

Annual Report 2014

ZEALPAK

ZEAL ▼ PAK
CEMENT FACTORY LIMITED

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Vision

To be a premier manufacturing concern engaged in the nation building through optimum utilization of resources for the benefits of its stakeholders.

Mission

To build on our core competencies by making regular investment in the field of technology to bring about improvements in the quality of our product. We strive to develop an organization having a strong team of dedicated professionals with satisfied customers and shareholders.

Core Values

- ⊗ *Achieve excellence in business*
- ⊗ *Sustain development through technological advancements.*
- ⊗ *Commitment to quality*
- ⊗ *Continuous development of work force.*
- ⊗ *Compliance to the practices of ISO 9001:2000*

Statement Of Ethics & Business Practices

The business policy of the company is based on the principles of honesty, integrity and professionalism at every stage.

Product Quality

Regularly update ourselves with technological advancements in the field of cement production to produce cement under higher standards and maintain all relevant technical and professional standards.

Dealing with Employees

Provide congenial work atmosphere where all employees are treated with respect and dignity. Recognize and reward employees based on their performance and their ability to meet goals and objectives.

Financial Reporting & Internal Controls

To implement an effective and transparent system of financial reporting and internal control to safeguard the interest of shareholders and fulfill the regulatory requirements.

Adherence to laws of the land

To fulfil all statutory requirements of the government and its regulatory bodies and follow relevant and applicable laws of the country.

Environmental protection

To protect environment and ensure health and safety of the workforce and well being of the people living in the adjoining areas of our plants.

We recognize the need for working with optimum efficiency to attain desired levels of performance. We endeavour to conduct our business with honesty and integrity and produce and supply cement with care and competence, so that customers receive the quality they truly deserve.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Ashraf Ali Jatoi	Chairman
Mr. Jehangir Akbar	Chief Executive
Mr. Mushtaq Ahmed Jatoi	Director
Mr. Muhammad Moosa	Director
Mr. Abdul Hameed Baig	Director
Engr. B. V. Seetlani	Director
Mr. S. Ali Abbas Rizvi	Director
Mr. Sarwar Khan	Director

AUDIT COMMITTEE

Mr. Syed Ali Abbas Rizvi	Chairman
Mr. Ashraf Ali Jatoi	Member
Mr. Abdul Hameed Baig	Member

COMPANY SECRETARY

Mr. M. Asghar Khan

CHIEF FINANCIAL OFFICER

Mr. Nouman Maqbool

STATUTORY AUDITORS

S.M Suhail & Co.
Chartered Accountants

BANKERS

The Bank of Punjab
Allied Bank of Pakistan Limited
National Bank of Pakistan
MCB Bank Limited
Meezan Bank Limited

REGISTERED OFFICE

4th, Floor, Panorama Center-2 Doctor Plaza,
Raja Ghazanfer Ali Khan Road Saddar, Karachi.
Tel: 35660501-4,
Fax: 35660503
E-mail: zpcf1@yahoo.com
website: www.zealpak.com.pk

FACTORY

Tando Mohammad Khan Road,
S.I.T.E. Hyderabad.
Tel. (0223) 886599, 886499

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 58th Annual General Meeting of Zeal Pak Cement Factory Limited will be held on Thursday the 28th January, 2016 at 12:30 P.M. at Haji Abdullah Haroon Muslim Gymkhana, Awan-e-Saddar Road, Karachi to transact the following business:

Ordinary Business

1. To confirm the minutes of the extra ordinary general meeting held on 23rd January, 2015.
2. To receive, consider and adopt the audited financial statements for the year ended June 30, 2014 together with reports of the directors and auditors thereon.
3. To appoint auditors for the year 2014-2015 and to fix their remuneration. The present auditors, M/s. S. M. Suhail & Co., Chartered Accountants retire and being eligible, have offered themselves for re-appointment.
4. To elect Seven (7) directors as fixed by the Board of Directors in accordance with the requirements of companies ordinance 1984 for a term of three years commencing from 31st March, 2016. The name of retiring directors are Mr. Ashraf Ali Jatoi, Mr. Mushtaq Ahmed Jatoi, Mr. Muhammad Moosa, Mr. Abdul Hameed Baig, Engr. B. V. Seetlani, Mr. Ali Abbas Rizvi and Mr. Sarwar Khan.
5. To transact any other business with the permission of the Chair.

Karachi: January 7, 2016

By Order of the Board

(M. ASGHAR KHAN)
Company Secretary

NOTES:

1. No activity in the Share Transfer Books of the Company is allowed in compliance with the order dated July 9, 2009 passed by the Hon'able High Court of Sindh, Karachi therefore, the Share transfer Books will remain closed till further order.
2. A member entitled to attend and vote at the meeting will be required to present his/her original Computerized National Identity Card (CNIC) and a member may appoint another member only as his/her proxy to attend and vote on his/her behalf.
3. Proxy forms duly completed to be valid must be received at the Registered Office of the Company not less than 48 hours before the time of meeting. A member shall not be entitled to appoint more than one proxy.
4. Any member, who seeks to contest election to the office of the Director shall whether he is retiring director or otherwise shall file consent to act as director with the company not later than 14 days before the date of meeting at which elections are to be held.
5. CDC accountholders are requested to bring their original computerized CNIC alongwith their account numbers and participants ID numbers in CDC for verification.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders,

The Directors of the Company take pleasure in presenting before you 58th Annual Report of the Company together with its audited accounts for the year ended June 30th, 2014 and auditors report thereon.

Production:

During the year the production of clinker stood at 22,400 tonnes as compared to last year's production of NIL tonnes. Similarly the production of cement during the year under review, at 48,621 as against 58,038 tonnes produced in the last year. The Production of pure slag was 62,922 tonnes which was 28,656 tonnes last year. The production of Paper bags was 1,065,900 Bags as compare to the corresponding year's 1,331,760 bags.

Sales:

During the year the Company dispatched 48,608.80 tonnes cement as against 77,844 tonnes during the preceding year. In the same line the sales revenue for the year under review to Rs. 380.894 million as against Rs. 499.336 million of last year.

Financial Results:

During the current financial year the gross loss of the Company to Rs. 320.708 million as against Rs. 215.745 million in the last year. Similarly operating loss for the year was Rs. 336.979 million whereas in the preceding year the operating loss was Rs. 372.586 million.

Loss Per Share:

During the year the loss per share to Rs. 0.80 compare to last year Rs. 0.93 per share.

Dividend:

In view of losses no dividend has been recommended for the year 2013-2014 by your Board of Directors.

Suspension of Trading in the Shares of the Company:

In order to comply with the Order dated July 9, 2009 of the Hon'able High Court of Sindh at Karachi, the Karachi Stock Exchange (Guarantee) Limited (KSE) and Central Depository Company of Pakistan Limited (CDC) have imposed restriction on the shares of the Company with effect from Monday July 13, 2009, whereby no activity as to transfers, pledging, withdrawal etc. in the said shares shall be allowed in the Central Depository System (CDS) till further order.

The management is in process of taking the measures by defending the case which was filed in the Hon 'able High Court of Sindh at Karachi.

Observations in the Auditors' Report

The auditors have made certain qualifications in their report which are explained as follows:

1. The management has approached its bankers / financial institutions for restructuring of its long-term and short-term obligations. The management is confident that the Company's restructuring proposals will also be accepted by the financial institutions / bankers. These conditions mitigate the risk and preparation of the financial statement on going concern assumption is justified. The management is of the view that these conditions are temporary and expected to be reversed in near future.
2. The Company has only received an amount against old scrap which were laying in the factory area and the book value of such old scrap could not be ascertained.
3. The management is in the process of collecting all the related information, documentations and in due course of time the titles of such fixed assets will be transferred in the name of Zeal Pak Cement Factory Limited.
4. The detail working of separate fixed assets register were not available in factory from the previous years and it is very difficult to maintain the separate fixed assets register at this stage but however list of main machinery is available and staff is trying to prepare register of fixed assets as per record available for the audit purpose in due course of time.
5. Due to heavy and continuous losses of ZPCFL in the previous years, most of the staff working in stores of ZPCFL was relieved from their duties. Accordingly a detail listing of Stores and Spares which were mostly old and obsolete could not be prepared by the management which could be physically verified by the auditors. The management will try to make a detail listing along with the valuation of Stores and Spares in the subsequent financial year.
6. The total amount of Trade debts is Rs. 407.686 million out of which Rs. 352.638 million is provision made against there on leaving the balance of trade debts amounting to Rs. 55.048 million, the management in confident the balance amount will be recovered in the next financial years.
7. The management is trying to approach the related suppliers advising them to make available the required supporting documents and send these to the auditors.
8. The management is making steps to ensure that no un-reconciled balances occur at the cut off date and all inter division balances will be recovered at the year end.
9. Detail working of Incremental Depreciation on Property, Plant and Equipments amount to Rs. 27.945 million was available with the Ex. General Manager

(Accounts) who has already left the company near to the completion of financial year No proper handing over of Company's files were made to the new Chief Financial Officer hence due to the lack of information, it could not be prepared by the responsible official. The management will prepare a detail working of Incremental Depreciation of Property, Plant and Equipments with the available records in the subsequent financial year.

