



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

**QUARTERLY ACCOUNTS
(UN-AUDITED)
AS ON DECEMBER 31, 2009**

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS

CHAIRPERSON /
CHIEF EXECUTIVE

BEGUM LAILA SARFARAZ

DIRECTORS

KHAN AZIZ SARFARAZ KHAN
MR. ABBAS SARFARAZ KHAN
MS. ZARMINE SARFARAZ
MS. NAJDA SARFARAZ
MR. BABAR ALI KHAN
MR. ISKANDER M. KHAN
MR. ABDUL QADAR KHATTAK

BOARD AUDIT COMMITTEE

KHAN AZIZ SARFARAZ KHAN	CHAIRMAN
MS. ZARMINE SARFARAZ	MEMBER
MR. ISKANDER M. KHAN	MEMBER

COMPANY SECRETARY/

MR. MUJAHID BASHIR

CHIEF FINANCIAL OFFICER

MR. RIZWAN ULLAH KHAN

AUDITORS

MESSERS HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

COST AUDITORS

MESSERS MUNAWAR ASSOCIATES,
CHARTERED ACCOUNTANTS.

TAX CONSULTANT

MR. MAHMOOD MIRZA ADVOCATE

LEGAL ADVISOR

MR. 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 HOUSING FINANCE LIMITED
FAYSAL BANK LIMITED
BANK ALFALAH LIMITED

REGISTERED OFFICE

NOWSHERA ROAD, MARDAN

FACTORY

TAKHT-I-BHAI DISTT. MARDAN
PHONES: (0937) 551051-551049-551041
FAX: (0937) 552878

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

DIRECTORS' REVIEW REPORT

The Company has not carried out operations for the past five crushing seasons because of the diversion of sugarcane towards the tax free commercial Gur production. The Government is promoting unorganized sector operated by few individuals at the cost of society's development. The Gur producers violate the human rights and are pocketing all the profits at the cost of the worker's benefit and Government revenues. The Gur producers are not bound to pay minimum salary and neither of the Government department offers any kind of medical or retirement benefits to their workers. Whereas, the organized sector i.e. Sugar Industry, offers guaranteed minimum wages, medical benefits like social security, retirement benefits like provident fund and Old Age Benefit schemes (EOBI). The workers welfare fund also entertains the workers of organized sectors and offers facilities like scholarships for education to the worker's children, contribution to Jahez funds etc. The Government is losing more than 1.0 billion of tax collection from the Gur makers. The Company suffered losses due to non-operations.

SUGAR CANE PROCUREMENT AND UNEVEN COMPETITION WITH GUR

In Peshawar valley, the sugar industry is facing competition from the tax free commercial Gur manufacturing. The Gur manufacturers are producing approximately 300,000 tons of Gur (valuing Rs. 8.400 billion) each year by diverting 3.00 million metric tons of sugarcane to their mechanized heavy duty crushing plants. Though Gur manufacturing qualifies the status of medium scale industry, still they are allowed the benefits of Cottage industry that is free from payment of sales tax and income tax, this deprives the National Exchequer sales tax of Rs. 1.250 billion. The Government is thus subsidizing Gur making by surrendering Rs. 1.250 billion of sales tax. The organized sugar industry, on the other hand, pays road cess @ Rs.0.50/maund of sugarcane and sales tax @16% on sugar sales price along with other Federal and Provincial levies like social security, EOBI etc. We cannot compete with the tax free commercial Gur trade in the presence of the aforesaid taxes, and have submitted several representations to Federal / Provincial Governments to create a level playing field, but of no avail. It is pertinent to highlight that in the process of Gur making, approximately 125,000 tons of sugar valuing Rs. 2.875 billions is burned under the pans to produce Gur. We are wasting a very valuable commodity on the cost of valuable foreign exchange to import deficit sugar. The future of Sugar Industry in Peshawar Valley is very bleak indeed, unless remedial measures are taken by the Government to support the industry.

