plant

The Directors are pleased to inform that work on the Waste Heat Recovery Project was successfully completed during September 2009. The Plant is currently undergoing testing and is expected to be commissioned during the second quarter of year 2009-10.

Future Outlook

The cement industry in Pakistan is having to contend with factors like high interest rates, hike in power tariffs and increase in duties, taxes and royalty on raw materials. Unfavourable economic, political and law & order atmosphere currently prevailing in the country pose further uncertainty regarding the growth and profitability of the cement industry. A substantially higher PSDP allocation and development-oriented foreign assistance however offers hope for some improvement in domestic demand for cement. A reduction in interest rates also seems likely in the foreseeable future which should also go some way towards encouraging economic activity in the country.

On the export front, some regional markets like the UAE have seen severe decline in construction activity, 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 regional markets like India and Srilanka are likely to continue to generate some demand for our cement for few more years to come. We are constantly exploring other international markets and your Company has been able to make good inroads into markets like Africa.

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.

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 and various government agencies throughout the period.

For and on behalf of the Board

Chief Executive
October 31, 2009
Islamabad

BESTWAY CEMENT LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2009

	September 30, 2009 Rupees	September 30, 2008 Rupees
Turnover - net	4,088,879,485	4,217,703,930
Cost of sales	<u>2,895,144,703</u>	<u>2,867,870,670</u>
Gross profit	1,193,734,783	1,349,833,260
Administrative expenses	29,751,566	31,195,710
Distribution cost	567,191,893	492,500,922
Other operating expenses	6,721,645	16,306,959
Finance cost	502,664,474	499,997,443
Other income	(13,359,916)	(109,041,251)
	1,092,969,662	930,959,783
Profit before taxation	<u>100,765,121</u>	<u>418,873,477</u>
Taxation	48,237,792	99,224,267
Profit after taxation	<u><u>52,527,329</u></u>	<u><u>319,649,210</u></u>
Earnings per share (basic and diluted)	<u><u>0.16</u></u>	<u><u>0.98</u></u>

The annexed notes from 1 to 8 form an integral part of this financial information.

CHIEF EXECUTIVE

DIRECTOR & CFO

BESTWAY CEMENT LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2009

	September 30, 2009 Rupees	September 30, 2008 Rupees
Profit after taxation	52,527,329	319,649,210
Other comprehensive income	-	-
Total comprehensive income for the period	<u>52,527,329</u>	<u>319,649,210</u>

The annexed notes from 1 to 8 form an integral part of this financial information.