10. Rohri Cement has filed suit in the Hon' able High Court of Sindh for recovery of shares and no activity in the Share Transfer Books of the Company is allowed in compliance with the order dated July 9, 2009 of the Hon 'able High Court of Sindh at Karachi, therefore, the Share Transfer Books will remain closed till further order.

Statement on Corporate Governance and Financial Reporting Framework.

The Directors of the Company are well aware of their responsibilities under the Code of Corporate Governance incorporated in the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited as far as auditor observation on code of Corporate Governance the management is making efforts for such observations, which will be complied in the next financial years. All necessary steps are being taken to ensure Good Corporate Governance in the Company as required by the Code.

- a) The financial statement prepared by the management of the Company, present fairly its state of affairs, the result of its operations; cash flows and changes in equity.
- b) Proper books of accounts of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standard, as applicable in Pakistan, have been followed in preparation of financial statement and there has been no departure there from.
- e) The system of internal control is being continuously reviewed by internal auditor. The process of review will continue to monitor the effective implementation and any weaknesses in controls will be removed.
- f) There are no significant doubts upon Company's ability to continue as a going concern in future.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) The Board of Directors has adopted a mission statement and statement of overall corporate strategy.
- i) We have prepared and circulated a Statement of Ethics and Business Practices among directors and employees.
- j) Key operating and financial data for last six year in summarized form is annexed.

- k) During the year 4 meetings of the Board of Directors of the Company were held. The attendance of Directors was as under:

Name of Directors	Meeting Attended
Mr. Ashraf Ali Jatoi	4
Mr. Jehangir Akbar (Chief Executive)	4
Mr. Mushtaq Ahmed Jatoi	4
Mr. Muhammad Moosa	2
Mr. Abdul Hameed Baig	4
Engr. B. V. Seetlani	4
Mr. S. Ali Abbas Rizvi	4
Mr. Sarwar Khan	4

Pattern Of Shareholding:

The pattern of shareholding is annexed.

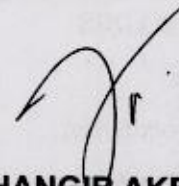
Appointment of Auditors:

S. M. Suhail & Co., Chartered Accountants retire and are eligible for appointment for the year 2014–2015. Audit Committee of Board of Directors recommended their appointment as auditors for the above year.

Acknowledgement:

I, on my behalf and on behalf of the Board of Directors of the Company wish to place on record the appreciation for our officers and staff for their devotion to their duties. I also wish to convey appreciation to our stockists who have been extending cooperation to the Company.

For and on Behalf of the Board



(JEHANGIR AKBAR)
Chief Executive Officer

Karachi: January 7, 2016

KEY OPERATING AND FINANCIAL DATA
YEAR WISE STATISTICAL SUMMARY

	2014	2013	2012	2011	2010	2009
						(in Metric Tons)
Clinker Production	22,400	--	21,400	20,200	42,460	112,180
Cement Production	48,621	58,038	19,500	21,775	50,009	143,715
Cement Dispatched	48,609	77,844	72,852	75,024	48,755	142,307
Bags Production (in No.s)	1,065,900	1,331,760	1,324,600	546,730	705,100	84,000
ASSETS EMPLOYED						(Rs. in '000)
Fixed Assets	2,734,277	2,414,789	1,640,403	1,707,540	1,787,380	1,901,009
Long Term Deposits	7,575	7,575	7,575	7,270	7984	7,224
Current Assets	419,271	419,661	577,792	555,418	758,566	998,895
Total Assets Employed	3,161,123	2,842,026	2,225,770	2,270,228	2,553,931	2,907,128
FINANCED BY						
Shareholders Equity	(2,295,274)	(1,981,093)	(1,619,155)	(1,339,180)	899,940	(398,054)
Surplus on Re-valuation of Fixed Assets	1,100,497	1,128,442	1,163,018	1,201,262	1,240,970	1,300,814
Long Term Liabilities	1,170,525	1,113,649	296,949	267,608	226,471	244,998
Deferred Liabilities	16,305	13,720	13,730	13,813	13,389	15,296
Current Liabilities	3,169,070	2,567,308	2,371,228	2,126,725	1,973,042	1,764,074
Total Funds Invested	3,161,123	2,842,026	2,225,770	2,207,228	2,553,931	2,907,128
TURNOVER & LOSS						
Turnover (Net)	380,894	54,744	95,619	131,535	227,757	569,065
Operating Profit/(Loss)	(336,979)	(372,586)	(263,762)	(421,123)	(489,754)	(462,389)
Loss Before Taxation	(341,110)	(394,017)	(311,855)	(477,250)	(560,590)	(521,592)
Loss After Taxation	(342,126)	(396,514)	(318,218)	(478,948)	(561,730)	(522,554)
Loss c/f	(6,584,563)	(6,270,382)	(5,908,444)	(5,189,230)	(4,687,343)	(4,216,063)
RATIOS & STATISTICS						
Operating Profit/(Loss) to sales in %	(88)	(75)	(57)	(320)	(215)	(81)
Current Ratio	0.13	0.16	0.24	0.26	0.38	0.57
Paid up value per share (Rs.)	10	10	10	10	10	10
Loss per share (Rs.)	(0.80)	(0.93)	(0.74)	(1.12)	(1.31)	(1.22)

ZEAL PAK CEMENT FACTORY LTD.
PATTERN OF SHARE HOLDING
Shareholders Statistics As At June 30, 2014

Number of Shareholders	Shareholding		Total Shares Held	Percentage
	From	To		
2,002	1	100	35,180	0.0082
2,835	101	500	205,487	0.0480
1,711	501	1,000	416,000	0.0972
1,311	1,001	5,000	2,472,253	0.5778
320	5,001	10,000	1,942,115	0.4539
160	10,001	15,000	1,022,981	0.2391
80	15,001	30,000	2,185,793	0.5109
13	30,001	35,000	432,643	0.1011
45	35,001	75,000	2,769,485	0.6473
4	75,001	80,000	312,500	0.0730
5	80,001	85,000	413,054	0.0965
2	85,001	90,000	178,000	0.0416
2	90,001	95,000	185,900	0.0435
6	95,001	100,000	597,500	0.1397
2	100,001	105,000	203,200	0.0475
1	110,001	115,000	113,500	0.0265
3	115,001	120,000	355,150	0.0830
3	120,001	125,000	370,960	0.0867
1	125,001	130,000	129,000	0.0302
2	130,001	135,000	264,000	0.0617
1	135,001	140,000	140,000	0.0327
4	140,001	145,000	574,001	0.1342
3	145,001	150,000	446,500	0.1044
1	155,001	160,000	160,000	0.0374
1	160,001	165,000	163,720	0.0383
2	175,001	180,000	354,563	0.0829
1	180,001	185,000	181,000	0.0423
4	195,001	200,000	791,633	0.1850
1	205,001	210,000	210,000	0.0491
1	245,001	250,000	248,000	0.0580
1	295,001	300,000	299,001	0.0699
1	300,001	305,000	303,000	0.0708
1	310,001	315,000	313,000	0.0732
1	375,001	380,000	377,000	0.0881
1	385,001	390,000	387,000	0.0905
1	415,001	420,000	417,500	0.0976
1	520,001	525,000	525,000	0.1227
1	620,001	625,000	625,000	0.1461
1	800,001	805,000	800,500	0.1871
1	985,001	990,000	987,124	0.2307
1	1,120,001	1,125,000	1,122,383	0.2623
1	1,800,001	1,900,000	1,898,220	0.4437
1	4,175,001	4,180,000	4,176,000	0.9761
1,505	91,601,001	344,030,000	252,429,000	59.0010
2,685	344,030,001	349,439,526	5,409,526	1.2644
2,001	139,895,001	139,900,000	139,895,154	32.6981
14,732			427,838,526	100.0000

Zeal Pak Cement Factory Limited
Shareholders analysis as on 30-06-2014

S. No.	Shareholders Category	Total No. of Shareholders	Holding (No. Of Shares)	Total	Percentage %
I-	<u>Director</u>				
1	Mr. Ashraf Ali Jatoi		5,000		
2	Mr. Mushtaq Ahmed Jatoi		5,000		
3	Mr. Mohammad Moosa		2,500		
4	Syed Ali Abbas Rizvi		Nil		
5	Mr. Abdul Hameed Baig		Nil		
6	Mr. Sarwer Khan		Nil		
7	Mr. B.V. Seetani		Nil		
8	Mr. Jehangir Akber (Chief Executive)	8	2,500		
	<u>EX Director</u>				
	Mr. Nawab Ali Jatoi		5,000		
	Mr. Nawab Ahmed Khanzada		904	20,904	0.0048
II-	<u>Insurance Companies</u>				
1	Cooperative Insurance Society of Pakistan Ltd.		5,444		
2	Pakistan Insurance Corporation		17,787		
3	Stat Life Insurance Corp. of Pakistan	3	142,508	165,739	0.0387
III-	<u>Investment Companies</u>	5	1,163,500	1,163,500	0.2719
IV-	<u>Joint Stock Companies</u>	94		30,347,080	7.0931
V-	<u>Individuals</u>	14,608		241,619,959	56.4745
VI-	<u>Financial Institution</u>	6		2,973,22	0.6949
VII-	<u>Leasing Companies</u>	1		135,000	0.0316
VIII-	<u>Modarba Management Companies</u>	1		10,760,000	2.5150

List of Shareholders holding more than 10% of the total issued capital.

