

MURREE BREWERY COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED 31 MARCH 2011

1 STATUS AND NATURE OF OPERATIONS

Murree Brewery Company Limited ("the Company") was incorporated under the repealed Indian Companies Act (now the Companies Ordinance, 1984) in February 1861 as a public limited Company in Pakistan. The shares of the Company are listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Company is situated in Rawalpindi. The Company is principally engaged in the manufacturing of alcoholic beer, non alcoholic beer, Pakistan Made Foreign Liquor (P.M.F.L) juices in Tetra packs in Rawalpindi and food products, juices, glass bottles and jars in Hattar.

2 BASIS OF PREPARATION

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include the information reported for full annual audited financial statements and should therefore be read in conjunction with the financial statements for the year ended 30 June 2010. Comparative balance sheet is extracted from annual audited financial statements as of 30 June 2010 whereas comparative profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity are stated from unaudited condensed interim financial information for the nine months ended 31 March 2010.

The condensed interim financial information is unaudited and is being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984.

3 ACCOUNTING POLICIES AND ESTIMATES

Accounting policies, related judgments, estimates and assumptions adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended 30th June 2010.

4 SHARE CAPITAL

During the period, the Company has issued 2,886,680 ordinary shares of Rs. 10 each representing 20% bonus shares, 01 share for every 05 shares held (nine months ended 31 March 2010: 1,312,127 ordinary shares of Rs. 10 each representing 10% bonus shares, 01 Share for every 10 Shares held).

5 CONTINGENCIES AND COMMITMENTS

There is no change in the contingencies and commitments of the Company as disclosed in the financial statements for the year ended 30 June 2010 except for the following:

5.1 Contingencies

- (a) The Company is contingently liable in respect of guarantees amounting to Rs. 45.738 million (30 June 2010: Rs. 50.46 million) issued by the banks on behalf of the Company in normal course of business.
- (b) Assessment of the Company for the Assessment Year 2002-2003 was remanded back by the Income Tax Appellate Tribunal (ITAT) to the taxation officer for consideration afresh. However, in re-assessment proceedings, the taxation officer again disallowed certain expenses. The appeal against the re-assessment order filed by the Company was Commissioner Inland Revenue (Appeals) [CIR(A)], Islamabad.
- (c) Tax department's appeal for the Tax year 2004 was rejected by the ITAT who upheld the order of CIR (A).
- (d) For the Tax Year 2009, the Taxation Officer amended the assessment of the Company and raised tax demand of Rs. 32 million by partially disallowing salary expense and not allowing full credit for tax payments made by the Company. The Company has filed appeal against the amended assessment order and is confident of a favourable outcome.

5.2 Commitments

- (a) The Company has opened Letters of Credit for the import of machinery and inventory items valuing Rs. 29.5 million (30 June 2010: Rs. 87.12 million).
- (b) The Company's capital commitment outstanding at the period end amounts to Rs. 18.50 million (30 June 2010: Rs. Nil)

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6 TAX STATUS

- 6.1** Tax returns for the Tax years 2004 to 2010 stand assessed in terms of section 120 of the Income Tax Ordinance 2001. However, the tax authorities are empowered to reopen these assessments within five (5) years from the end of the financial year in which the returns were filed. The assessment for the Year 2009 has been amended by the Taxation Officer as discussed in note 5.1 (d) above.

	Note	Nine months ended	
		31 March 11 (Rs. '000)	31 March 10 (Rs. '000)
7 PROPERTY, PLANT AND EQUIPMENT			
Opening balance		2,997,183	2,946,626
Add: Additions during the period	7.1	171,231	127,192
		3,168,414	3,073,818
Less: Disposals during the period at book value		(6,867)	(3,051)
Depreciation charged during the period		(104,657)	(91,074)
		3,056,890	2,979,693

7.1 Additions during the period:

Land	23,258	-
Buildings	1,562	19,262
Plant and machinery	74,770	41,717
Furniture and fixtures	399	436
Vehicles - owned	7,274	19,513
Vehicles - leased	-	571
Capital work in progress	63,968	45,693
	171,231	127,192