

MURREE BREWERY COMPANY LIMITED
NOTES TO THE ACCOUNTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED 31 DECEMBER, 2005

- 1 Murree Brewery Company Limited ("the Company") is a public limited company incorporated under the Companies Ordinance, 1984. The Shares of the Company are quoted 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 preceding year ended 30 June 2005 except for the following:

3.1 Investments available for sale

Due to changes in IAS-39 Financial Instruments: Recognition and Measurement, the gains or losses on remeasurement of available for sale investments are now taken to equity, instead of being taken to the profit and loss account previously. This change has no effect on the current and previous period's profit and loss account and retained earnings.

3.2 Investments at fair value through profit or loss

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, have been re designated as investments at fair value through profit or loss. These are stated at fair values with any resulting gains or losses recognized directly in the profit and loss account. The fair value of such investments representing listed equity securities are determined on the basis of prevailing market prices.

4 SHARE CAPITAL

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

31 Dec 05 Numbers	30 Jun 05 Numbers		31 Dec 05 Rs. '000	30 Jun 05 Rs. '000
264,000	264,000	Ordinary shares of Rs 10 each fully paid in cash	2,640	2,640
		Ordinary shares of Rs 10 each issued as fully paid bonus shares		
<u>9,594,206</u>	<u>8,698,006</u>		<u>95,942</u>	<u>86,980</u>
<u>9,858,206</u>	<u>8,962,006</u>		<u>98,582</u>	<u>89,620</u>

AUTHORISED SHARE CAPITAL

This represents 30,000,000 ordinary shares (30 June 2005: 10,000,000 ordinary shares) of Rs 10 each.

5 SURPLUS ON REVALUATION OF

PROPERTY, PLANT AND EQUIPMENT - net of tax

	31 Dec 05 Rs. '000	30 Jun 05 Rs. '000
Opening balance	365,915	381,599
Surplus on revaluation of property, plant and equipment transferred to retained earnings on disposal	(387)	(3,902)
Surplus transferred to un-appropriated profits in respect of incremental depreciation charged during the period - (net of deferred tax)	(3,817)	(7,658)
Related deferred tax liability	(2,055)	(4,124)
	<u>(5,872)</u>	<u>(11,782)</u>
	359,656	365,915
Less: Provision for deferred tax on depreciable surplus	(26,098)	(28,289)
	<u>333,558</u>	<u>337,626</u>

6 CONTINGENCIES AND COMMITMENTS

- 6.1 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 Honourable High Court of Sindh in its order dated 29 May 2003 acquitted the employee. However, NAB has now preferred an appeal in the Honourable Supreme Court of Pakistan. 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.

- 6.2 The Company is contingently liable in respect of guarantees amounting to Rs 8.04 million (30 June 2005 Rs.17.01 million) issued by the banks on behalf of the Company in normal course of business.
- 6.3 The Company is contesting certain claims and levies imposed by various Government authorities and departments amounting to Rs 7.02 million (30 June 2005: Rs 7.02 million) in various courts of law and other assessment forums. The Company is hopeful of favourable settlement of these cases.
- 6.4 The Company has opened Letters of Credit for the import of machinery and inventory items valuing Rs 48.28 million (30 June 2005: Rs.60.175 million).
- 6.5 The Company's capital commitment outstanding at the period end amounts to Rs. 11.05 million (30 June 2005: Rs 166.362 million)
- 6.6 There is no significant change in tax status of the Company from that given in financial statements for the year ended 30 June 2005 except that assessment for the assessment year 2002-2003 has been finalized by the taxation officer by curtailing expenditure and making add-backs to the Company's income. The Company has preferred an appeal before the Commissioner of Income Tax (Appeals) against the said assessment order.

Return for Tax Year 2005 has been filed and stands assessed in terms of section 120 of the Income Tax Ordinance 2001.

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7 PROPERTY, PLANT AND EQUIPMENT	Six months ended	
	31 Dec 05 (Rs. '000)	31 Dec 04 (Rs. '000)
Opening balance	574,987	567,812
Add: Additions during the period	17,968	7,364
	592,955	575,176
Less: Disposals during the period at book value	914	131
Depreciation charged during the period	28,574	24,681
	29,488	24,812
	563,467	550,364
Capital work in progress	154,675	25,352
	718,142	575,716

