

MURREE BREWERY COMPANY LIMITED
BALANCE SHEET AS AT 30 JUNE 2007

	Note	2007 (Rs.'000)	2006 (Rs.'000)		Note	2007 (Rs.'000)	2006 (Rs.'000)
SHARE CAPITAL AND RESERVES				FIXED ASSETS - Tangible			
Share capital	4	108,440	98,582	Property, plant and equipment	13	743,801	773,617
Reserves:							
Capital reserve		30,681	30,681				
Contingency reserve		20,000	20,000	LONG TERM ADVANCES - Considered good	14	4,092	4,031
Revenue reserve	5	695,829	559,670				
		746,510	610,351	LONG TERM DEPOSITS		2,438	2,065
		854,950	708,933				
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT- net of tax	6	322,227	329,874	CURRENT ASSETS			
				Stores and spares	15	62,247	61,054
NON - CURRENT LIABILITIES				Stock in trade	16	347,640	269,072
Liabilities against assets subject to finance lease	7	3,440	799	Trade debts - Considered good	17	43,860	28,615
Deferred liabilities - staff retirement benefits	8	16,202	16,387	Advances - Considered good	18	63,473	25,775
Deferred taxation - net	9	74,865	84,080	Short term prepayments		3,534	2,409
		94,507	101,266	Interest accrued		584	439
CURRENT LIABILITIES				Securities purchased under resale agreement		-	24,095
Current portion of liabilities against assets subject to finance lease	7	1,887	1,872	Investments at fair value through profit or loss	19	182,050	75,761
Trade and other payables	10	331,544	306,695	Advance income tax - net		4,288	42,663
Short term running finance	11	4,154	-	Cash and bank balances	20	151,262	139,044
		337,585	308,567			858,938	668,927
		<u>1,609,269</u>	<u>1,448,640</u>			<u>1,609,269</u>	<u>1,448,640</u>
CONTINGENCIES AND COMMITMENTS	12	-	-				

The annexed notes 1 to 36 form an integral part of these financial statements.

These financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on **29th September 2007**.

RAWALPINDI

CHIEF EXECUTIVE

DIRECTOR

MURREE BREWERY COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

Note	2007 Rs. '000	2006 Rs. '000
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	259,898	214,023
Adjustments for:		
Depreciation	91,203	58,867
Provision for staff retirement benefits	4,156	3,820
Profit on deposits/ dividend income/ capital gain	(15,142)	(35,940)
Bad debts written off	-	61
Finance cost	674	1,347
Unrealized gain on re-measurement of investments at fair value through profit or loss	(21,140)	(10,677)
Gain on disposal of property, plant and equipment	(2,065)	(2,197)
	<u>57,686</u>	<u>15,281</u>
Operating profit before working capital changes	317,584	229,304
(Increase)/ decrease in trade debts	(15,245)	2,872
(Increase)/ decrease in advances, prepayments and other receivables	(38,823)	22,696
Decrease in stores and spares	(1,193)	(9,012)
Decrease in stock in trade	(78,568)	(94,845)
	<u>(133,829)</u>	<u>(78,289)</u>
Increase in current liabilities	25,471	66,081
	<u>209,226</u>	<u>217,096</u>
Finance cost paid	(674)	(888)
Staff retirement benefits paid	(16,931)	(3,361)
Income taxes paid	(43,077)	(61,873)
NET CASH GENERATED FROM OPERATING ACTIVITIES	148,544	150,974
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(57,609)	(197,399)
Sale proceeds of property, plant and equipment	3,958	3,256
Increase in long term deposits and advances	(434)	(1,322)
Securities purchased under resale agreement	(30,000)	(34,095)
Securities sold under resale agreement	64,095	-
Purchase/ sale of investments at fair value through profit or loss - net	(85,149)	5,413
Profit on deposits/ dividends received	14,997	36,609
NET CASH USED IN FROM INVESTING ACTIVITIES	(90,142)	(187,538)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of finance leases	(3,015)	(3,578)
Dividend paid	(47,323)	(42,422)
NET CASH USED IN FINANCING ACTIVITIES	(50,338)	(46,000)
Net (decrease)/ increase in cash and cash equivalents	8,064	(82,564)
Cash and cash equivalents at beginning of the year	139,044	221,608
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	147,108	139,044

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The annexed notes 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

MURREE BREWERY COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007

	Share Capital	Capital Reserve	General reserve	Contingency reserve	Un-appropriated profit	Total
Rupees in '000						
Balance as at 01 July 2005	89,620	30,681	327,042	20,000	130,578	597,921
Net profit for the year 2006	-	-	-	-	148,070	148,070
Final dividend for the year ended 30 June 2005 (Rs. 5.0 per share)	-	-	-	-	(44,810)	(44,810)
Bonus shares issued for the year ended 30 June 2005 @ 10%	8,962	-	-	-	(8,962)	-
Transferred from surplus on revaluation of property, plant and equipment on disposal - net of deferred tax	-	-	-	-	105	105
Surplus on revaluation of property, plant and equipment realized through depreciation for the year - net of deferred tax	-	-	-	-	7,647	7,647
Balance as at 30 June 2006	98,582	30,681	327,042	20,000	232,628	708,933
Net profit for the year 2007	-	-	-	-	187,661	187,661
Final dividend for the year ended 30 June 2006 (Rs. 5.0 per share)	-	-	-	-	(49,291)	(49,291)
Bonus shares issued for the year ended 30 June 2006 @ 10%	9,858	-	-	-	(9,858)	-
Surplus on revaluation of property, plant and equipment realized through depreciation for the year - net of deferred tax	-	-	-	-	7,647	7,647
Balance as at 30 June 2007	108,440	30,681	327,042	20,000	368,787	854,950

The annexed notes 1 to 36 form an integral part of these financial statements.

Rawalpindi

CHIEF EXECUTIVE

DIRECTOR

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

13.3 As explained in note 13.1 above land, buildings and plant and machinery are carried at revalued amounts. Had there been no revaluations, related figures of the revalued assets would have been as follows:

	Cost	Accumulated Depreciation	Written Down Value
	(Rs. '000)		
Land	2,743	-	2,743
Buildings	73,555	(48,767)	24,788
Plant and machinery	725,291	(403,835)	321,456
2007	801,589	(452,602)	348,987
2006	761,330	(375,548)	385,782

13.4 Depreciation charge has been allocated as follows:

	2007	2006
	(Rs. '000)	(Rs. '000)
Cost of sales	79,142	47,543
Distribution cost	4,316	4,108
Administrative expenses	7,745	7,216
	91,203	58,867

13.5 Detail of capital work in progress is as follows:

Bottling machine	-	5,463
Rotary rinsers for glass bottle	-	805
Molasses tank	4,150	-
	4,150	6,268

