

3.26 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.

3.27 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

		2013	2012
		(Rupees in '000)	
4. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL			
2,400,000	(2012: 2,400,000) Ordinary shares of Rs. 10/- each fully paid in cash	24,000	24,000
1,956,000	(2012: 1,956,000) Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	19,560	19,560
4,356,000	(2012: 4,356,000) Ordinary shares of Rs. 10/- each fully paid in cash	43,560	43,560
161,288,000	(2012: 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	(2012: 5,242,608) Ordinary shares of Rs. 10/- issued to PSCIL on merger	52,426	52,426
226,340,000	(2012: 226,340,000) Ordinary shares of Rs. 10/- issued to RCPL on merger	2,263,400	2,263,400
26,255,918	(2012: 26,255,918) Ordinary shares of Rs. 10/- issued to ZPIL on merger	262,559	262,559
<u>427,838,526</u>		<u>4,278,385</u>	<u>4,278,385</u>
4.1 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, 2013.			
4.2 At June 30, 2013, M/s Sardar Muhammad Ashraf D. Baluch (Private) Limited (Holding Company) held 66,628,062 (2012: 66,628,062) ordinary shares of Rs. 10/- each			
5. CAPITAL RESERVE			
Tax holiday			
-- Third Kiln		1,007	1,007
-- Fourth Kiln		9,897	9,897
		<u>10,904</u>	<u>10,904</u>
5.1 Capital reserve represents reserves created under Section 15(BB) of the Income Tax Act, 1922.			

6. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	2013 (Rupees in '000)	2012
Surplus on revaluation of property, plant & equipments	1,163,018	1,201,261
Transferred to accumulated loss in respect of incremental depreciation charged during the year - net of deferred tax	(34,576)	(38,243)
	<u>1,128,442</u>	<u>1,163,018</u>

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
	(Rupees in '000)		
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
	<u>752,701</u>	<u>2,629,306</u>	<u>1,876,605</u>

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

7. LONG TERM DEPOSITS

From cement stockists	7.1	4,416	4,416
Others - Interest free		2,148	2,148
		<u>6,564</u>	<u>6,564</u>

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

8. LONG TERM FINANCING

Supplier Credit - secured	8.1	30,000	30,000
Other financing - unsecured (Related Party)	8.2	29,032	39,140
Subordinated Loan (Related Party)	8.3	15,000	15,000
M/s. Sardar Muhammad Ashraf D. Baloch (Related Party)	8.4	953,877	127,070
Deedar Ali jatoi	8.5	79,175	79,175
		<u>1,107,085</u>	<u>290,386</u>

- 8.1** 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 (2010: 10% per annum). During the year 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 December 31, 2015.
- 8.2** This represents interest free, unsecured financing from M/s. Sardar Muhammad Ashraf D. Baluch (Private) Limited to Slag Division and is repayable after December, 2015.
- 8.3** This represents amount payable to M/s Sardar Mohammad Ashraf D. Baluch (Pvt.) Ltd. on account of purchase of plant and machinery for Papersack Division. 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.
- 8.4**
- (i) This includes a total amount of Rs. 797.541 Million which was financed by M/s Sardar Muhammad Ashraf D. Baluch (Pvt) Ltd during the year 2012-2013 for the construction and installation of a New Cement Plant at Zeal Pak Cement Factory Ltd (Rohri Division) which was acquired from Shenyeng Machinery Company Ltd China. This is an interest free loan which will be enhanced in future years till the time the New Plant at Zeal Pak. Cement Factory Ltd (Rohri Division) will commence operation. The total loan including financing for the future years will be repaid by ZPCF (Rohri Division) on the commencement of commercial production and as and when funds will be available with the company.
- (ii) Paper sack division has also availed financing facility from M/s. Sardar Mohammad Ashraf D. Baluch (Private) Limited amounting to Rs. 52.064 million upto June 30, 2013. The loan is interest free unsecured and repayable on availability of funds.
- 8.5** This represents interest free loan received from Deedar Ali Jatoi to Rohri Division and is payable at an indefinite date in future.