Note	Six months ended 31 Dec 2005			Six months ended	
	Liquor (Rs. '000)	Glass (Rs. '000)	Tops (Rs. '000)	31 Dec 05 (Rs. '000)	31 Dec 04 (Rs. '000)
8 COST OF SALES					
Raw material consumed	167,086	22,402	169,245	358,733	200,774
Stores and spares consumed	1,593	5,329	92	7,014	6,392
Fuel and power	13,306	30,186	3,904	47,396	42,575
Salaries, wages and other benefits	7,758	7,496	3,535	18,789	15,276
Repair and maintenance	4,821	6,128	5,914	16,863	10,788
Other manufacturing overhead	940	2,027	1,295	4,262	3,508
Depreciation	8,272	10,548	3,802	22,622	20,114
	203,776	84,116	187,787	475,679	299,427
Work in process					
Opening stock	64,320	420	1,762	66,502	47,059
Closing stock	(81,981)	(420)	(4,282)	(86,683)	(49,355)
	(17,661)	-	(2,520)	(20,181)	(2,296)
Cost of goods manufactured	186,115	84,116	185,267	455,498	297,131
Add: Opening stock of finished goods	4,340	1,940	4,114	10,394	11,909
Less: Closing stock of finished goods	(5,748)	(7,299)	(8,161)	(21,208)	(17,331)
	(1,408)	(5,359)	(4,047)	(10,814)	(5,422)
	184,707	78,757	181,220	444,684	291,709
Less: Inter divisional transfers	(52,488)	-	(42,328)	(94,816)	(84,058)
	132,219	78,757	138,892	349,868	207,651
8.1 Raw material consumed					
Opening stock of raw material	52,729	5,518	39,085	97,332	73,130
Purchases	202,358	22,901	167,363	392,622	240,248
	255,087	28,419	206,448	489,954	313,378
Less: Closing stock of raw material	(88,001)	(6,017)	(37,203)	(131,221)	(112,604)
	167,086	22,402	169,245	358,733	200,774

9 EARNINGS PER SHARE - BASIC AND DILUTED	Six months ended		Quarter Ended	
	31 Dec 05	31 Dec 04	31 Dec 05	31 Dec 04
There is no dilutive effect on the basic earnings per share of the Company, which is based on :				
Net profit for the period - (Rupees in '000)	37,767	38,828	10,442	22,650
Weighted average number of shares	9,858,206	9,858,206	9,858,206	9,858,206
Earnings per share - (Rupees)	3.83	3.94	1.06	2.30

For the purpose of computing earning per share the number of shares for the previous periods have been restated for the effect of bonus shares issued during the period.

10 ADDITIONAL INFORMATION ON DIVISIONS

The detail of utilization of the Company 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					
31 December 2005	731,156	185,439	226,299	107,869	1,250,763
30 June 2005	813,844	173,000	175,485	75,116	1,237,445
Liabilities					
31 December 2005	164,002	14,799	41,292	102,166	322,259
30 June 2005	138,059	10,966	44,758	108,115	301,898
Capital expenditure					
31 December 2005	30,243	1,085	80,158	-	111,486
31 December 2004	6,180	1,984	3,193	-	11,357
Depreciation					
31 December 2005	11,436	10,658	6,480	-	28,574
31 December 2004	7,820	11,250	5,611	-	24,681

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11 TRANSACTION WITH RELATED PARTIES

Related parties comprise directors, key management personnel, major shareholders, entities over which the directors are able to exercise influence and employees' fund. The Company has a policy whereby all transactions with related parties are entered into at arm's length prices generally determined under the "Comparable Uncontrolled Price Method". Transactions with related parties during the period and their balances are as follows:

	Six months ended	
	31 Dec 05	31 Dec 04
	(Rs. '000)	(Rs. '000)
Atlas Investment Bank Limited - Common Director ship		
Lease installment paid	499	447
Balance Payable at Period end	699	1,670
D.P Edulji & company (Pvt.) Limited - Common Directorship		
Commission paid	2,467	1,815
Services provided to	381	233
Services provided by	240	240
Number of shares held	936,471	851,337
Balance Payable at Period end	485	457
Akbarally Cassim & Sons - Common Directorship		
Purchase of listed securities	12,334	6,853
Sale of listed securities	39,494	44,520
Balance Payable at Period end	169	33,974
Packages Limited - Common Directorship		
Purchase of packing material	3,399	1,451
Balance Payable at Period end	480	424
ICI Limited - Common Directorship		
Purchase of goods	19,458	18,785
Provident Fund		
Contribution to staff provident fund	595	577
Balance Payable at Period end	186	55
Remuneration including perquisites of chief executive	254	652
Remuneration including perquisites of Directors	999	759

12 Figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.

Director

Chief Executive