13.6 Detail of property, plant and equipment disposed off during the year:

	Original cost	Book value	Sale proceeds	Gain/ (loss)	Sold to	
Note	(Rs. '000)					
VEHICLES						
KIA Classic	13.6.1	529	69	69	-	Mr. Asher Jan - employee
Toyota Corolla	13.6.1	628	66	66	-	Mr. Manzoor Alam Shah - employee
Toyota Corolla	13.6.1	893	55	73	18	Mr. Nazir Ahmad - Ex-employee
Suzuki Cultus	13.6.1	600	142	142	-	Mr. Sharif Ahmad - employee
Suzuki Margalla	13.6.1	510	110	110	-	Maj @ Tahir Anwar Mirza - employee
Suzuki Khyber	13.6.1	260	104	133	29	Mr. Tallat Yaqoob - employee
Suzuki Margalla	13.6.1	420	168	215	47	Mr. M.Tariq - employee
Honda Saloon	13.6.1	665	266	266	-	Abdul Qayum - employee
Nissan Sunny	13.6.2	550	436	436	-	M/s D.P.Edulji & Co (Private) Limited (an associated Company)
Dong Fang	13.6.2	700	279	391	112	M/S Darwesh Bros. Peshawar
		5,755	1,695	1,901	206	
Aggregate value of other items of property, plant and equipment with individual book value not exceeding Rs. 50,000		5,145	198	2,057	1,859	
2007		10,900	1,893	3,958	2,065	
2006		4,932	1,059	3,256	2,197	

13.6.1 These disposals are made as per the Company policy.

13.6.2 These disposals are made by negotiation.

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

13 Property, plant and equipment

	Owned						Sub total	Motor Vehicles - Leased	Total
	Freehold land	Building on freehold land	Plant, machinery and equipment	Furniture, fixtures and equipment	Motor Vehicles	Capital work in progress (note: 13.5)			
	(Rs. '000)								
Original cost/ reassessed value									
Balance as at 01 July 2005	287,833	102,236	284,952	8,695	27,465	61,157	772,338	10,027	782,365
Additions during the year	-	6,535	170,866	1,434	12,296	6,268	197,399	-	197,399
Disposals	-	-	(1,481)	(38)	(3,413)	-	(4,932)	-	(4,932)
Transfers/adjustments	-	-	61,157	-	3,056	(61,157)	3,056	(3,056)	-
Balance as at 30 June 2006	287,833	108,771	515,494	10,091	39,404	6,268	967,861	6,971	974,832
Balance as at 01 July 2006	287,833	108,771	515,494	10,091	39,404	6,268	967,861	6,971	974,832
Additions during the year	-	7,760	37,251	1,119	5,591	5,888	57,609	5,671	63,280
Disposals	-	-	(4,752)	(9)	(6,139)	-	(10,900)	-	(10,900)
Transfers/adjustment	-	-	8,006	-	2,802	(8,006)	2,802	(2,802)	-
Balance as at 30 June 2007	287,833	116,531	555,999	11,201	41,658	4,150	1,017,372	9,840	1,027,212
Depreciation									
Balance as at 01 July 2005	-	28,439	94,838	5,531	13,433	-	142,241	3,980	146,221
Depreciation charge for the year	-	9,757	40,545	842	6,436	-	57,580	1,287	58,867
Disposals	-	-	(935)	(11)	(2,927)	-	(3,873)	-	(3,873)
Transfers/adjustments	-	-	-	-	1,694	-	1,694	(1,694)	-
Balance as at 30 June 2006	-	38,196	134,448	6,362	18,636	-	197,642	3,573	201,215
Balance as at 01 July 2006	-	38,196	134,448	6,362	18,636	-	197,642	3,573	201,215
Depreciation charge for the year	-	10,486	71,169	898	7,632	-	90,185	1,018	91,203
Disposals	-	-	(4,601)	(8)	(4,398)	-	(9,007)	-	(9,007)
Transfers/adjustments	-	-	-	-	1,612	-	1,612	(1,612)	-
Balance as at 30 June 2007	-	48,682	201,016	7,252	23,482	-	280,432	2,979	283,411
Carrying amounts - 2006	287,833	70,575	381,046	3,729	20,768	6,268	770,219	3,398	773,617
Carrying amounts - 2007	287,833	67,849	354,983	3,949	18,176	4,150	736,940	6,861	743,801
Rates of depreciation	-	5-10%	10-20%	10-33.3%	20%	-		20%	

13.1 The Company had its lands, buildings and plant and machinery revalued in 1991, 1992, 1995 and 2002 by independent valuers on market basis. These revaluations resulted in net surplus of Rs. 21.577 million, Rs. 38.478 million, Rs. 15.396 million and Rs. 376.885 million respectively.

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

- 13.2** Land includes 2 kanals and 3 marlas given to Army Housing Colony by the Military Estate Office (MEO) for construction of a housing colony. The Company had filed a case against MEO for this unauthorised occupation. The court of Civil Judge, Rawalpindi has decreed against MEO for vacating the land. The management is confident that the final outcome of this matter will be in the Company's favour.

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

33 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

33.1 Interest rate risk exposure

The information about Company's exposure to interest rate risk based on contractual refinancing or maturity dates which ever is earlier is as follows:

2 0 0 7												
Effective rate of Interest	Interest/ mark-up bearing						Non-interest/ mark-up bearing			Total		
	Maturity upto one year	Maturity after one year and upto two years	Maturity after two years and upto three years	Maturity after three years and upto four years	Maturity after four years and upto five years	Maturity after five years	Sub total	Maturity upto one year	Maturity after one year		Sub total	
%	Rs. ('000)											
Financial assets												
Long term advances	11	720	830	3,262	-	-	-	4,812	-	-	-	4,812
Long term deposits	-	-	-	-	-	-	-	-	-	1,679	1,679	1,679
Trade debts	-	-	-	-	-	-	-	-	43,860	-	43,860	43,860
Advances to employees	-	-	-	-	-	-	-	-	2,561	-	2,561	2,561
Interest accrued	-	-	-	-	-	-	-	-	584	-	584	584
Investments at fair value through profit or loss	-	-	-	-	-	-	-	-	182,050	-	182,050	182,050
Cash and bank balances	8 - 10.5	102,017	-	-	-	-	-	102,017	49,245	-	49,245	151,262
		<u>102,737</u>	<u>830</u>	<u>3,262</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,829</u>	<u>278,300</u>	<u>1,679</u>	<u>279,979</u>	<u>386,808</u>
Financial liabilities												
Liabilities against assets subject to finance lease	8 - 13.43	1,887	1,614	1,067	-	-	-	4,568	-	-	-	4,568
Trade and other payables	37.5	6,274	-	-	-	-	-	6,274	157,296	-	157,296	163,570
Short term running finance	11.65	4,154	-	-	-	-	-	4,154	-	-	-	4,154
		<u>12,315</u>	<u>1,614</u>	<u>1,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,996</u>	<u>157,296</u>	<u>-</u>	<u>157,296</u>	<u>172,292</u>
Excess of financial assets over financial liabilities		<u>90,422</u>	<u>(784)</u>	<u>2,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,833</u>	<u>121,004</u>	<u>1,679</u>	<u>122,683</u>	<u>214,516</u>
2 0 0 6												
Rs. ('000)												
Financial assets												
Long term advances	11	825	1,726	2,305	-	-	-	4,856	-	-	-	4,856
Long term deposits	-	-	-	-	-	-	-	-	-	1,545	1,545	1,545
Trade debts	-	-	-	-	-	-	-	-	28,615	-	28,615	28,615
Advances to employees	-	-	-	-	-	-	-	-	3,160	-	3,160	3,160
Interest accrued	-	-	-	-	-	-	-	-	439	-	439	439
Other receivables	10.5 - 13	24,095	-	-	-	-	-	24,095	-	-	-	24,095
Investments at fair value through profit or loss	-	-	-	-	-	-	-	-	75,761	-	75,761	75,761
Cash and bank balances	9 - 10.25	85,000	-	-	-	-	-	85,000	54,044	-	54,044	139,044
		<u>109,920</u>	<u>1,726</u>	<u>2,305</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,951</u>	<u>162,019</u>	<u>1,545</u>	<u>163,564</u>	<u>277,515</u>
Financial liabilities												
Liabilities against assets subject to finance lease	8 - 8.30	1,872	799	-	-	-	-	2,671	-	-	-	2,671
Trade and other payables	37.5	14,063	-	-	-	-	-	14,063	133,033	-	133,033	147,096
		<u>15,935</u>	<u>799</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,734</u>	<u>133,033</u>	<u>-</u>	<u>133,033</u>	<u>149,767</u>
Excess of financial assets over financial liabilities		<u>93,985</u>	<u>927</u>	<u>2,305</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,217</u>	<u>28,986</u>	<u>1,545</u>	<u>30,531</u>	<u>127,748</u>