Mardan:
January 26, 2010

THE FRONTIER SUGAR
BALANCE SHEET AS AT 31

	Note	<u>Unaudited</u> Dec.31 2009	<u>Audited</u> Sep.30 2009
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital		<u>20,000</u>	<u>20,000</u>
Issued, subscribed and paid-up capital		14,000	14,000
General reserve		134,000	134,000
Fair value reserve on available-for-sale investments		9,914	9,203
Accumulated loss		<u>(2,445)</u>	<u>(1,237)</u>
		155,469	155,966
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		100,778	101,315
NON-CURRENT LIABILITIES			
Staff retirement benefits-gratuity		2,322	2,496
CURRENT LIABILITIES			
Trade and other payables		4,438	3,582
Accrued mark-up		233	233
		4,671	3,815
CONTINGENCIES AND COMMITMENTS			
	4		
		<u>263,240</u>	<u>263,592</u>

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

CHIEF EXECUTIVE

MILLS & DISTILLERY LIMITED
DECEMBER, 2009 (UN-AUDITED)

	Note	<u>Unaudited</u> Dec.31 2009	<u>Audited</u> Sep.30 2009
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	110,512	111,338
Long term investments	6	16,049	15,338
Deposit with a Non banking Financial Institution		23,400	23,400
Long term security deposits		92	92
		<u>150,053</u>	<u>150,168</u>
CURRENT ASSETS			
Stores and spares		33,603	33,603
Stock-in-trade		2,097	2,097
Loans and Advances		1,410	1,945
Short term prepayments		227	51
Profit accrued on deposits and loan to an Associate		973	973
Other receivables		1,300	1,265
Tax deducted at source		5,883	5,329
Bank balances		67,694	68,161
		113,187	113,424
		<u>263,240</u>	<u>263,592</u>

DIRECTOR

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED
PROFIT AND LOSS ACCOUNT - (UNAUDITED)
FOR THE 1ST QUARTER ENDED 31 DECEMBER, 2009

	01 Oct,09 to 31 Dec,09	01 Oct,08 to 31 Dec,08
Note	(Rupees in thousand)	
FIXED PRODUCTION OVERHEADS	1,714	1,757
ADMINISTRATIVE EXPENSES	1,584	1,791
OPERATING LOSS	<u>(3,298)</u>	<u>(3,548)</u>
OTHER OPERATING INCOME	7 <u>1,554</u>	<u>2,694</u>
	<u>(1,744)</u>	<u>(854)</u>
FINANCE COST	1	3
LOSS BEFORE / AFTER TAXATION	<u>(1,745)</u>	<u>(857)</u>
	----- Rupees -----	
LOSS PER SHARE - Basic	<u>(1.25)</u>	<u>(0.61)</u>

- Appropriations have been reflected in the statement of changes in equity.
- The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED
CASH FLOW STATEMENT - (UNAUDITED)
FOR THE 1ST QUARTER ENDED 31 DECEMBER, 2009

	31-Dec., 2009	31-Dec., 2008
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the period	(1,745)	(857)
Adjustments for:		
Depreciation	826	655
Staff retirement benefits - gratuity (Net)	(174)	(547)
Interest / profit on bank deposits	(1,554)	(1,949)
Finance cost	1	3
CASH OUTFLOW FROM OPERATING ACTIVITIES		
- Before working capital changes	(2,646)	(2,695)
Decrease / (increase) in current assets		
Stores and spares	0	(6)
Advances	535	547
Short term prepayments	(176)	0
Other receivables	(35)	(850)
Increase in trade and other payables	856	(11)
	<u>1,180</u>	<u>(320)</u>
CASH OUTFLOW FROM OPERATING ACTIVITIES - before taxation	<u>(1,466)</u>	<u>(3,015)</u>
Taxes paid	(554)	(96)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<u>(2,020)</u>	<u>(3,111)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest on Associated loan / Profit on bank deposits received	1,554	0
Finance cost - paid	(1)	(3)
NET CASH INFLOW /(OUTFLOW) FROM FINANCING ACTIVITIES	<u>1,553</u>	<u>(3)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(467)</u>	<u>(3,114)</u>
CASH AND CASH EQUIVALENTS - At the beginning of the period	68,161	52,888
CASH AND CASH EQUIVALENTS - At the end of the period	<u>67,694</u>	<u>49,774</u>

