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ZEAL PAK
Cement Factory Limited

ANNUAL REPORT 2009

بسم الله الرحمن الرحيم

CONTENTS

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. Mazhar Ali Jatoi	Chairman
Mr. Jehangir Akbar	Chief Executive
Mr. Ashraf Ali Jatoi	Director
Mr. Nawab Ali Jatoi	Director
Mr. Mushtaq Ahmed Jatoi	Director
Mr. Muhammad Moosa	Director
Mr. Mushtaq Ali Shah Bokhari	Director
Mr. Nawab Ahmed Khanzada	Director

AUDIT COMMITTEE

Mr. Mazhar Ali Jatoi	Chairman
Mr. Ashraf Ali Jatoi	Member
Mr. Mushtaq Ali Shah Bokhari	Member

COMPANY SECRETARY

Mr. M. Asghar Khan

CHIEF FIANCIAL OFFICER

Mr. Amjad Ali

STATUTORY AUDITORS

Hameed Khan & Co.
Chartered Accountants

COST AUDITORS

SIDDIQI & COMPANY
Cost & Management Accountants

BANKERS

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

REGISTERES OFFICE

7th Floor, PIC Tower, 32-A, Lalazar Drive,
Moulvi Tamiz-ud-Din Khan Road, Karachi.
Tel: 5611484-5611486-5611557-5611537,
Fax: 5611357 , UAN: 111-111-104
E-mail: zpcfl@cyber.net.pk
website: www.zealpak.com.pk

FACTORY

Tando Mohammad Khan Road,
S.I.T.E. Hyderabad.
Tel. (0223) 880151, 880535

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 53rd Annual General Meeting of Zeal Pak Cement Factory Limited will be held on 26th March, 2010 at 11:00 A.M. at Haji Abdullah Haroon Muslim Gymkhana, Awan-e-Saddar Road, Karachi to transact the following business:

ORDINARY BUSINESS

1. To read and confirm the minutes of last Annual General Meeting held on 24th December, 2008.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended 30th June, 2009 and the report of Directors and Auditors thereon.
3. To appoint Auditors for the year ending June 30, 2010 and to fix their remuneration. The present Auditors, M/s. Hameed Khan & Co., Chartered Accountants stand retired and, being eligible, offer themselves for re-appointment.
4. To elect the Directors of the Company for a term of three years, in accordance with the provisions of the Companies Ordinance, 1984. The number of Directors fixed by the Board of Directors Under Section 178 (1) of the said Ordinance is Seven. The Directors namely Mr. MAZHAR ALI JATOI, Mr. ASHRAF ALI JATOI, Mr. Mushtaq Ahmed Jatoi, Mr. MOHAMMAD MOOSA, Mr. NAWAB ALI JATOI, Mr. MUSHTAQ ALI SHAH BOKHARI, Mr. NAWAB AHMED KHANZADA to retire and are eligible to offer themselves for re-election.
5. To transact any other business with the permission of the Chair.

By Order of the Board

(M. ASGHAR KHAN)
Company Secretary

Karachi: 26th February 2010

NOTES:

1. No activity in the Share Transfer Book 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 Book will remain closed till further order.
2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies must be received at the registered office of the Company not less than 48 hours before meeting.
3. Any person who seeks to contest an election to the office of the director shall, whether he is a retiring Director or otherwise, file with the Company at its Registered Office, not later than fourteen days before the day of the meeting at which at which elections are to be held, a notice of his intention to offer himself for election as a Director alongwith written consent to act as a Director on the prescribed Form-28.
4. CDC Shareholders are requested to bring their original computerized NIC alongwith their account numbers and participants ID numbers in CDC for verification.
5. Shareholders are requested to notify any change in their addresses immediately.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders,

The Directors of the Company take pleasure in presenting before you 53rd Annual Report of the Company together with its audited accounts for the year ended June 30, 2009 and auditors report thereon.

Production:

During the year the production of clinker increased to 112,180 tonnes as compared to last year's production of 61,780 tonnes. Similarly the production of cement during the year under review, raised to at 143,715 as against 87,745 tonnes produced in the last year. The Production of pure slag was 25,095 tonnes which was 24,910 tonnes last year. The production of Paper bags was 0.84 million as compare to the corresponding year's 1.104 million bags.

Sales:

During the year the Company dispatched 142,307 tonnes cement as against 87,988 tonnes during the preceding year. In the same line the sales revenue for the year under review improved to Rs. 569.065 million as against Rs. 319.051 million of last year.

Financial Results:

During the current financial year, the gross loss of the Company reduced to Rs. 421.047 million as against Rs. 472.931 million in the last year. Similarly operating loss for the year was Rs. 462.389 million whereas in the preceding year the operating loss was Rs. 509.119 million.

Loss Per Share:

The objective of management is to reduce the loss per share and convert it into profit. This year the management was successfully achieved its goals by reducing the loss per share to Rs. 1.22 from Rs. 1.59 of last year.

Dividend:

In view of losses no dividend has been recommended for the year 2008-2009 by your Board of Directors.

Directors' Election:

The election of Directors of the Company is due for a term of three years, in accordance with the provisions of the Companies Ordinance, 1984. The number of Directors fixed by the Board of Directors Under Section 178 (1) of the said Ordinance is Seven. The following retiring directors are eligible for re-election:

1) Mr. Mazhar Ali Jatoi
2) Mr. Nawab Ali Jatoi
3) Mr. Ashraf Ali Jatoi
4) Mr. Mushtaq Ahmed Jatoi
5) Mr. Muhammad Moosa
6) Mr. M.A.S. Bokhari
7) Mr. Nawab Ahmed Khanzada

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 is making efforts for recovery of old debts and receivables and is confident to recover such balances in due course of time.

2. Due to low production and by virtue of Wet Process Technology, the utilization of Raw & Packing stock is very slow. However the management will make an assessment of the stock by experts, and consider to provide the provision if required.

3. The management will communicate this matter to the higher authorities of the related bank and will make sure that all the confirmations may properly be communicated to the auditors as required for their audit.

4. 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.

5. The management is trying to approach the related suppliers advising them to make available the required supporting documents and send those to the auditors.

6. The management is trying to approach the related suppliers and asking them to make available the required supporting documents to the auditors.

The Auditors further emphasized on going concern assumption and transfer of the title of fixed assets, which are explained as under:

i. 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.

ii. The management is in the process of collecting all the related information, documentations and in due cose of time the titles of such fixed assets will be transferred in the name of Zeal Pak Cement Factory Limited.

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. All necessary steps are being taken to ensure Good Corporate Governance in the Company as required by the Code.

a) The financial statements 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 auditors. 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 date 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	Meetings Attended
Mr. Mazhar Ali Jatoi	4
Mr. Nawab Ali Jatoi	4
Mr. Ashraf Ali Jatoi	4
Mr. Mushtaq Ahmed Jatoi	2
Mr. Muhammad Moosa	2
Mr. M.A.S. Bokhari	4
Mr. Nawab Ahmed Khanzada	4
Mr. Jehangir Akbar (Chief Executive)	4

Pattern of Shareholding:

The pattern of shareholding is annexed.

