

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

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THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED
DIRECTORS' REVIEW REPORT

The Board of Directors is pleased to present a brief overview of the and financial performance of the Company for the half year ended March 31, 2009 together with the Auditor's review report.

This year the Company's management was hopeful to get the sugarcane supplies after Eid holidays, however, despite shortage of sugar in the country, GOP allowed unbridled export of raw sugar (Gur) to Afghanistan, as a result , the entire sugarcane crop were diverted towards tax free commercial Gur manufacturing. We have to pay multiple taxes, whereas, there is not a single tax on commercial gur manufacturing. In this situation, 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 per Sales Tax Act 1990, because Gur has a levy of sales tax.
- Imposing ban / duty on export of Gur.
- Linkage of the support price of sugarcane with its sucrose contents.

The Government in order to control the shortage of sugar has banned the sugar export, whereas, despite our repeated requests, raw sugar exports in the form of GUR is allowed at the cost of local consumer, national exchequer and wastage of precious foreign exchange on the import of equivalent quantity of expensive international sugar.

The Company suffered losses of Rs. 1.95 million due to payment of fixed expenses.

1. Sugarcane procurement and uneven competition with Gur

In Peshawar valley, the sugar industry is facing unfair competition from commercial tax free Gur manufacturers, producing 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 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.

2. Accounting Policies

There has been no change in the accounting policies adopted in the preparation of the half yearly Financial Statements.

Mardan:
26 May, 2009

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS

Introduction

We have reviewed the accompanying condensed interim balance sheet of **THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED** as at 31 March, 2009 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half-year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended 31 March, 2009 and 2008 have not been reviewed, as we are required to review only the cumulative figures for the half-year ended 31 March, 2009.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half-year ended 31 March, 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Without qualifying our review report, we draw attention to note 2 to the annexed interim financial information which states factors that raise doubt regarding the Company's ability to continue as a 'going concern' due to non-availability of raw materials.

LAHORE:
27 May, 2009

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

CONDENSED INTERIM BALANCE SHEET AS AT 31 MARCH, 2009

	Un-audited 31 March, 2009	Audited 30 Sep., 2008		Un-audited 31 March, 2009	Audited 30 Sep., 2008
	Note (Rupees in thousand)			Note (Rupees in thousand)	
EQUITY AND LIABILITIES			ASSETS		
SHARE CAPITAL AND RESERVES			NON-CURRENT ASSETS		
Authorised capital	20,000	20,000	Property, plant and equipment	9	24,986
Issued, subscribed and paid-up capital	14,000	14,000	Investments	10	10,518
General reserve	134,000	134,000	Loan to an Associated Company		33,333
Fair value reserve on available-for-sale investments	4,383	11,347	Security deposits		92
UNAPPROPRIATED PROFIT	1,021	2,218			68,929
	153,404	161,565	CURRENT ASSETS		
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	14,438	15,197	Stores and spares		33,603
NON-CURRENT LIABILITIES			Stock-in-trade		2,097
Staff retirement benefits - gratuity	10,673	11,485	Trade debts		0
CURRENT LIABILITIES			Loans and advances		3,520
Temporary bank overdraft	106	0	Prepayments		48
Trade and other payables	3,559	4,221	Accrued profit / mark-up on bank deposits and loan to an Associated Company		5,890
Accrued mark-up	233	233	Excise duty and sales tax refundable		1,406
Unclaimed dividends	572	572	Income tax refundable and tax deducted at source		5,239
Taxation	169	103	Current portion of loan to an Associated Company		16,667
	4,639	5,129	Cash and bank balances		45,755
CONTINGENCIES AND COMMITMENTS	8				114,225
					183,154
	183,154	193,376			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 HALF-YEAR ENDED 31 MARCH, 2009 (UN-UDITED)