	Name	Holding(No. Of Shares)	%
IX-	M/s. Sardar M. Ashraf D. Baluch (Pvt) Ltd.	*324,466,588	15.5732

X-	Others	6	74,025,058	17.3021
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Grand Total:		14,732	427,838,526	100%
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Note: * The shares of merged companies to the extent of 257,838,526 out of 324,466,588 are under subjudice in the Hon'able High Court of sindh, Karachi. In Suit no 970 of 2009

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This Statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of the Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practice of corporate governance.

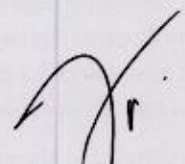
The Company has applied the principles contained in the Code in the following manner:

- 1) The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board includes six independent non-executive directors.
- 2) The directors have confirmed that none of them is serving as director in more than ten listed Companies, including this company.
- 3) All the resident directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange has been declared as a defaulter by that stock exchange
- 4) The Company has prepared a 'Statement of Ethics and Business Practices', which has been approved by the Board of Directors and signed by the employees of the Company.
- 5) 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 alongwith the dates on which they were approved or amended has been maintained.
- 6) All powers of the Board have been dully exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
- 7) The meeting 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, alongwith agenda and working papers, were circulated well in time before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 8) The Board has arranged an in-house orientation course in which directors have been provided with copy of "Role of Directors under the Companies Ordinance, 1984 and The Code of Corporate Governance" issued by the Institute of Chartered Accountants of Pakistan. The directors are well conversant with their duties and responsibilities.
- 9) The Company Secretary and Head of Internal Audit department were appointed prior to the enforcement of the Code of Corporate Governance. However, such next appointment, if any, including their remuneration and terms and conditions of employment, as determined by the CEO, will be referred to the Board of Directors for approval.
- 10) The Director's report for this year has been prepared in compliance with requirements of the Code and fully describes the salient matters required to be disclosed.
- 11) The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

- 12) The directors, CEO and executives do not hold any interest in the shares on the Company other than that disclosed in the pattern of shareholding.
- 13) The Company has complied with all the corporate and financial reporting requirements of the Code.
- 14) The Board has formed an audit committee. It presently comprises three members, all of whom are non-executive directors including the Chairman of the committee.
- 15) The meeting of the audit committee were held at least once every quarter prior to approval of the 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.
- 16) The Board has set-up an effective internal audit function who 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.
- 17) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
- 18) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 19) The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with the requirements of listing regulations of Karachi Stock Exchange. All transactions with related parties were made on an arm's length basis.
- 20) We confirm that all other material principles contained in the Code of Corporate Governance have been complied with.

For and on Behalf of the Board

Karachi: January 7, 2016



(JEHANGIR AKBAR)
Chief Executive Officer

**S.M. SUHAIL & CO.**
Chartered Accountants

1014, Uni Centre,
I.I Chundrigar Road,
Karachi, Pakistan.
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 : 021-3241-4163
Fax : 021-3241-6288
E-mail : sms@smaco.pk
 : mfsandco
 : @cyber.net.pk
URL : www.smaco.pk

**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE
WITH BEST PRACTISES OF THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the statement of Compliance with the best practices contained in the code of corporate governance prepared by the board of directors of Zeal PAK Cement Factory Limited to comply with the listing regulation 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 comply. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the code. As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedure and risks. Further, Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited 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 requirements 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 procedure to determine whether the related party transactions were undertaken at arm's length price or not. We have observed that:

- a) The Company has not carried out any Director's training program during the year.
- b) The Chairman of the Board of Directors is also the Chairman of Audit Committee.
- c) The Company has not published its Code of conduct on its website.
- d) The Company has not furnished to the registrar the secretarial compliance certificate along with annual return. No evidence has been provided to us for its submission.
- e) The Company does not have an effective internal audit function. No internal audit report has been provided for the purpose of our review.

Based on our review, except for the matters referred above in paragraphs (a) to (e), 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, 2014.

**leading edge alliance**
innovation • quality • excellence*S.M. Suhail***S.M. Suhail & Co.**
Chartered Accountants
Karachi.Engagement Partner
Muhammad Kashif Siddiquee



S.M. SUHAIL & CO.
Chartered Accountants

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ZEAL PAK CEMENT FACTORY LIMITED** (the Company) as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) The company has accumulated losses of Rs. 6,570 million (June 30, 2013: Rs. 6,270 million). The company's accumulated loss exceeded its share capital by Rs. 2,291 million. The current liabilities of the company exceed its current assets by Rs. 2,750 million as at the balance sheet date. These factors raise doubts about the company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business.
- b) The company has received a total amount of Rs. 107.766 million from the sale of plant & machinery and heavy equipment in the prior years. No adjustment for profit and loss has been made yet and the total amount received against the sale of these assets were credited to the advances from customers account (note 10) and shown as a liability on June 30, 2014.
- c) The Company has not transferred the legal title of land, building and vehicles of Rohri Cement (Pvt.) Ltd., Pakistan Slag Cement Ltd and of Zeal Pak Industries (Pvt.) Ltd in the name of Zeal Pak Cement Factory Limited.
- d) The company has not maintained a separate register for fixed assets as required to be maintained under the Companies Ordinance, 1984. Consequently, the identification and physical verification of the fixed assets could not be carried out.
- e) We were unable to check the store, spares and loose tools relating to the Company as on June 30, 2014 amounting Rs. 112.126 million since a detail listing was not made

available for our verification. Further, we could not check the valuation of such stores, spares and loose tools.

- f) We have not carried out physical stock count of inventory as at June 30, 2014 due to our late appointment.
- g) Trade debts include Rs.55 million which could not be verified due to absence of any statement or confirmations from the customers.
- h) The company has Inter division balances outstanding as at June 30, 2014 which could not be reconciled or confirmed. The balances represent a net difference of Rs. 82.764 (2013: Rs. 82.764 million).
- i) We were unable to check the incremental depreciation on property, plant & equipment amounting Rs. 27.9 million (net-off deferred tax) since a detailed working was not provided to us for our verification.
- j) Zeal Pak has not transferred the shares in the name of Directors of Rohri Cement (Pvt.) Ltd., Pakistan Slag Cement Ltd and of Zeal Pak Industries (Pvt.) Ltd.
- k) Except for the effects of the matters stated above, in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- l) In our opinion;
 - (i) Except for the matters referred in paragraphs (a) to (m) the balance sheet and profit and loss accounts together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with the accounting policies consistently applied;
 - (ii) the expenditures incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investment made and the expenditures incurred during the year were in accordance with the objects of the Company;
- m) Because of the significance of the matters discussed in the preceding paragraphs from (a) to (m) above, we do not express an opinion on these financial statements.
- n) In our opinion no zakat was deduct-able at source under the Zakat and Ushr Ordinance, 1980 (XVIII OF 1980).

The financial statements of the Company for the year ended June 30, 2013 were audited by another firm of chartered accountants who through their report dated November 11, 2013 expressed an adverse opinion thereon.

S.M. Suhail

S.M. Suhail & Co.
Chartered Accountants
Karachi.

Karachi: January 7, 2016

Engagement Partner
Muhammad Kashif Siddiqee

**Balance Sheet
as at June 30, 2014**

ASSETS		2014	2013
Non-Current Assets	Note	(all amounts in '000')	
Property, plant and equipment	4	2,734,277	2,414,789
Long term deposits	5	7,575	7,575
Total Non-Current Assets		2,741,852	2,422,364
Current Assets			
Stores, spares and loose tools	6	112,126	107,091
Stock-in-trade	7	15,090	32,095
Trade debts	8	55,048	10,000
Loans and advances	9	40,645	86,381
Trade deposits and prepayments	10	15,783	15,783
Other Receivables	11	85,837	85,918
Taxes Recoverable	12	88,712	75,799
Cash and bank balances	13	6,030	6,594
Total Current Assets		419,271	419,661
TOTAL ASSETS		3,161,123	2,842,026
EQUITY AND LIABILITIES			
Equity			
Authorized Share Capital			
427,838,526 Ordinary Shares of Rs. 10 each		4,278,385	4,278,385
Issued, subscribed and paid-up capital			
427,838,526 Ordinary Shares of Rs. 10 each fully paid in cash	14	4,278,385	4,278,385
Capital Reserve	15	10,904	10,904
Accumulated (Loss)		(6,584,563)	(6,270,382)
Surplus on Revaluation of Property, Plant and Equipment	16	1,100,497	1,128,442
Total Equity		(1,194,777)	(852,651)
Non-Current Liabilities			
Long term deposits	17	6,564	6,564
Long term financing	18	1,163,961	1,107,085
Deferred and other liabilities	19	16,305	13,720
Total Non-Current Liabilities		1,186,830	1,127,369
Current Liabilities			
Trade and other payable	20	3,093,964	2,296,409
Accrued interest / mark-up		56,575	56,687
Short term borrowing	21	779	197,476
Provision for taxation		17,752	16,736
Total Current Liabilities		3,169,070	2,567,308
Contingencies and commitments	22	-	-
TOTAL EQUITY AND LIABILITIES		3,161,123	2,842,026

The annexed notes from 1 to 42 form an integral part of these financial statements.