Appointment of Auditors:

Hameed Khan & Co., Chartered Accountants retire and are eligible for appointment for the year 2009–2010. 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

Karachi: February 26, 2010

(JEHANGIR AKBAR)
Chief Executive

KEY OPERATING AND FINANCIAL DATA

YEAR WISE STATISTICAL SUMMARY

	2009	2008	2007	2006	2005	2004
					(in Metric Tons)	
Clinker Production	112,180	61,780	115,850	302,390	356,320	277,360
Cement Production	143,715	87,745	137,415	299,750	350,250	255,000
Cement Dispatched	142,307	87,988	145,694	289,602	352,142	259,026
Bags Production (in No.s)	84,000	1,103,775	-	-	-	-
					(Rs. in '000)	
ASSETS EMPLOYED						
Fixed Assets	1,901,009	2,030,061	1,189,122	1,266,726	1,351,809	1,431,144
Long Term Deposits	7,224	7,418	570	1,099	1,277	1,024
Deferred Cost	-	-	150,958	301,915	452,872	603,829
Current Assets	998,895	942,667	914,840	1,182,095	852,014	866,906
Total Assets Employed	**2,907,128**	**2,980,145**	**2,255,490**	**2,751,835**	**2,657,972**	**2,902,903**
FINANCED BY						
Shareholders Equity	(398,054)	73,226	524,335	954,922	1,007,982	987,443
Surplus on Re-valuation of Fixed Assets	1,300,814	1,352,086	747,698	780,296	816,712	856,828
Long Term Liabilities	244,998	123,842	6,752	7,914	8,321	7,559
Deferred Liabilities	15,296	12,167	4,754	4,640	23,715	155,249
Current Liabilities	1,764,074	1,418,824	971,951	1,004,063	801,242	895,824
Total Funds Invested	**2,907,128**	**2,980,145**	**2,255,490**	**2,751,835**	**2,657,972**	**2,902,903**
TURNOVER & LOSS						
Turnover (Net)	569,065	319,051	472,272	1,010,687	1,033,748	700,709
Operating Profit/(Loss)	(462,389)	(509,119)	(207,004)	105,248	53,462	(105,909)
Loss Before Taxation	(521,592)	(738,392)	(432,898)	(104,533)	(132,184)	(241,982)
Loss After Taxation	(522,554)	(679,785)	(463,185)	(89,476)	(19,577)	(98,261)
Loss c/f	(4,216,063)	(662,606)	(1,186,569)	(755,982)	(702,922)	(723,461)
RATIOS & STATISTICS						
Operating Profit/(Loss) to sales in %	(81)	(160)	(44)	10	5	(15)
Current Ratio	0.57	0.66	0.94	1	1.063	0.97
Paid up value per share (Rs.)	10	10	10	10	10	10
Loss per share (Rs.)	(1.22)	(1.59)	(2.72)	(0.53)	(0.12)	(0.58)

ZEAL PAK CEMENT FACTORY LTD.
PATTERN OF SHARE HOLDING
Shareholders Statistics As At June 30, 2009

Number of Shareholders	Shareholding From	To	Total Shares Held	Percentage
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
14,731			**427,838,526**	**100.0000**

Zeal Pak Cement Factory Limited

Shareholders analysis as on 30-06-2009

S. No.	Shareholders Category	Total No. of Shareholders	Holding (No. Of Shares)	Total	Percentage %
I-	Director				
1	Mr. Mazhar Ali Jatoi		5,000		
2	Mr. Nawab Ali Jatoi		5,000		
3	Mr. Ashraf Ali Jatoi		5,000		
4	Mr. Mushtaq Ahmed Jatoi		2,500		
5	Mr. Mohammad Moosa		5,000		
6	Mr. Mushtaq Ali Shah Bokhari		5,000		
7	Mr. Nawab Ahmed Khanzada		904		
8	Mr. Jehangir Akber (Chief Executive)	8	2,500	30,904	0.0072
II-	Insurance Companies				
1	Cooperative Insurance Socity 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-	Investement Companies	5	1,163,500	1,163,500	0.2719
IV-	Joint Stock Companies	94		30,347,080	7.0931
V-	Individuals	14,606		241,609,959	56.4722
VI-	Financial institution	6		2,973,224	0.6949
VII-	Leasing Companies	1		135,000	0.0316
VIII-	Modarba Management Companies	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.	1		66,628,062	15.5732
X-	Others	6		74,025,058	17.3021
	Grand Total:	14,731		427,838,526	100%

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 non 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 NBFI 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 and 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 reqiurements of listing regulations of karachi Stock Exchange. All transactions with related parties were made on an arm's lenght 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

(JEHANGIR AKBAR)
Chief Executive

Karachi: February 26, 2010.

HAMEED KHAN & CO.
Chartered Accountants
16-A, Link Farid Kot Road, Near A.G. Office,
Lahore - Pakistan.
Tel: 7234562 - 7239271 Fax: 92-042-7351851
E-mail: hameed@brain.net.pk

KS INTERNATIONAL

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES 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) where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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 procedures and risks.

Further, sub- regulation (XIII-A) of listing regulations 35 (previously regulations No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Boards of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related parties 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.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2009.

Hameed Khan & Co.

Lahore.
Dated: 26th February 2010

HAMEED KHAN & CO.
CHARTRED ACCOUNTANTS

Audit Engagement Partner
Abdul Waheed Khan

HAMEED KHAN & CO.
Chartered Accountants
16-A, Link Farid Kot Road, Near A.G. Office,
Lahore - Pakistan.
Tel: 7234562 - 7239271 Fax: 92-042-7351851
E-mail: hameed@brain.net.pk

ZEALPAK

KS INTERNATIONAL

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ZEAL PAK CEMENT FACTORY LIMITED** as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year ended June 30, 2009 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:

1. As stated in Note 22 and 25 to the financial statement, Trade Debts and Other Receivables amounting to Rs. 274.160 million and Rs.27.550 million respectively are outstanding in the books since previous years. These debts and receivables are dormant and seems to be doubtful of recovery. No provision against these debts and receivables have been made in these accounts.
2. As stated in Note 21 to the financial statement, Raw material and Packing material stock amounting to Rs. 104 million are obsolete and unusable. No provision against these obsolete stocks have been made in these accounts.
3. Cash and Bank balances as stated in Note 27 to the financial statements include bank balance of Rs. 3.590 million which was not reconciled and confirmed. There was a difference of Rs. 3.054 million between the books and the bank statement, No adjustment relating to the difference has been made in these accounts.
4. As stated in note 25 and 14 to the financial statements, Inter Division Balances as on June 30, 2009 represents net difference of Rs 20.850 million among the various divisions which could not be reconciled or confirmed.
5. As stated in note 14 to the financial statements Trade Creditors includes a total amount of Rs 216.737 millions which could not be confirmed in the absence of any statements or supporting documents from the suppliers.
6. As stated in note 14 to the financial statements Advances from Customers includes a total amount of Rs 39.60 millions which could not be verified since no statements from the suppliers were provided to us.

a) in our opinion, proper book of accounts have been kept by the company as required by the Companies Ordinance, 1984.

b) in our opinion

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied.

