

DEWAN CEMENT LIMITED

LIST OF DOCUMENTS
FOR THE YEAR ENDED 30 JUNE 2014

MAIN INDEX

- 1 *COST AUDITORS' REPORT*
- 2 *DETAILED COST AUDIT REPORT*
- 3 *ANNEXURES*
 - *NORTH UNIT*
 - *SOUTH UNIT*
 - *SOUTH UNIT (COMBINED)*
 - *SOUTH UNIT (OPC)*
 - *SOUTH UNIT (SRC)*

Dewan Cement Limited
Cost Audit Report 2014

1. INTRODUCTION

Dewan Cement Limited (the Company / DCL) was incorporated in Pakistan as a public limited company in March, 1980. Its shares are quoted on the Karachi and Lahore Stock Exchanges since June, 1989. The registered office of the Company is situated at 7th Floor, Block A, Finance and Trade Centre, Shahrah-e-Faisal, Karachi. The principal activity of the Company is manufacture and sale of cement. The Company has two production facilities at Deh Dhandu, Dhabeji, Karachi, Sindh and Kamilpur Hattar, Industrial Estate, District Hattar Khyber Pakhtoonkhwa.

2. FACTORIES LOCATIONS

There are two factories of Dewan Cement Limited located as follows:

South Unit (Line-I & II)

Deh Dhandu, Dhabeji
District Malir, Karachi.

North Unit (Line-I & II)

Kamilpur Near Hattar
District Haripur, Khyber Pakhtoonkhwa.

3. PRODUCTS

The Company was engaged in manufacturing and sales of following types of cement products.

South Unit (Line-I & II)

Sulphate Resistant Cement - (SRC)
Ordinary Portland Cement - (OPC)
Slag Cement - (Slag)
Clinker

North Unit (Line-I & II)

Ordinary Portland Cement - (OPC)
Clinker

4. CAPACITY

The installed and utilized capacities of the factories for cement and clinker products were as tabled below.

Dewan Cement Limited
Cost Audit Report 2014

4.1 The installed and utilized capacities of the factories for clinker products were as follows:

CLINKER	PRODUCTS	2014	2013
		(IN TONS)	(IN TONS)
A. Installed Capacity			
South Unit (Line-I)		900,000	900,000
South Unit (Line-II)		960,000	960,000
Sub Total		1,860,000	1,860,000
North Unit (Line-I)		540,000	540,000
North Unit (Line-II)		540,000	540,000
Sub Total		1,080,000	1,080,000
Grand Total		2,940,000	2,940,000
B. Utilized Capacity			
South Unit (Line-I)			
	SRC	31,754	22,185
	OPC	81,491	54,258
Sub Total		113,245	76,443
South Unit (Line-II)			
	SRC	26,041	49,762
	OPC	740,421	723,878
Sub Total		766,462	773,640
Total South Unit		879,707	850,083
North Unit			
LINE-I	OPC	91,076	156,475
LINE-II	OPC	507,138	460,727
Total North Unit		598,214	617,202
Grand Total		1,477,921	1,467,285

**Dewan Cement Limited
Cost Audit Report 2014**

4.2 The installed and utilized capacities of the factories for cement products were as follows:

CEMENT	PRODUC TS	2014	2013
		(IN TONS)	(IN TONS)
A. Installed Capacity			
South Unit (Line-I)		945,000	945,000
South Unit (Line-II)		1,008,000	1,008,000
Sub Total		1,953,000	1,953,000
North Unit (Line-I)		567,000	567,000
North Unit (Line-II)		567,000	567,000
Sub Total		1,134,000	1,134,000
Grand Total		3,087,000	3,087,000
B. Utilized Capacity			
South Unit (Line-I & Line II)			
	SRC	68,871	57,215
	OPC	836,642	749,536
	SLAG	-	8,528
Total South Unit		905,513	815,279
North Unit			
Line-I	OPC	398,460	432,486
Line-II	OPC	224,937	168,157
Total North Unit		623,397	600,643
		1,528,910	1,415,922

**Dewan Cement Limited
Cost Audit Report 2014**

5. COST ACCOUNTING SYSTEM

The Company follows process cost system that comprises production and service departments. An analysis number was allocated to each of the cost centre and the related costs were charged to the respective cost centres on the basis of that number.