2013 **2012**
(Rupees in '000)

9. DEFERRED AND OTHER LIABILITIES

Deferred taxation	9.1	--	--
Employees retirement benefits	9.2	13,720	13,730
		<u>13,720</u>	<u>13,730</u>
9.1 Deferred Taxation			
Deferred tax liability arising due to:			
Accelerated tax depreciation		(162,134)	(165,108)
Revaluation, net off related depreciation		525,291	553,369
Deferred tax asset arising due to:			
Carried forward tax losses		(790,896)	(522,130)
Staff gratuity, lease transactions and provisions		(248,574)	(168,720)
		<u>(676,313)</u>	<u>(302,589)</u>
Deffered tax assets not provided		676,313	302,589
		<u>-</u>	<u>-</u>

		2013	2012
		(Rupees in '000)	
9.2	Employees Retirements Benefits		
	Employees gratuity:		
	Movement in balance		
	Opening balance	13,730	13,812
	Less: Payment made	-	(274)
		13,730	13,538
	Provision for the year	9.3 (9)	192
		9.4 <u>13,721</u>	<u>13,730</u>
9.3	Charge for the year		
	Current Service Cost	1,261	1,123
	Interest cost	1,302	1,385
	Curtailement and settlement	(2,185)	(1,898)
	Actuarial(Gains)/Losses Charge	(387)	(418)
		9.5 <u>(9)</u>	<u>192</u>
9.4	Balance sheet reconciliation		
	Present value of defined benefit obligations	10,932	10,017
	Unrecognized transitional liability	-	-
	Unrecognized actuarial gain	2,789	3,713
		<u>13,721</u>	<u>13,730</u>
9.5	Allocation of charge for the year		
	Cost of sales	(2,064)	213
	Administrative Expenses	655	-
	Capital work in progress	1,400	(21)
		<u>(9)</u>	<u>192</u>
9.6	Principal Actuarial Assumption		
	Expected rate of increase in salaries	9.5% per annum	12% per annum
	Discount factor used	10.5% per annum	13% per annum
	Average expected remaining working life time of employees	8 years	7 years
10.	TRADE AND OTHER PAYABLE		
	Trade creditors	856,738	254,021
	Accrued expenses	93,768	101,098
	Royalty and excise duty on lime stone	5,078	5,078
	Advances from customers	10.1 373,613	761,812
	Due to related parties	10.2 950,286	755,831
	Unclaimed dividend	1,798	2,037
	Sales tax payable	-	843
	Excise duty payable	3,000	2,227
	Income tax deducted at source	3,445	3,407
	Workers profit participation fund	10.3 7,701	7,003
	Discount payable	-	280
	Others	982	2,187
		<u>2,296,409</u>	<u>1,895,823</u>
10.1	Advances from customers includes Rs.4.154 Million due to Sardar Muhammad Ashraf D. Baluch (Private) Limited (2012: Rs. 5.160 Million)		

	2013	2012
	(Rupees in '000)	
10.2 This relates to the amount due to the following related parties:		
Sardar Muhammad Ashraf D. Baluch (Private) Limited	939,609	738,941
Indus Steel pipe Mills Limited	10,677	16,890
	<u>950,286</u>	<u>755,831</u>

10.3 Workers' profit participation fund

Opening Balance	7,003	6,366
Interest on WPPF	698	637
	<u>7,701</u>	<u>7,003</u>

The Company retains workers profit participation fund for its business operations. Interest is allocated @ 10% (2012: 10%).

11. SHORT TERM BORROWINGS

From Bank - Secured		
Short term running finances	11.1	196,890
Bank overdraft - unsecured	11.2	586
		<u>272,890</u>
		<u>2,792</u>
		<u>197,476</u>
		<u>275,682</u>

11.1 In the previous year ZPCFL had short-term running finance facilities from The Bank of Punjab amounting to Rs.272.890 million . The facilities carry mark-up @ 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. This facility was not renewed by the bank in the current financial year. However the total balance outstanding of Rs.196.890 on June 30, 2013 were repaid to the bank in the subsequent year by the related party M/s Sardar Muhammad Ashraf D. Baluch (Pvt) Ltd.

11.2 This represents the amount payable to the banks on June 30, 2013.

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

- a) Contingent liabilities of ZPCFL in respect of claims not acknowledged as debts amounted to Rs. 6.805 million (2012: 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. 103.800 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 no's 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 no's of appeals, suits and petitions in the civil courts for the judgements 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) Commissioner of Inland Revenue (LTU) has filed various cases against Zeal Pak. Cement Factory Ltd in the High Court of Sindh against the orders passed by the Appellate Tribunal Inland Revenue of Pakistan in favour of ZPCF in the year 2012 and 2013 for the payment of Sales Tax and Excise Duty. These cases are still pending for decisions in the Honourable High Court of Sindh The financial implications of these cases are Rs.70.333 million.
- f) 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 Honourable Court of Sindh at Karachi suit No.970 of 2009 titled "Syed Shoaib 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.