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

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

c) in our opinion, except for the effects of matters referred to in paragraphs 1 to 6 and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and except to the extent to which the reservations mentioned in paragraphs 1 to 6 above affect the annexed financial statements, and respectively give a true and fair view of the state of the company's affairs as at June 30, 2009 and of the loss, its cash flows and changes in equity for the year ended, and

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

Without qualifying our opinion:

i) We draw attention to Note 3 to the financial statements which indicates that the Company incurred a net loss of Rs. 522.554 million for the year ended June 30, 2009 (2008: Rs. 679.785 million) and as of that date the company's current liabilities exceeded its current assets by Rs. 765.180 million. These conditions indicate the existence of material uncertainty which may cause significant doubt about the company' ability to continue as a going concern. Consequently these accounts do not include any adjustment that might result from the outcome of this uncertainty.

ii) We draw attention to Note 17 to the financial statements that the company is in the process of transferring legal title of land, building and vehicles of Slag Division, Rohri Division & Papersack Division in the name of Zeal Pak Cement Factory Ltd.

Hameed Khan & Co.

Lahore.
Dated: 26th February 2010

HAMEED KHAN & CO.
CHARTERED ACCOUNTANTS

Audit Engagement Partner
Abdul Waheed Khan

BALANCE SHEET
AS AT JUNE 30, 2009

	Note	2009	2008
		(Rupees in '000)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Capital			
427,838,526 (2008: 427,838,526) ordinary shares of Rs. 10/ each		4,278,385	4,278,385
Issued, subscribed and paid-up-capital	6	4,278,385	4,278,385
Capital reserve	7	10,904	10,904
Merger loss	8	--	(3,553,457)
Accumulated loss		(4,687,343)	(662,606)
		(398,054)	73,226
Surplus on Revaluation of property, plant and equipment	9	1,300,814	1,352,086
NON CURRENT LIABILITIES			
Liabilities against asset subject to finance lease	10	94	185
Long-term deposits	11	6,564	6,564
Long-term financing	12	218,340	160,881
Deferred and other liabilities	13	15,296	12,167
CURRENT LIABILITIES			
Trade and other payable	14	1,004,991	698,727
Accrued interest/mark-up		44,268	43,094
Short term borrowings	15	709,750	709,861
Current portion of lease liability	10	26	52
Provision for taxation		5,039	6,457
		1,764,074	1,458,190
CONTINGENCIES & COMMITMENTS	16	--	--
		2,907,128	**3,063,299**
ASSETS			
NON CURRENT ASSETS			
Property, Plant and Equipment	17	1,901,009	2,030,061
Long-term deposits	18	7,224	7,418
Deferred cost	19	--	--
CURRENT ASSETS			
Stores, spares and loose tools	20	164,593	177,653
Stock-in-trade	21	183,234	180,801
Trade debts	22	327,272	345,846
Loans and advances	23	22,472	41,155
Trade deposits and short term prepayments	24	16,769	42,953
Other receivables	25	200,186	174,490
Taxes recoverable	26	64,685	56,275
Cash and bank balances	27	19,685	6,648
		998,894	1,025,821
		2,907,128	**3,063,299**

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009	2008
		(Rupees in '000)	
Sales - Net	28	569,065	319,051
Cost of sales	29	990,112	791,983
Gross (Loss)		(421,047)	(472,931)
Administrative expenses	30	37,094	35,218
Distribution cost	31	2,697	2,561
		39,791	37,779
Other operating expenses	32	2,490	2,673
Other operating income	33	939	4,265
		41,341	36,187
Operating (Loss)		**(462,389)**	**(509,119)**
Finance cost	34	59,203	69,104
Amortization of deferred cost	19	-	160,169
Lose before taxation		(521,592)	(738,392)
Taxation	35	(961)	58,607
Loss after taxation		**(522,554)**	**(679,785)**
Loss per share - Basic	36	(1.22)	(1.59)

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009	2008
		(Rupees in '000)	
Cash Flow From Operating Activities			
Cash generated from operations	37	38,032	59,713
Payments For			
Finance cost		(58,451)	(61,720)
Income Tax		(23,946)	(3,019)
		(82,397)	(64,739)
Net cash generated from operating activities		(44,365)	(5,026)
Cash Flow From Investing Activities			
Fixed Capital Expenditure		(25)	--
Long term deposits		194	(477)
Net Cash (used in) investing activities		169	(477)
Cash Flow From Financing Activities			
Repayment of Lease liability		(117)	(1,402)
Long term loans / financing		57,459	(2,902)
Net cash Inflow / (Out flow) from Financing Activities		57,342	(4,304)
Net Increase in cash & cash equivalent		13,147	(9,807)
Cash & cash equivalents at the beginning of the year		(703,212)	(693,405)
Cash & cash equivalents at the end of the year	38	**(690,065)**	**(703,212)**

The annexed notes from an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009

	Share Capital	Capital Reserve	Merger (Loss)	Accumulated (Loss)	Total
		(Rupees in '000)			
Balance as on July 01, 2007	1,700,000	10,904	--	(1,186,569)	524,335
Transfer of accumulated loss to merger loss			(1,186,569)	1,186,569	--
Accumulated (Losses) of merging companies	--	--	(362,167)		(362,167)
Increase in share capital due to merger of companies	2,578,385	--	--	--	2,578,385
Merger gain of PSCIL	--	--	97,942	--	97,942
Merger loss of RCPL	--	--	(1,818,058)	--	(1,818,058)
Merger loss of ZPIL	--	--	(284,604)	--	(284,604)
Loss after taxation	--	--	--	(679,785)	(679,785)
Transfer to accumulated loss in respect of incremental depreceiation charged during the year on property, plant & equipment	--	--	--	17,179	17,179
Balance as on June 30, 2008	**4,278,385**	**10,904**	**(3,553,457)**	**(662,606)**	**73,226**
Tranfer of merger loss to accumalated loss	--	--	3,553,457	(3,553,457)	--
Loss after taxation	--	--	--	(522,554)	(522,554)
Transfer to accumulated loss in respect of incremental depreceiation charged during the year on property, plant & equipment	--	--	--	51,273	51,273
Balance as on June 30, 2009	**4,278,385**	**10,904**	**--**	**(4,687,343)**	**(398,054)**

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE **DIRECTOR**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2009

1. THE COMPANY AND ITS OPERATIONS

1.1 Zeal Pak Cement Factory Limited (The Company) was incorporated in Pakistan as a public limited company on 9th May 1957 under Companies Act 1913 (now Companies Ordinance, 1984) and its shares are quoted on Karachi Stock Exchange. The Company is principally engaged in the manufacturing and sale of Cement, Clinker, Paper Bags and Slag Cement.

1.2 The registered office of the company is situated at 7th Floor, PIC Tower, 32/A Lalazar Drive, M.T. Khan Road, Karachi.

2. BASIS OF PREPARATION

These accounts have been prepared under historical cost convention, as modified by capitalization of certain exchange differences, except for the revalued assets which are stated at revalued amounts.