The costs are thus accumulated and transferred from one process to the next, and finally charged / absorbed into the cost of the final product.

Other accounting policies have been considered as reflected in the financial statements of the Company.

6. PRODUCTION

Production of cement and clinker in quantities during the year was as follows:

	2014	2013		
PRODUCT	(IN TONS)	(IN TONS)	INCREASE/ (DECREASE)	UTILIZATION OF CAPACITY

Clinker

South Unit (Line-I)	113,245	76,443	48.14%	12.58%
South Unit (Line-II)	766,462	773,640	-0.93%	79.84%
	879,707	850,083	3.48%	47.30%
North Unit (Line-I)	91,076	156,475	-41.80%	16.87%
North Unit (Line-II)	507,138	460,727	10.07%	93.91%
	598,214	617,202	-3.08%	55.39%
	1,477,921	1,467,285		

Cement

South Unit (Line-I & Line-II)	905,513	815,279	11.07%	46.37%
North Unit (Line-I & Line-II)	623,397	600,643	3.79%	54.97%
	1,528,910	1,415,922		

Dewan Cement Limited
Cost Audit Report 2014

a) Percentage of production of both the products in relation to the installed capacity were:

$$\frac{\text{Production}}{\text{Installed Capacity}} \times 100 = \text{\%age}$$

----- 2014 -----		
DESCRIPTION	CALCULATION	PERCENTAGE

Clinker

South Unit (Line-I)	$\frac{113,245}{900,000} \times 100$	12.58%
South Unit (Line-II)	$\frac{766,462}{960,000} \times 100$	79.84%
North Unit (Line-I)	$\frac{91,076}{540,000} \times 100$	16.87%
North Unit (Line-II)	$\frac{507,138}{540,000} \times 100$	93.91%

Cement

South Unit (Line-I & Line-II)	$\frac{905,513}{1,953,000} \times 100$	46.37%
North Unit (Line-I & Line-II)	$\frac{623,397}{1,134,000} \times 100$	54.97%

----- 2013 -----		
DESCRIPTION	CALCULATION	PERCENTAGE

Clinker

South Unit (Line-I)	$\frac{76,443}{900,000} \times 100$	8.49%
South Unit (Line-II)	$\frac{773,640}{960,000} \times 100$	80.59%
North Unit (Line-I)	$\frac{156,475}{540,000} \times 100$	28.98%
North Unit (Line-II)	$\frac{460,727}{540,000} \times 100$	85.32%

Cement

South Unit (Line-I & Line-II)	$\frac{815,279}{1,953,000} \times 100$	41.74%
North Unit (Line-I & Line-II)	$\frac{600,643}{1,134,000} \times 100$	52.97%

Dewan Cement Limited
Cost Audit Report 2014

REASONS FOR INCREASE / (DECREASE)

- a) The reasons for increase in production was mainly due to the plant performance and market behaviour during the year.

7. RAW MATERIALS

- a) Major raw material consumed in production of cement inclusive of other cost were as follows:

Quantity in (MT)						
DESCRIPTION RAW MATERIAL	SOUTH UNIT			NORTH UNIT (LINE-I &II)	2014	2013
	SRC	OPC	SLAG	OPC		
Lime Stone	88,442	1,207,027	-	438,168	1,733,637	1,811,887
Laterite	4,985	10,269	-	29,108	44,362	55,773
Clay	6,030	169,373	-	-	175,403	131,588
Sand	-	-	-	138	138	-
Shale Stone	-	-	-	2,417	2,417	3,206
Slate Stone	-	80	-	123,856	123,936	137,049
Manganese	-	-	-	-	-	43
Bauxite	125	16,523	-	-	16,648	45
C-Slag	1,656	3,200	-	-	4,856	20,304
Clinker	-	-	-	-	-	3,535
Slag	-	-	-	-	-	2,159
Gypsum	1,540	48,394	-	37,493	87,427	63,048
Graphite	-	478	-	-	478	-