Director

Chief Executive

**Profit and Loss Account
for the year ended June 30, 2014**

REVENUE		2014	2013
	Note	(all amounts in '000')	
Sales - Net	23	380,894	54,744
Less: Cost of Sales	24	701,602	78,889
Gross (Loss)		(320,708)	(24,145)
OPERATING EXPENSES			
Administrative Expenses	25	(15,522)	(257,511)
Distribution cost	26	(581)	(592)
Other Operating Expenses	27	(1,470)	(1,445)
Other Operating Income / (Loss)	28	1,302	(88,892)
		(16,271)	(348,440)
Operating (Loss)		(336,979)	(372,586)
Finance Cost	29	(4,131)	(21,431)
Loss Before Taxation		(341,110)	(394,017)
Taxation	30	(1,016)	(2,497)
(Loss) After Taxation		(342,126)	(396,514)
(Loss) Per Share - Basic	31	(0.80)	(0.93)

The annexed notes from 1 to 42 form an integral part of these financial statements.

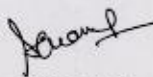
Director

Chief Executive

**Statement of Comprehensive Income
for the year ended June 30, 2014**

COMPREHENSIVE INCOME	2014	2013
	<i>(all amounts in '000')</i>	
(Loss) for the year	(342,126)	(396,514)
Accumulated (Loss) brought forward	(6,270,382)	(5,908,444)
Transfer to accumulated loss in respect of incremental depreciation charged during the year on property, plant & equipment	27,945	34,576
Total Comprehensive (Loss) For The Year	(6,584,563)	(6,270,382)

The annexed notes from 1 to 42 form an integral part of these financial statements.


Director


Chief Executive

**Cash Flow Statement
for the year ended June 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2014 (all amounts in '000')	2013
Cash generated from operations	32	540,983	138,817
Payment. for:			
Finance cost		(4,243)	(19,079)
Income tax (paid)/ refunded		(11,878)	979
Net Cash Inflow From Operating Activities		524,862	120,717
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital Work in progress		(385,605)	(854,609)
Net Cash (Outflow) From Investing Activities		(385,605)	(854,609)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans / financing		56,876	816,699
Net cash Inflow from Financing Activities		56,876	816,699
Net increase in cash and cash equivalents		196,133	82,806
Cash and cash equivalents at the beginning of the year		(190,882)	(273,688)
Cash and cash equivalents at the end of the year	33	5,251	(190,882)

The annexed notes from 1 to 42 form an integral part of these financial statements.

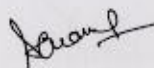
Director

Chief Executive

**Statement of Changes in Equity
for the year ended June 30, 2014**

Particulars	(all amounts in '000')			
	Issued, Subscribed and Paid-up Capital	Capital Reserve	Accumulated (Loss)	Shareholders' Equity
Balance as at June 30, 2012	4,278,385	10,904	(5,908,444)	(1,630,059)
Total comprehensive (Loss) for the year	-	-	(396,514)	(396,514)
Transfer to accumulated loss in respect of incremental depreciation charged during the year on property, plant & equipment	-	-	34,576	34,576
Balance as at June 30, 2013	4,278,385	10,904	(6,270,382)	(1,981,093)
Total comprehensive (Loss) for the year	-	-	(342,126)	(342,126)
Transfer to accumulated loss in respect of incremental depreciation charged during the year on property, plant & equipment	-	-	27,945	27,945
Balance as at June 30, 2014	4,278,385	10,904	(6,584,563)	(2,295,274)

The annexed notes from 1 to 42 form an integral part of these financial statements.


 Director


 Chief Executive

Notes to and forming part of these Financial Statements for the year ended June 30, 2014

Note 1 THE COMPANY AND ITS OPERATIONS

- 1.1 The Company was incorporated in Pakistan as a public limited Company on 9th May 1957 under the Companies Act 1913 (now Companies Ordinance, 1984) and its shares are quoted on the Karachi Stock Exchange. Pakistan Slag Cement Industries Limited, Rohri Cement (Private) Limited and Zeal Pak Industries (Private) Limited have been merged into Zeal Pak Cement Factory Limited on July 1, 2007 as per Sindh High Court order dated May 13, 2008. The Company is principally engaged in manufacturing and sale of Cement, Clinker, Paper Bags and Slag Cement .

Central Depository Company of Pakistan Ltd (CDC) in compliance with the order of Honourable Court of Sind dated July 09, 2009 has imposed restrictions on the shares of Zeal Pak Cement Factory Ltd with effect from the start of day on Monday July 13, 2009 whereby no activity as to transfer, pledging, withdrawal etc in the said shares shall be allowed in the Central Depository Company of Pakistan Ltd (CDC) till further order.

- 1.2 The registered office of the company is situated at 4th, Floor, Panorama Center-2 Doctor Plaza, Raja Ghazanfer Ali Khan Road Saddar, Karachi.

Note 2 GOING CONCERN ASSUMPTION

The company has accumulated losses of Rs. 6,609 million (June 30, 2013: Rs. 6,270 million). The current liabilities of the company exceed its current assets by Rs.2,758 Million as at the balance sheet date. These factors raise doubts about the company being a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. However, any adjustments relating to the recoverability of recorded assets and liabilities have not been incorporated in these accounts as the management is confident to obtain continue support from its sponsoring directors and lenders and improvement in the quality of its products to help them achieve better results in future.

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

These accounts have been prepared under historical cost convention except for the revalued assets which are stated at revalued amounts and liability for staff gratuity which are stated as its present value.

3.2 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of 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.

3.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistan Rupees which is the Company's functional and presentation currency.

3.4 Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimate and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements.

3.4.1 Staff retirement benefits

Certain actuarial assumption has been adopted as disclosed in note 19.2 to the financial statements for valuation of present value of defined benefit obligations.

3.4.2 Property, plant and equipment

The Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in future years might effect the remaining amounts of respective items of property, plant and equipments with a corresponding effect on the depreciation charge and impairment.

3.4.3 Income Taxes

In making the estimates for income taxes payable by the Company, the management considers current Income Tax law and the decisions of appellate authorities on certain cases issued in past.

3.5 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to Standards and new interpretations became effective however they did not have any material effect on the financial statements of the Company.

The following standards, amendments and interpretations of approved accounting standards are adopted by the Company which became effective for accounting periods beginning on or after 01 July, 2013.

- IAS 32 'Financial Instrument: Presentation' & IFRS 7 'Financial Instrument: Disclosures' (Amendments) amendments enhancing disclosure about offsetting of financial assets and financial liabilities.
- IAS 19 (Amendment) Amendments relating to Defined Benefits Plan (Employee Contributions)

Annual Improvements 2010-2012 and 2011-2013 cycles (most of the amendments will apply for annual periods beginning on or after 1 January 2014). The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations.

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further, IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision-maker. This change aligns the disclosure requirements with those for segment liabilities.
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

The following standards, interpretations and amendments of approved accounting standards that are yet not effective:

- IFRS 9, 'Financial Instruments' (Effective for annual period beginning on or after January 01, 2018)
- IAS 16, 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' (Amendment effective for annual period beginning on or after January 01, 2016)
- IAS 36, 'Impairment of Assets' (Amendment effective for annual period beginning on or after January 01, 2014)
- IAS 39, 'Financial Instrument: Recognition and Measurement' (Amendment effective for annual period beginning on or after January 01, 2014)

3.6 Staff retirement benefits

Unfunded

The Company operates an unfunded gratuity scheme covering all employees eligible to the benefit. Provisions are made based on actuarial recommendations. The most recent actuarial valuation was carried out with effective date of June 30, 2013 using the projected unit credit method.

3.7 Taxation

Current

Provision for current taxation is based on the taxable income for the period determined in accordance with the prevailing law for taxation of income. The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any. The charge for current taxation also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the period for such years.

Deferred

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and liabilities and their carrying amounts.

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits, if any to the extent that it is probable that future taxable profit will be available against which the temporary differences, tax losses and unused tax credits can be utilized.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and adjusted to the appropriate extent, if it is probable that sufficient taxable profits will not be available to allow all or part of the deferred tax assets to be utilized.

The tax rates enacted at the balance sheet date are used to determine deferred income tax.

3.8 Trade and other payable

Short term liabilities for trade and other payables are carried at cost.

3.9 Property, plant & equipments

Owned:

Property, plant & equipments are stated at cost less accumulated depreciation, except land and capital work-in-progress which are stated at cost.

Depreciation Policy

Depreciation on operating assets is charged to income applying the reducing balance method at the rates specified in note 4.1 to the financial statements.

Depreciation on additions is charged from the month in which the assets become available for use, while on disposal depreciation is charged up to the month of disposal.

Normal repairs and maintenance are charged to income as and when incurred. Major renewals and replacements are capitalized and the assets so replaced, if any, are retired.

Gain or loss on sale or retirement of assets is included in income currently.

3.9.1 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment loss. Any impairment loss arising is recognized as expense in the profit and loss account.

3.10 Stores, spares and loose tools

These are valued at moving average cost less provision for obsolescence. Goods in transit at the balance sheet date are valued at invoice value plus other charges paid thereon.