	Note	For the 2nd Quarter		Cumulative	
		Jan. - Mar.	Jan. - Mar.	Oct. - Mar.	Oct. - Mar.
		2009	2008	2009	2008
----- Rupees in thousand -----					
TURNOVER - Local		0	214	0	214
LESS: SALES TAX		0	32	0	32
		0	182	0	182
FIXED PRODUCTION OVERHEADS	11	2,642	4,679	4,399	9,583
GROSS LOSS		(2,642)	(4,497)	(4,399)	(9,401)
ADMINISTRATIVE EXPENSES		2,325	1,741	4,116	3,724
		(4,967)	(6,238)	(8,515)	(13,125)
OTHER OPERATING INCOME	12	3,935	2,920	6,629	3,315
OPERATING LOSS		(1,032)	(3,318)	(1,886)	(9,810)
FINANCE COST		1	8	4	19
LOSS BEFORE TAXATION		(1,033)	(3,326)	(1,890)	(9,829)
TAXATION		66	1	66	1
LOSS AFTER TAXATION		(1,099)	(3,327)	(1,956)	(9,830)
----- Rupees -----					
LOSS PER SHARE		(0.81)	(2.46)	(1.45)	(7.28)

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

CHIEF EXECUTIVE

DIRECTOR

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE HALF-YEAR ENDED 31 MARCH, 2009 (UN-AUDITED)

	Half-year ended 31 March, 2009	Half-year ended 31 March, 2008
(Rupees in thousand)		
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the period - before taxation	(1,890)	(9,829)
Adjustments for non-cash charges and other items:		
Depreciation	1,305	1,452
Staff retirement benefits - gratuity (net)	(812)	304
Mark-up on loan to an Associated Company and profit / mark-up on bank deposits	(5,178)	(3,298)
Unclaimed balances / provisions written - back	(788)	0
Trade debts written-off	29	0
Receivable balances written-off	189	0
Finance cost	4	19
Dividend	(657)	0
CASH OUTFLOW FROM OPERATING ACTIVITIES		
- Before working capital changes	(7,798)	(11,352)
Decrease / (increase) in current assets:		
Stores and spares	0	493
Stock-in-trade	0	225
Trade debts	0	(7)
Loans and advances	(2,811)	(207)
Prepayments	0	271
Excise duty and sales tax refundable	(68)	(149)
Increase in trade and other payables	126	2,968
	(2,753)	3,594
CASH OUTFLOW FROM OPERATING ACTIVITIES - Before taxation	(10,551)	(7,758)
Taxation - net	(168)	3,453
NET CASH OUTFLOW FROM OPERATING ACTIVITIES - After taxation	(10,719)	(4,305)
CASH FLOW FROM INVESTING ACTIVITIES		
Mark-up on loan to an Associated Company and profit / mark-up on bank deposits received	2,827	3,200
Investments	0	(52,933)
Dividend received	657	0
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES	3,484	(49,733)
CASH FLOW FROM FINANCING ACTIVITIES		
Temporary bank overdraft	106	327
Finance cost paid	(4)	(19)
NET CASH INFLOW FROM FINANCING ACTIVITIES	102	308
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,133)	(53,730)
CASH AND CASH EQUIVALENTS - At the beginning of the period	52,888	109,916
CASH AND CASH EQUIVALENTS - At the end of the period	45,755	56,186

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 HALF-YEAR ENDED 31 MARCH, 2009 (UN-AUDITED)

	Share capital	General reserve	Fair value reserve on available-for-sale investments	(Accumulated loss) / unappropriated profit	Total
----- Rupees in thousand -----					
Balance as at 30 September, 2007	14,000	184,000	14,134	(40,671)	171,463
Loss for the half-year ended 31 March, 2008	0	0	0	(9,830)	(9,830)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the half-year ended 31 March, 2008	0	0	0	844	844
Fair value gain on available-for-sale investments for the half-year ended 31 March, 2008	0	0	8,370	0	8,370
Balance as at 31 March, 2008	14,000	184,000	22,504	(49,657)	170,847
Profit for the half-year ended 30 September, 2008	0	0	0	1,030	1,030
Transfer	0	(50,000)	0	50,000	0
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the half-year ended 30 September, 2008	0	0	0	845	845
Fair value loss on available-for-sale investments for the half-year ended 30 September, 2008	0	0	(11,157)	0	(11,157)
Balance as at 30 September, 2008	14,000	134,000	11,347	2,218	161,565
Loss for half-year ended 31 March, 2009	0	0	0	(1,956)	(1,956)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the half-year ended 31 March, 2009	0	0	0	759	759
Fair value loss on available-for-sale investments for the half-year ended 31 March, 2009	0	0	(6,964)	0	(6,964)
Balance as at 31 March, 2009	14,000	134,000	4,383	1,021	153,404