Amount in Rupees						
DESCRIPTION RAW MATERIAL	SOUTH UNIT			NORTH UNIT (LINE-I &II)	2014	2013
	SRC	OPC	SLAG	OPC		
Lime Stone	15,314,390	207,671,037	-	119,369,252	342,354,679	310,435,986
Laterite	2,697,740	5,557,032	-	36,548,289	44,803,061	56,491,431
Clay	644,201	17,091,846	-	-	17,736,047	14,452,620
Sand	-	-	-	27,452	27,452	-
Shale Stone	-	-	-	638,242	638,242	806,030
Slate Stone	-	345,808	-	32,958,370	33,304,178	30,508,045
Manganese	-	-	-	-	-	142,991
Bauxite	-	32,908,545	-	-	32,908,545	93,453
C-Slag	1,429,994	1,117,689	-	-	2,547,683	10,019,003
Clinker	-	-	-	-	-	17,947,826
Slag	-	-	-	-	-	1,805,551
Gypsum	2,766,162	86,925,733	-	32,170,223	121,862,118	68,652,997
Graphite	-	2,140,571	-	-	2,140,571	-

**Dewan Cement Limited
Cost Audit Report 2014**

b) The ratios of major raw material consumed per unit of production were as follows:

----- 2014 -----				
CLINKER	SOUTH UNIT			NORTH UNIT (LINE-I & II)
	SRC	OPC	SLAG	OPC
Lime Stone	87.36%	85.82%	-	73.80%
Laterite	4.92%	0.73%	-	4.90%
Clay	5.96%	12.04%	-	0.00%
Sand	0.00%	0.00%	-	0.02%
Shale Stone	0.00%	0.00%	-	0.41%
Slate Stone	0.000%	0.01%	-	20.86%
Manganese	0.000%	0.00%	-	0.00%
Bauxite	0.122%	1.17%	-	0.00%
C-Slag	1.64%	0.23%	-	0.00%
	100.00%	100.00%	-	100.00%

CEMENT	SOUTH UNIT			NORTH UNIT (LINE-I & II)
	SRC	OPC	SLAG	OPC
Clinker	98.50%	96.67%	-	96.31%
Slag	0.00%	0.00%	-	0.00%
Gypsum	1.50%	3.33%	-	3.69%
	100.00%	100.00%	-	100.00%

----- 2013 -----				
CLINKER	SOUTH UNIT			NORTH UNIT (LINE-I & II)
	SRC	OPC	SLAG	OPC
Lime Stone	91.60%	87.01%	89.99%	76.77%
Laterite	4.32%	1.83%	0.00%	3.69%
Clay	3.02%	9.68%	10.01%	0.00%
Shale Stone	0.00%	0.00%	0.00%	0.45%
Slate Stone	0.00%	0.02%	0.00%	19.10%
Manganese	0.00%	0.00%	0.00%	0.00%
Bauxite	0.000%	0.00%	0.00%	0.00%
C-Slag	1.06%	1.45%	0.00%	0.00%
	100.00%	100.00%	100.00%	100.00%

Dewan Cement Limited
Cost Audit Report 2014

----- 2013 -----

CEMENT	SOUTH UNIT			NORTH UNIT (LINE-I &II)
	SRC	OPC	SLAG	OPC
Clinker	97.65%	97.80%	80.94%	95.29%
Slag	0.00%	0.00%	17.31%	0.00%
Gypsum	2.35%	2.20%	1.74%	4.71%
	100.00%	100.00%	100.00%	100.00%

----- 2014 -----

c) Standard variances in raw material consumed per unit of production were as follows:

Input quantity per unit of quantity produced- Cement (In Tons)

DESCRIPTION	SOUTH UNIT				NORTH UNIT (LINE-I &II)	STANDARD	VARIANCE
	SRC	OPC	SLAG	AVERAGE			
Lime Stone	1.2842	1.4427	-	1.4306	0.7029	Nil	Nil
Laterite	0.0724	0.0123	-	0.0168	0.0467	Nil	Nil
Clay	0.0876	0.2024	-	0.1937	-	Nil	Nil
Sand	-	-	-	-	0.0002	Nil	Nil
Shale Stone	-	-	-	-	0.0039	Nil	Nil
Slate Stone	-	0.0001	-	0.0001	0.1987	Nil	Nil
Bauxite	0.0018	0.0197	-	0.0184	-	Nil	Nil
C-Slag	0.0240	0.0038	-	0.0054	-	Nil	Nil
Gypsum	0.0224	0.0578	-	0.0551	0.0601	Nil	Nil

It has been observed that there was no standard costing system in practice in the Company therefore; no variance could be worked out in this regard.