MURREE BREWERY COMPANY LIMITED
INCORPORATED 1860

BOARD OF DIRECTORS

Chairman
Chief Executive

MR. KHURRAM MUZAFFAR
MR. M.P. BHANDARA
MR. M.M. SHAHBAZ
MR. ISPHANYAR BHANDARA
MR. ASADULLAH KHAWAJA
CH. MUEEN AFZAL
MR. AAMIR H.SHERAZI

PRINCIPLE OFFICERS

Company Secretary
Chief Financial Officer
Senior Advisor
General Manager (Brewery Division)
Director (Glass Division)
General Manager (Tops Division)

MR. M. ZAFFAR IQBAL
KH. MUSHTAQ AHMED
MR. NAZIR AHMAD
MR. MUHAMMAD JAVED
MR. M.M. SHAHBAZ
DR. AFTAB IQBAL

AUDITORS

M/S TASEER HADI KHALID & Co.

CHARTERED ACCOUNTANTS, ISBD

AUDIT COMMITTEE

MR. KHURRAM MUZAFFAR (Chairman)
CH. MUEEN AFZAL (Member)
MR. ISPHANYAR BHANDARA (Member)

PRINCIPAL BANKERS

BANK ALFALAH LIMITED
STANDARD CHARTERED BANK
ASKARI COMMERCIAL BANK LTD.
NATIONAL BANK OF PAKISTAN

RAWALPINDI
RAWALPINDI/LAHORE
RAWALPINDI
RAWALPINDI/HATTAR

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

31 ADDITIONAL INFORMATION ON DIVISIONS

The detail of utilization of the Company's assets by the divisions as well as related liabilities is as follows:

		Liquor Division	Glass Division	Tops Division	Unallocated	Company
(Rs.'000)						
Assets	2007	1,002,066	162,213	258,023	186,967	1,609,269
	2006	874,592	186,048	244,242	143,758	1,448,640
Liabilities	2007	233,990	19,616	81,317	104,388	432,092
	2006	219,019	15,768	52,323	122,723	409,833
Capital expenditures	2007	40,182	11,560	11,538	-	63,280
	2006	82,306	27,128	87,965	-	197,399
Depreciation	2007	31,393	37,900	21,910	-	91,203
	2006	24,377	21,494	12,996	-	58,867

32 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

The aggregate amounts charged in the year for remuneration, including benefits and perquisites, were

	2007		2006	
	Chief Executive	Directors	Chief Executive	Directors
(Rs.'000)				
Managerial remuneration	960	1,085	320	803
Re-imbursable expenses	162	135	109	162
Provident fund contributions	-	6	-	6
Other perquisites and benefits in cash or in kind:				
Pension	223	173	223	173
Bonus	248	185	248	162
Travelling expense	293	596	186	577
Gratuity	-	28	-	15
Leave salary	41	52	41	39
	1,927	2,260	1,127	1,937
Numbers	1	2	1	2

32.1 In addition, free furnished accommodation is provided to the Chief Executive and one Director and semi-furnished accommodation to one Director. Company maintained cars are provided to the Chief Executive and one Director of the Company.

32.2 Meeting fee of Directors charged during the year is Rs. 30,000 (2006: Rs. 28,000), number of Directors: 4 (2006: 4).

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

10 TRADE AND OTHER PAYABLES	Note	2007	2006
		(Rs.'000)	(Rs.'000)
Creditors	10.1	97,276	59,625
Accrued liabilities	10.2	29,118	22,501
Advances from customers	10.3	20,244	23,449
Unpaid dividend		7,280	7,240
Unclaimed dividend		4,907	2,979
Workers' (Profit) Participation Fund (WPPF)	10.4	6,274	14,063
With holding tax payable		187	176
Sales tax payable		29,851	29,639
Export duty payable	10.5	110,821	99,464
Workers Welfare Fund (WWF)		2,907	1,407
Payable to pension fund	10.6	513	13,103
Zila tax payable		6,871	6,871
Other liabilities		15,295	26,178
		331,544	306,695

10.1 This includes Rs. 1.441 million (2006: Rs. 0.855 million) and Rs. 0.627 million (2006: Rs. 0.989 million) payable to associated companies on account of services received for the sale of the Company's products and purchase of raw materials respectively.

10.2 This includes Rs. 0.407 million (2006: Rs. nil) payable to the Chief Executive of the Company on account of managerial remuneration.

10.3 These are payable on demand and carry no interest.

10.4 Workers' (Profit) Participation Fund	Note	2007	2006
		(Rs.'000)	(Rs.'000)
Opening balance		14,063	10,023
Interest for the year		338	888
Contribution for the year	10.4.1	11,483	8,860
		25,884	19,771
Less: Payments during the year		(19,610)	(5,708)
		6,274	14,063

10.4.1 Computation of Workers' (Profit) Participation Fund

Profit for the year before WPPF and WWF	272,881	224,290
Less:		
Gain on disposal of property, plant and equipment	2,065	2,197
Interest on advances	196	292
Return on deposits	2,433	7,101
Gain on sale of investments	7,468	24,986
Miscellaneous receipts	8,669	1,606
Interest on securities purchased under resale arrangement	1,244	236
Unrealized gain on re-measurement of investments to fair value	21,140	10,677
	43,215	47,095
	229,666	177,195
Contribution for the year at the rate of 5%	11,483	8,860

10.5 This amount is payable on account of Export Duty on Pakistan Made Foreign Liquor and Beer.

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

11 SHORT TERM RUNNING FINANCE

This represents running finance facility amounting to Rs. 35 million from Bank Alfalah Limited, Rawalpindi. This facility is available till 31 March 2008 and carries mark up at the rate of KIBOR plus 1.5% per annum. It is secured against first hypothecation charge on current assets of the Company amounting to Rs. 60 million.

12 CONTINGENCIES AND COMMITMENTS

- 12.1** 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 Honorable High Court of Sindh in its order dated 29 May 2003 acquitted the employee, however, NAB preferred an appeal in the Honorable Supreme Court of Pakistan. Supreme Court of Pakistan in its order dated 21 April 2005 finally dismissed NAB appeal in employees' favour. The Accountability Court has also held that reference be filed against certain directors and the General Manager of the Company. The case is currently pending with the Honorable 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.