3. GOING CONCERN ASSUMPTION

The Company incurred a net loss of Rs. 522.554 million for the year ended June 30, 2009 (2008: Rs. 679.785 million). As of that date the company's accumulated loss exceeded its share capital by Rs. 398.054 million. Its current liabilities exceed its current assets by Rs 765.180 million as at the balance sheet date. These conditions indicate the existence of material uncertainty which may cause significant doubt about the company's ability to continue as a going concern. However these accounts have been prepared on going concern basis on the grounds that the company will get continued support from banks and parent company to be able to achieve satisfactory level of operation in the future.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS 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 judgement in the process of applying the Company's accounting policies. Estimates and judgements 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 judgements which are significant to the financial statements.

- **Staff retirement benefits**

  Certain actuarial assumption has been adopted as disclosed in note 13.2 to the financial statements for valuation of present value of defined benefit obligations.

- **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.

- **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.

- **Stores, Spares and Loose Tools**

  The Company reviews the net realizable value (NRV) of stores, spares and tools to assess any diminution in the respective carrying values. Net realizable value is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

- **Stock-in-Trade**

  The Company reviews the NRV of stock-in-trade to asses any diminution in the respective carrying value. NRV is estimated with reference to the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost necessary to make the sale.

- **Trade Debts**

  The Company reviews its doubtful trade debts at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) 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.

5.2 Standards, Interpretation and amendments to published approved accounting standards.

5.2.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

- IFRS – 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 28, April 2008) supersedes IAS – 30 Disclosures in the Financial Statements of Banks Similar financial Institutions and the disclosures requirements of IAS – 32 Financial Instruments: Disclosure and Presentation. The application of the standard did not have significant impact on the company's financial statements other than increase in disclosures.

- IAS – 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The company does not have any operations in hyperinflationary economies and therefore the application of the standard did not affect the company's financial statements.

- IFRIC – 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operates or otherwise participate in customer loyalty programmes under which the customer can redeem credit for award such as free or discounted goods or services. The application of IFRIC – 13 did not affect the company's financial statements.

- IFRIC – 14, IAS – 19 The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after January 01, 2008). IFRIC – 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such assets. The interpretation has no effect on company's financial statements.

5.2.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, interpretations and amendments of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the company's operations or are not expected to have significant impact on the company's financial statements other than increased disclosures in certain cases.

- Revised IAS – 1 Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2009)introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

- Revised IAS – 23 Borrowing Costs (effective for annual periods beginning on or after 01 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets as part of the cost of that asset. The application of the standard is not likely to have an effect on the company's financial statements.

- Amended IAS – 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transactions, When the group loses controls of subsidiary, any interest retained in the former a subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the company's financial statements.

- IAS – 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 January 2009). The amendment removes the definition of the cost methods from IAS – 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on company's financial statements.

- Amendments to IAS – 32 Financial Instruments: Presentation and IAS – 1 Presentation of Financial Statements (effective for annual period beginning on or after 01 January 2009) – Puttable Financial Instruments and Obligations Arising on Liquidations requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which requires retrospective application, are not expected to have any impact on the company's financial statements.

- Amendment to IAS – 39 Financial Instruments: Recognition and Measurement – Eligible hedged items (effective for annual periods beginning on or after 01 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the company's financial statements.

- Amendments to IAS – 39 and IFRIC – 9 Embedded derivatives (effective for annual periods beginning on or after 01 January 2009). Amendments require entities to asses whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. The amendments are not likely to have an effect on company's financial statements.

- Amendment to IFRS – 2 Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 01 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the company's financial statements.

- Amendment to IFRS – 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual period beginning on or after 01 January 2010). Currently effective IFRS requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transactions to account for the transaction in its separate or individual financial statements.

- Revised IFRS – 3 Business Combinations (applicable for annual periods beginning on or after 01 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction cost other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable asset and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have any effect on the company's financial statements.

- IFRS – 4 Insurance Contracts (effective for annual periods beginning on or after 01 January 2009). The IFRS makes limited improvements to accounting for insurance contract until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The standard is not applicable to the company's operations.

- Amendment to IFRS – 7 improving disclosures about Financial Instruments (effective for annual periods beginning on or after 01 January 2009). These amendments have been made to bring the disclosure requirements of IFRS – 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.

- The International Accounting Standards Board made certain amendment to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the company's 2010 financial statements. These amendments are unlikely to have an impact on the company's financial statements.

- The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the company's 2010 financial statements. These amendments are unlikely to have an impact on the Company's financial statements.

- IFRS-8 Operating Segments (effective for annual periods beginning on or after 01 January 2009) introduces the "management approach" to segment reporting. IFRS- 8 will require a change in the presentation and disclosure of the segment information based on the internal reports that a regularly reviewed by the company's "chief operating decision maker" in order to asses each segment's performance and to allocate resources to them.

- IFRIC-15 Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 01 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses,' off-plan', that is, before construction is complete. The IFRIC is not relevant to the company's operations.

- IFRIC – 16 Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 01 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The IFRIC is not relevant to the company's operations.

- IFRIC – 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 01 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement. As the company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the company's financial statements.

- IFRIC – 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The interpretation is not relevant to the company's operations.

5.3 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, 2009 using the projected unit credit method. The transitional liability arising out of change in accounting policy is recognized over a period of five years on straight line basis. The unrecognized actuarial gains or losses at each valuation date are amortized over the average remaining working lives of the employees in excess of 10% of the present value of the defined benefit obligation.

5.4 Taxation

Current

Provision for current taxation is based on the taxable income 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 or based on turnover at the specified rates whichever is higher, after taking into account tax credits and tax rebates available, if any.

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.

5.5 Trade and other payable

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

5.6 Property, plant & equipments

Owned:

Property, plant & equipments are stated at cost or revalued amount less accumulated depreciation, or accumulated impairment, if any, except land and capital work-in-progress which are stated at cost and assets as mentioned in note 17 to the accounts which are carried at revalued amounts.

Depreciation Policy

Depreciation on operating assets is charged to income applying the reducing balance method at the rates specified in note 17.1 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.

Leased:

The company accounts for assets acquired under finance lease by recording the assets and related liability. Assets are recorded at lower of present value of minimum lease payments under the lease agreements and fair value of the assets. The aggregate amount of obligation relating to these assets are accounted for at net present value of liabilities. Financial charges are allotted to accounting periods in a manner so as to provide a constant periodic rate of charge on outstanding liabilities. Depreciation is charged on leased assets on a basis similar to that of owned assets.

5.7 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.

5.8 Deferred Cost

These are amortized over a period of five years on straight line basis.

5.9 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.

Provision / write off, if required, is made in the accounts for slow moving, obsolete and unusable items to bring their carrying value down to NRV. Loose tools are amortized @ 10% per annum using reducing balance method.

5.10 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. Cost is determined as follows:-

- Raw and packing material	- at average cost
- Work in process and finished goods	- at average cost of goods produced

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.

5.11 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.

5.12 Loans, advances and other receivables

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

5.13 Short term and long term loans

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

5.14 Cash and bank balances

Cash in hand and at banks are carried at nominal amounts

5.15 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.

5.16 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.

5.17 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.

5.18 Transaction with related parties

Transaction 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.

5.19 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.

5.20 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.

5.21 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.

5.22 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 the cost of the relevant asset.