As per explanation provided to us by the Company, input mix of raw material depends on many factors; the mix required varies from quarry to quarry and unit to unit due to following reasons:

- Composition of Raw Material
- Capacity and Efficiency of the Plant

d) Quantity variances of raw material consumed per unit of production (year-wise)

DESCRIPTION	SOUTH UNIT		
	AVG. 2014	AVG. 2013	VARIANCE
Lime Stone	1.4306	1.5481	(0.1175)
Laterite	0.0168	0.0360	(0.0191)
Clay	0.1937	0.1614	0.0323
Slate Stone	0.0001	0.0004	(0.0003)
Manganese	-	0.0001	(0.0001)
Bauxite	0.0184	0.0001	0.0183
C-Slag	0.0054	0.0249	(0.0195)
Clinker	-	0.0043	(0.0043)
Slag	-	0.0026	(0.0026)
Gypsum	0.0551	0.0341	0.0211

**Dewan Cement Limited
Cost Audit Report 2014**

DESCRIPTION	NORTH UNIT (LINE-I & II)		
	AVG. 2014	AVG. 2013	VARIANCE
Lime Stone	0.70287	0.91521	(0.21234)
Laterite	0.04669	0.04401	0.00268
Shale Stone	0.00388	0.00534	(0.00146)
Slate Stone	0.19868	0.22766	(0.02898)
Gypsum	0.06014	0.05871	0.00144

e) REASONS FOR VARIANCES

Actual results during the current year in the consumption of individual items, within the mix were different as compared with previous year, due to the varying composition of the raw material. In order to maintain standard quality, the Company adjusted by varying the quantity of inputs.

- f) The method of accounting for recording the quantities and value of receipts, issues and balances of all raw materials directly used in production was at weighted average.

8. WAGES AND SALARIES

- a) Total wages and salaries paid for all categories of employees were as follows:

DESCRIPTION	UNIT	RUPEES IN THOUSAND	
		2014	2013
South Unit & North Unit (Line-I & II)			
i) Direct labour cost on production		68,239	60,657
ii) Indirect labour cost on production		215,039	169,849
iii) Employees cost on administration		132,451	118,348
iv) Employees' cost on selling and distribution		18,110	16,194
v) Director's remuneration		33,356	26,845
vi) Staff provident fund contribution		13,250	11,247
vii) Total man-days of direct labour- Line-I	South Unit	71	35
viii) Total man-days of direct labour- Line-II	South Unit	270	258
ix) Total man-days of direct labour- Line-I	North Unit	52	94
x) Total man-days of direct labour- Line-II	North Unit	277	264

- b) Variance of Direct Labour, Cost per Unit of Output (Clinker)

	Amount in Rs.			
	2014	2013	Variance	Variance%
South Unit & North Unit (Line-I & II)	46.1723	41.3396	4.8327	11.69

Dewan Cement Limited
Cost Audit Report 2014

9. STORES AND SPARE PARTS

a) Expenditure per unit of output of stores

	<u>Stores and Spare Consumed</u>			
	Output			
	2014	2013	Variance	Variance %
Store and spares consumed	407,643,000	346,643,000		
Output of Clinker (South & North Unit)	1,477,921	1,467,285		
Expenditure per unit of output (Rs/Ton)	275.822	236.248	39.57	16.75

Note: During the year provision for obsolete stock is Nil (2013 : Rs 4.6 million).

b) System of stores accounting

The system of Stores Accounting for recording of receipts, issues and balances both in quantities and amount were valued at weighted average cost.

10. DEPRECIATION

Method of Depreciation

Depreciation on additions to fixed assets was charged from the month in which the asset was put into use, whereas on disposal of fixed assets; depreciation was charged up to the month prior to disposal. Depreciation on all other tangible fixed assets except Plant and Machinery was charged to profit and loss account using the reducing balance method, while depreciation on plant and machinery was charged on unit of production method.