CHIEF EXECUTIVE

DIRECTOR & CFO

BESTWAY CEMENT LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2009

	For the three months ended	
	September 30, 2009	September 30, 2008
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit before taxation	100,765,121	418,873,477
Adjustments for:		
Gain on disposal of property, plant and equipment	(113,363)	(109,443)
Depreciation	155,332,734	164,373,114
Rental income	(3,569,285)	(5,486,374)
Profit on deposit accounts	-	(27,723)
Profit on held to maturity investment	(2,201)	(1,921)
Finance cost	502,664,474	499,997,443
Provision for staff retirement benefits	5,491,257	4,562,983
Exchange gain	(11,893,966)	(11,126,714)
	<u>647,909,651</u>	<u>652,181,365</u>
	748,674,772	1,071,054,842
(Increase)/ decrease in current assets		
Stores, spare parts and loose tools	(674,878,930)	(363,719,973)
Stock in trade	460,443,107	(13,471,320)
Trade debts	34,712,795	(357,437,036)
Advances	(10,067,244)	(20,827,410)
Deposits and prepayments	1,663,246	(21,122,223)
Accrued profit	89,941	(59,666)
Other receivables	(195,364,316)	32,661,839
Government agencies	(46,164,138)	(76,433,379)
Increase in current liabilities		
Trade and other payables	301,790,095	150,645,092
	<u>(127,775,446)</u>	<u>(669,764,076)</u>
Cash generated from operations	620,899,327	401,290,766
Finance cost paid	(113,750,782)	(146,808,557)
Staff retirement benefits paid	(3,750,238)	(2,109,557)
Income tax paid	(70,327,462)	(45,075,045)
	<u>(187,828,483)</u>	<u>(193,993,159)</u>
Net cash used in operating activities	433,070,844	207,297,607
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in capital work in progress	(274,805,057)	(22,014,295)
Additions in fixed Assets	(1,374,745)	(80,242,066)
Additions in long term investments	(87,571)	-
Decrease in stores held for capitalisation	43,796,989	-
Proceeds from sale of fixed assets	1,622,605	260,943
Profit received on deposit accounts	-	27,723
Net cash used in investing activities	(230,847,780)	(101,967,695)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short term borrowings	(536,069,281)	(438,330,333)
Long term financing - disbursements	-	500,000,000
Net cash (used)/ generated in/ from financing activities	(536,069,281)	61,669,667
Net (decrease)/ increase in cash and cash equivalents	(333,846,218)	166,999,579
Cash and cash equivalents at beginning of the period	452,291,805	348,573,988
Exchange gain	11,893,966	11,126,714
Cash and cash equivalents at end of the period	130,339,553	526,700,281

The annexed notes from 1 to 8 form an integral part of this financial information.

BESTWAY CEMENT LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2009

	Issued, subscribed and paid up share capital	Capital reserve		Revenue reserve		Total
		Share premium account	Advance for issue of right shares	Unappropriated profit	Other comprehensive income	
	Rupees	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
Changes in equity for the quarter ended September 30, 2008						
Profit after tax for the period	-	-	-	319,649,210	-	319,649,210
	<u>2,832,587,750</u>	<u>901,277,930</u>	<u>1,102,077,293</u>	<u>2,340,210,447</u>	<u>-</u>	<u>7,176,153,420</u>
Changes in equity for the nine months ended June 30, 2009						
Advance for issue of shares received during the period	-	-	385,031,267	654,374,776	-	1,039,406,043
Issue of share capital	424,888,160	-	(424,888,160)	-	-	-
Premium on issue of right shares	-	1,062,220,400	(1,062,220,400)	-	-	-
Balance as at June 30, 2009	<u>3,257,475,910</u>	<u>1,963,498,330</u>	<u>-</u>	<u>2,994,585,223</u>	<u>-</u>	<u>8,215,559,463</u>
Changes in equity for the quarter ended September 30, 2009						
Profit after tax for the period	-	-	-	52,527,329	-	52,527,329
Other comprehensive income for the period	-	-	-	-	-	-
Balance as at September 30, 2009	<u>3,257,475,910</u>	<u>1,963,498,330</u>	<u>-</u>	<u>3,047,112,552</u>	<u>-</u>	<u>8,268,086,792</u>

The annexed notes from 1 to 8 form an integral part of this financial information.

CHIEF EXECUTIVE

DIRECTOR & CFO

BESTWAY CEMENT LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009

1 LEGAL STATUS AND OPERATIONS

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

2 BASIS OF PREPARATION

- 2.1 This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.
- 2.2 This condensed interim financial information is unaudited and is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.
- 2.3 This condensed interim financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2009. Comparative balance sheet is extracted from the annual audited financial statements for the year ended June 30, 2009 whereas comparative profit and loss account, statement of changes in equity and cash flow statement are stated from unaudited condensed interim financial information for the three months period ended September 30, 2008.
- 2.4 The Company applies revised IAS 1 - Presentation of Financial Statements, which became effective as of January 01, 2009. As a result, the Company presents in the statement of changes in equity, all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. This presentation has been applied in these condensed interim financial statements as of and for the quarter ended September 30, 2009.
- 2.5 Accounting policies, related judgments, estimates and assumptions adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2009.