3.11 Stock-in-trade

These are valued at lower of average cost and net realizable value. Physical quantities of cement and clinker stocks are based on volumetric measurement carried out by the technical experts of the company. Costs in relation to finished goods and work-in-process include prime cost and appropriate proportion of production overheads.

Net realizable value signifies the selling price less the estimated cost of completion and costs necessarily to be incurred in order to make the sale.

3.12 Trade debts

Trade debts originated by the company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of full amount is no longer probable. Bad debts are written off as incurred.

3.13 Loans, advances and other receivables

Loans, advances and other receivables are recognized initially at cost and subsequently measured at amortized cost.

3.14 Short term and long term loans

Loans and other receivable are recognized initially at cost and subsequently at their amortized / residual cost.

3.15 Cash and bank balances

Cash in hand and at banks are carried at nominal amounts.

3.16 Foreign currency translation

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak rupees at the exchange rates prevailing on the balance sheet date except where forward exchange rates are booked, which are translated at the contracted rates.

3.17 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.18 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash and bank balances, net of short term borrowings.

3.19 Transaction with related parties

Transactions with related parties are based on the policy that all the transactions between the Company and related parties are carried out at arm 's length. Prices for these transactions are determined on the basis of comparable uncontrolled price method, except for the pricing policy as disclosed in note 36, which sets the price by reference to comparable goods sold in an economically comparable market to a buyer unrelated to seller.

3.20 Financial instruments

All the financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently.

Financial instruments carried on the balance sheet include receivables, cash and bank balances, creditors, borrowings, trade and other payables,. The particular recognition method adopted is disclosed in the individual policy statements associated with each item.

3.21 Off setting of financial assets and liabilities

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

3.22 Revenue recognition

Sales are recorded on passage of title to the customers which generally coincides with dispatch of goods to customers.

Profit on bank deposits, interest income and other revenues are accounted for on accrual basis.

3.23 Borrowing costs

Borrowings costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of cost of the relevant asset.



Note	PROPERTY, PLANT AND EQUIPMENT	2014	2013
		(all amounts in '000')	
4	Operating Assets (Note 4.1)	1,434,715	1,500,832
	Capital Work in Progress (Note 4.5)	1,299,562	913,957
		2,734,277	2,414,789

4.1	Particulars	COST		DEPRECIATION			Book Value As at June 30, 2014	Rate %
		As at June 30, 2013	Addition / (Deletion)	As at June 30, 2014	Accumulated As at June 30, 2013	Adjustment		
	Owned:							
	Free hold land	656,961	-	656,961	-	-	656,961	0
	Land (Leasehold)	111,851	-	111,851	-	-	111,851	0
	Building on free hold land	321,483	-	321,483	165,038	-	175,842	5 to 10
	Building on leasehold land	36,880	-	36,880	13,900	-	15,049	5
	Plant and Machinery	1,561,706	-	1,561,706	1,019,395	-	1,072,450	10
	Electric installation	7,220	-	7,220	5,234	-	1,787	10
	Gas installation	53	-	53	36	-	38	10
	Furniture and Fixtures	28,981	-	28,981	26,924	-	27,163	10 to 15
	Vehicles	22,382	-	22,382	21,696	-	21,834	20
	Office premises	4,498	-	4,498	3,576	-	3,622	5
	Road and railway siding	11,044	-	11,044	8,449	-	8,708	5 to 10
	Locomotive, dumptrucks, shovel & trucks	72,317	-	72,317	72,048	-	72,097	20
	Generator	6,719	-	6,719	5,078	-	5,242	10 to 15
	laboratory equipment	312	-	312	203	-	214	10
	Library books	4	-	4	4	-	4	10
	June 30, 2014	2,842,411	-	2,842,411	1,341,581	-	1,407,696	1,434,715
	June 30, 2013	2,842,411	-	2,842,411	1,261,357	-	1,341,581	1,500,832

4.2 The legal title of land, building and vehicles of PSCL, RCPL and ZPL have not yet been transferred in the name of ZPCFL. The company is in the process of transferring the legal title of these assets in the name of ZPCFL.

4.3 Depreciation charge for the year has been allocated as follows:

	2014 (all amounts in '000')	2013 (all amounts in '000')
Cost of sales	66,070	52,257
Administrative Expenses	45	27,964
	66,115	80,221

4.4 Had there been no revaluation the related figures of free hold land, building on free hold land, road & railway sidings and plant & machinery at June 30, 2014 would have been as follows:-

	2014		2013	
	Cost	Accumulated Depreciation	Written Down Value	Cost
Free hold land	50,618	-	50,618	50,618
Land (Leasehold)	6,722	-	6,722	6,722
Building on free hold land	96,511	84,209	12,302	96,511
Building on leasehold land	45,452	44,700	752	45,452
Road and railway sidings	2,408	2,380	28	2,408
Plant and machinery	1,436,316	1,295,338	140,978	1,436,316
	1,638,027	1,426,627	211,400	1,638,027

4.5 Capital work-in-progress

	Opening balance	Additions	Transfer to property plant & equipment	2014	2013
	913,957	385,606	-	1,299,563	913,957

4.5 Capital work-in-progress

This mainly includes installation of Plant & Machinery (New Crushing Plant) amounting to Rs.59,243 million and site development expenditure (ZPCFL Rohri Division) which was under construction on 30th June 2014.

Note 5	LONG TERM DEPOSITS - UNSECURED	2014 (all amounts in '000')	2013
	Non interest bearing (Note 5.1)	7,575	7,575
	Total Long Term Deposits - Unsecured	7,575	7,575

5.1 This mainly includes Security deposit tariff (B-4) amounting Rs. 4.975 million paid to Custom authorities against import of machinery and Rs. 2.382 million deposited with Karachi Electric Supply Corporation Limited against supply of electricity to Slag Division.

Note 6	STORES, SPARES AND LOOSE TOOLS		
	Stores	76,801	71,960
	Spare	115,247	115,052
	Loose Tools	628	628
		192,676	187,640
	Less: Provision for slow moving stores, spares and loose tools	(80,550)	(80,550)
	Total Stores, Spares And Loose Tools	112,126	107,091

Note 7	STOCK-IN-TRADE		
	Raw and packing material	150,181	158,954
	Work-in-process	1,550	-
	Finished goods	4,069	13,851
		155,800	172,805
	Less: Provision for obsolete stock	(140,710)	(140,710)
	Total Stock-In-Trade	15,090	32,095

Note 8	TRADE DEBTS		
	Considered good (Note 8.1)	55,048	10,000
	Considered doubtful	352,638	352,638
		407,686	362,638
	Less: Provision for doubtful debts	(352,638)	(352,638)
	Total Trade Debts	55,048	10,000

8.1 Trade debts includes Rs. 13,624 Million due from Sardar Muhammad Ashraf D. Baluch (Private) Limited (2013: Rs. 1,179 Million)

Note 9	LOANS AND ADVANCES - UNSECURED		
	Loan - Interest free		
	Loan - Considered doubtful	815	1,043
	Less: Provision for doubtful loan	(815)	(815)
		-	228
	Advances - considered good		
	To employees	8,235	1,682
	To suppliers and contractors	32,410	84,471
		40,645	86,153
	Advances - considered doubtful		
	To employees	5,496	5,744
	To suppliers and contractors	25,027	22,139
		30,523	27,883
	Less: Provision for doubtful advances	(30,523)	(27,883)
	Total Loans And Advances - Unsecured	40,645	86,381

Note		2014	2013
10	TRADE DEPOSITS AND PREPAYMENTS	(all amounts in '000')	
	Other deposits	15,783	15,783
	Octroi deposits	2,461	2,461
		18,244	18,244
	Provision for doubtful deposit	(2,461)	(2,461)
	Total Trade Deposits and Prepayments	15,783	15,783
11	OTHER RECEIVABLES		
	Considered good		
	Due from inter divisions	82,764	82,764
	Others	3,073	3,154
		85,837	85,918
	Considered doubtful		
	Receivable from employees union against electricity expenses	27,818	27,818
	Provision for doubtful receivables	(27,818)	(27,818)
		-	-
	Due from SCCP and other cement units	3,323	3,323
	Letter of Credit	53,076	53,076
		56,399	56,399
	Less: Provision for doubtful receivables	(56,399)	(56,399)
		-	-
	Other receivables	7,219	7,219
	Less: Provision for doubtful receivables	(7,219)	(7,219)
		-	-
	Total Other Receivables	85,837	85,918
12	TAXES RECOVERABLE		
	Advance income tax	37,263	25,385
	Sales Tax recoverable	49,886	49,526
	Central excise duty	1,563	888
	Total Taxes Recoverable	88,712	75,799
13	CASH AND BANK BALANCES		
	Cash in hand	451	155
	Cash at banks:		
	Current accounts	5,579	6,210
	Dividend account	-	228
	Total Cash and Bank Balances	6,030	6,594

