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THE FRONTIER SUGAR MILLS & DISTILLERY LTD
NOWSHEHRA ROAD, MARDAN
TEL: 0937-551051



**THE FRONTIER SUGAR MILLS
& DISTILLERY LIMITED
TAKHT-I-BHAI - MARDAN**

**QUARTERLY FINANCIAL STATEMENTS
(UN-AUDITED)
AS ON 30 JUNE, 2009**

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED
COMPANY INFORMATION

BOARD OF DIRECTORS

CHAIRMAN KHAN AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE BEGUM LAILA SARFARAZ

DIRECTORS ABBAS SARFARAZ KHAN
MS. ZARMINE SARFARAZ
MS. NAJDA SARFARAZ
ISKANDER M. KHAN
BABER ALI KHAN
ABDUL QADAR KHATTAK

BOARD AUDIT COMMITTEE KHAN AZIZ SARFARAZ KHAN CHAIRMAN
MS. ZARMINE SARFARAZ MEMBER
ISKANDER M. KHAN MEMBER

COMPANY SECRETARY MUJAHID BASHIR

CHIEF FINANCIAL OFFICER RIZWAN ULLAH KHAN

AUDITORS MESSRS HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

COST AUDITORS MESSRS MUNAWAR ASSOCIATES,
CHARTERED ACCOUNTANTS.

TAX CONSULTANT MEHMOOD MIRZA ADVOCATE

LEGAL ADVISOR QAZI MUHAMMAD ANWAR ADVOCATE

BANKERS NATIONAL BANK OF PAKISTAN
HABIB BANK LIMITED
MCB BANK LIMITED
UNITED BANK LIMITED
ALLIED BANK LIMITED
THE BANK OF KHYBER
PICIC COMMERCIAL BANK LIMITED
INNOVATIVE INVESTMENT BANK LIMITED
FAYSAL BANK LIMITED
BANK ALFALAH LIMITED

REGISTERED OFFICE NOWSHERA ROAD, MARDAN

FACTORY TAKHT-BHAI DISTT. MARDAN
PHONES: 0937 551051-551049-551041
FAX: 0937 552878

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED
DIRECTORS' REVIEW REPORT

The Board of Directors is pleased to present a brief overview of about the Company for the period ended June 30, 2009:

The Company is facing severe competition from the tax-free commercial Gur traders, due to this, the entire sugarcane crop gets diverted towards the lucrative tax free commercial Gur manufacturing. We cannot compete with the tax-free commercial gur manufacturing in the absence of the following measures:

- Implementation of Gur Control Act 1948 in letter and spirit
- Collection of sales tax on the commercial sale of Gur at mandi level, as under the Sales Tax Act 1990, Gur has a levy of sales tax.
- To apply law with the same yardstick by imposing ban / duty on export of Gur as applied on sugar
- Linkage of the support price of sugarcane with its sucrose contents.

We have aggressively followed the above with the GoP and finally, the Sugar advisor Board (SAB) in the meeting held on July 14, 2009 has directed Federal Cane Commissioner to determine the support price of sugarcane on the basis of sucrose content.

Sugarcane procurement and uneven competition with Gur

The commercial tax-free Gur manufacturers produce approximately 300,000 tons of Gur, valuing Rs. 8.400 Billion from 3 Million Metric tons of sugarcane. Though, the commercial Gur manufacturing qualifies the status of Medium Scale Industry and is not exempt from the levy sales tax, despite this, the Government has failed to collect sales tax at the Mandies level on the false pretext that the Gur making is a Cottage Industry. As a result, the sales tax and income tax to the tune of Millions of Rupees is not collected from lucrative Gur trade, depriving the National exchequer of huge revenues. The sugar factories in the Peshawar Valley have a capacity to produce 125,000 tons of sugar and contribute Rs. 625 million in taxes to the GOP, instead Gur traders are benefiting at the cost of exchequer, because of inability of FBR to collect sales tax on Gur trade.

Accounting Policies

There has been no change in the accounting policies adopted in the preparation of these quarterly Financial Statements.

ON BEHALF OF THE BOARD

Mardan;
28 July, 2009

(BEGUM LAILA SARFRAZ)
(Chief Executive)