12.2 Commitments

Commitments relating to Letters of Guarantees and Letters of Credit were amounting to Rs. 20 million (2012 Rs. 20 million) and Rs. NIL respectively (2012: Rs. NIL).

13.4 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, 2013 would have been as follows:-

	2013			2012		
	Cost	Accumulated Depreciation	Written Down Value	Cost	Accumulated Depreciation	Written Down Value
Free hold land	50,618	--	50,618	50,618	-	50,618
Land (Leasehold)	6,722	--	6,722	6,722	-	6,722
Building on free hold land	96,511	79,442	17,069	96,511	75,156	21,355
Building on leasehold land	45,452	34,651	10,801	45,452	33,676	11,776
Road and railway sidings	2,408	2,375	33	2,408	2,370	38
Plant and machinery	1,436,316	1,269,939	166,377	1,436,316	1,243,107	193,209
(Rupees in '000')	1,638,027	1,386,407	251,620	1,638,026	1,354,309	283,717

13.5 This represents cost of Plant & Machinery (New Cement Plant) amounting to Rs.913.957 million relating to ZPCFL (Rohri Division) which was under installation and construction on 30th June 2013.

2013 **2012**
(Rupees in '000)

14. LONG TERM DEPOSITS

Non Interest bearing	14.1	<u>7,575</u>	<u>7,575</u>
		<u>7,575</u>	<u>7,575</u>

14.1 This includes Rs. 1.482 million deposited with Karachi Electric Supply Corporation Limited against supply of electricity to Slag Division.

15. STORE, SPARE, AND LOOSE TOOLS

Stores	71,960	92,300
Spare	115,052	109,689
Loose Tools	628	691
	<u>187,640</u>	<u>202,681</u>
Less: Provision for slow moving stores and spares	<u>80,550</u>	<u>72,550</u>
	<u>107,091</u>	<u>130,131</u>

16. STOCK - IN - TRADE

Raw and packing material	158,954	168,611
Work-in-process	-	30,172
Finished goods	13,851	11,867
	<u>172,805</u>	<u>210,650</u>
Less: Provision for obsolete stock	<u>140,710</u>	<u>140,710</u>
	<u>32,095</u>	<u>69,940</u>

2013 2012
(Rupees in '000)

17. TRADE DEBTS - Considered good

	17.1	10,000	210,270
Considered good			
Considered doubtful		352,638	163,081
		362,638	373,351
Less: Provision for doubtful debts		(352,638)	(163,081)
		10,000	210,270

17.1 Trade debts includes Rs.1.179 Million due from Sardar Muhammad Ashraf D. Baluch (Private) Limited (2012: Rs. 3.419 Million)

18. LOAN & ADVANCES

Loan - Considered doubtful		1,043	815
Less: Provision for doubtful loan		(815)	(815)
		228	-
Advances - considered good			
To employees		1,682	2,548
To suppliers and contractors		84,471	27,420
		86,153	29,968
Advances - considered doubtful			
To employees		5,744	3,722
To suppliers and contractors		22,139	21,402
		27,883	25,124
Less: Provision for doubtful advances		(27,883)	(25,124)
		86,381	29,968

19. TRADE DEPOSITS & SHORT TERM PRE-PAYMENTS

Other deposits		15,783	16,533
Octroi deposits		2,461	2,461
		18,244	18,994
Provision for doubtful deposits		(2,461)	(2,461)
		15,783	16,533

20. OTHER RECEIVABLES

Considered good

Receivable from employees union against electricity and expenses		-	26,513
Loan to employee union		-	1,304
Due from inter divisions		82,764	51,128
Others		3,154	2,429

	2013 (Rupees in '000)	2012
Considered doubtful		
Receivable from employees union against electricity and expenses	27,818	-
Less: Provision for doubtful receivables	(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	7,189
Less: Provision for doubtful receivables	(7,219)	(7,189)
	-	-
	<u>85,918</u>	<u>81,375</u>

21. TAXES RECOVERABLE

Advance income tax	25,385	26,365
Sales Tax Recoverable	49,526	10,681
Central excise duty	888	535
	<u>75,799</u>	<u>37,581</u>

22. CASH & BANK BALANCES

Cash in hand	155	528
Cash at banks:		
Current accounts	6,210	1,238
Dividend account	228	228
	<u>6,594</u>	<u>1,994</u>