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

CHIEF EXECUTIVE

DIRECTOR

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 MARCH, 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 was 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 has been suffering losses over the years and during the current period and preceding year has not carried-out manufacturing operations due to non-availability of raw materials. These financial statements, however, have been prepared on the 'going concern basis' on the assumptions 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 is un-audited and is being submitted to the members as required by section 245 of the Companies Ordinance, 1984. The condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34 (Interim Financial Reporting) and has been reviewed by the external Auditors as required by the Code of Corporate Governance.
- The condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the 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 in the preparation of the preceding published annual financial statements of the Company for the year ended 30 September, 2008.
- The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by the management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended 30 September, 2008.
- TAXATION**
There has been no significant change in the Company's taxation status since the date of preceding published annual financial statements for the year ended 30 September, 2008 except for the following:

The Tax Department against the judgment of the Peshawar High Court, Peshawar (PHC) dated 22 October, 2008 has filed an appeal before the Supreme Court of Pakistan. The PHC, vide its aforementioned judgment, rejected the departmental application and upheld the order of the Income Tax Appellate Tribunal (ITAT) dated 28 April, 2007. Earlier, the ITAT had upheld the Commissioner of Income Tax - Appeals' action of annulment of amendment of assessment orders passed by the Additional Commissioner (Audit) under section 122(5A) of the Income Tax Ordinance, 2001.

8. CONTINGENCIES AND COMMITMENTS

- No commitments were outstanding as at 31 March, 2009 and 30 September, 2008.
- There has been no significant change in the status of contingencies since the date of preceding published annual financial statements for the year ended 30 September, 2008.

9. PROPERTY, PLANT AND EQUIPMENT

	Un-audited Half-year ended 31 March, 2009 (Rupees in thousand)	Audited Year ended 30 September 2008
Opening book value	26,291	29,207
Disposals during the year	0	(12)
Depreciation charge for the period / year	(1,305)	(2,904)
Closing book value	<u>24,986</u>	<u>26,291</u>

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

Ibrahim Fibres Limited 438,250 ordinary shares of Rs.10 each	6,135	6,135
Add: adjustment arising from re-measurement to fair value	4,383	11,347
	<u>10,518</u>	<u>17,482</u>

11. FIXED PRODUCTION OVERHEADS

These comprised of salaries & wages, power & fuel, repair & maintenance, depreciation and insurance.

12. OTHER OPERATING INCOME

Income for the current period includes mark-up on loan advanced to an Associated Company amounting Rs.3,676 thousand (2008 : Rs.Nil).

13. TRANSACTIONS WITH RELATED PARTIES

13.1 Aggregate transactions with the Holding Company and Associated Companies during the period were as follows:

	Un-audited Half-year ended 31 March, 2009 (Rupees in thousand)	31 March, 2008
- sale of goods	0	519
- purchase of goods and services	0	99
- mark-up earned on loan advanced to an Associated Company	3,676	0

13.2 Period-end trade and other payables include due to Chashma Sugar Mills Limited - CSM (an Associated Company) amounting Rs.952 thousand (30 September, 2008 : Rs.979 thousand).

13.3 Period-end loans and advances include due from the Holding Company amounting Rs.2,456 thousand (30 September, 2008 : trade and other payables included due to the Holding Company amounting Rs.28 thousand).

13.4 (a) Mark-up on loan advanced to CSM, during the period, was charged at the rates ranging from 12.39% to 15.85% per annum.

(b) No return was charged on other balances of the Holding Company and Associated Companies as these have arisen due to normal trade dealings.

14. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue in the Board of Directors' meeting held on 26 May, 2009.

15. GENERAL

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

CHIEF EXECUTIVE

DIRECTOR