Note 14	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	2014 (all amounts in '000')	2013
	2,400,000 (2013: 2,400,000) Ordinary shares of Rs. 10/- each fully paid in cash	24,000	24,000
	1,956,000 (2013: 1,956,000) Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	19,560	19,560
	4,356,000 (2013: 4,356,000) Ordinary shares of Rs. 10/- each fully paid in cash	43,560	43,560
	161,288,000 (2013: 161,288,000) Ordinary shares of Rs. 10/- paid in cash, issued at discount of Rs. 6/- per share	1,612,880	1,612,880
	5,242,608 (2013: 5,242,608) Ordinary shares of Rs. 10/- issued to PSCIL on merger	52,426	52,426
	226,340,000 (2013: 226,340,000) Ordinary shares of Rs. 10/- issued to RCPL on merger	2,263,400	2,263,400
	26,255,918 (2013: 26,255,918) Ordinary shares of Rs. 10/- issued to ZPIL on merger	262,559	262,559
	Total Issued, Subscribed and Paid-Up Capital	4,278,385	4,278,385

14.1 In the year 2007-2008, under the Scheme of merger of PSCIL, RCPL and ZPIL with and into ZPCFL as approved by the High Court of Sindh, ZPCFL has to issue 5,242,608 shares of Rs. 10/- each in exchange for 26,213,041 shares of Rs. 10/- each of PSCIL, 226,340,000 shares of Rs. 10/- each in exchange for 45,268,000 shares of Rs. 10/- each of RCPL and 26,255,918 shares of Rs. 10/- each in exchange for 1,009,843 shares of Rs. 10/- each of ZPIL. The corporate formalities in respect of issue of shares in the name of RCPL, PSCIL and ZPIL were yet to be completed and the shares were not transferred to the shareholders of RCPL, PSCIL and ZPIL on June 30, 2014.

14.2 At June 30, 2014, M/s. Sardar Muhammad Ashraf D. Baluch (Private) Limited (Holding Company) held 66,628,062 (2013: 66,628,062) Ordinary Shares of Rs. 10/- each

Note 15	CAPITAL RESERVE		
	Tax holiday		
	-- Third Kiln	1,007	1,007
	-- Fourth Kiln	9,897	9,897
	Total Capital Reserve	10,904	10,904

15.1 Capital reserve represents reserves created under Section 15(BB) of the Income Tax Act, 1922.

Note 16	SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
	Surplus on revaluation of property, plant & equipments	1,128,442	1,163,018
	Transferred to accumulated loss in respect of incremental depreciation charged during the year - net of deferred tax	(27,945)	(34,576)
	Total Surplus On Revaluation Of Property, Plant And Equipment	1,100,497	1,128,442

The revaluation of the property, plant and equipments of ZPCFL was carried out on September 02, 2003 by independent valuer M/s. Anjum Adil & Associates, Consulting Architects, Interior Designers, Engineers, Planners & Estate Valuers using market value being the basis for revaluation. The surplus arising from revaluation is Rs. 1,167.338 million.

The revaluation of the property, plant and equipments of Slag Division was carried out on March 22, 2007 by independent valuer M/s. Maricon Consultants (Pvt) Limited, Consultants, Engineers & Valuers using market value being the basis for revaluation. The surplus arising from revaluation is Rs.260.492 million.

The revaluation of the property, plant and equipments of Rohri Division was carried out on December 22, 2006 by independent valuer M/s. Maricon Consultants (Pvt) Limited, Consultants, Engineers & Valuers using market value being the basis for revaluation. The surplus arising from revaluation is Rs.448.775 million.

Particulars	W.D.V. of assets before revaluation	Revalued Amount	Revaluation Surplus
Free hold land	44,320	652,473	608,153
Land (Leasehold)	6,722	111,851	105,129
Building on free & lease hold land	91,943	357,690	265,747
Roads and railway siding	102	1,046	944
Plant & machinery	609,614	1,506,246	896,632
	752,701	2,629,306	1,876,605

The closing balance of surplus on revaluation of Property, plant and equipment is not available for distribution to shareholders.

Note		2014	2013
17	LONG TERM DEPOSITS	(all amounts in '000')	
	From cement stockists (Note 17.1)	4,416	4,416
	Others - Interest free	2,148	2,148
	Total Long Term Deposits	6,564	6,564

17.1 This represents interest free security deposit from cement stockists and are repayable on cancellation or withdrawal of the dealership.

Note		2014	2013
18	LONG TERM FINANCING		
	Supplier Credit - secured (Note 18.1)	30,000	30,000
	Other financing - unsecured (Related Party) (Note 18.2)	42,428	29,032
	Subordinated Loan (Related Party) (Note 18.3)	15,000	15,000
	M/s. Sardar Mohammad Ashraf D. Baloch (Related Party) (Note 18.4)	997,358	953,877
	Deedar Ali jatoi (Note 18.5)	79,175	79,175
	Total Long Term Financing	1,163,961	1,107,085

18.1 Slag Division has previously purchased a cement plant under supplier's credit scheme from M/s. M. J. Corporation. The plant has a value of Rs. 30.000 million. The credit is secured against first charge on the plant supplied. The credit carries a mark up rate of 10% per annum (2013: 10% per annum). On request of the company, the supplier has agreed to defer the repayment of credit till December 31, 2015. According to the revised repayment schedule credit is now repayable in 16 equal quarterly installments of Rs.1.875 million commencing from January 31, 2016.

18.2 This represents interest free, unsecured financing from M/s. Sardar Muhammad Ashraf D. Baluch (Private) Limited (SMADB) to Slag Division repayable after December, 2016.

18.3 This represents amount payable to M/s Sardar Mohammad Ashraf D. Baluch (Pvt.) Ltd. on account of purchase of the Grate Cooler with the capacity 5000tbd for Papersack Division. The property has value of Rs 649 million. This is interest free and unsecured and shall be treated as subordinated to the principal amounts of the long term debt owing to the creditors of the Company from time to time and to all debts of the Company from time to time owing to the banks and financial institutions and accordingly may only be repaid by the Company in whole or in part provided that upon such repayment, the Company shall comply with the debt equity ratio requirements of the Prudential Regulations of State Bank of Pakistan as applicable to the Company for the time being.

18.4 Papersack division has previously availed financing facility from M/s. Sardar Mohammad Ashraf D. Baloch (Private) Limited. The loan is interest free unsecured and repayable on availability of funds.

18.5 This represents interest free loan received from Deedar Ali Jatoti to Rohri Division and is payable on availability of funds.

Note 19	DEFERRED AND OTHER LIABILITIES	2014	2013
		(all amounts in '000')	
	Deferred taxation (Note 19.1)	-	-
	Employees retirement benefits (Note 19.2)	16,305	13,720
Total Deferred And Other Liabilities		16,305	13,720
19.1	Deferred Taxation		
	Deferred tax liability arising due to:		
	Accelerated tax depreciation	212,199	(162,134)
	Revaluation, net off related depreciation	510,243	525,291
	Deferred tax asset arising due to:		
	Carried forward tax losses	(889,993)	(790,896)
	Staff gratuity and other provisions	(5,707)	(248,574)
		(173,258)	(676,313)
	Differed tax assets not provided	173,258	676,313
Deferred Taxation		-	-
19.2	Employees Retirements Benefits		
	Employees gratuity:		
	Movement in balance		
	Opening balance	13,721	13,730
	Less: Payment made	-	-
		13,721	13,730
	Provision for the year (Note 19.3)	2,584	(9)
Employees Retirements Benefits (Note 19.4)		16,305	13,721
19.3	Charge for the year		
	Current Service Cost	1,436	1,261
	Interest cost	1,148	1,302
	Curtailment and settlement	-	(2,185)
	Benefits paid during the year	-	-
	Actuarial(Gains)/Losses Charge	-	(387)
Charge For The Year (Note 19.5)		2,584	(9)

19.4 Balance sheet reconciliation		
Present value of defined benefit obligations	14,440	10,932
Unrecognized transitional liability	-	-
Unrecognized actuarial gain	1,865	2,789
Balance Sheet Reconciliation	16,305	13,721
19.5 Allocation of charge for the year		
Cost of sales	2,248	(2,064)
Distribution cost	-	655
Administrative Expenses	336	1,400
Allocation Of Charge For The Year	2,584	(9)
19.6 Principal Actuarial Assumption		
Expected rate of increase in salaries per annum (p.a)	7% p.a	9.5% p.a
Discount factor used (p.a)	8% p.a	10.5% p.a
Average expected remaining working life time of employees	8 years	8 years
Note 20 TRADE AND OTHER PAYABLE		
Trade creditors	765,661	856,738
Accrued expenses	68,332	93,768
Royalty and excise duty on lime stone	4,780	5,078
Due to related parties (Note 20.1)	1,736,557	950,286
Advances from customers (Note 20.1)	487,574	373,613
Unclaimed dividend	1,798	1,798
Sales tax payable	1,688	-
Excise duty payable	14,105	3,000
Income tax deducted at source	3,641	3,445
Workers profit participation fund (Note 20.2)	8,393	7,701
Others	1,435	982
Total Trade And Other Payable	3,093,964	2,296,409
20.1 This relates to the amount due to the following related parties:		
Sardar Muhammad Ashraf D. Baluch (Private) Limited	1,736,557	950,286
Customer advance - SMADB (Pvt) Ltd	487,574	373,613
	2,224,131	1,323,899
20.2 Workers' profit participation fund		
Opening Balance	7,701	7,003
Interest on WPPF	692	698
	8,393	7,701

The Company retains workers profit participation fund for its business operations. Interest is allocated @ 10% (2013: 10%).

