

MURREE BREWERY COMPANY LIMITED
DIRECTORS REPORT TO THE SHAREHOLDERS

The Directors take pleasure in presenting the six monthly report together with un-audited interim financial information for the half year ended 31st December, 2011.

Financial and Operational Performance

In the half year ended 31st December, 2011 although sales were marginally higher than in the previous corresponding period, key financial indicators as compared to the same period last year were lower.

- Gross profit of Rs. 420.8 million decreased by 27%
- Operating profit of Rs.195 million decreased by 30%
- Profit before tax of Rs.226 million decreased by 25%
- Profit after tax Rs.149. million decreased by 16%
- Earning per share was Rs.7.82 against Rs.10.24 (decrease of 33%).

Capital gains and other income increased to Rs.46.3 million from Rs.42.5 million in the previous period.

Increased raw materials costs, higher operating costs, particularly energy and a fresh labour settlement with the Collective Bargaining Agent with effect from 1st July 2011 and increase in the value of the dollar resulted in the lower earning per share.

The issue with the Punjab Excise Department regarding purchase of rectified spirit in bond from other distilleries without payment of excise duty has been resolved by the company reluctantly accepting this levy of Rs.75 per gallon with corresponding increase allowed in the sale price of our liquor products from 10th December, 2011. This places us at a disadvantage with our competitors but we are hopeful that the quality of our products will enable us to offset this disadvantage.

The company continued with its policy of investment in the plant machinery for balancing and modernization.

The following capital investments were made during the half year under review.

Million rupees

i.	Brewery:	Diesel generator	14.70
ii		Filtering machine	6.90
iii.		Boiler	3.80
iv.		3 Fork Lifts	5.40
v.	Tops:	Transformer	4.70
vi.		Diesel generator	6.50
vii.		Juice pasteurizer	1.20
viii.		Civil Jobs	1.60

FUTURE OUTLOOK

Inflationary pressures, increased load shedding and competition will continue to present challenges to the company which will affect profitability in the second half of the the year to 30th June,2012.

We would like to express our appreciation for the commitment, devotion and hard work of the employees, support of our customers, stakeholders and Government departments in our operations.

Rawalpindi dated: 22nd February 2012.

Chairman