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED
CONDENSED INTERIM BALANCE SHEET AS AT 30 JUNE, 2009

	Un-audited 30 June, 2009	Audited 30 Sep., 2008
Note	(Rupees in thousand)	
Assets		
Non-current assets		
Property plant and equipment	7 24,331	26,291
Long Term Investments	8 13,064	17,482
Long term loan to an Associated Company	33,333	33,333
Long term security deposit	92	92
	70,820	77,198
Current assets		
Stores and spares	33,603	33,603
Stock-in-trade	2,097	2,097
Trade debtors	0	29
Loans and Advances	17,645	17,565
Prepayments	99	48
Accrued profit / mark-up on bank deposits and loan to an Associated Company	2,806	3,539
Other receivables	1,414	1,338
Income tax Refundable and tax deducted at source	5,264	5,071
Cash and bank balances	40,902	52,888
	103,830	116,178
	174,650	193,376
Equity and liabilities		
Capital and reserve		
Authorised capital	20,000	20,000
Issued, subscribed and paid-up capital	14,000	14,000
General reserve	134,000	134,000
Fair value reserve on available-for-sale investments	6,929	11,347
Accumulated loss	(2,099)	2,218
Shareholders' equity	152,830	161,565
Surplus on revaluation of property, plant and equipment	14,057	15,197
Non-current liabilities		
Staff retirement benefits-gratuity	2,815	11,485
Current liabilities		
Trade and other payable	3,971	4,221
Accrued markup	233	233
Unclaimed dividends	572	572
Taxation	172	103
	4,948	5,129
Contingencies and commitments		
	10	10
	174,650	193,376

The annexed notes form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE QUARTER AND NINE MONTHS ENDED 30 JUNE, 2009 (UN-AUDITED)

	For the 3rd Quarter		cumulative	
	01 April, 2009 to 30 June., 2009	01 April, 2008 to 30 June., 2008	01 Oct., 2008 to 30 June., 2009	01 Oct., 2007 to 30 June., 2008
	Rupees in thousand			
Turnover				
- local	79	240	79	454
Less: Sales tax	11	36	11	68
Sales - net	68	204	68	386
Cost of sales	4,115	3,349	8,514	12,932
Gross loss	(4,047)	(3,145)	(8,446)	(12,546)
Administrative expenses	1,829	2,389	5,945	6,113
Operating loss	(5,876)	(5,534)	(14,391)	(18,659)
Other operating income	2,382	4,818	9,011	8,133
	(3,494)	(716)	(5,380)	(10,526)
Other operating expenses	0	19	0	19
Finane cost	4	12	8	31
	4	31	8	50
Loss - before taxation	(3,498)	(747)	(5,388)	(10,576)
Provision for Taxation	3	0	69	1
Loss after taxation	(3,501)	(747)	(5,457)	(10,577)
Loss per share	(2.59)	(0.55)	(4.04)	(7.83)

The annexed notes form an integral part of this condensed interim financial information.
Appropriations have been reflected in the statement of changes in equity

CHIEF EXECUTIVE

DIRECTOR

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE, 2009 (UN-AUDITED)

	30 June, 2009	30 June, 2008
	Rupees in thousand	
Cash flow from operating activities		
Loss for the period - before taxation	(5,388)	(10,576)
Adjustments for:		
Depreciation	1,958	2,180
Profit on loans and bank deposits	(7,560)	(8,133)
Trade debts written off	29	0
Dividend	(657)	0
Staff retirement benefits - gratuity (Net)	(8,670)	(826)
Finance cost	8	31
Cash outflow from operating activities - before working capital changes	(20,280)	(17,324)
Decrease / (increase) in current assets		
Stores and spares	0	698
Stock-in-trade	0	225
Trade debtors	0	(7)
Loans and Advances	(80)	786
Prepayments	(51)	271
Other receivables	(76)	(2,601)
Increase/ (decrease) in current liabilities		
Creditors, accruals and other liabilities	(250)	2,697
	(457)	2,069
Cash outflow from operating activities - before taxation	(20,737)	(15,255)
Taxes paid	(191)	(115)
Income tax refund received	0	(3,554)
Net cash outflow from operating activities	(20,928)	(11,816)
Cash flow from investing activities		0
Profit on loans/bank deposit received	8,293	7,784
Investment at fair value	0	(2,667)
Dividend Received	657	0
Deposit with non-bank finance institution	0	(39,000)
Loan to Associated Undertaking	0	(50,000)
Net cash inflow / (out flow) from investing activities	8,950	(83,883)
Cash flow from financing activities		
Financial charges paid	(8)	(31)
Net decrease in cash and cash equivalents	(11,986)	(95,730)
Cash and cash equivalents - at the beginning of the period	52,888	109,196
Cash and cash equivalents - at the end of the period	40,902	14,186

The annexed notes form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 JUNE, 2009 (UN-AUDITED)