		Note	2009	2008
			(Rupees in '000)	

6. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL

		2009	2008
2,400,000	(2008: 2,400,000) Ordinary shares of Rs. 10/- each fully paid in cash	24,000	24,000
1,956,000	(2008: 1,956,00) Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	19,560	19,560
4,356,000	(2008: 4,356,000) Ordinary shares of Rs. 10/- each fully paid in cash	43,560	43,560
161,288,000	(2008: 161,288,000) Ordinary shares of Rs. 10/- each paid in cash, issued at discount of Rs. 6/- per share	1,612,880	1,612,880
5,242,608	(2008: 5,242,608) Ordinary shares of Rs. 10/- each issued to PSCIL on merger	52,426	52,426
226,340,000	(2008: 226,340,000) Ordinary shares of Rs. 10/- each issued to RCPL on merger	2,263,400	2,263,400
26,255,918	(2008: 26,255,918) Ordinary shares of Rs. 10/- each issued to ZPIL on merger	262,559	262,559
427,838,526		**4,278,385**	**4,278,385**

6.1 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.

6.2 At June 30, 2009, M/s Sardar Muhammad Ashraf D. Baluch (Private) Limited held 66,628,062 (2008: 273,473,100) ordinary shares of Rs. 10/- each

7. CAPITAL RESERVE

	Note	2009	2008
Tax holiday			
---Third Kiln		1,007	1,007
---Fourth Kiln		9,897	9,897
	7.1	10,904	10,904

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

8. MERGER LOSS

	2009				2008
	TOTAL	PSCIL	RCPL	ZPIL	TOTAL
			(Rupees in '000)		
	--	262,130	452,680	10,098	724,909
Share holding of merging companies	--	(52,426)	(2,263,400)	(262,559)	(2,578,385)
Issue of shares as per SWAP Ratio	--	(111,763)	(7,338)	(32,144)	(151,244)
Inter company balances	--	97,942	(1,818,058)	(284,604)	(2,004,721)
Merger Profit / (Loss)	--	(189,794)	(194,903)	22,529	(362,167)
Accumulated Profit / (Loss) of merging companies	--	--	--	--	(1,186,569)
	--	(91,852)	(2,012,961)	(262,075)	(3,553,457)

9. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2009	2008
	(Rupees in '000)	
Surplus on revaluation of property, plant & equipments	1,352,087	1,369,266
Transferred to accumulated loss in respect of incremental depreciation charged during the year - net deferred tax	(51,273)	(17,179)
	1,300,814	1,352,086

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 & Valuators 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 & Valuators using market value being the basis for revaluation. The surplus arising from revaluation is Rs. 448.775 million.

Particulars	W.D.V of assests 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
	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.

10. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2009		2008	
	Lease Payments		Lease Payments	
	Minimum	Present Value	Minimum	Present Value
		(Rupees in '000)		
Less than one year	52	52	52	52
Within one to five years	185	185	185	185
Total	237	237	237	237
Less: Financial charges allocated to the future periods	-	-	-	-
Present value of minimum lease payments	120	237	237	237
Less: due within one year	26	52	52	52
	94	185	185	185

The Company entered into lease agreement to acquire vehicle. The rentals under these lease agreements are payable monthly up to the period ending June 2009. Mark up rate @ 8% has been used as discounting factors. The cost of operating and maintaining the lease vehicle is borne by the company. The Company intends to exercise its option to purchase the leased vehicle at its residual value of Rs. 0.178 millions upon the completion of the lease period.

11. LONG TERM DEPOSITS

		2009	2008
		(Rupees in '000)	
From cement stockists	11.1	4,416	4,416
Others - Interest free		2,148	2,148
		6,564	6,564

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

12. LONG TERM FINANCING

Supplier Credit - secured	12.1	30,000	30,000
Other financing - unsecured (Related Party)	12.2	37,968	7,738
Subordinated Loan (Related Party)	12.3	15,000	15,000
M/s. Sardar Muhammad Ashraf D. Baloch (Related Party)	12.4	63,094	61,009
M/s. National Transport Company	12.5	3,321	3,345
Mr. Deedar Ali Jatoi	12.6	68,958	43,789
		218,340	160,881

12.1 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 million. The credit is secured against first charge on the plant supplied. The credit carries a mark up rate of 10% per annum (2008: 10% per annum). During the year on request of the Company, the supplier has agreed to defer the repayment of credit till December 30, 2009. According to the revised repayment schedule credit is now repayable in 16 equal quarterly installments of Rs.1.875 million commencing from December 31, 2012.

12.2 This represents interest free, unsecured financing from M/s. Sardar Muhammad Ashraf D. Baluch (Private) Limited (SMADB) to Slag Division repayable after December, 2009.

12.3 This represents amount payable to M/s Sardar Muhammad Ashraf D. Baluch (Private)Limited on account of purchase of plant and machinery at 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.

12.4 Papersack Division has previously availed financing facility from M/s. Sardar Muhammad Ashraf D. Baloach (Private) Limited. The loan is interest free unsecured and repayable on availability of funds.

12.5 This represents unsecured and interest free loan from M/s. National Transport Company to Papersack Division and is payable on availability of funds.

12.6 This represents interest free loan received from Mr. Deedar Ali Jatoi to Rohri Division and is payable at an indefinite date in future.

13. DEFERRED AND OTHER LIABILITIES

	Note	2009	2008
		(Rupees in '000)	
Deeferred taxation	13.1	--	--
Employees retirement benefits	13.2	15,296	12,167
		15,296	12,167

13.1 Deferred Taxation

	2009	2008
Deferred tax liability arising due to:		
Accelerated tax depreciation	412,509	85,865
Revaluation, net off related depreciation	204,751	194,849
Deferred tax asset arising due to:		
Carried forward tax losses	(919,256)	(775,253)
Staff gratuity, lease transactions and provisions	(52,823)	(24,778)
	(354,819)	(519,317)
Deffered tax assets not provided	354,819	519,317
	--	--

13.2 Employees Retirements Benefits

Employees Gratuity:

Movement in balance

	Note	2009	2008
Opening balance		12,167	8,351
Less: Payment made		--	--
		12,167	8,351
Provision for the year	13.3	3,129	3,816
	13.4	15,269	12,167

13.3 Charge for the year

	Note	2009	2008
Additional Liability / (Asset) for the year		--	--
Current Service Cost		1,909	1,397
Interest Cost		317	629
Past Service Cost		903	1,791
	13.5	3,129	3,816

13.4 Balance sheet reconciliation

	2009	2008
Present value of defined benefit obligations	11,279	3,669
Unrecognized transitional liability	--	8,275
Unrecognized acuarial gain	4,017	223
	15,296	12,167

13.5 Allocation of charge for the year

	2009	2008
Cost of sales	1,682	3,354
Distribution cost	74	147
Administrative expenses	158	316
	3,129	3,816

13.6 Principal Actuarial Assumption

	2009	2008
Expected rate of increase in salaries	11% per annum	9% per annum
Discount factor used	12% per annum	10% per annum
Average expected remaining working life time of employees	9 years	10 years

	Note	2009	2008
		(Rupees in '000)	

14. TRADE AND OTHER PAYBLE

	Note	2009	2008
Trade Creditors		494,999	273,478
Accrued Expenses		109,003	103,534
Royalty and excise duty on lime stone		4,892	4,187
Advances from customers		62,234	40,356
Due to related parties	14.1	285,864	248,896
Due to inter divisions		6,936	-
Unclaimed dividend		2,037	2,012
Sales Tax Payable		9,279	5,312
Excise duty payble		17,929	12,905
Income tax deducted at source		3,521	1,873
Workers Profit Participatin Fund	14.2	5,261	4,783
Discount Payable		590	427
Others		2,446	965
		1,004,991	698,727

14.1 This related to the amount due to the following ralated parties:

	2009	2008
Sardar Muhammad Ashraf D. Baluch (Private) Limited.	269,593	229,029
Indus Steel Pipes Limited.	16,271	19,804
	285,864	248,896

14.2 Workers' profit participation fund

	2009	2008
Opening balance	4,783	4,392
Interest on WPPF	478	391
	5,261	4,783

The Company retains workers profit participation fund for its business operations. Interest is allocated @ 10% (2008: 10%).