23. SALES - NET

Gross Sales		
- Cement	-	78,717
- Pure Slag	22,606	7,678
- Bags	35,269	28,677
	<u>57,875</u>	<u>115,072</u>
Less:		
- Excise duty	-	6,002
- Sales tax	3,131	13,451
	<u>3,131</u>	<u>19,453</u>
	<u>54,744</u>	<u>95,619</u>

24. Cost of Sales		2013	2012
		(Rupees in '000)	
Raw & Packing Material Consumed			
Opening stock		2,595	85
Purchases including expenses		50,164	118,321
		<u>52,759</u>	<u>118,406</u>
Closing stock		<u>(1,571)</u>	<u>(2,596)</u>
		51,188	115,810
Stores, spares and tools consumed		146	2,160
Fuel & power		13,137	34,006
Salaries, wages & other benefits	24.1	5,082	8,517
Repair and Maintenance		477	517
Provision for slow moving stores & spares		-	6,000
Depreciation	13.3	6,465	15,733
Other expenses		803	2,213
		<u>26,109</u>	<u>69,145</u>
		77,297	184,955
Work-in-Process			
Opening		-	-
Closing		-	-
		-	-
Cost of goods manufactured		<u>77,297</u>	<u>184,955</u>
Finished Goods			
Opening		1,659	-
Closing		(67)	(1,659)
		<u>1,592</u>	<u>(1,659)</u>
		<u>78,889</u>	<u>183,297</u>

24.1 This includes (Rs.0.168) million (2012: Rs. 0.266 million) in respect of gratuity.

25. ADMINISTRATIVE EXPENSES

Salaries, allowances and other benefits	25.1	5,621	6,345
Vehicles running expenses		380	837
Rent, rates and taxes		504	-
Legal and professional charges		974	420
Depreciation	13	27,964	32,289
Repair and maintenance		647	380
Communications		245	527
Stationery and general expenses		232	450
Utilities		660	1,118

		2013	2012
		(Rupees in '000)	
Donations	25.3	128	71
Fee and subscription		57	260
Others		1,717	3,446
Provision for doubtful advances and receivables		28,825	852
Provision for bad debts		189,557	-
Provision for slow moving stocks		-	200
		<u>257,511</u>	<u>47,194</u>
25.1	This includes Rs. 0.259 million (2012: Rs. 0.021) million in respect of gratuity.		
25.2	Administrative expenses include a total amount of Rs.32.683 million which has not been segregated between the cost of sales and administrative expenses due to the closure of Rohri Division cement plant in the year 2011-2012 and there was no production and sales during the current year		
25.3	Recipients of donations do not include any donee in whom a director or his spouse had any interest.		
26.	DISTRIBUTION COST		
Marking fee		337	155
Discount		250	57
Vehicles running expenses		-	132
Entertainment		5	27
Travelling and conveyance		-	22
		<u>592</u>	<u>393</u>
27.	OTHER OPERATING EXPENSES		
Auditors' remuneration	27.1	<u>1,445</u>	<u>1,695</u>
		<u>1,445</u>	<u>1,695</u>
27.1	Auditors' remuneration		
Statutory Audit		975	975
Half yearly review		320	320
Cost audit		150	400
		<u>1,445</u>	<u>1,695</u>
28	OTHER OPERATING (LOSS)		
Income from Non-Financial Assets	28.1	102,708	438
Loss from Trading Activity	28.2	(191,600)	(127,240)
		<u>(88,892)</u>	<u>(126,802)</u>

	2013	2012
	(Rupees in '000)	
28.1 Income from Non-Financial Assets		
Reversal of excess provision of mark-up on short term financing	89,053	-
Recovery of prior year's sales tax	10,278	-
Sales of scrap	166	3
Others	3,211	435
	<u>102,708</u>	<u>438</u>
28.2 Loss from Trading Activity		
Gross Sales		
- Cement	551,734	398,195
- Pure Slag	-	65,465
	<u>551,734</u>	<u>463,660</u>
Less:		
- Excise duty	31,053	30,424
- Sales tax	76,089	62,418
	<u>107,142</u>	<u>92,842</u>
	<u>444,592</u>	<u>370,819</u>
Less: COST OF SALES		
Raw & Packing Material Consumed		
Opening stock	166,015	164,257
Purchases including expenses	409,499	298,136
	<u>575,514</u>	<u>462,393</u>
Closing stock	(156,204)	(166,015)
	<u>419,310</u>	<u>296,378</u>
Stores, spares and tools consumed	5,844	8,361
Fuel & power	75,579	139,072
Salaries, wages & other benefits	26,993	23,687
Repair and Maintenance	2,660	1,726
Provision for slow moving stores & spares	8,000	-
Obsolete stocks written off	6,274	-
Depreciation	45,792	41,905
Other expenses	9,595	6,574
	<u>180,737</u>	<u>221,324</u>
	600,047	517,702
Work-in-Process		
Opening	30,172	15,031
Consumed on new plant	-	(2,310)
Closing	-	(30,172)
	<u>30,172</u>	<u>(17,451)</u>
Cost of goods manufactured	<u>630,219</u>	<u>500,251</u>