**Dewan Cement Limited
Cost Audit Report 2014**

11. OVERHEADS

a) Details of overheads were as follows:

a)(i) Factory Overheads

ACCOUNT HEAD	RUPEES IN '000	
	2014	2013
Total of factory overheads	7,712,228	7,151,515
Stores and spares	407,643	346,643
Fuel & power	6,119,209	5,612,376
Salaries and wages	283,279	230,506
Repair and maintenance	325,745	402,681
Depreciation	430,817	425,634
Insurance	10,308	10,515
Laboratory	2,676	3,567
Travelling & conveyance	19,588	19,837
Transportation expense	15,755	14,853
Vehicle running expense	6,165	5,488
Consultancy fees	5,627	8,317
Printing & stationery	2,308	1,961
Communication	1,007	842
Local taxes	1,007	1,408
Handling charges	21,401	18,991
Others	59,693	47,896

a)(ii) Distribution Cost

ACCOUNT HEAD	RUPEES IN '000	
	2014	2013
Total of distribution cost	231,626	90,539
Salaries, wages & benefits	18,110	16,194
Export expense	192,483	56,054
Rent, rates & taxes	3,964	4,447
Postage	2,153	4,397
Advertisement	6,381	1,990
Insurance	215	508
Repairs & maintenance	3,343	1,382
Depreciation	180	126
Travelling and conveyance	290	136
Communication	2,610	2,773
Others	1,897	2,532

**Dewan Cement Limited
Cost Audit Report 2014**

a)(iii) Administrative Expenses

ACCOUNT HEAD	RUPEES IN '000	
	2014	2013
Total of administrative expenses	389,151	385,880
Salaries, wages & benefits	132,451	118,348
Legal & professional fee	44,222	52,925
Repair & maintenance	82,936	85,169
Insurance	1,526	4,094
Depreciation	4,482	3,491
Rent, rates & taxes	12,300	11,144
Fees and subscription	5,318	8,612
Vehicle running expenses	37,466	35,321
Communication	5,850	5,325
Utilities	10,235	9,719
Newspapers & periodicals	801	97
Travelling, conveyance	18,778	18,228
Printing & stationery	5,782	2,894
Entertainment	5,941	9,372
Security service charges	12,484	7,489
Other expenses	8,579	13,652

a)(iv) Finance Cost

ACCOUNT HEAD	RUPEES IN '000	
	2014	2013
Finance Cost	22,036	16,816

b) Reasons for significant variances In overheads:

b)(i) Factory Overheads

Factory Overheads were increased as stated above due to the major increase in stores and spares, salaries and wages, printing and stationery, and others.

b)(ii) Distribution Cost

Selling expenses were increased due to major increase in salaries, wages and benefits, export expenses, advertisement, repair and maintenance, travelling and conveyance.

Dewan Cement Limited
Cost Audit Report 2014

b)(iii) Administrative Expenses

As a whole major expense increased in salaries and wages, depreciation, rent, rate and taxes, newspapers and periodicals, printing and stationery, and security service charges.

b)(iv) Finance Cost

Company has not made the provision of markup for the year amounting to RS. 884.335 million (Up to June 30, 2013: 4,587.607 million) keeping in view of the financial restructuring proposed to the lenders as disclosed in note 3. Management is hopeful that the restructuring proposal will be accepted by the lenders. Had the provision been made the profit for the year would have been lower by Rs. 884.335 millions and accrued markup would have been higher and shareholders' equity would have been lower lower by Rs. 5,471.942 million. The said non provisioning is a departure from the requirement of IAS-23 'Borrowing Costs'.

c) Basis of allocation of overheads to cost centres and absorption to products.

Basis of Allocation to all cost centres

Production Cost	Basis of allocation
1. Indirect Material	Material issue notes raised by the concerned cost centre.
2. Power & Electricity	KW/H used.
3. Depreciation	Value of plant and machinery in the cost centre concerned.
4. Insurance	Value of assets used in the cost centre concerned.
5. Repairs and Maintenance	Actual repairing work done to the concerned cost centre.
6. Fuel, Oil & Lubricants	Material issue notes.
7. Royalties and Duties	On the basis of transported material.
8. Loading Expenses	Directly to the packing plant.