15. SHORT TERM BORROWINGS

	Note	2009	2008
From Bank - Secured			
Short term running finance	15.1	700,000	699,328
Demand finance - unsecured	15.2	6,238	8,255
Bank overdraft - unsecured	15.3	3,512	2,278
		709,750	709,861

15.1 ZPCFL has short-term running finance facilities from The Bank of Punjab amounting to Rs. 700 million (2008: Rs. 700 million). The facilities carry markup @ 3 months KIBOR plus 3.50% and 6.5% per annum. (2008: @ 3 months KIBOR plus 3.50% and 6.5% per annum). These finances are 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 sponsor directors.

15.2 This represents the encashment of bank guarantees by Saudi Pak Commercial Bank Limited against short supply of cement to DGP (Army) and Pakistan Railway, against which a forced demand finance was created by the bank without any agreement with the company.

15.3 This represents the amount payable to the banks on June 30, 2009 due to the cheques issued but presented for payments subsequent to the year end.

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

a) Contingent liabilities of ZPCFL in respect of claims not acknowledged as debts amounted to Rs. 6.805 million (2008: Rs. 6.805 million) representing claims by Sui Southern Gas Limited relating to supply of gas as the same is under litigation.

b) Guarantee issued on behalf of ZPCFL by commercial banks to Rs. NIL million (2008: Rs. 9.370 million).

c) ZPCFL has claimed an amount of Rs. 0.895 million from Mustehkam Cement Limited against a counter claim of Rs. 0.162 million by Mustehkam Cement Ltd.

d) Collectorate of customs, sales tax and central excise Hyderabad has passed orders for the recovery of sales tax, central excise duty and penalty of Rs. 111.180 million. ZPCFL has filed appeal against the order and the tribunal bench Karachi has set aside three cases amounting to Rs. 84.35 million. The set aside proceeding has not yet started.

e) There are certain civil court cases against ZPCFL which are pending in the court. The financial implication of these cases are approximate to Rs. 102.550 million.

f) 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 which is pending before the Honourable Court for their decision. Ultimate outcome of the suit is still unknown.

16.2 Commitments

Commitments relating to letters of credit amounts to Rs. NIL (2008: Rs. 245.449 million).

17. PROPERTY, PLANT AND EQUIPMENT

		2009	2008
		(Rupees in '000)	
Operating Assets	17.1	1,886,003	2,013,689
Capital Work in Progress	17.5	15,007	16,372
		1,901,009	2,030,061

17.1 Operating Assets

Particulars	Cost / Revaluation				Rate %	Depreciation				Net Book value	
	As at July 01,2008	Addition	Transfer	As at June 30,2009		As at July 01,2008	Transfer	For the year	As at June 30,2009	As at June 30,2009	As at June 30,2008
	(Rupees in '000)					(Rupees in '000)					
Owned:											
Free hold land	656,961	--	--	656,961	-	--	--	--	--	656,961	656,961
Land (Leasehold)	111,851	--	--	111,851	--	--	--	-	--	111,851	111,851
Building on free hold land	321,483	--	--	321,483	5 to 10	95,370	--	16,358	111,728	209,755	226,113
Building on leasehold land	36,880	--	-	36,880	5	7,182	-	1,485	8,667	28,213	29,698
Plant and Machinery	1,531,706	-	30,000	1,561,706	10	587,520	6,787	107,185	701,492	860,214	944,186
Electric installation	7,220	-	--	7,220	10	3,605	--	399	4,004	3,216	3,615
Gas Installation	53	--	--	53	10	22	--	3	25	28	31
Furniture and Fixtures & Equipments	28,957	25	-	28,981	10 to 15	24,756	-	537	25,293	3,689	4,071
Cars and jeeps	22,382	--	--	22,382	20	20,017	--	533	20,550	1,831	2,364
Office premises	4,498	--	--	4,498	5	3,307	--	60	3,366	1.13[illegible]	1,191
Road and railway sidings	11,044	-	-	11,044	5 to 10	5,402	-	814	6,216	4,828	5,642
Locomotives, dumpers, shovels & trucks	72,317	-	-	72,317	20	71,553	--	145	71,699	618	764
Generator	6,719	--	--	6,719	10 to 15	3,403	--	206	3,608	3,111	3,316
Laboratory equipment	312	-	-	312	10	128	-	18	146	166	184
Library books	4	--	-	4	10	4	--	-	4	--	--
Sub Total	2,812,386	25	30,000	2,842,411		822,268	6,787	127,743	956,798	1,885,613	1,989,988
Leased:											
Vehicles	1,189	--	--	1,189	20	702	--	97	799	390	487
Plant and Machinery	30,000	--	(30,000)	--	5	6,787	(6,787)	--	--	-	23,213
Sub Total	31,189	-	(30,000)	1,189		7,489	(6,787)	97	799	390	23,700
Rupees in ('000) - 2009	2,843,575	25	-	2,843,600		829,756	--	127,841	957,597	1,886,003	2,013,689
Rupees in ('000) - 2008	2,843,445	--	-	2,843,445		684,763	--	144,994	829,756	2,013,689	

17.2 The legal title of land, building and vehicles of PSCIL, RCPL and ZPIL have not yet been transferred in the name of ZPCFL. The company is in the process of transfering the legal title of these assets in the name of ZPCFL.

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

	Note	2009	2008
		(Rupees in '000)	
Cost of sales	29	126,536	142,873
Administrative Expenses	30	1,173	1,765
Distribution cost	31	132	356
		127,841	144,994

17.4 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, 2009 would have been as follows:-

	2009			2008		
	Cost	Accumulated Depreciation	Written Down Value	Cost	Accumulated Depreciation	Written Down Value
Free Hold Land	50,618	--	50,618	50,618	--	50,618
Land (Lease Hold)	6,722	--	6,722	6,722	--	6,722
Building on free hold land	96,511	65,043	31,469	96,511	61,492	35,019
Building on leasehold land	45,452	31,355	14,096	45,452	30,614	14,838
Road and railway sidings	2,408	2,354	54	2,408	2,347	61
Plant and machinery	1,436,316	1,165,785	270,530	1,436,316	1,133,045	303,271
(Rupees in '000')	1,638,026	1,264,537	373,489	1,638,026	1,227,497	410,529

17.5 This represents stores and spares amounting to Rs. 5.007 million held for capital expdenditure (ZPCFL) and Plant & machinery (Cement Mill No. 3 Rohri Division) amounting to Rs. 10 million.