	2013	2012
	(Rupees in '000)	
Finished Goods		
Opening	10,208	8,207
Consumed on new plant	-	(191)
Closing	(4,235)	(10,208)
	<u>5,973</u>	<u>(2,192)</u>
	<u>636,192</u>	<u>498,059</u>
Net Loss from Trading Activity	<u>(191,600)</u>	<u>(127,240)</u>

28.2.1 This includes (Rs.0.801) million (2012: Rs. 0.480 million) in respect of gratuity.

29. FINANCE COST

Markup on short-term running finances	17,256	44,024
Markup on long term finances	3,000	3,000
Bank charges	476	432
Interest on WPPF	699	637
	<u>21,431</u>	<u>48,093</u>

30. TAXATION

Current	30.1	2,497	4,664
Prior year		-	1,699
		<u>2,497</u>	<u>6,363</u>

30.1 The assessments of the company has not been finalised upto and including tax year 2012.

30.2 After considering the available tax losses no provision for current deferred taxation except minimum tax is required. The deferred tax assets amounting to Rs.676.312 million (2012: Rs. 302.589 million) arises due to timing deference in respect of mainly accelerated tax depreciation allowance after adjusting available brought forward losses amounting to Rs.790.896 million (2012: Rs. 552.130 million) as on June 30, 2013 has not been reflected in these accounts.

31. LOSS PER SHARE-BASIC

There is no dilutive effect on basic loss per share which is based on:

Loss after taxation	<u>(396,514)</u>	<u>(318,217)</u>
	Number of Share	
Weighted average number of ordinary shares	<u>427,838,526</u>	<u>427,838,526</u>
Loss per share - Basic	<u>(0.93)</u>	<u>(0.74)</u>

	2013	2012
	(Rupees in '000)	
32 CASH GENERATED FROM / (USED IN) OPERATIONS		
(Loss) before taxation	(394,017)	(311,854)
Adjustment for non cash charges and other items:		
Depreciation	80,221	89,983
Provision for staff retirement benefits	(9)	192
Provision for slow moving stocks	8,000	6,200
Provision for doubtful advances and receivables	28,825	852
Provision for bad debts	189,557	-
Prior period adjustment of finance cost /others	(92,063)	-
Interest on WPPF	699	637
Finance cost	20,732	47,456
	<u>235,962</u>	<u>145,320</u>
	(158,055)	(166,534)
Working capital changes	<u>296,872</u>	<u>195,367</u>
	<u>138,817</u>	<u>28,832</u>
32.1 Working capital changes		
(Increase) / decrease in current assets		
Store, spares and loose tools	15,040	2,413
Stock in trade	37,845	(23,002)
Trade debts	10,713	(13,460)
Loans and advances	(53,654)	(8,407)
Trade deposits and short term pre-payments	750	-
Other receivables	21,523	(32,294)
Taxes recoverable	(39,198)	33,075
	<u>(6,981)</u>	<u>(41,675)</u>
(Decrease) / Increase in current liabilities		
Trade and other payable	209,142	179,006
Due to related parties	134,455	11,012
Accrued markup	(39,745)	47,024
	<u>296,872</u>	<u>195,367</u>
33. CASH AND CASH EQUIVALENTS		
Cash and Bank balances	6,594	1,994
Short term borrowings	(197,476)	(275,682)
	<u>(190,882)</u>	<u>(273,688)</u>

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		Directors		Executives		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	(Rupees in '000)							
Managerial remuneration	1,009	807	2,246	1,872	-	-	3,255	2,679
Housing	181	145	1,065	926	-	-	1,246	1,071
Utilities	75	50	67	61	-	-	142	111
Medical expense	85	68	-	-	-	-	85	68
	<u>1,350</u>	<u>1,070</u>	<u>3,378</u>	<u>2,858</u>	<u>-</u>	<u>-</u>	<u>4,728</u>	<u>3,829</u>
Number of Persons	1	1	3	3	-	-	4	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.

