

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2006

- 1 Murree Brewery Company Limited ("the company") is a public limited company incorporated in Pakistan. The shares of the company are listed on the Karachi, Lahore and Islamabad stock exchanges.
- 2 These financial statements are un-audited and are being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984. These financial statements are presented in condensed form in accordance with the requirements of International Accounting Standard 34: Interim Financial Reporting.
- 3 The accounting policies adopted for the preparation of these financial statements are the same as those applied in the preparation of the annual financial statements of the company for the preceeding year ended 30 June 2006.

4 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	30-Sep-06 (Rs.'000)	30-Sep-05 (Rs.'000)
Surplus on revaluation of property, plant and equipment as at 01 July	353,989	365,915
Transferred to un-appropriated profit in respect of incremental depreciation charged during the period - net of deferred tax	(1,912)	(1,915)
Related deferred tax liability	(1,030)	(1,031)
	<u>(2,942)</u>	<u>(2,946)</u>
Surplus on revaluation of fixed assets as at 30 September	351,047	362,969
Less: provision for deferred tax on depreciation surplus	<u>(23,085)</u>	<u>(27,556)</u>
	<u><u>327,962</u></u>	<u><u>335,413</u></u>

5 CONTINGENCIES AND COMMITMENTS

- 5.1 As a result of investigations by the National Accountability Bureau (NAB), relating to vend fee payments, a fine of Rs. 20 million was imposed by the Accountability Court on an employee of the company. The Honorable High Court of Sindh in its order dated 29 May 2003 acquitted the employee, however, NAB preferred an appeal in the Honorable Supreme Court of Pakistan. Supreme Court of Pakistan in its order dated 21 April 2005 finally dismissed NAB's appeal in employee's favour. The Accountability Court had also held that reference be filed against certain directors and the General Manager of the company. This decision was suspended by the High court of Sindh and the matter is currently pending with the Honourable High Court of Sindh.

In the opinion of the management and on the basis of legal opinion, the company is not exposed to any liability on account of the above matter.

- 5.2 The company is contingently liable in respect of guarantees amounting to Rs 19.21 million (2006 Rs. 18.76 million) issued by banks on behalf of the company in normal course of business.
- 5.3 The company is contesting certain claims and levies imposed by various government authorities and departments amounting to Rs 6.4 million (2006: Rs.6.4 million) in various courts of law and other assessment forums. The company is hopeful of favorable settlement of these cases.
- 5.4 The company has opened Letters of Credit for the import of machinery and inventory items valuing approximately Rs 34.74 million (2006: Rs.44.304 million).
- 5.5 The company's capital commitments outstanding at the year end amount to Rs. 3.55 million (2006: Rs.3.14 million).

6 **FIXED ASSETS**

	30-Sep-06 (Rs.'000)	30-Sep-05 (Rs.'000)
Opening balance	767,349	574,987
Add: Additions during the period	4,459	4,562
	<u>771,808</u>	<u>579,549</u>
Less: Disposal during the period at book value	642	589
Depreciation charged during the period	22,212	14,188
	<u>22,854</u>	<u>14,777</u>
	748,954	564,772
Add: Capital work in progress	11,366	76,960
	<u>760,320</u>	<u>641,732</u>