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

CHIEF EXECUTIVE

DIRECTOR

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED
STATEMENT OF CHANGES IN EQUITY - (UNAUDITED)
FOR THE 1ST QUARTER ENDED 31 DECEMBER, 2009

	Share capital	General reserve	Fair value reserve on available-for-sale investments	Accumulated Loss	31 December 2009 Total
	----- Rupees in thousand -----				
Balance as at 30 September, 2008	14,000	134,000	11,347	2,218	161,565
Loss for the year ended 30 September, 2008	0	0	0	(5,055)	(5,055)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for current year -net of deferred taxation	0	0	0	1,600	1,600
Fair value loss on available-for-sale investments for the year ended 30 September, 2008	0	0	(2,144)	0	(2,144)
Balance as at 30 September, 2009	14,000	134,000	9,203	(1,237)	155,966
Loss for the period ended 31 December, 2009	0	0	0	(1,745)	(1,745)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for current period -net of deferred taxation	0	0	0	537	537
Fair value gain on available-for-sale investments for the period ended 31 December, 2009	0	0	711	0	711
Balance as at 31 December, 2009	14,000	134,000	9,914	(2,445)	155,469

CHIEF EXECUTIVE

DIRECTOR

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (UNAUDITED)
FOR THE 1ST QUARTER ENDED 31 DECEMBER, 2009

1. CORPORATE INFORMATION

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.

2. BASIS OF PREPARATION

The Company has been suffering losses and its accumulated loss aggregated Rs. 48.639 million as at balance sheet date. Further, the company during the current period has not carried out manufacturing operations due to non-availability of raw materials. These financial statements, however have been prepared on 'going concern basis' on the assumption that the Company will achieve satisfactory levels of profitability in the foreseeable future and will also continue as manufacturing concern.

These financial statements have been prepared in accordance with the requirements of International Accounting Standard 34 (Interim Financial Reporting) and are being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the Listing Regulations of Islamabad and Karachi Stock Exchanges. These financial statements are un-audited.

The accounting policies and methods of computation adopted are the same as those applied in the preparation of the previous published financial statements.

3. TAXATION

3.1 The returns for Tax Year 2005 to 2009 have been filed after complying with all the provisions of the Ordinance. Accordingly, the declared returns are deemed to be assessment orders under the law subject to selection of audit or pointing out of deficiency by the Commissioner.

3.2 There has been no change in other taxation matters since the date of preceding published annual financial statement of the Company.

4. CONTINGENCIES AND COMMITMENTS

4.1 No commitments were outstanding as at 31 December, 2009.

4.2 There has been no significant change in contingencies since the date of preceding published annual financial statements of the Company.

5. PROPERTY, PLANT & EQUIPMENT	Un-audited 31 Dec., 2009 (Rupee in thousand)	Audited 30 Sep., 2009
Opening book value	111,338	26,291
Depreciation charge for the period / year	<u>(826)</u>	<u>(655)</u>
Closing book value	<u>110,512</u>	<u>25,636</u>

5.1 The Company, during the previous financial year, had again revalued its aforementioned operating fixed assets and freehold land. The revaluation exercise was carried out by Independent Valuers - Hamid Mukhtar & Co. (Pvt.) Ltd., Lahore to replace the carrying amount of these assets with their fair present market values. Surplus on revaluation aggregating Rs.87.718 million has been credited to surplus on Revaluation account to comply with the requirements of Section 235 of the Companies Ordinance, 1984.

6. LONG TERM INVESTMENTS

Available-for-sale(Quoted)		
Ibrahim Fibres Limited		
438,250 (2008:438,250) Ordinary shares		
of Rs.10 each	6,135	6,135
Add:- Adjustment arising from		
re-measurement of fair value	<u>9,914</u>	<u>9,203</u>
Market value as at	<u>16,049</u>	<u>15,338</u>

7. OTHER OPERATING INCOME

Income for the current period mainly includes profit on bank saving deposit accounts and loans to associated undertakings.

8. DATA OF AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 26 January, 2010 by the Board of directors of the Company

9. GENERAL

Figures:

- in the financial statements have been rounded-off to the nearest thousand Rupees except stated otherwise
- Corresponding figures have neither been re-arranged nor classified.

CHIEF EXECUTIVE

DIRECTOR