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:

	2013	2012
	(Rupees in '000)	
Trade debts	-	-
Gross balance sheet exposure	-	-
Outstanding letter of credit	53,076	53,076
Net exposure	<u>53,076</u>	<u>53,076</u>

The following significant exchange rates were applied during the year:

Average rate (Rupees per US Dollar)	100.50	94.00
Reporting date rate (Rupees per US Dollar)	100.62	94.59

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 (2012: Rs. nil million) respectively higher / lower, mainly as a result of exchange gains / (losses) on translation of foreign exchange denominated financial instruments. 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:

	2013	2012
	(Rupees in '000)	
Floating rate instruments		
Financial Liabilities		
Long term financing	1,107,085	290,386
Short term borrowings	197,476	275,682
Financial Assets		
Bank Balances - Saving Accounts	-	-

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. 13.046 million (2012: Rs. 5.66 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:-

	2013	2012
	(Rupees in '000)	
Long term deposits	7,575	7,575
Trade debts	10,000	210,270
Loans and advances	86,381	29,968
Trade deposits and short term prepayments	15,783	16,533
Other receivables	85,918	81,375
Cash and bank balances	6,594	1,994

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. 196.890 million worth short term borrowing limits available from financial institutions and Rs. 6.594 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, 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	47,754	614,966	614,966
Trade and other payables	2,296,409	2,296,409	2,296,409	-	-
Accrued interest / mark up	56,687	56,687	56,687	-	-
Short term finances	196,890	196,890	196,890	-	-

Contractual maturities of financial liabilities as at June 30, 2012:

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	----- (Rupees '000) -----				
Long-term finances	290,386	305,134	47,754	287,380	-
Trade and other payables	1,895,823	1,895,823	1,705,807	-	-
Accrued interest / mark up	185,484	185,484	138,459	-	-
Short term finances	272,890	272,890	272,890	-	-

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 12.5% to 15% (2012: 15% to 15%)

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.

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:

	2013	2012
	(Rupees in '000)	
Financing made by Related Parties:		
Sardar Muhammad Ashraf D. Baluch (Pvt) Ltd.		
(i) Purchase of Plant and Machinery	797,542	-
(ii) Payment of Short Term Loan	76,000	-
(iii) Other Financing	242,502	14,322
	<u>1,116,044</u>	<u>14,322</u>
Repayment of Long Term Loan to Related Party	<u>10,108</u>	<u>-</u>
Expenses		
Expenses paid by related parties (Note 10.1)	<u>-</u>	<u>17,908</u>
Expenses incurred for related parties		
Sardar Muhammad Ashraf D. Baluch (Pvt) Ltd.	98,678	42,427
Indus Steel Pipes Ltd	6,213	-
	<u>104,891</u>	<u>42,427</u>

	(Metric Tons)	
37. PLANT CAPACITY AND ACTUAL PRODUCTION	2013	2012
Rated capacity		
Zeal Pak Cement Factory	1.755 million	1.755 million
Papersack Division (50,000 Bags per day)	<u>15,000,000 No's</u>	<u>15,000,000 No's</u>
Actual production		
Cement	14,080	21,775
Bags	1,469,542	546,370

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

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.

	2013	2012
	(Rupees in '000)	
Total borrowings	1,360,661	748,759
Less: Cash and bank balances	<u>(6,594)</u>	<u>(1,994)</u>
Net debt	1,354,068	746,765
Total equity	<u>(1,981,093)</u>	<u>(1,619,154)</u>
Total capital employed	<u><u>(627,025)</u></u>	<u><u>(872,389)</u></u>
Gearing ratio	-216%	-86%
	2013	2012
39. NUMBER OF EMPLOYEES		
Total numbers of employees as at June 30	<u><u>264</u></u>	<u><u>405</u></u>

40 RECLASSIFICATION

The corresponding figures have been reclassified for the purpose of better presentation.

41 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on November 11, 2013 by the Board of Directors of the company.

42 GENERAL

Figures have been rounded off to nearest thousand rupees.



CHIEF EXECUTIVE



DIRECTOR



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 30th November 2013 at 11:30 A.M. at Haji Abdullah Haroon Muslim Gymkhana, Awan-e-Saddar Road, Karachi and at any adjournment there of.

Signed this..... day of 2013

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.