- 12.2** The Company is contingently liable in respect of guarantees amounting to Rs. 25.463 million (2006: Rs. 18.76 million) issued by bank on behalf of the Company in normal course of business.
- 12.3** The Company is contesting certain claims and levies imposed by various government authorities and departments amounting to Rs. 6.1 million (2006: Rs. 6.4 million) in various courts of law and other assessment forums. The Company is hopeful of favourable settlement of these cases.
- 12.4** The Company has opened Letters of Credit for the import of machinery and inventory items valuing approximately Rs. 26.112 million (2006: Rs. 44.304 million).
- 12.5** The Company's contracted capital commitments outstanding at the year end amounting to Rs. 5.40 million (2006: Rs.3.14 million).
- 12.6** Refer note28.2 for contingencies related to tax matters.

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

		2007 (Rs.'000)	2006 (Rs.'000)
14	LONG TERM ADVANCES - Considered good		
	To employees - Secured	4,812	4,856
	Less: Due within one year, shown under current assets	(720)	(825)
		<u>4,092</u>	<u>4,031</u>
14.1	These advances carry interest @ 11% p.a. and are repayable in periods up to three years.		
15	STORES AND SPARES		
	Stores	20,675	19,240
	Spares	37,511	41,383
	Bottles and shells	1,353	416
	Goods in transit	2,708	15
		<u>62,247</u>	<u>61,054</u>
16	STOCK IN TRADE		
	Raw material	185,356	138,065
	Work in process	37,184	34,168
	Stock under maturation	105,522	72,753
	Finished goods	19,578	10,860
	Goods in transit	-	13,226
		<u>347,640</u>	<u>269,072</u>
16.1	This includes stocks stated at NRV amounting to Rs. 2.99 million (2006: Rs. 1.345 million).		
17	TRADE DEBTS - Unsecured		
	Considered good	43,860	28,615
	Considered doubtful	2,500	2,500
		<u>46,360</u>	<u>31,115</u>
	Less: Provision for doubtful debts	(2,500)	(2,500)
		<u>43,860</u>	<u>28,615</u>
18	ADVANCES - Considered good		
	To employees including current portion of long term advances - Secured	3,281	3,985
	Suppliers	60,047	20,683
	Atlas Capital Markets (Pvt) Limited -Unsecured	-	1,000
	Others	145	107
		<u>63,473</u>	<u>25,775</u>

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

19 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	2007	2006
	(Rs.'000)	(Rs.'000)
Listed Companies		
Baluchistan Glass Limited	1	1
Habib Arkady Limited	5	2
Attock Refinery Limited	86	49
Pakistan Oilfields Limited	10,863	1,674
Shezan International Limited	22	19
Saudi Pak Leasing Company Limited	4	5
Hub Power Company Limited	-	2,358
Indus Motor Company Limited	16,904	17,706
Pakistan State Oil Company Limited	-	742
Oil and Gas Development Company Limited	-	1,914
Pak Suzuki Motors Limited	8,272	5,806
Pakistan Petroleum Limited	-	3,919
Kot Addu Power Company Limited	-	21
Fauji Cement Company Limited	-	4,800
Thall Limited	5,302	-
	41,459	39,016
Banks & Financial Institutions		
Faysal Bank Limited	-	5,860
Bank of Punjab	6	10,834
	6	16,694
Listed Modarabas		
Standard Chartered Modaraba	9	9
First Prudential Modaraba	1	1
	10	10
Funds		
AMZ Plus Income Fund	18,762	-
NAFA Multi Asset Fund	25,742	-
NAFA Cash Fund	7,150	-
Atlas Income Fund	5,052	-
Pakistan Premier Fund	2,669	2,438
Al Meezan Mutual Fund	2,428	2,412
Pakistan Capital Marketing Fund	9,193	7,215
HBL Income Fund	10,107	-
MCB Dynamic Cash Fund	5,043	-
Atlas Stock Mutual Fund	3,859	2,651
Pakistan Strategic Allocation Fund (PSAF)	5,250	5,325
IGI Income Fund	40,293	-
United Monetary Market Fund	5,027	-
	140,575	20,041
	182,050	75,761

19.1 Fair value of these investments are determined using quoted market price and redemption/ repurchase price, whichever is applicable.

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

20 CASH AND BANK BALANCES

	Note	2007 (Rs.'000)	2006 (Rs.'000)
Cash in hand		475	734
Cash at banks:			
- in current accounts		48,770	53,310
- in saving accounts	20.1	77,017	-
- in deposit accounts	20.2	25,000	85,000
		150,787	138,310
		151,262	139,044

20.1 Effective interest rates on saving accounts ranges from 8% to 9% per annum.

20.2 Effective interest rates on deposit accounts ranges from 9.00% to 10.25% (2006: 9.00% to 10.25%) per annum.

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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23 DISTRIBUTION COST	Note	2007	2006
		(Rs.'000)	(Rs.'000)
Advertisement and publicity		23,118	5,358
Salaries and wages	24.1	11,474	9,285
Selling expenses		16,276	14,177
Commission to D.P. Edulji Limited (an associated Company)		9,936	5,962
Samples		430	434
Sales promotion		2,496	2,192
Breakage		56	-
Truck freight		25,360	18,577
Depreciation		4,316	4,108
Others		2,792	2,351
		96,254	62,444

24 ADMINISTRATIVE EXPENSES

Directors' fees and traveling		672	430
Salaries, wages and benefits	24.1	48,217	43,798
Traveling and conveyance		793	1,356
Printing and stationery		1,986	2,427
Repairs and maintenance		6,043	4,583
Fuel and power		4,332	2,754
Communication		1,650	1,787
Entertainment		646	713
Advertisement		487	1,041
Legal and professional		690	386
Security expenses		1,115	778
Subscriptions and periodicals		150	204
Donations	24.2	8,610	1,497
Training expenses		9	19
Insurance		4,763	3,525
Rent, rates and taxes		1,224	1,082
Depreciation		7,745	7,216
Others		1,472	1,058
		90,604	74,654

24.1 This includes staff retirement benefits amounting to Rs. 5.256 million (2006: Rs. 4.944 million).

24.2 Donations include Rs. 3.5 million donated to Bhandhara Foundation (Commercial Building - The Mall, Lahore) in which the Chief Executive of the Company is also a director.

