

MURREE BREWERY COMPANY LIMITED ANNUAL REPORT

2011-12

DIRECTOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2012

The Directors take pleasure in presenting their report along with audited financial statements and Auditors' report thereon of the company for the year ended 30th June, 2012.

FINANCIAL OVERVIEW & HIGHLIGHTS

Sales revenue	increased by	3.5%	to	Rs.4,964 million
Gross profit	--do--	5.5%	to	Rs.1,195 million
Profit before taxation	--do--	2.2%	To	Rs. 802 million
Profit after taxation	--do--	1.0%	To	Rs. 525 million
Earning per share	--do--	1.0%		Rs.27.56 against Rs.27.29

As already advised the company faced a serious problem in June, 2011 when the Punjab Excise Department levied excise duty on the purchase of rectified spirit in bond which was resolved in December, 2011 with the company accepting this duty with a corresponding increase in the products selling price. This adversely affected the Liquor division results and places us at a disadvantage with other distilleries in Pakistan who are not charged this duty.

The loss of revenue to the Federal / Punjab Governments during these six months was much more as compared with the new duty and it is unfortunate that the issue took nearly 6 months to be resolved.

The company entered into its customary settlement with the CBA for 2 years from July 2011-June 2013 which has increased the cost of employment. The company will also implement the Provincial Government directions on minimum wages from 1st July, 2012.

DIVISIONAL OPERATING RESULTS

The results of our three divisions were:

LIQUOR DIVISION

	<u>2012</u>		<u>2011</u>	
	<u>Rs. in million</u>	<u>%</u>	<u>Rs. in million</u>	<u>%</u>
Sales exclusive of applicable taxes	2676		2485	
Cost of sales	<u>1,690</u>	63.16	<u>1,530</u>	61.57
Gross profit	<u>986</u>	36.84	<u>955</u>	38.43
Operating profit	684	25.56	706	28.41

The turnover of the division reflects an increase of 7.6% (Rs.191 millions) over the previous year. However the net profit is lower.

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To improve quality and achieve higher operational efficiencies capital investments of over Rs.150 million were made during the year which increased the charge for depreciation.

GLASS DIVISION

	<u>2012</u>		<u>2011</u>	
	<u>Rs. in million</u>	<u>%</u>	<u>Rs. in million</u>	<u>%</u>
Sales exclusive of applicable taxes	598		494	
Cost of sales	<u>539</u>	90.00	<u>450</u>	91.00
Gross Profit /(Loss)	<u>59</u>	10.00	<u>44</u>	9.00
Operating Profit	39	6.52	27	5.47
Glass containers sales	19,999	M.Ton	18,965	M.Ton

This division earned an operating profit of Rs.39 million against Rs.27 million in the previous year as sales increased by 21%. Major capital investment in civil work of Rs.13.4 million was made during the year.

TOPS DIVISION

	<u>2012</u>		<u>2011</u>	
	<u>Rs. in million</u>	<u>%</u>	<u>Rs. in million</u>	<u>%</u>
Sales exclusive of applicable taxes	1023	--	888	--
Cost of sales	<u>874</u>	85.44	<u>754</u>	84.91
Gross profit	<u>150</u>	14.56	<u>134</u>	15.01
Operating (Loss) / profit	7	0.68	17	1.92

Despite increase in sales volume, the division earned lower profit due to increased operating costs and depreciation on a new Tetra Pack machine costing Rs.54 million.

AUDIT COMMITTEE

The Audit Committee was reconstituted under the Code of Corporate Governance and comprises of the following non executive directors:

1. Lt. Gen @ Zarrar Azim (Chairman)
2. Ch. Mueen Afzal (Member)
3. Mrs. Goshi M. Bhandara (Member)

HUMAN RESOURCE AND REMUNERATION (HR & R COMMITTEE)

Under the provision of code of the Corporate Governance this Committee has been formed of the following non executive directors.

1. Ch. Mueen Afzal (Chairman)
2. Mr. Aamir H. Shirazi (Member)
3. Mrs. Goshi M. Bhandara (Member)

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AUDITORS

The present auditors M/s KPMG Taseer Hadi & Co, Chartered Accountants retire and offer themselves for reappointment. As advised by the Audit Committee, the Board of Directors has recommended their reappointment as Auditors of the Company for the year to June 30, 2013.

EARNING PER SHARE

Earning per share for the current year is Rs 27.56 against Rs.27.29 last year.

DIVIDEND / BONUS SHARES

Although there is no material increase in the after tax profit of the company, the Board has recommended cash dividend @ 50% i.e. Rs.5 per share and 10% bonus shares in the ratio 1 for 10 shares as in the previous year.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The directors state that,

- The financial statements prepared by the management of the Company fairly present its state of affairs, the result of its operation, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- In preparation of financial statements, appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgement.
- In the preparation of financial statements International Accounting Standards, as applicable in Pakistan, have been followed and any departure there from has been adequately disclosed.
- There are no statutory payments on account of taxes, levies and charges outstanding as on June 30, 2012, except as disclosed in the financial statements.
- The existing system of internal controls and other procedures are being continued and any weakness in controls will have the immediate attention of the management.
- There are no significant doubts about the company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
- Key operating and financial data for the last six years in summarized form are annexed.

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- The value of the Provident Fund and Pension Fund investments at June 30, 2012 were Rs.45.732 million and Rs.16.83 million respectively.
- During the year four meetings of the Board of Directors were held. Attendance by each director is as follows:

<u>Name of Directors</u>	<u>No of meetings attended</u>
Mr.Khurram Muzaffar	3
Mr. Isphanyar M. Bhandara	3
Ch. Mueen Afzal	4
Mr. Aamir H. Sherazi	2
Mrs. Goshi M. Bhandara	4
Lt. Gen @ Zarrar Azim	1
Mr. Osman Khalid Waheed	2

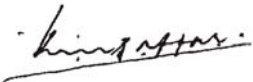
OUT LOOK

The company continues to face increases in the cost of raw materials and higher operating costs on account of the labour settlement and load shedding. With improved efficiencies by investment in modern equipment, control of expenses, a dedicated management and work force, we look to the future with cautious optimism.

ACKNOWLEDGEMENT

The outstanding performance of the Chief Executive, his management team and workers under difficult conditions have maintained the profitability of the company. We are grateful of the support of the Government Departments and confidence of the Shareholders through out the year.

On behalf of the Board



Khurram Muzaffar
Chairman

Rawalpindi: 27th September, 2012