3 LONG TERM FINANCING - secured

	Three months ended	
	September 30, 2009	September 30, 2008
	Rupees	Rupees
Balance at the beginning of period	14,626,636,670	14,510,000,002
Disbursements during the period	-	500,000,000
Balance at the end of period	14,626,636,670	15,010,000,002
Less: Current portion shown under current liabilities	(3,170,833,334)	(2,003,333,334)
	<u>11,455,803,336</u>	<u>13,006,666,668</u>

4 CONTINGENCIES AND COMMITMENTS

	September 30, 2009	June 30, 2009
	Rupees	Rupees
In respect of letters of credit and contracts for Chakwal plant	<u>873,797,543</u>	<u>894,060,562</u>
In respect of bank guarantees	<u>85,115,746</u>	<u>885,115,746</u>

- 4.1 All bank guarantees are secured by way of charge over fixed assets of the Company.
- 4.2 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. Subsequent to the year end on 27 August 2009, CCP has imposed a penalty of Rs. 562 million on the Company. The cement manufacturers (including the Company) has challenged the CCP order in High Court (Court) and the Court has passed an order restraining CCP from taking any adverse action against these 21 cement companies until the listing of case for hearing.
- 4.3 Tax related contingencies are same as disclosed in the annual financial statements for the year ended June 30, 2009.

BESTWAY CEMENT LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009

5 PROPERTY, PLANT AND EQUIPMENT

	Note	Three months ended	
		September 30, 2009	September 30, 2008
		Rupees	Rupees
Fixed assets	5.1	14,323,648,382	15,430,926,423
Capital work in progress	5.2	2,665,696,547	511,287,314
Stores held for capitalisation		77,480,995	-
		17,066,825,924	15,942,213,737

5.1 Fixed assets

Book value at the beginning of the period	14,479,115,613	15,514,948,030
Additions during the period	34,597,613	80,592,607
Book value of disposals/ adjustments during the period	(34,732,110)	(241,100)
Depreciation charge for the period	(155,332,734)	(164,373,114)
Book value at the end of the period	14,323,648,382	15,430,926,423

5.2 Capital work in progress

Balance at the beginning of the period	2,390,891,490	489,533,961
Additions during the period	274,805,057	21,753,353
Balance at the end of the period	2,665,696,547	511,287,314

6 TRANSACTIONS WITH RELATED PARTIES

Bestway (Holdings) Limited, U.K. is the ultimate parent company of the Company, therefore all subsidiaries and associated undertakings of Bestway (Holdings) Limited, U.K are related parties of the Company. Other related parties comprise of subsidiary company, associated undertakings, major shareholders, entities with common directorships, directors and key management personnel . Transactions with related parties during the period are as follows:

	Three months ended September 30,	
	2009	2008
	Rupees	Rupees
Parent company		
Management fee (expense)	196,560	674,681
Subsidiary company		
Sale of coal	-	17,807,114
Advances given	551,000,000	446,883
Recoveries made	309,704,422	229,577
Management fee (income)	7,500,000	6,000,000
Markup on advances given	19,149,742	-
Sale of cement	-	8,416,600
Stores, spare parts and loose tools given	2,282,960	2,120,845
Stores, spare parts and loose tools received	3,008,647	430,674
Associated undertakings under common directorship		
Service and bank charges	764,213	748,862
Management fee (income)	120,000	120,000
Office rent received	165,027	150,024
Utility expense paid	20,678	18,000
Dividend received	-	116,094,725
Sale of cement	74,100	126,000

BESTWAY CEMENT LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009

TRANSACTIONS WITH RELATED PARTIES (continued)

	Three months ended September 30,	
	2009	2008
	Rupees	Rupees
Other related parties		
- Key management personnel		
Remuneration and allowances	26,426,671	34,944,909

7 DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue by the Board of Directors of the Company in the meeting held on **31 October 2009**.

8 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR & CFO