7 **COST OF SALES**

	Notes	Liquor	Glass	Tops	Quarter ended	
		Division (Rs.'000)	Division (Rs.'000)	Division (Rs.'000)	30 Sep 06 (Rs.'000)	30 Sep 05 (Rs.'000)
Raw material consumed	7.1	130,006	12,487	112,264	254,757	194,878
Stores and spares consumed		996	3,371	14	4,381	3,173
Fuel and power		12,173	19,714	1,837	33,724	24,398
Salaries, wages and other benefits		5,950	4,084	2,480	12,514	9,200
Repair and maintenance		2,788	4,425	3,147	10,360	9,250
Other manufacturing expenses		1,526	1,115	687	3,328	1,994
Depreciation		5,961	9,362	4,063	19,386	11,632
		<u>159,400</u>	<u>54,558</u>	<u>124,492</u>	<u>338,450</u>	<u>254,525</u>
Work in process						
Opening stock 01 July		102,273	613	4,036	106,922	66,502
Closing stock 30 September		(104,296)	(551)	(4,189)	(109,036)	(76,346)
		<u>(2,023)</u>	<u>62</u>	<u>(153)</u>	<u>(2,114)</u>	<u>(9,844)</u>
Cost of goods manufactured		<u>157,377</u>	<u>54,620</u>	<u>124,339</u>	<u>336,336</u>	<u>244,681</u>
Add: Opening stock of finished goods 01 July		5,128	733	5,000	10,861	10,394
Less: Closing stock of finished goods 30 September		(11,067)	(3,930)	(7,823)	(22,820)	(17,999)
		<u>(5,939)</u>	<u>(3,197)</u>	<u>(2,823)</u>	<u>(11,959)</u>	<u>(7,605)</u>
		151,438	51,423	121,516	324,377	237,076
Less: Inter divisional transfers		(34,806)	-	(33,224)	(68,030)	(42,312)
		<u>116,632</u>	<u>51,423</u>	<u>88,292</u>	<u>256,347</u>	<u>194,764</u>
7.1 Raw material consumed						
Opening stock of raw material 01 July		88,952	6,997	42,116	138,065	97,332
Purchases		112,604	12,201	109,521	234,326	209,039
		201,556	19,198	151,637	372,391	306,371
Less: Closing stock of raw material 30 September		(71,550)	(6,711)	(39,373)	(117,634)	(111,493)
		<u>130,006</u>	<u>12,487</u>	<u>112,264</u>	<u>254,757</u>	<u>194,878</u>

8 **EARNINGS PER SHARE- BASIC**

	30-Sep-06	30-Sep-05
There is no dilutive effect on the basic earnings per share of the company, which is based on:		
Net profit for the period (Rs.'000)	36,077	27,325
Weighted average number of shares	9,858,206	9,858,206
Earnings per share-Basic (Rupees)	<u>3.66</u>	<u>2.77</u>

9 **ADDITIONAL INFORMATION ON DIVISIONS**

The detail of utilization of the company's assets by the divisions as well as related liabilities is as follows:

		Liquor Division (Rs.'000)	Glass Division (Rs.'000)	Tops Division (Rs.'000)	Unallocated (Rs.'000)	Total (Rs.'000)
Assets	Sep-06	815,907	176,233	263,503	215,348	1,470,991
	Sep-05	880,168	170,618	157,125	50,682	1,258,593
Liabilities	Sep-06	216,885	15,384	45,051	83,998	361,318
	Sep-05	139,284	8,484	37,162	111,089	296,019
Capital expenditure	Sep-06	2,003	3,855	3,699	-	9,557
	Sep-05	14,270	664	2,296	-	17,230
Depreciation	Sep-06	7,519	9,425	5,268	-	22,212
	Sep-05	5,232	5,748	3,208	-	14,188

10 **TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise of entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, staff retirement fund, directors and key management personnel. Balances with related parties are shown elsewhere in the accounts. The transactions with the related parties are as follows:

	Quarter ended	
	30-Sep-06 (Rs.'000)	30-Sep-05 (Rs.'000)
Transactions with associated companies under common directorship		
Lease installments paid	58	246
Commission charged	2,048	1,637
Purchase of raw materials and packing materials	9,537	9,698
Purchase of listed securities	-	1,972
Sale of listed securities	-	20,649
Services acquired	120	195
Services provided	46	-
Securities purchase under resale agreement	31,000	-
Transactions with other associated undertakings		
Contribution to staff provident fund	249	294
Contribution to staff pension fund	378	378

The company continues to have a policy whereby all transactions with related parties are entered into at arm's length determined in accordance with "Comparable Uncontrolled Price Method".

11 **TAXATION**

Taxation has been provided based on weighted average income tax rate

12 **GENERAL**

Figures have been rounded to the nearest thousand of rupees, unless otherwise stated.
Dividend and bonus shares for the year ended June 30,2005 were declared in the second quarter of the preceding year ended June 30,2006 hence no movement has been shown for these items in the corresponding period in the equity statement.

Director

Chief Executive