25 FINANCE COST

	2007	2006
	(Rs.'000)	(Rs.'000)
Markup on short term running finance	61	-
Finance charge on leased assets	275	459
Interest on Workers' (Profit) Participation Fund	338	888
	674	1,347

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

26 OTHER OPERATING EXPENSES	Note	2007 (Rs.'000)	2006 (Rs.'000)
Workers' (Profit) Participation Fund		11,483	8,860
Workers' Welfare Fund		1,500	1,407
Auditors' remuneration	26.1	875	600
Internal audit fee		200	200
Bad debts written off		-	61
		14,058	11,128
26.1 Auditors' remuneration			
Annual audit fee		500	450
Half yearly review		200	100
Other certifications		175	50
		875	600
27 OTHER OPERATING INCOME			
Income from financial assets:			
Dividend income		3,997	3,853
Interest on advances		196	292
Interest on securities purchased under resale arrangement		1,244	236
Unrealized gain on remeasurement of investments to fair value		21,140	10,677
Return on deposit accounts		2,433	7,101
Gain on sale of investments		7,468	24,986
		36,478	47,145
Income from assets other than financial assets:			
Gain/ (loss) on disposal of property, plant and equipment		2,065	2,197
Scrap sales		2,194	1,628
Miscellaneous receipts		8,669	7,162
		49,406	58,132
28 PROVISION FOR TAXATION			
Current		81,452	23,827
Deferred		(9,215)	42,126
	28.1	72,237	65,953

MURREE BREWERY COMPANY LIMITED
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	2007 (Rs.'000)	2006 (Rs.'000)
28.1 Reconciliation of tax charge for the year		
Accounting profit before taxation	259,898	167,096
Tax rate	35%	35%
Tax on accounting profit	90,964	74,908
Deferred tax asset recognised on employee benefits	(9,414)	-
Tax effect of items that are not deductible in determining taxable profit	5,426	25,006
Tax effect of items that are deductible in determining taxable profit	(10,519)	(74,931)
Tax effect of lower rate on certain income	(1,199)	(1,156)
Tax credit on approved donations	(3,021)	-
Net effect of origination of temporary differences	-	42,126
Tax expense for the year	72,237	65,953

28.2 Assessment of the Company for the assessment years 2001-2002 and 2002-2003 are pending decisions by the Commissioner (Appeals) on question of add back out of profit and loss expenses. The related tax demand is Rs. 59.5 million. The Company is confident of a favorable outcome.

28.3 The returns for the tax years 2003 to 2006 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 date of assessment.

29 EARNINGS PER SHARE - Basic and diluted 2007 2006

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

Net profit for the year (Rs.'000)	187,661	148,070
Weighted average number of shares (Numbers)	10,844,027	10,844,027
Earnings per share-Basic (Rupees)	17.31	13.65

For the purpose of computing earnings per share, the number of shares for the previous year have been adjusted for the effect of bonus shares issued during the year.

30 CASH AND CASH EQUIVALENTS 2007 2006
(Rs.'000) (Rs.'000)

These are made up as follows:

Cash in hand	475	734
Bank balances	150,787	138,310
Short term running finance - Secured	(4,154)	-
	147,108	139,044

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

33.2 FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of financial instruments is not significantly different from their book values as shown in these financial statements.

33.3 FOREIGN EXCHANGE RISK

This exists due to the Company's exposure resulting from outstanding import payments. The management of the Company believes that it is not materially exposed to foreign exchange risk.

33.4 CREDIT RISK MANAGEMENT

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company believes that it is not exposed to major concentration of credit risk. The Company controls its credit risk by the following methods:

- Ascertainment of credit worthiness of customers.
- Monitoring of debt on a continuous basis.
- Legal notices and follow-up.

33.5 LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. In the opinion of the management, the Company is not exposed to liquidity risk.

33.6 CASH FLOW RISK

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. In the opinion of the management, the Company is not exposed to cash flow risk.

34 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of directors, entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, staff retirement funds, directors and key management personnel. Balances with related parties are shown elsewhere in the accounts. The transactions with the related parties are as follows:

	2007	2006
	(Rs.'000)	(Rs.'000)
Transactions with associated companies under common directorship		
Lease installments paid	195	1,024
Sales commission	9,936	5,962
Purchase of raw materials and packing materials	33,762	39,420
Sale of vehicle	436	500
Payments made on behalf of associated Company	913	313
Services purchased	480	480
Securities purchased under resale arrangement	30,000	34,095
Securities sold under resale arrangement	64,095	-
Transactions with other associated undertakings		
Contribution to staff provident fund	1,100	2,295
Contribution to staff pension fund	1,788	1,000
Remuneration to chief executive and directors (Note 32)		

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

35 CAPACITY AND PRODUCTION		2007	2006
35.1 Liquor Division			
a) Capacity of Industrial unit			
Beer and Non alcoholic beverages	Liters	5,450,000	5,450,000
P.M.F.L.	Cases (2 B.G)	1,000,000	1,000,000
Alcohol (96 GL)	Liters	2,000,000	2,000,000
Non alcoholic products	Liters	24,000,000	24,000,000
b) Actual Production			
Beer and Non alcoholic beverages	Liters	8,076,309	6,256,680
P.M.F.L.	Cases(2 B.G)	1,026,955	899,764
Alcohol	Liters	1,758,633	1,760,139
Lemonades	Liters	19,397,204	10,716,697
35.2 Tops Division			
i) Rawalpindi			
a) Capacity			
Tetrapack Juices	Liters	12,000,000	12,000,000
Malt Extract	Kgs	210,000	210,000
b) Actual Production			
Tetra pack Juices	Liters	15,479,813	13,756,527
Malt Extract	Kgs	11,259	18,397
c) Hattar			
a) Capacity			
Food Products	Cartons	375,000	375,000
Juice	Liters	2,250,000	2,250,000
Juice (Pet)	Liters	2,592,000	2,592,000
b) Actual production			
Food Products	Cartons	120,525	129,865
Juice (NR)	Liters	2,386,266	2,384,136
Juice (Pet)	Liters	17,326	2,557
35.3 Glass Division - Hattar			
a) Melting Capacity	M. Tons	24,000	22,340
b) Actual production			
Nominal glass	M. Tons	17,739	13,504
35.4	Normal capacity is based on one shift of 8 hours per day.		
35.5	Actual production is dependent upon the demand and supply situation of the related product.		

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

36 GENERAL

- 36.1** Figures have been rounded off to the nearest thousand of Rupees, unless otherwise stated.
- 36.2** Commission on sales to D.P.Edulji (Private) Limited (an associated Company) amounting to Rs. 5.962 million, previously shown as deduction from sales, has been reclassified as distribution expense in profit and loss account for better presentation.
- 36.3** Dividend payable to Muslim Shareholders is deemed to be appropriated from income arising from the Company's investments.
- 36.4** The Board of Directors of the Company in the meeting held on 29 September 2007 proposed final cash dividend of Rs _____ per share and stock dividend of _____% i.e. 1 bonus share for every 10 shares held.

Rawalpindi

CHIEF EXECUTIVE

Director

MURREE BREWERY COMPANY LIMITED
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	2007 (Rs.'000)	2006 (Rs.'000)
10.6 Payable to pension fund		
The amount recognized in the balance sheet is as follows:		
Present value of defined benefit obligation	18,718	12,628
Fair value of plan assets	(13,858)	(936)
Deficit of the fund	4,860	11,692
Unrecognized actuarial (loss)/ gain	(3,099)	2,763
Past service cost not recognised	(1,248)	(1,352)
Net liability at end of the year	513	13,103

The changes in the present value of defined benefit obligation are as follows:

Present value of defined benefit obligation at beginning of the year	12,628	12,154
Current service cost	648	505
Interest cost	1,136	1,094
Actuarial loss / (gain)	5,724	(125)
Benefits paid	(1,418)	(1,000)
Present value of defined benefit obligation at end of the year	18,718	12,628

The changes in the fair value of plan assets are as follows:

Fair value of plan assets at beginning of the year	936	1,061
Contributions by the Company	14,378	1,000
Benefits paid	(1,418)	(1,125)
Actuarial loss	(38)	-
Fair value of plan assets at end of the year	13,858	936

The Company expects to contribute Rs. 7.3 million to its defined benefit pension plan in 2008.

