

MURREE BREWERY COMPANY LIMITED
NOTES TO THE ACCOUNTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED 31 MARCH 2006

- 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 as required by SRO (746)2001 dated November 05,2001 of the Securities Exchange Commission of Pakistan. 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 Investment 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. The change has no effect on the current and previous periods profit and loss account and related 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 redesignated as investments at fair value through profit or loss. These are stated at fair values with any resulting gains or losses recognised 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 price

4 SHARE CAPITAL

ISSUED SUBSCRIBED AND PAID UP CAPITAL

| 31 March 06 | 30 June 05 | | 31 March 06 | 30 June 05 |
|--------------------|-------------------|---|--------------------|-------------------|
| <u>Numbers</u> | <u>Numbers</u> | | <u>(Rs. '000)</u> | <u>(Rs. '000)</u> |
| 264,000 | 264,000 | Ordinary shares of Rs.10 each fully paid in cash | 2,640 | 2,640 |
| 9,594,206 | 8,698,006 | Ordinary shares of Rs.10 each issued as fully paid bonus shares | 95,942 | 86,980 |
| <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 March 06 | 30 June 05 |
|---|--------------------|-------------------|
| | <u>(Rs. '000)</u> | <u>(Rs. '000)</u> |
| Opening balance | 365,915 | 381,599 |
| Surplus on revaluation of property, plant and equipmnet 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) | (5,726) | (7,658) |
| Related deferred tax liability | (3,082) | (4,124) |
| | <u>(8,808)</u> | <u>(11,782)</u> |
| | 356,720 | 365,915 |
| Less: Provision for deferred tax on depreciable surplus | (25,071) | (28,289) |
| | <u>331,649</u> | <u>337,626</u> |

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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 20.50 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 43.70 million (30 June 2005: Rs.60.175) million).
- 6.5 The Company's capital commitment outstanding at the period end amounts to Rs. 7.86 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 th 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 Companys income. The Company preferred an appeal before the Commissioner of Income Tax (Appeals) against the said assessment order. CIT(A) set aside orders of Taxation Officer on Limitation grounds. The department preferred appeal before Tribunal.

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

7 PROPERTY, PLANT AND EQUIPMENT

| | Nine months ended | |
|---|---------------------------|---------------------------|
| | 31 March 06 (Rs. '000) | 31 March 05 (Rs. '000) |
| Opening balance | 574,987 | 567,812 |
| Add: Additions during the period | 39,471 | 17,175 |
| | 614,458 | 584,987 |
| Less: Disposals during the period at book value | 918 | 1,678 |
| Depreciation charged during the period | 44,519 | 37,933 |
| | 45,437 | 39,611 |
| | 569,022 | 545,376 |
| Capital work in progress | 170,164 | 46,112 |
| | 739,186 | 591,488 |

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| | Nine months ended March 31 2006 | | | Nine months ended | |
|---------------------------------------|---------------------------------|---------------------|--------------------|---------------------------|---------------------------|
| | Liquor (Rs. '000) | Glass (Rs. '000) | Tops (Rs. '000) | 31 March 06 (Rs. '000) | 31 March 05 (Rs. '000) |
| 8 COST OF SALES | | | | | |
| Raw material consumed | 285,098 | 31,798 | 249,468 | 566,364 | 322,943 |
| Stores and spares consumed | 3,329 | 8,315 | 95 | 11,739 | 10,861 |
| Fuel and power | 20,865 | 46,236 | 4,711 | 71,812 | 62,621 |
| Salaries, wages and other benefits | 12,623 | 11,268 | 5,151 | 29,042 | 23,470 |
| Repair and maintenance | 6,968 | 8,923 | 8,772 | 24,663 | 14,862 |
| Other manufacturing overhead | 1,993 | 2,858 | 1,936 | 6,787 | 4,982 |
| Depreciation | 13,976 | 15,831 | 5,434 | 35,241 | 30,557 |
| | 344,852 | 125,229 | 275,567 | 745,648 | 470,296 |
| Work in process | | | | | |
| Opening stock | 64,320 | 420 | 1,762 | 66,502 | 47,059 |
| Closing stock | (98,118) | (420) | (6,547) | (105,086) | (55,562) |
| | (33,798) | - | (4,785) | (38,584) | (8,503) |
| Cost of goods manufactured | 311,054 | 125,229 | 270,782 | 707,064 | 461,793 |
| Add: Opening stock of finished goods | 4,340 | 1,940 | 4,114 | 10,394 | 11,910 |
| Less: Closing stock of finished goods | (18,311) | (12,419) | (6,494) | (37,224) | (19,614) |
| | (13,972) | (10,479) | (2,380) | (26,830) | (7,704) |
| | 297,082 | 114,750 | 268,402 | 680,234 | 454,089 |
| Less: Inter divisional transfers | 87,112 | - | 70,071 | 157,183 | 119,835 |
| | 209,970 | 114,750 | 198,331 | 523,051 | 334,254 |
| 8.1 Raw material consumed | | | | | |
| Opening stock of raw material | 52,729 | 5,518 | 39,085 | 97,332 | 73,130 |
| Purchases | 321,835 | 30,532 | 258,428 | 610,795 | 375,932 |
| | 374,564 | 36,051 | 297,513 | 708,127 | 449,062 |
| Less: Closing stock of raw material | (89,466) | (4,253) | (48,045) | (141,764) | (126,119) |
| | 285,098 | 31,798 | 249,468 | 566,364 | 322,943 |