Overheads	Basis of Allocation
1. Factory General	Apportionment on the basis of plant and machinery.
2. Laboratory Allocation	Number of samples taken during the year.

**Dewan Cement Limited
Cost Audit Report 2014**

Overheads	Basis of Allocation
3. Grid station	Actual KW/H used in production centre during the period.
4. Water supply	Distribution of water consumed at plant.
5. Mechanical workshop	Direct labour hours worked for each department.
6. Electrical Instrument workshop	Direct labour hours worked for each department.
7. Mechanical Control	Direct labour hours worked for each department.

12. ROYALTY AND EXCISE DUTY PAYMENTS

ACCOUNT HEAD	RUPEES IN '000	
	2014	2013
Royalty fee and excise duty paid in (South and North Unit)	42,217	43,773

13. ABNORMAL NON-RECURRING FEATURES

- a) As per information and explanations provided to us; we are of the opinion that there was no abnormal feature like strikes, lockouts, major breakdowns in the plant, substantial power cuts, serious accidents, etc., that have any material bearing on production during the year. However frequent short stoppages were made for urgent repairs of the different parts of the plant.
- b) We have noted no special expenses that have been directly allocated to the product.

14. COST OF PRODUCTION

DESCRIPTION	STATUS	2014	2013
South Unit			
Clinker for the year	Avg. per Bag	251.39	230.78
	SRC	250.82	234.25
	OPC	251.83	230.53
	SLAG	-	229.69

Dewan Cement Limited
Cost Audit Report 2014

DESCRIPTION	STATUS	2014	2013
Cement (unpacked)	Avg.per bag	286.44	255.16
	SRC	290.66	256.60
	OPC	286.47	255.70
	SLAG	-	206.06
Cement (packed)	Avg.Per Bag	286.81	255.84
	SRC	316.84	279.46
	OPC	312.07	278.83
	SLAG	-	228.92
North Unit (Line-I & II)			
Clinker for the year	OPC	195.77	211.07
Cement (unpacked) / 50 KG	OPC	214.79	225.46
Cement (packed)	OPC	237.32	246.27

15. SALES

QUANTITY SOLD	2014	2013
	Qty. in Tons	
Cement		
South Unit & North Unit (Line-I & II)	1,528,407	1,453,057
Clinker		
South / North Unit	17,700	3,535
	1,546,107	1,456,593

SALES AMOUNT (NET)	2014	2013
	Rupees in '000	
Cement		
South Unit & North Unit (Line-I & II)	9,963,458	8,670,399
Clinker		
South Unit & North Unit (Line-I & II)	-	-
Less: Inter Unit Transfers	-	(12,830)
Total Cement and Clinker	9,963,458	8,657,569
Total Sales Per Unit		
Sales per ton	Rs. 6,444	5,944
Sales per bag	Rs. 322	297

Dewan Cement Limited
Cost Audit Report 2014

16. PROFITABILITY

A summary of cost is as follows:

TOTAL COST		2014	2013
		Rupees in '000	
Cost of Cement Sold			
South Unit (Line-I & II)		5,769,693	4,724,591
North Unit (Line-I & II)		2,976,090	2,965,567
Cost of Clinker Sold			
South Unit (Line-I & II)		88,771	-
North Unit (Line-I & II)		-	12,830
Less: Sales between Units		-	(12,830)
Total Cost of Goods Sold		8,834,554	7,690,157
Distribution Cost		231,626	90,539
Administrative Expenses		389,151	385,880
Other Operating Charges		70,974	65,963
Less: Other Operating Income		(68,206)	(77,983)
Finance Cost		22,036	16,816
Total Cost		9,480,135	8,171,372
Total Cost Per Unit			
Cost per ton- Rupees		6,131.62	5,609.92
Cost per Bag- Rupees		306.58	280.50
LOSS/PROFIT			
Total (Loss) / Profit per Ton of Goods Sold	Rs. / Ton	312.61	333.79
Total (Loss) / Profit per Bag of Goods Sold	Rs. / Bag	15.63	16.69
(Loss) / Profit per Ton	Rs. / Ton	312.61	333.79
Cement & Clinker Sold	Tons	1,546,107	1,456,593
Total (Loss) / Profit	Rs. '000	483,323	486,197

**Dewan Cement Limited
Cost Audit Report 2014**

Comments

During the year, Company had mostly used coal instead of fuel and gases to reduce the cost of production. Despite, all these efforts Company's other factors of cost increased considerably. These increases in cost did not bring the desired increase in the revenue, thereby resulting in declining profit.