Expense recognised in profit and loss account:

Current service cost	648	505
Interest cost	1,136	1,094
Net actuarial gain recognised	(100)	(193)
Past service cost recognised	104	104
	1,788	1,510

Plan assets comprise of:

Units in open end funds	13,137	-
Cash at banks	721	936
	13,858	936

Comparison of present values of defined benefit obligation, fair value of plan assets and surplus or deficit of pension fund for five years is as follows:

	2007	2006	2005	2004	2003
	(Rs.'000)				
Present value of defined benefit obligation	18,718	12,628	12,154	12,222	11,272
Fair value of plan assets	(13,858)	(936)	(1,061)	-	-
Deficit/ (surplus)	4,860	11,692	11,093	12,222	11,272
Experienced adjustments on obligation	(5,724)	125	(931)	(262)	(249)
Experienced adjustments on plan assets	(38)	-	-	-	-

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

1 THE COMPANY AND ITS 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.

The Company is presently operating three divisions to carry out its principal activities namely Liquor Division, Tops Division and Glass Division.

2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING ESTIMATES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or the directives issued by the Securities and Exchange Commission of Pakistan differ from the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Significant accounting estimates

The preparation of financial statements in conformity with the approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision effects only that period, or in the period of the revision and future periods if the revision effects both current and future periods.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in subsequent years are discussed in the ensuing paragraphs:

2.2.1 Income taxes

The Company takes into account the current income tax law and decisions taken by the appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items is of material nature is in accordance with law, the amounts are shown as contingent liabilities.

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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2.2.2 Staff Retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 3.3.2 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Changes in these assumptions in future years may affect the liability under these schemes in those years. (Refer note 3.3.2 for accounting policy of retirement benefits and notes 8 and 10.6 for disclosures)

2.2.3 Property, plant and equipment

The Company reviews the useful life of property plant and equipment on regular basis. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment. (Refer note 3.4 for accounting policy of property, plant and equipment and note 13 for disclosures)

2.2.4 Stores and spares and stock in trade

The Company reviews the value of inventory of stores and spares and stock in trade for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores and spares and stock in trade with a corresponding affect on the provision. (Refer note 3.9 and 3.10 for accounting policies of stores and spares and stock in trade respectively and note 15 and 16 for disclosures)

2.2.5 Provision against trade debts

The Company reviews its trade debts to assess any amount of bad debts and provision required there against on regular basis. (Refer note 3.11 for accounting policy of trade debts and note 17 for disclosures)

2.3 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, interpretations and amendments in approved accounting standards are only effective for accounting periods beginning on or after 1 July 2007 and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in certain cases:

- IAS 1 - (Amendments) Presentation of Financial Statements Capital Disclosures;
- IAS 23 - Borrowing Costs (as revised);
- IAS 41 - Agriculture;
- IFRS 2 - Share-based Payments;
- IFRS 3 - Business Combinations;
- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations;
- IFRS 6 - Exploration for and Evaluation of Mineral Resources;
- IFRIC 10 - Interim Financial Reporting and Impairment;
- IFRIC 11 - Group and Treasury Share Transactions;
- IFRIC 12 - Service Concession Arrangements;
- IFRIC 13 - Customer Loyalty Programmes; and
- IFRIC 14 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction.

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention and basis of preparation

These financial statements have been prepared under the historical cost convention except that certain components of property, plant and equipment have been stated at revalued amounts, investments at fair value through profit or loss have been measured at fair market value and obligations under certain staff retirement benefits have been measured at present value.

3.2 Taxation

Income tax on profit or loss for the year comprises current and deferred taxation. Current and deferred tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity.

3.2.1 Current

Taxation charged in the financial statements is based on taxable income at the current rates of taxation after taking into account tax rebates and tax credits available, if any.

3.2.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is calculated at the rates that are expected to apply to the period when the temporary differences are expected to reverse, based on tax rates that have been enacted at the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that sufficient taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. At each balance sheet date, the Company re-assesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. The Company recognizes the previously unrecognized deferred tax asset to the extent that it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. The Company conversely reduces the carrying amount of deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilized.

3.3 Staff retirement benefits

The Company operates following retirement benefit schemes for its employees :

3.3.1 Defined contribution plan

The Company operates a Provident Fund Trust for which the Company and the employees contribute equally @ 8.33 % of the basic salaries of employees. The Company's contribution is charged to profit and loss account.

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

3.3.2 Defined benefit plans

The Company operates pension and gratuity plans for its eligible staff. The Pension Plan is funded while the Gratuity Plan is unfunded. The liabilities under the plans are determined on the basis of actuarial valuations carried out by using the Projected Unit Credit Method. The Company has a policy of carrying out actuarial valuations after every two years. Latest valuations were conducted as of 30 June 2007. Significant actuarial assumptions are as follows:

Discount rate	10%
Increase in salary	10%
Mortality rate	EFU 61-66 mortality rate

The amount recognized in the balance sheet represents the present value of defined benefits as is adjusted for unrecognized actuarial gains and losses. Unrecognized actuarial gains and losses, exceeding corridor limits defined in International Accounting Standard - 19 "Employee benefits" are amortized over the expected average remaining working lives of the employees participating in the plan.

3.3.3 Compensated absences

The Company provides for compensated absences according to the Company's rules.

3.4 Property, plant and equipment

3.4.1 Owned

These are stated at cost less accumulated depreciation and impairment losses, if any, except for:

- Land, which was revalued on 31 July 1995 and 30 June 2002 and is stated at revalued figures.
- Buildings, which were revalued on 22 August 1991, 30 November 1991, 31 July 1995 and 30 June 2002 and are stated at revalued figures less accumulated depreciation and impairment losses, if any.
- Plant and machinery which was revalued on 10 August 1992, 31 July 1992 and 30 June 2002 and is stated at revalued figures less accumulated depreciation and impairment losses, if any.

Revaluation of the items of property, plant and equipment is carried out after every five years.

Depreciation is charged to the profit and loss account on straight line method so as to write off the depreciable amount of the property, plant and equipment over their estimated useful lives at the rates specified in note 13.

The Company charges depreciation on all additions to property, plant and equipment and assets subject to finance lease from the date asset is available for use till the date of its disposal. Depreciation on depreciable assets is commenced from the date the asset is available for use up to the date when the asset is retired.

Minor renewals, replacements and repairs are charged to the profit and loss account as and when incurred. Major improvements are capitalized and property, plant and equipment so replaced; if any, are retired.

Gains and losses on disposals of fixed assets are taken to income currently.

Capital work in progress is stated at cost less impairment losses, if any.

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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3.4.2 Leased

Leases in term of which the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Assets acquired by way of finance lease are stated at amounts equal to the lower of their fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Outstanding obligations under the lease less finance charges allocated to the future periods are shown as liability. Value of leased assets is depreciated over the useful life of the asset using the straight line method at the rates given in note 13 to these financial statements.

3.5 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss if any. Impairment losses are recognized as expense in the profit and loss account.