| | Nine months ended | | Quarter Ended | |
|--|---------------------------|-------------------------|-------------------------|-------------------------|
| | 31 March 06 (Rs. '000) | 31 March 05 Rs. '000 | 31 March 06 Rs. '000 | 31 March 05 Rs. '000 |
| 9 EARNINGS PER SHARE - BASIC AND DILUTED | | | | |
| There is no dilutive effect on the basic earning per share of the company, which is based on : | | | | |
| Net profit for the period | 97,789 | 81,394 | 60,022 | 27,692 |
| Weighted average number of shares | 9,857,965 | 9,857,965 | 9,857,965 | 9,857,965 |
| Earnings per share - (Rupees) | 9.92 | 8.26 | 6.09 | 2.81 |

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

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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 March 2006 | 809,062 | 196,220 | 251,985 | 82,347 | 1,339,614 |
| | 31 March 2005 | 738,841 | 153,538 | 156,102 | 235,317 | 1,283,798 |
| Liabilities | | | | | | |
| | 31 March 2006 | 175,121 | 10,595 | 43,370 | 122,003 | 351,089 |
| | 31 March 2005 | 126,561 | 15,214 | 33,374 | 163,370 | 338,519 |
| Capital Expenditure | | | | | | |
| | 31 March 2006 | 61,037 | 1,211 | 86,230 | | 148,478 |
| | 31 March 2005 | 31,370 | 3,113 | 7,444 | - | 41,927 |
| Depreciation | | | | | | |
| | 31 March 2006 | 18,688 | 16,010 | 9,821 | - | 44,519 |
| | 31 March 2005 | 11,936 | 17,037 | 8,960 | - | 37,933 |

11 TRANSACTION WITH RELATED PARTIES

Related parties comprise of entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, subsidiary undertakings, staff retirement fund, directors and key management personnel. The transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

| | Nine months ended | |
|--|-----------------------------------|-----------------------------------|
| | 31 March 06 (Rs. '000) | 31 March 05 (Rs. '000) |
| Atlas Investment Bank Limited - Common Directorship | | |
| Lease installment paid | 924 | 680 |
| Balance payable at period end | 273 | 1,437 |
| D.P.Edulji & Company (Pvt) Limited- Common Directorship | | |
| Commission paid | 3,946 | 3,072 |
| Services provided to | 382 | 360 |
| Services provided by | 330 | 243 |
| Number of shares held | 936,471 | 851,337 |
| Balance payable at period end | 513 | 535 |
| Akbarally Cassim & Sons- Common Directorship | | |
| Purchase of listed securities | 21,900 | 34,535 |
| Sale of listed securities | 79,649 | 74,545 |
| Balance receivable at period end | 2,289 | 14,320 |
| Packages Limited- Common Directorship | | |
| Purchase of packing material | 7,889 | 2,729 |
| Balance payable at period end | 799 | 173 |
| ICI Limited- Common Directorship | | |
| Purchase of goods | 26,032 | 27,708 |
| Provident Fund | | |
| Contribution to staff provident fund | 882 | 701 |
| Balance payable at period end | 238 | 175 |
| Remuneration including perquisites of Chief Executive | 378 | 978 |
| Remuneration including perquisites of Directors | 1,499 | 1,139 |

12 General

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

12.2 Previous period/quarters' figures have restated/rearranged wherever necessary, for the purpose of comparison.

Rawalpindi

Director

Chief Executive