Note 21	SHORT TERM BORROWING	2014	2013
		(all amounts in '000')	
	From Bank - Secured		
	Short term running finances (Note 21.1)	-	196,890
	Bank overdraft - unsecured	779	586
	Total Short Term Borrowing	779	197,476

21.1 In previous years, ZPCFL had short-term running finance facility from The Bank of Punjab. The facilities carried markup @ 3 months KIBOR plus 3.50%. These finances were secured by first Pari - Passu charge on fixed assets of the company (Land and Building) for Rs. 602.27 million and by ranking first pari-passu charge on plant and machinery / stocks for Rs. 587.187 million, registered charge on present and future assets of the company and personal guarantees of all directors and corporate guarantee of M/S SMADB (PVT) Limited.

Note 22	CONTINGENCIES AND COMMITMENTS
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22.1 Contingencies

- a) Contingent liabilities of ZPCFL in respect of claims not acknowledged as debts amounted to Rs. 6.805 million (2013: Rs. 6.805 million) representing claims by Sui Southern Gas Limited relating to supply of gas as the same is under litigation.
- b) There are certain civil court cases against ZPCFL which are pending in the court. The financial implication of these cases are approximate to Rs. 56.834 million.
- c) Sui Southern Gas company has filed a Civil Suit against RCPL for recovery of Rs. 26.164 million against various Sui Gas bills before the Court of IInd senior Civil Judge Sukkur. The suit was decreed on 23-08-2010 by the learned IInd Senior Civil Judge, Sukkur in favour of Sui Southern Gas Company Ltd . being aggrieved and dissatisfied by the judgment and decree dated 23-08-2010. RCPL filed an appeal before the District and Session Judge, Sukkur on 6-10-2010 which is pending for hearing.
- d) There are number of cases pending against the company with various courts in the Province of Sindh for the disputed land of the factories . The company has filed nos of appeals, suits and petitions in the civil courts for the judgments passed against the company. All such matters are still pending before the court of law for ultimate decisions. The financial implication of these cases are uncertain.
- e) The Karachi Stock Exchange (Guarantee) Limited as per letter No.KSE/N-3809 Dated July 13, 2009, has received copy of a notice dated July 13, 2009 from Central Depository Company of Pakistan Ltd.(CDC) notifying that pursuant to the order dated: July 09,2009 of the Honorable Court of Sindh at Karachi suit No.970 of 2009 titled "Syed Shoab Khursheed Vs ,Al-Mal Securities & Services Limited and others"issued on July 10,2009 and received on July 11,2009, the CDC has in order to comply with the aforesaid court order, imposed restriction on the shares of Zeal Pak Cement Factory Limited with effect from start of day on Monday July 13,2009 whereby no activity as to transfer ,pledging, withdrawal etc.in the said shares shall be allowed in the Central Depository System (CDS) till further order Ultimate outcome of the suit is still unknown.

22.2 Commitments

Commitments relating to Letters of Guarantees are Rs. 20 million (2013: Rs. 20 million).

Note		2014	2013
23	Sales - Net	(all amounts in '000')	
	Gross Sales		
	- Cement	339,249	-
	- Pure Slag	104,024	22,606
	- Bags and bricks	24,562	35,269
		467,835	57,875
	Less:		
	- Excise duty	(19,444)	-
	- Sales tax	(67,497)	(3,131)
		(86,941)	(3,131)
	Total Sales - Net	380,894	54,744
24	COST OF SALES		
	Raw & Packing Material Consumed		
	Opening stock (Note 24.1)	157,775	2,595
	Purchases including expenses	223,861	50,164
		381,636	52,759
	Closing stock	(147,975)	(1,571)
		233,661	51,188
	Stores, spares and tools consumed	35,611	146
	Fuel & power	287,383	13,137
	Salaries, wages & other benefits	58,624	5,082
	Repair and Maintenance	5,165	477
	Depreciation (Note 4.3)	66,070	6,465
	Other expenses	16,405	803
		469,258	26,109
		702,919	77,297
	Work-in-Process		
	Opening	-	-
	Closing	(1,550)	-
		(1,550)	-
	Finished Goods		
	Opening (Note 24.2)	4,302	1,659
	Closing	(4,069)	(67)
		233	1,592
	Total Cost of Sales	701,602	78,889
24.1	Opening stock - Raw & Packing Material		
	Raw & Packing Material	1,571	2,595
	Raw & Packing Material - Trading activity (Note 28.2)	156,204	-
		157,775	2,595
24.2	Opening stock - Finished Goods		
	Finished Goods	67	1,659
	Finished Goods - Trading activity (Note 28.2)	4,235	-
		4,302	1,659

Note 25	ADMINISTRATIVE EXPENSES	2014 (all amounts in '000')	2013
	Salaries, allowances and other benefits	9,122	5,621
	Vehicles running expenses	1,111	380
	Rent, rates and taxes	368	504
	Legal and professional charges	417	974
	Depreciation (Note 4.3)	45	27,964
	Repair and maintenance	250	647
	Communications	338	245
	Stationery and general expenses	353	232
	Utilities	-	660
	Donations (Note 25.1)	339	128
	Fee and Subscription	66	57
	Others	3,113	1,717
	Provision for doubtful advances and receivables	-	28,825
	Provision for bad debts	-	189,557
	Total Administrative Expenses	15,522	257,511

25.1 Recipients of donations do not include any donee in whom a director or his spouse had any interest.

Note 26	DISTRIBUTION COST	2014	2013
	Marking fee	321	337
	Discount	-	250
	Vehicles running expenses	172	-
	Advertisement	15	-
	Entertainment	13	5
	Travelling and conveyance	60	-
	Total Distribution Cost	581	592

Note 27	OTHER OPERATING EXPENSES	2014	2013
	Auditors' remuneration (Note 27.1)	1,470	1,445
	Total Other Operating Expenses	1,470	1,445

27.1 Auditors' remuneration

	Statutory Audit	1,000	975
	Half yearly review	320	320
	Cost audit	150	150
		1,470	1,445

Note 28	OTHER OPERATING INCOME / (LOSS)	2014 (all amounts in '000')	2013
	Income from Non-Financial Assets (Note 28.1)	1,302	102,708
	Loss from Trading Activity (Note 28.2)	-	(191,600)
	Total Other Operating Income / (Loss)	1,302	(88,892)

28.1 Income from Non-Financial Assets

	Sales of scrap	259	166
	Others	1,043	3,211
	Reversal of Excess Mark-up on short term running finance	-	89,053
	Recovery of Prior Year's sales tax	-	10,278
		1,302	102,708

Note 28	OTHER OPERATING INCOME / (LOSS)	2014	2013
		(all amounts in '000')	
28.2	Loss from Trading Activity		
	Gross Sales		
	- Cement	-	551,734
	- Pure Slag	-	-
		-	551,734
	Less:		
	- Excise duty	-	31,053
	- Sales tax	-	76,089
	- Trade discount	-	-
		-	107,142
		-	444,592
	Less: COST OF SALES		
	Raw & Packing Material Consumed		
	Opening stock	-	166,015
	Purchases including expenses	-	409,499
		-	575,514
	Closing stock	-	(156,204)
		-	419,310
	Stores, spares and tools consumed	-	5,844
	Fuel & power	-	75,579
	Salaries, wages & other benefits	-	26,993
	Repair and Maintenance	-	2,660
	Provision for slow moving stores & spares	-	8,000
	Obsolete Stock Written off	-	6,274
	Depreciation	-	45,792
	Other expenses	-	9,595
		-	180,737
		-	600,047
	Work-in-Process		
	Opening	-	30,172
	Closing	-	-
		-	30,172
	Cost of goods manufactured	-	630,219
	Finished Goods		
	Opening	-	10,208
	Closing	-	(4,235)
		-	5,973
		-	636,192
	Net Loss from Trading Activity	-	(191,600)

Note		2014	2013
29	FINANCE COST	(all amounts in '000')	
	Markup on short-term running finances	-	17,256
	Markup on long term finances	3,000	3,000
	Bank charges	439	476
	Interest on WPPF	692	699
	Total Finance Cost	4,131	21,431

Note		2014	2013
30	TAXATION		
	Current	1,016	2,497
	Total Taxation	1,016	2,497

Note		2014	2013
31	LOSS PER SHARE - BASIC		
	The basic loss per share of the Company, which is based on: (Amount in Rupees)		
	Loss after taxation for the year	(342,126,000)	(396,514,000)
	Weighted average number of ordinary shares	427,838,526	427,838,526
	Total Loss Per Share - Basic	(0.80)	(0.93)

31.1 There are no dilutive effects on the loss per share of the Company.

Note		2014	2013
32	CASH GENERATED FROM / (USED IN) OPERATIONS	(all amounts in '000')	
	(Loss) before taxation	(341,110)	(394,017)
	Adjustment for non cash charges and other items:		
	Depreciation	66,115	80,221
	Provision for staff retirement benefits	2,584	(9)
	Provision for slow moving stock	-	8,000
	Provision for doubtful advances and receivables	-	28,825
	Provision for bad debts	-	189,557
	Prior Period Adjustment of finance cost & others	-	(92,063)
	Interest on WPPF	692	699
	Finance cost	3,439	20,732
		72,830	235,962
		(268,280)	(158,055)
	Working capital changes (Note 32.1)	809,263	296,872
		540,983	138,817