3.6 Borrowing costs

All borrowing costs are charged to the profit and loss account as incurred.

3.7 Securities purchased under resale arrangement

Transactions of purchase under resale (reverse repo) of marketable securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date are not recognised in the balance sheet. Amounts paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement.

3.8 Investments

3.8.1 Investments held to maturity

Investments with fixed maturity, where management has both the intent and ability to hold to maturity are classified as held to maturity and are stated at amortized costs. The resultant change in values is reported directly in the profit and loss account.

3.8.2 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 are designated 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. Investment in de-listed/suspended companies are carried at nil value. The Company recognises the regular way purchase or sale of investments using settlement date accounting.

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

3.8.3 Investments available for sale

These are investments, which do not fall under the investments at fair value through profit or loss or held for maturity categories. These are stated at fair values with any resulting gains/losses recognized directly in the equity. The fair value of these investments representing listed equity securities are determined on the basis of year end stock exchange prices. Investment in de-listed/suspended companies are carried at nil value.

3.9 Stores and spares

Stores and spares are stated at lower of cost or net realizable value. Cost is determined using the weighted average method. Items in transit are valued at invoice price and related expenses incurred up to the balance sheet date.

3.10 Stock in trade

These are valued at lower of cost or net realizable value. Cost is determined as follows:

- Raw materials and finished goods are valued at weighted average cost.
- Stocks under maturation/ work in progress are valued at manufacturing cost.
- Work in process is valued at estimated manufacturing cost.
- Goods in transit are valued at actual cost, which includes invoice value and other charges incurred thereon.
- Cost of finished goods include prime cost and appropriate portion of production over heads. Net realizable value represents the estimated selling price less costs necessary to make the sale.

3.11 Trade and other receivables

Trade and other receivables are stated at invoice value less allowance for impairment, if any. Known bad debts are written off while debts considered doubtful of recovery are fully provided for. Provision for doubtful debts is charged to profit and loss account for the year.

3.12 Revenue recognition

- Sales are recorded on dispatch of goods to the customers. Net sales represent the invoiced value of goods, net of discount, dispatched to customers by the Company during the year.
- Return on deposits is accounted for on a time proportion basis using the applicable rate of interest.
- Capital gains or losses on sale of investments are taken to the profit and loss account in the period in which they arise.
- Dividend income is recognized when the Company's right to receive the dividend is established.

3.13 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments.

The Company accounts for lease obligations by recording the asset and corresponding liability there against determined on the basis of discounted value of total minimum lease payments. Finance charge is recognized in the profit and loss account using the effective mark-up rate method.

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

3.14 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.15 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of any past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.16 Foreign currency transactions

Foreign currency transactions during the year are translated into Pak. Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Pak. Rupees at the rates of exchange prevailing at the balance sheet date. Exchange differences if any, are charged to the profit and loss account.

3.17 Dividend appropriation

Dividends and other reserve movements are recognised in the financial statements in the period in which they are declared.

3.18 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, short term running finance and bank balances .

3.19 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument i.e. on trade date basis. The Company de-recognizes the financial assets and liabilities when it ceases to be a party to such contractual provisions of the instruments. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently.

All the financial assets and liabilities are initially recognized at fair value. These are subsequently measured at fair value, amortized cost or cost, as the case may be.

3.20 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to setoff the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.21 Segment Reporting

Segments have been identified on the basis of business namely Liquor Division, Glass Division and Tops Division. Main products of each segment are as follows:

Liquor Division:	PMFL, Beer, Bigg Apple, Cindy, Malt-79
Glass Division:	Glass bottles and jars

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Tops Division: Food products and juices

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

4 SHARE CAPITAL

AUTHORISED SHARE CAPITAL

This represents 30,000,000 ordinary shares of Rs 10 each.(2006: 30,000,000 ordinary shares of Rs 10 each)

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2007 Numbers	2006 Numbers		2007 (Rs.'000)	2006 (Rs.'000)
264,000	264,000	Ordinary shares of Rs. 10 each fully paid in cash	2,640	2,640
10,580,027	9,594,206	Ordinary shares of Rs. 10 each issued as fully paid	105,800	95,942
10,844,027	9,858,206		108,440	98,582

This includes 1,580,888 (2006: 1,437,171) ordinary shares held by M/s D.P. Edulji & Company (Pvt) Limited (an associated company).

5 REVENUE RESERVE

General reserve	327,042	327,042
Unappropriated profit	368,787	232,628
	695,829	559,670

6 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT- net of tax

Surplus on revaluation of property, plant and equipment as at 01 July	353,989	365,915
Less: Adjustment of revaluation surplus on property, plant and equipment disposed off during the year	-	(161)
	353,989	365,754
Transferred to un-appropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(7,647)	(7,647)
Related deferred tax liability	(4,118)	(4,118)
	(11,765)	(11,765)
Surplus on revaluation of fixed assets as at 30 June	342,224	353,989
Related deferred tax liability on:		
Revaluation as at 01 July	(24,115)	(28,289)
Property, plant and equipment disposed off during the year	-	56
Incremental depreciation charged during the year	4,118	4,118
	(19,997)	(24,115)
	322,227	329,874

7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2007			2006		
	Minimum lease payments	Financial charge for future periods	Principal outstanding	Minimum lease payments	Financial charge for future periods	Principal outstanding
	Rs. (000)			Rs. (000)		
Not later than one year	2,382	495	1,887	1,972	100	1,872
Later than one year and not later than five years	3,781	341	3,440	814	15	799
	6,163	836	5,327	2,786	115	2,671

7.1 The Company has leased vehicles from Atlas Investment Bank Limited (an associated company) and Bank Alfalah Limited. The lease term for these arrangements is 3 years. All leases carry markup ranging from 8% to 8.33%. The rentals are payable in thirty six monthly installments upto April 09, 2010. At the end of the lease term, the Company has the option to acquire the assets on payment of all installments. Minimum lease payments outstanding at the year end include Rs. 3.32 million (2006: Rs. 0.224) payable to the associated undertaking.

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

8 DEFERRED LIABILITIES - STAFF RETIREMENT BENEFITS	2007 (Rs.'000)
Provision for gratuity	<u>16,202</u>
The amount recognized in the balance sheet is as follows:	
Present value of defined benefit obligation	16,035
Unrealized actuarial gain	<u>167</u>
Net liability at end of the year	<u>16,202</u>
The movement in the present value of defined benefit obligation is as follows:	
Present value of defined benefit obligation at beginning of the year	16,387
Charge for the year	2,368
Benefits paid during the year	<u>(2,553)</u>
Present value of defined benefit obligation at end of the year	<u>16,202</u>
Expense recognised in profit and loss account:	
Current service cost	933
Interest cost	<u>1,435</u>
	<u>2,368</u>

Comparison of present values of defined benefit obligation for five years is as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
	<u>(Rs.'000)</u>			
Present value of defined benefit obligation	<u>16,035</u>	<u>15,948</u>	<u>15,999</u>	<u>18,955</u>

9 DEFERRED TAXATION	2007 (Rs.'000)
Taxable temporary differences:	
Surplus on revaluation of fixed assets	19,997
Accelerated depreciation	<u>66,020</u>
	86,017
Deductible temporary differences:	
Provision for employee benefits and finance leases	<u>(11,152)</u>
	<u>74,865</u>