Analysis

All the major factors of cost have increased substantially, especially fuel and power and salaries & wages.

17. OBSERVATIONS AND CONCLUSIONS

To the best of our knowledge and belief, there were no:

- a) Matters that appear to be clearly wrong in principle or apparently unjustifiable.
- b) Cases where the Company's funds have been used in a negligent or inefficient manner.
- c) Factors that would have been controlled, but have not been controlled that have resulted in increase in the cost of production.
- d) Comments on areas offering scope for improvement:
 - I. The Company must focus on cost reduction, especially in the case of fuel and power and other manufacturing expenses.
 - II. Increase in productivity, which could have been possibly achieved by maximum utilization of the total capacity as a result of which overall cost of production could have been reduced.
 - III. There have been no key limiting factors causing production bottlenecks except higher cost of production.
 - IV. We strongly recommend to have certain arrangements for modernization of plant, for better and cost effective production that would generate considerable revenue for the Company.

18. GENERAL

- In order to compete in the market, the Company has to utilize its resources more effectively and efficiently.
- In order to check the efficiency level, the Company has to introduce budgetary system through which it can check that how much of the resources are utilized efficiently and effectively.
- The demand for cement in the local market is expected to increase in the coming financial year, as the government has allocated substantial funds for Public Sector Development (PSD) Projects.
- The export of cement is expected to increase for Afghanistan and India, which will trigger in increase in additional production of cements in the coming year.
- The demand for cement is also increasing in Asian, African and Gulf countries like Srilanka, Tanzania and Qatar etc. This will give an opportunity for cement industries to improve export sales.
- Management is striving it's best to control the cost, and increase the sales at a considerable level.

Rafaqat Mansha Mohsin Dossani Masoom & Co.
Chartered Accountants
Karachi.

Dewan Cement Limited
Reconciliation Statement Between Financial Accounts & Cost Sheets
For the year ended June 30 2014

	As Per Accounts			Summary As Per Cost Sheet			Difference		
	South Unit	North Unit	Total	South Unit	North Unit	Total	South Unit	North Unit	Total
-----Rupees in "000"-----									
COST OF SALES									
Cost of raw and packing materials consumed									
Opening stock	72,652	36,864	109,516	72,652	36,864	109,516	-	-	-
Purchases / expenses	734,979	369,488	1,104,467	734,979	369,488	1,104,467	-	-	-
	807,631	406,352	1,213,983	807,631	406,352	1,213,983	-	-	-
Closing stock	(89,583)	(24,460)	(114,043)	(89,583)	(24,460)	(114,043)	-	-	-
	718,048	381,892	1,099,940	718,048	381,892	1,099,940	-	-	-
Manufacturing overheads	5,090,109	2,622,119	7,712,228	5,090,109	2,622,119	7,712,228	-	-	-
Total Manufacturing Cost	5,808,157	3,004,011	8,812,168	5,808,158	3,004,011	8,812,168	-	-	-
Work-in-process - opening	238,712	238,039	476,751	238,712	238,039	476,751	-	-	-
Work-in-process - closing	(180,840)	(266,068)	(446,908)	(180,840)	(266,068)	(446,907)	-	-	-
	57,872	(28,029)	29,843	57,872	(28,028)	29,844	-	-	-
Cost of goods manufactured	5,866,029	2,975,982	8,842,011	5,866,030	2,975,982	8,842,012	-	-	-
Finished goods - opening	48,332	36,409	84,741	48,332	36,409	84,741	-	-	-
Finished goods - closing	(55,898)	(36,300)	(92,198)	(55,898)	(36,300)	(92,198)	-	-	-
	(7,566)	109	(7,457)	(7,566)	109	(7,458)	-	-	-
Total Cost of Sales	5,858,463	2,976,091	8,834,554	5,858,464	2,976,091	8,834,555	-	-	-

Chief Accountant

Chief Executive