	Note	2009	2008
		(Rupees in '000)	
18. LONG TERM DEPOSITS			
Non Interest bearing	18.1	7,224	7,418
		7,224	7,418

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

	2009	2008
19. DEFERRED COST		
Discount on right issue of shares and other cost	--	160,169
Less: Amortization of deferred cost	--	(160,169)
	--	--
20. STORE, SPARE, AND LOOSE TOOLS		
Stores	94,736	77,190
Spare	110,126	127,352
Loose Tools	847	905
	205,709	205,448
Less: Provision for slow moving stores and spares	41,117	27,795
	164,593	177,653
21. STOCK - IN - TRADE		
Raw material and packing material	185,493	172,101
Work-in-process	23,355	28,288
Finished goods	11,355	5,328
	220,203	205,716
Less: Provision for obsolete stock	36,968	24,915
	183,234	180,801

22. TRADE DEBTS - Considered good	Note	2009 (Rupees in '000)	2008
Considered good	22.1	327,272	345,846
Considered doubtful		24,931	21,419
		352,203	367,264
Less: Provision for doubtful debts		(24,931)	(21,419)
		327,272	345,846

22.1 Trade debts includes Rs. 2.442 million due from Sardar Muhammad Ashraf D. Baloch (Private) Limited (2008: Rs. 40.089 Million)

23. LOAN AND ADVANCES			
Loan - Considered doubtful		815	815
Less: Provision for doubtful loan		(815)	(815)
		--	--
Advances - Considered good			
To employees		3,172	1,916
To suppliers and contractors		19,300	39,239
		22,472	41,155
Advances - Considered doubtful		18,917	18,448
Less: Provision for doubtful advances		(18,917)	(18,448)
		--	--
		22,472	41,155

24. TRADE DEPOSITS & SHORT TERM PRE-PAYMENTS			
Margin against bank guarantees		--	681
Margin againste lettes of credit		--	25,482
Other deposits		16,769	16,769
Short-term prepayment		--	21
Octroi deposits		2,461	2,461
		19,229	45,414
Less: Provision for doubtful deposit		(2,461)	(2,461)
		16,769	42,953

25. OTHER RECEIVABLES			
Considered good			
Receivable from employees union against electricity and expenses		26,249	26,049
Due from providend fund		--	200
Loan to employee union		1,304	1,304
Due from related parties	25.1	90,211	90,189
Due from inter divisions		27,786	--
Letter of Credit		53,076	53,076
Others		1,560	349
Considerec doubtful			
Due from SCCP and other cement units		3,323	3,323
Less: Provision for doubtful receivable		(3,323)	--
		--	3,323
Other receivables		7,189	7,189
Less: Proveision for doubtful receivable		(7,189)	(7,189)
		--	--
		200,186	174,490

	Note	2009	2008
		(Rupees in '000)	
25.1 This relates to the amount due from the following ralated parties:			
Indus Conductor and Cables (Private) Limited		83,176	83,154
Shahbaz Cement Limited		7,035	7,035
		90,211	90,189

26. TAXES REOVERABLE

	Note	2009	2008
Advance income tax		24,132	1,603
Sales tax recoverable	26.1	39,586	54,591
Central excise duty		967	81
		64,685	56,275

26.1 This amount has been paid under protest against demand of additional sales tax for the year 1996-97. On a petition filed by the Company the Honourable High Court of Sindh remanded the case to CBR who did not allow relief to the Company. The Company has filed an appeal before Custom, Excise and Sales Tax Appellate Tribunal against which the Tribunal passed an order dated 02-03-2005 through which the imposition of additional sales tax and penalty aggregating Rs. 30.950 million have been set aside and the same will be recovered in due course. The management is confident that the appeal for rest of the amount will also be decided in favour of the company.

27. CASH & BANK BALANCE

	2009	2008
Cash in hand	1,180	346
Cash to banks:		
Current accounts	18,263	6,061
Saving accounts	13	13
Dividend account	228	228
	19,685	6,648

28. SALES - NET

	2009	2008
Gross Sales		
- Cement	780,947	427,647
- Pure Slag	21,911	3,778
- Bags and bricks	15,764	22,051
	818,623	453,476
Less:		
- Excise duty	134,225	70,501
- Sales tax	109,406	57,002
- Trade discount	5,927	6,921
	249,558	134,424
	569,065	319,051

29. COST OF SALES

	Note	2009	2008
		(Rupees in '000)	
Raw & Packing Material Consumed			
Opening stock		172,101	173,026
Purchases including expenses		138,488	83,944
		310,589	256,970
Closing stock		(185,493)	(172,101)
		125,096	84,869
Stores, spares and tools consumed		101,642	62,492
Fuel & power		517,936	395,896
Salaries, wages & other benefits	29.1	69,924	60,189
Repair and maintenance		9,692	7,023
Rent, rates & taxes		427	818
Provision for slow moving sotres & spares		25,375	17,185
Depreciation	17.3	126,536	142,873
Other expenses		14,578	12,268
		866,110	698,743
		991,206	783,612
Work-in-Process			
Opening		28,288	26,712
Closing		(23,355)	(28,288)
		4,933	(1,576)
Cost of goods manufactured		996,139	782,037
Finished Goods			
Opening		5,328	15,274
Closing		(11,355)	(5,328)
		(6,027)	9,946
		990,112	719,983

29.1 This includes Rs. 1.682 million (2008: Rs. 3.354 million) in respect of gratuity.

30. ADMINISTRATIVE EXPENSES

	Note	2009	2008
Salaries, allowances and other benefits	30.1	7,164	6,207
Vehicles running expenses		1,622	1,224
Rent, rates and taxes		1,897	1,720
Insurance		21	276
Legal and professional charges		3,912	3,119
Depreciation	17.3	1,173	1,765
Repair and maintenance		429	103
Communications		1,013	737
Stationery and general expenses		748	691
Utilities		7,801	4,925
Donations	30.2	283	213
Fee and Subscription		237	91
Others		3,490	2,892
Provision for doubtful advances and receivables		7,305	7,526
Bad debts written off		--	18
Provision for bad debts		--	3,711
		37,094	35,218

30.1 This includes Rs. 0.158 million (2008: Rs. 0.316 million) in respect of gratuity.

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

		2009	2008
		(Rupees in '000)	

31. DISTRIBUTION COST

Salaries, allowances and other benefits	31.1	456	583
Marking fee		654	325
Depreciation	17.3	132	356
Advertisement		102	240
Entertainment		1,099	913
Travelling and conveyance		214	145
Others		40	--
		2,697	2,561

31.1 This includes Rs. 0.074 million (2008: Rs. 0.147 million) in respect of gratuity.

32. OTHER OPERATING EXPENSES

Sales Tax and Excise Duty (Time Bar)		433	--
Surcharge / penalty of sales tax & excise duty		502	1,720
Auditors' remuneration	32.1	1,555	953
		2,490	2,673

32.1 Auditors' remunlration

Statutory Audit	975	875
Half yearly review	320	63
Cost audit	260	15
	1,555	953

33. OTHER OPERATING INCOME

Income from Non-Financial Assets

Sales of scrap	113	1,850
Others	826	2,415
	939	4,265

		2009	2008
		(Rupees in '000)	

34. FINANCE COST

		2009	2008
Markup on short-term running finances		57,076	65,881
Markup on lease finance		5	13
Bank charges		1,645	2,750
Guarantees commission		--	70
Interest on WPPF		478	391
		59,203	69,104

35. TAXATION

		2009	2008
Current	35.1	--	(1,595)
Prior year		(961)	(431)
Deferred		--	60,633
		(961)	58,607

35.1 The income tax assessments of the company has been finalized upto and including tax year 2008 by deeming provisions of income tax ordinance 2001.