2006
(Rs.'000)

16,387

15,948

439

16,387

16,438

2,310

(2,361)

16,387

870

1,440

2,310

2003

17,793

2006
(Rs.'000)

24,115

66,635

90,750

(6,670)

84,080

MURREE BREWERY COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	Liquor Division		Glass Division		Tops Division		Company	Company
		2007	2006	2007	2006	2007	2006	2007	2006
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
SALES									
Third party sales-net	21	1,574,734	1,113,906	14,258	6,207	652,432	558,393	2,241,424	1,678,506
Inter divisional sales	21.1	117,389	84,486	176,800	113,286	-	-	-	-
		1,692,123	1,198,392	191,058	119,493	652,432	558,393	2,241,424	1,678,506
Duties and taxes	21.2	(601,866)	(429,729)	(1,860)	(810)	(94,987)	(80,202)	(698,713)	(510,741)
		1,090,257	768,663	189,198	118,683	557,445	478,191	1,542,711	1,167,765
COST OF SALES									
Third parties	22	(576,532)	(398,624)	(223,799)	(144,959)	(330,298)	(318,718)	(1,130,629)	(862,301)
Inter divisional		(138,652)	(95,733)	-	-	(155,537)	(102,039)	-	-
		(715,184)	(494,357)	(223,799)	(144,959)	(485,835)	(420,757)	(1,130,629)	(862,301)
GROSS PROFIT/(LOSS)		375,073	274,306	(34,601)	(26,276)	71,610	57,434	412,082	305,464
Distribution cost	23	(47,064)	(25,024)	(859)	(498)	(48,331)	(36,922)	(96,254)	(62,444)
Administrative expenses	24	(64,718)	(50,584)	(10,495)	(10,342)	(15,391)	(13,728)	(90,604)	(74,654)
Finance cost	25	(403)	(922)	-	-	(271)	(425)	(674)	(1,347)
		(112,185)	(76,530)	(11,354)	(10,840)	(63,993)	(51,075)	(187,532)	(138,445)
Other operating expenses	26							(14,058)	(11,128)
Other operating income	27							49,406	58,132
NET PROFIT / (LOSS) BEFORE TAXATION		262,888	197,776	(45,955)	(37,116)	7,617	6,359	259,898	214,023
Provision for taxation	28							(72,237)	(65,953)
NET PROFIT AFTER TAXATION								187,661	148,070
EARNINGS PER SHARE - BASIC & DILUTED (RUPEES)	29							17.31	13.65

The annexed notes 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

21 THIRD PARTY SALES - Net

	Liquor Division		Glass Division		Tops Division		Company	Company
	2007	2006	2007	2006	2007	2006	2007	2006
	Rs.'000							
Sales	1,698,078	1,182,593	14,258	6,207	709,620	601,839	2,421,956	1,790,639
Less: Discounts	(123,344)	(68,687)	-	-	(57,188)	(43,446)	(180,532)	(112,133)
	<u>1,574,734</u>	<u>1,113,906</u>	<u>14,258</u>	<u>6,207</u>	<u>652,432</u>	<u>558,393</u>	<u>2,241,424</u>	<u>1,678,506</u>

Note

21.1 Interdivisional sales are at normal selling prices.

21.2 Duties and taxes

Sales tax	374,567	231,792	1,860	810	94,987	80,202	471,414	312,804
Excise duty	227,299	197,937	-	-	-	-	227,299	197,937
	<u>601,866</u>	<u>429,729</u>	<u>1,860</u>	<u>810</u>	<u>94,987</u>	<u>80,202</u>	<u>698,713</u>	<u>510,741</u>

22 COST OF SALES

Raw materials consumed	22.1	640,278	442,255	58,810	32,954	439,545	383,591	1,138,633	858,800
Stores and spares consumed		6,212	5,861	14,340	9,407	250	133	20,802	15,401
Fuel and power		37,481	30,444	79,376	49,581	6,810	6,845	123,667	86,870
Salaries, wages and other benefits		24,814	17,973	16,123	15,038	10,878	7,419	51,815	40,430
Repairs and maintenance		15,885	14,870	14,281	12,261	11,846	13,387	42,012	40,518
Other manufacturing expenses		4,594	2,756	4,877	3,440	3,777	5,202	13,248	11,398
Depreciation		25,234	18,939	37,633	21,264	16,275	7,340	79,142	47,543
		<u>754,498</u>	<u>533,098</u>	<u>225,440</u>	<u>143,945</u>	<u>489,381</u>	<u>423,917</u>	<u>1,469,319</u>	<u>1,100,960</u>
Work in process									
Opening stock as at 01 July		102,273	64,320	613	420	4,036	1,762	106,922	66,502
Closing stock as at 30 June		(139,180)	(102,273)	(529)	(613)	(2,997)	(4,036)	(142,706)	(106,922)
		<u>(36,907)</u>	<u>(37,953)</u>	<u>84</u>	<u>(193)</u>	<u>1,039</u>	<u>(2,274)</u>	<u>(35,784)</u>	<u>(40,420)</u>
Cost of goods manufactured		<u>717,591</u>	<u>495,145</u>	<u>225,524</u>	<u>143,752</u>	<u>490,420</u>	<u>421,643</u>	<u>1,433,535</u>	<u>1,060,540</u>
Finished goods									
Opening stock as at 01 July		5,128	4,340	733	1,940	5,000	4,114	10,861	10,394
Closing stock as at 30 June		(7,535)	(5,128)	(2,458)	(733)	(9,585)	(5,000)	(19,578)	(10,861)
		<u>(2,407)</u>	<u>(788)</u>	<u>(1,725)</u>	<u>1,207</u>	<u>(4,585)</u>	<u>(886)</u>	<u>(8,717)</u>	<u>(467)</u>
		<u>715,184</u>	<u>494,357</u>	<u>223,799</u>	<u>144,959</u>	<u>485,835</u>	<u>420,757</u>	<u>1,424,818</u>	<u>1,060,073</u>
Less: Inter divisional transfers		(138,652)	(95,733)	-	-	(155,537)	(102,039)	(294,189)	(197,772)
		<u>576,532</u>	<u>398,624</u>	<u>223,799</u>	<u>144,959</u>	<u>330,298</u>	<u>318,718</u>	<u>1,130,629</u>	<u>862,301</u>
22.1 Raw materials consumed									
Opening stock as at 01 July		88,952	52,729	6,997	5,518	42,116	39,085	138,065	97,332
Purchases		666,797	478,478	58,990	34,433	460,137	386,622	1,185,924	899,533

MURREE BREWERY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Closing stock as at 30 June	755,749	531,207	65,987	39,951	502,253	425,707	1,323,989	996,865
	(115,471)	(88,952)	(7,177)	(6,997)	(62,708)	(42,116)	(185,356)	(138,065)
	640,278	442,255	58,810	32,954	439,545	383,591	1,138,633	858,800

VISION STATEMENT

To fulfill customer requirements & expectations through CARE

MISSION STATEMENT

We the people of Murree Brewery Co. make personal commitment to first understand our customers requirement then to meet & exceed their expectations, by performing the correct tasks on time and every time through:

Continuous improvement

Alignment of our Mission & goals

Responsibility and respect of our jobs and each other

Educating one another