	Share capital	General reserve	Fair value reserve on available-for-sale investments	Accumulated loss	Total
	Rupees in thousand				
Balance as at 30 September, 2007	14,000	184,000	14,134	(40,671)	171,463
Loss for the nine month ended June 2008				(10,577)	(10,577)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation for the nine months ended 30 June, 2008 -net of deferred taxation	0	0	0	1,266	1,266
Transfer		(41,000)		41,000	0
Fair value loss on available-for-sale investments for the nine months ended 30 June, 2008	0	0	2,739	0	2,739
Balance as at 30 June, 2007	14,000	143,000	16,873	(8,982)	164,891
Profit for the period from 1st July 2008 to 30 September, 2008	0	0	0	1,777	1,777
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation from 1st July 2007 to 30 September, 2008-net of deferred taxation	0	0	0	423	423
Transfer		(9,000)		9,000	0
Fair value gain on available-for-sale Investments from July to Sept;2008	0	0	(5,526)	0	(5,526)
Balance as at 30 September, 2008	14,000	134,000	11,347	2,218	161,565
Loss for the nine months ended 30 June, 2009	0	0	0	(5,457)	(5,457)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation for the nine months ended 30 June, 2009 net of deferred taxation	0	0	0	1,140	1,140
Fair value gain on available-for-sale Investments for the period	0	0	(4,418)	0	(4,418)
Balance as at 30 June, 2009	14,000	134,000	6,929	(2,099)	152,830

The annexed notes form an integral part of this condensed interim financial information

CHIEF EXECUTIVE

DIRECTOR

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED 30 JUNE, 2009 (UN-AUDITED)

- The Frontier Sugar Mills & Distillery Limited (the Company) was incorporated on 31 March, 1938 as a Public Company and its shares are quoted on Karachi and Islamabad Stock Exchanges. It is principally engaged in manufacture and sale of white sugar. The Company's Mills and Registered Office are located at Takht-i-Bhai, Mardan (N.W.F.P). The Company is a subsidiary of The Premier Sugar Mills & Distillery Company Limited.
- The Company during the current period had not carried out any manufacturing operations due to non-availability of raw materials. These financial statements, however, have been prepared on the 'going concern basis' on the assumption that the Company will achieve satisfactory levels of profitability in the foreseeable future and will also continue as a 'manufacturing concern'
- This condensed interim financial information has been prepared in accordance with requirements of International Accounting Standard 34 (Interim Financial Reporting). The financial statements are being submitted to the shareholders as required by the code of Corporate Governance and in accordance with the requirements of section 245 of the Companies Ordinance, 1984
- This condensed financial information does not include all the information required for full financial statements and should be read in conjunction with preceding published annual financial statements of the Company for the year ended 30 September, 2008.
- The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied to the preceding published annual financial statements of the Company for the year ended 30 September, 2008.
- The significant judgment, estimates and assumptions used by the management in preparation of this condensed financial information are the same as those applied to the preceding published annual financial statements of the Company for the year ended 30 September, 2008.

7. PROPERTY, PLANT & EQUIPMENT

	Un-audited 30 June, 2009 (Rupee in thousand)	Audited 30 Sep., 2008
Opening book value	26,289	29,193
Depreciation charge for the period / year	<u>(1,958)</u>	<u>(2,904)</u>
Closing book value	<u>24,331</u>	<u>26,289</u>

8. INVESTMENTS - Available-for-sale (Quoted)

	Un-audited 30 June, 2009 (Rupee in thousand)	Audited 30 Sep., 2008
Ibrahim Fibres Limited 438,250 ordinary shares of Rs.10 each	6,135	6,135
Adjustment arising from re-measurement to fair value	6,929	11,347
	<u>13,064</u>	<u>17,482</u>

9. TAXATION

- The status of pending tax cases has not changed since the date of preceding published annual financial statements for the year ended 30 September, 2008.
- Provision for current taxation represents minimum tax under section 113 of the Income Tax Ordinance, 2001 as re-imposed through Finance Act, 2009.

10. CONTINGENCIES AND COMMITMENTS

- Guarantees given by a bank on behalf of the Company outstanding as at 30 June, 2009 were for Rs. 4.000 million (30 September, 2008: Rs.1.143 million)
- The additional Collector of sales tax, Peshawar, served a show cause notice raising sales tax demands aggregating Rs. 1.528 million along with additional tax on the grounds that the Company under-valued the price of spittit during the financial years 1994-95 & 1995-96 and paid lesser sales tax. The Company paid 0.248 million against the said demands and filed an appeal before the Customs, Central Excise and sales tax Appellate Tribunal, Peshawar Bench, which is pending for adjudication.
- No commitment were outstanding as at 30 June, 2009 and 30 September, 2008.

11. COST OF SALES

Cost of sales for the current period comprises of fixed overhead costs, i.e. salaries and wages, power and fuel, repair and maintenance, depreciation and insurance

12 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors of the Company in its meeting held on 28 July, 2009

13 GENERAL

- Figures in the financial statements have been rounded-off to the nearest thousand Rupees except stated otherwise

- Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison; however, no material rearrangements / reclassifications have been made in these financial statements.

CHIEF EXECUTIVE

DIRECTOR