32.1 Working capital changes

(Increase) / decrease in current assets

	Store, spares and loose tools	(5,036)	15,040
	Stock in trade	17,005	37,845
	Trade debts	(45,048)	10,713
	Loans and advances	45,736	(53,654)
	Trade deposits and short term pre-payments	-	750
	Other receivables	86	21,523
	Taxes recoverable	(1,035)	(39,198)
		11,708	(6,981)

Note 32	CASH GENERATED FROM / (USED IN) OPERATIONS	2014	2013
		(all amounts in '000')	
(Decrease) / Increase in current liabilities			
	Trade and other payable	11,284	209,142
	Due to associated undertaking	786,271	134,455
	Accrued markup	-	(39,745)
		797,555	303,852
		809,263	296,872

Note 33	CASH AND CASH EQUIVALENTS	2014	2013
	Cash and Bank balances	6,030	6,594
	Short term borrowings	(779)	(197,476)
	Total Cash and Cash Equivalents	5,251	(190,882)

Note 34 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including all benefits, to the Chief Executive and Directors of the Company are as follows:

	Chief Executive 2014	Directors 2014	Executives 2014	Total 2014
(all amounts in '000')				
Managerial remuneration	807	2,695	-	3,502
Housing	145	1,225	-	1,370
Utilities	50	74	-	124
Medical expense	68	-	-	68
	1,070	3,994	-	5,064
Number of Persons	1	3	-	4

	Chief Executive 2013	Directors 2013	Executives 2013	Total 2013
(all amounts in '000')				
Managerial remuneration	1,009	2,246	-	3,255
Housing	181	1,065	-	1,246
Utilities	75	67	-	142
Medical expense	85	-	-	85
	1,350	3,378	-	4,728
Number of Persons	1	3	-	4

In addition to the above, the Chief Executive and Directors are provided with company maintained cars (monthly petrol ceiling). The residential telephone, gas and electric bills are paid by the company.

Note 35 FINANCIAL RISK MANAGEMENT

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

- Market Risk
- Credit Risk
- Liquidity 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.

a) Market Risk
i) Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures. Primarily with the respect to the United States Dollar (USD). Currently the Company's foreign exchange risk exposure is restricted to the amounts receivable from / payable to foreign entities. The company's exposure to currency risk was as follows:

	2014	2013
	(all amounts in '000')	
Trade debts	-	-
Gross balance sheet exposure	-	-
Outstanding letter of credit	53,076	53,076
Net exposure	53,076	53,076

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit after taxation for the year would have been Rs. nil million (2013: Rs. nil million) respectively higher / lower, mainly as a result of exchange gains / (losses) on translation of foreign exchange denominated financial instruments due to the reason that the same is provided as doubtful in the accounts. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

ii) Other Price Risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in marker prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to equity and commodity price risk.

iii) Interest Rate Risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing, lease liabilities and short term borrowings. As the borrowings are obtained at variable rates, these expose the Company to cash flow interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2014	2013
	(all amounts in '000')	
Floating rate instruments		
Financial Liabilities		
Long term financing	30,000	1,107,085
Short term borrowings	779	197,476
Cash flow sensitivity analysis for variable rate instruments		

If interest rates at the balance sheet date, fluctuate by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs. 0.3 million (2013: Rs. 13.046 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. The analysis is prepared assuming the amounting of liabilities outstanding at balance sheet dates were outstanding for the whole year.

b) Credit Risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2014	2013
	(all amounts in '000')	
Long term deposits	7,575	7,575
Trade debts	55,048	10,000
Loans and advances	8,235	1,682
Trade deposits	15,783	15,783
Other receivables	3,073	85,918
Cash and bank balances	6,030	6,594

35.1.1 Counterparties

The Company conducts the following major types of transactions with the counterparties:

Trade Debts

Trade debts are essentially due from local customers and the Company does not expect these counterparties to fail to meet their obligations. The majority of sales to the Company's customers are made on specific terms. Customer credit risk is managed by business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letter of credit or other form of credit insurance.

Impairment Losses

Based on age analysis, relationship with customers and past experience the management does not expect any party to fail to meet their obligations. The management believes that trade debts are considered goods and hence no impairment allowance is required in this regard.

c) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at the balance sheet date, the Company had Rs. 272.890 million worth short term borrowing limits available from financial institutions and Rs. 1.994 million cash and bank balances. Following are the contractual maturities of financial liabilities, including interest payments.

Contractual maturities of financial liabilities as at June 30, 2014:

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	----- (Rupees '000) -----				
Long-term finances	1,163,962	1,343,328	-	1,343,328	-
Trade and other payables	3,093,964	3,093,964	3,093,964	-	-
Accrued interest / mark	56,575	56,577	56,577	-	-
Short term finances	779	779	779	-	-

Contractual maturities of financial liabilities as at June 30, 2013:

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	----- (Rupees '000) -----				
Long-term finances	1,107,085	1,277,686	-	1,277,686	-
Trade and other payables	2,296,409	2,296,409	2,296,409	-	-
Accrued interest / mark	56,687	56,687	56,687	-	-
Short term finances	196,890	196,890	196,890	-	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest mark up have been disclosed in Note 8 and Note 11 to these financial statements.

35.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

35.3 Effective interest rates

Effective interest rates applicable to the financial assets and financial liabilities are as follows:

Short term running finance	Nil (2013: 12.5% to 15%)
Supplier's credit - Secured	10% (2013: 10%)

35.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Inappropriate cases the management takes out forward contract to mitigate the risk. The management believes that it is not exposed to foreign exchange risk as most of the transactions are in local currencies.

Note 36 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise holding company, associated undertakings, directors and key management personnel. Remuneration and benefits to directors and key management personnel under terms of their employment are disclosed in note 34 to the accounts.

Transaction with related parties, other than those which have been specifically disclosed elsewhere in these financial statements, are as follows:

	2014	2013
	(all amounts in '000')	
Financing made by related parties		
Sardar Muhammad Ashraf D. Baluch (Pvt) Ltd.	943,878	1,116,044
Expenses paid by related parties		
Sardar Muhammad Ashraf D. Baluch (Pvt) Ltd.	13,396	10,108
Expenses incurred for related parties		
Sardar Muhammad Ashraf D. Baluch (Pvt) Ltd.	68,550	98,678
Indus Steel Pipes Limited	4,206	6,213
	72,756	104,891

Note 37 PLANT CAPACITY AND ACTUAL PRODUCTION

Rated capacity

Zeal Pak Cement Factory (Metric Tons)	1.755 million	1.755 million
Paper Sack Division (50,000 Bags Per Day)	15,000,000 NOS	15,000,000 NOS

Actual production

Cement (Metric Tons)	48,621	14,080
Bags (No.s)	1,065,900	1,469,542

The uneconomical wet process operations was the main reason for the production below installed capacity level and less demand of bags.

Note 38 CAPITAL RISK MANAGEMENT

The company's prime object when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

	2014	2013
	(all amounts in '000')	
Total borrowings	1,164,740	1,360,661
Less: Cash and bank balances	(6,030)	(6,594)
Net debt	1,158,710	1,354,067
Total equity	(2,295,274)	(1,981,093)
Total capital employed	(1,134,863)	(627,025)
Gearing ratio	-102%	-216%

**Note
39 NUMBER OF EMPLOYEES**

	2014	2013
Total numbers of employees as at June 30	270	264
Average number of employees as at June 30	267	264

**Note
40 POST BALANCE SHEET EVENT**

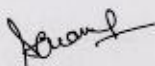
The company is in the process of demerging its three divisions i.e. Slag Division, Rohri Division and Papersack Division which were merged with Zeal Pak Cement Factory Ltd in the year 2008. Legal formalities in connection with the demerging of divisions are yet to be completed.

**Note
41 DATE OF AUTHORIZATION FOR ISSUE**

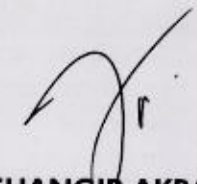
These financial statements have been authorized for issue on _____ by the Board of Directors of the Company.

**Note
42 GENERAL**

- 42.1** Figures have been rounded off to the nearest Thousand rupees.
- 42.2** Previous years figures have been rearranged and regrouped wherever necessary for the purpose of comparison.



Director



(JEHANGIR AKBAR)
Chief Executive Officer

FORM OF PROXY

Folio No.....

I/We.....

of.....

being a member(s) of Zeal-Pak Cement Factory Limited as a holder of

Ordinary shares as specified below, hereby appoint

of.....

Who is also a member of **Zeal-Pak Cement Factory Limited**, as my proxy to vote for me/our and on my/our behalf at the **Annual General Meeting** of the Company to be held on 28th January, 2016 at 12:30 P.M. at Haji Abdullah Haroon Muslim Gymkhana, Awan-e-Saddar Road, Karachi and at any adjournment thereof.

Signed this day of 2016

Signature

**Rupees Five
Revenue Stamp**

Witness

Name

Address Specification

..... Shares held

The proxy must be signed across a Rupees Five revenue stamp and it should be deposited at the Registered Office of the Company not less than 48 hours before the meeting.

ZEAL▼PAK CEMENT FACTORY LTD.

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