35.2 After considering the available tax losses no provision for current deferred taxation except current tax is required. The deferred tax assets amounting to Rs. 354.819 million (2008: Rs. 519.317 million) arises due to timing difference in respect of mainly accelerated tax depreciation allowance after adjusting available brought forward losses amounting to Rs. 919.256 million (2008: Rs. 775.253 million) as on June 30, 2009 has not been reflected in these accounts.

36. LOSS PER SHARE-BASIC AND DILUTED

Basic

	2009	2008
Loss after taxation	(522,554)	(679,785)
	Number of Share	
Weighted average number of ordinary shares	427,838,526	427,838,526
Loss per sahre - Basic	(1.22)	(1.59)

Diluted

There was no dilution effect on the basic earning per share as the company had no such outstanding commitments during the year.

37. CASH GENERATED FROM / (USED IN) OPERATIONS

		2009	2008
(Loss) before taxation		(521,592)	(738,392)
Adjustment for non cash charges and other items:			
Depreciation		127,841	144,994
Provision for staff retirement benefits		3,129	3,816
Provision for slow moving stores & spares		25,375	17,185
Provision for doubtful advances and receivabies		3,792	7,526
Provision for bad debts		3,512	3,711
Intrest on WPPF		478	391
Finance cost		58,725	69,104
Amortization of deferred cost		--	155,299
Working capital charges	37.1	336,772	396,080
		559,654	798,105
		38,032	59,713

	2009	2008
	(Rupees in '000)	

37.1 Working capital charges

	2009	2008
(Increas) / decrease in current assets		
Store, spares and loose tools	(12,315)	22,803
Stock in trade	(2,434)	9,295
Trade debts	15,062	109,575
Loans and advances	14,891	7,850
Due from associated undertaking	(27,808)	4,256
Trade deposits and short term pre-payments	26,184	(9,155)
Other receivables	2,112	(163,543)
Taxes recoverable	14,119	2,755
	(29,812)	(16,164)
Increase / (decrease) in current liabilities		
Trade and other payble	261,882	399,963
Due to associated undertaking	43,904	9,281
Accrued markup	1,174	3,000
	336,772	396,080

38. CASH AND CASH EQUIVALENTS

	2009	2008
Cash and Bank balances	19,685	6,648
Short term borrowings	(709,750)	(709,861)
	(690,065)	(703,212)

39. 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	
	2009	2008	2009	2008	2009	2008	2009	2008
	(Rupees in '000)							
Managerial remuneration	450	450	1,128	790	--	--	1,578	1,240
Housing	80	80	549	381	--	--	629	461
Utilities	18	18	24	17	--	--	42	35
Medical expence	30	30	--	--	--	--	30	30
Meeting fee	--	--	--	--	--	--	--	--
	578	578	1,701	1,188	--	--	2,279	1,766
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).

40. FINANCIAL RISK MANAGEMENT

40.1 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:

	2009	2008
	(Rupees in '000)	
Trade debts	--	--
Gross balance sheet exposure	--	--
Outstanding letter of credit	53,076	53,076
Net exposure	53,076	53,076

The following significant exchange rates were applied during the year:		
Average rate (Rupees per US Dollar)	80.00	65.00
Reporting date rate (Rupees per US Dollar)	81.34	68.20

Sensitive 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. 2.654 million (2008: Rs. 2.654 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:

	2009	2008
	(Rupees in '000)	
Floating rate Instruments		
Financial Liabilities		
Long term financing	218,340	160,881
Liabilities against assets subject to finance lease	120	237
Short term borrowings	709,750	709,861
Financial Assets		
Bank Balances - Saving Accounts	13	13

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. 9.282 million (2008: Rs. 8.272 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:-

Long term deposits	7,224	7,418
Trade debts	327,272	345,846
Loans and advances	22,472	41,155
Trade deposits and short term prepayments	16,769	42,953
Other Receivables	200,186	174,490
Cash and bank balances	19,685	6,648

40.1.1 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 the is 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. 700 million worth short term borrowing limits available from financial institutions and Rs. 19.685 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, 2009:

	Carrying Amount	Contractual cash flows	Less then 1 year	Between 1 to 5 year	5 year and above
	(Rupees in '000)				
Long-term finances	218,340	254,771	30,431	224,340	--
Finance lease	120	130	130	--	--
Trade and other payables	1,004,991	1,004,991	1,004,991	--	--
Accrued interest / mark-up	44,268	44,268	44,268	--	--
Short term finances	709,750	709,750	709,750	--	--

Contractual maturities of financial liabilities as at June 30, 2008:

	Carrying Amount	Contractual cash flows	Less then 1 year	Between 1 to 5 year	5 year and above
Long-term finances	160,881	194,312	27,431	166,881	--
Finance lease	237	256	136	120	--
Trade and other payables	698,727	698,727	698,727	--	--
Accrued interest / mark-up	43,094	43,094	43,094	--	--
Short term finances	709,861	709,861	709,861	--	--

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 10, Note 12 and Note 15 to these financial statements.

40.2 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.

40.3 Effective interest rates

	2009	2008
Effective interest rates applicable to the financial assets and financial liabilities are as follows:		
- Short term running finance	6.5% to 17.88%	6.5% to 17.88%
- Liability against assets subject to finance lease	8%	8%

40.4 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.

40.5 Off-balance sheet financial instruments

Off balance sheet financial liabilities are disclosed in note 16 to the accounts.

41. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise holding company, associated undertakings, directors and key management personel. Remuneration and benefits to directors and key management personel under terms of their employment are disclosed in note 39 to the accounts. Transaction with related parties are carried out in the normal course of business and other than those which have been specifically disclosed elsewhere in these financial statements, are as follows:

	2009	2008
	(Rupees in '000)	
Sales of goods		
Sardar Muhammad Ashraf D. Baluch (Pvt) Ltd.	7,969	17,873
Expenses paid by realated parties:		
Sardar Muhammad Ashraf D. Baluch (Pvt) Ltd.	75,343	211,721
Indus Steel Pipes Ltd.	--	426
	75,343	212,147
Expenses incurred for related parties:		
Sardar Muhammad Ashraf D. Baluch (Pvt) Ltd.	29,122	86,334
Indus Steel Pipes Ltd.	1,903	5,929
	31,025	92,263

42. PLANT CAPACITY AND ACTUAL PRODUCTION

	2009	2008
	(Metric Tons)	
Rated capacity		
Zeal Pak Cement Factory	1.755 million	1.755 million
Papersack Division (50,000 Bags per day)	15,000,000 No.s	15,000,000 No.s
Actual production		
Cement	143,715	87,745
Paper Bags	84,000	1,103,775

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