

BOOK POST
Printed Matter
UNDER POSTAL CERTIFICATE

If undelivered please return to:
THE FRONTIER SUGAR MILLS & DISTILLERY LTD
NOWSHEHRA ROAD, MARDAN
TEL: 0937-551051



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

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED
31 MARCH, 2010**

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 Board of Directors is pleased to present a brief overview about the Company for the half year ended March 31, 2010 along with the Auditor's review report.

Sugarcane Season 2009-2010

The Company is facing unfair competition with the Gur manufacturers. This year, Sugarcane Control Board meeting held under the chairmanship of Provincial Cane Commissioner unanimously decided that the role of middleman/commercial Gur manufacturer will be discouraged to ensure reasonable prices for sugarcane. In this regard, the Provincial cane commissioner issued various directions to DCO Mardan and finally vide letter no. 32652-56/S-52 dated 21/12/2009 directed the DCO Mardan as below:

"It is pointed out that the purchase and sale of sugarcane by any person who is not holder of valid license under section 17 of the Sugar Factories Control Act 1950 in the manner prescribed in rules 11 and 12 of the Sugar Factories Control Rules 1950 is illegal".

Despite the above said directive from the Provincial Cane Commissioner, the local administration colluded with the Commercial Gur Manufactures for their personal benefits and ignored the directive of the Provincial cane commissioner.

The Company due to the non-availability of sugarcane suffered comprehensive loss of Rs 1.834 million for the half year.

Commercial Gur Trade

The Provincial Governments over the years have shown no interest for the promotion of the Sugar Industry. Due to this, two of the four Sugar mills in the Peshawar valley have already closed down and the remaining two are at the verge of closure. The tax free commercial Gur manufacturers, produce approximately 300,000 tons of Gur, valuing Rs. 18.0 billion from 3 million tons of sugarcane. Though, the commercial Gur manufacturing qualifies the status of medium scale industry and is not exempt from sales tax, despite this, Government has not collected sales tax amounting to Rs 3.0 billion from the Commercial Gur traders, this extraordinary income to the traders is at the cost of our national exchequer and tax paying sugar industry. We made representations to the Federal and Provincial Governments to remove this anomaly and provide us level playing field, but of no avail.

Reply to Auditors' Reservation

The Auditors' have raised doubts regarding the Company's ability to continue business as a going concern due to the non-availability of raw materials. The Government is indirectly subsidizing the tax free commercial Gur trade in the Peshawar valley. We are impressing upon the Government to remove this anomaly and give us level playing field. The government is yet to implement its decision mentioned in the draft sugar policy for the year 2009-2010 to ban the export of raw sugar i.e. Gur. We have decided to close down the operation till such time it is not certain that the factory will receive substantial quantity of sugarcane to make the operations viable.

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, 2010 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 for interim financial reporting. 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, 2010 and 2009 have not been reviewed, as we are required to review only the cumulative figures for the half-year ended 31 March, 2010.

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.

Basis for Qualified Conclusion

The Company has been unable to carry-out manufacturing operations during the current period and preceding financial years due to non-availability of raw materials; the management has also decided to close down operations till the availability of substantial quantity of sugarcane. This situation indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern; however, this interim financial information has been prepared on the going concern basis. The interim financial information does not disclose this fact.

Qualified Conclusion

Based on our review, except for the omission of information detailed in the preceding paragraph and the extent to which this may affect the annexed interim financial information, 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, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

LAHORE:
27 May, 2010

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
 Engagement Partner: Abdul Majeed Chaudhri

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED
CONDENSED INTERIM BALANCE SHEET AS AT 31 MARCH, 2010

	Un-audited 31 March, 2010	Audited 30 Sep., 2009		Un-audited 31 March, 2010	Audited 30 Sep., 2009
	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	5	109,686
Issued, subscribed and paid-up capital	14,000	14,000	Investments	6	15,821
General reserve	134,000	134,000	Deposits with a non-bank finance institution	7	23,400
Fair value reserve on available-for-sale investments	9,686	9,203	Security deposits		92
				148,999	150,168
ACCUMULATED LOSS	(3,554)	(1,237)	CURRENT ASSETS		
	154,132	155,966	Stores and spares	33,603	33,603
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	100,321	101,315	Stock-in-trade	2,097	2,097
NON-CURRENT LIABILITY			Loans and advances	1,424	1,945
Staff retirement benefits - gratuity	2,267	2,496	Short term prepayments	119	51
CURRENT LIABILITIES			Accrued profit / mark-up on bank deposits	1,949	973
Trade and other payables	4,213	3,582	Other receivables	1,329	1,265
Accrued mark-up	233	233	Tax deducted at source	6,219	5,329
	4,446	3,815	Short term investments	8	48,419
			Cash and bank balances	17,008	68,161
CONTINGENCIES AND COMMITMENTS	4			112,167	113,424
	261,166	263,592		261,166	263,592

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 (UN-UDITED)

FOR THE QUARTER AND HALF-YEAR ENDED 31 MARCH, 2010

	Note	For the 2nd Quarter		Cumulative	
		Jan. - Mar. 2010	Jan. - Mar. 2009	Oct. - Mar. 2010	Oct. - Mar. 2009
----- Rupees in thousand -----					
FIXED PRODUCTION OVERHEADS	9	2,335	2,642	4,049	4,399
ADMINISTRATIVE EXPENSES		2,274	2,325	3,858	4,116
		<u>(4,609)</u>	<u>(4,967)</u>	<u>(7,907)</u>	<u>(8,515)</u>
OTHER OPERATING INCOME		3,062	3,935	4,616	6,629
OPERATING LOSS		<u>(1,547)</u>	<u>(1,032)</u>	<u>(3,291)</u>	<u>(1,886)</u>
FINANCE COST		19	1	20	4
LOSS BEFORE TAXATION		<u>(1,566)</u>	<u>(1,033)</u>	<u>(3,311)</u>	<u>(1,890)</u>
TAXATION		0	66	0	66
LOSS AFTER TAXATION		<u>(1,566)</u>	<u>(1,099)</u>	<u>(3,311)</u>	<u>(1,956)</u>
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD:					
Incremental depreciation in respect of surplus on revaluation of property, plant & equipment		457	717	994	759
Fair value (loss) / gain on available-for-sale investments		(228)	(5,469)	483	(6,964)
		<u>229</u>	<u>(4,752)</u>	<u>1,477</u>	<u>(6,205)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u>(1,337)</u>	<u>(5,851)</u>	<u>(1,834)</u>	<u>(8,161)</u>
----- Rupees -----					
LOSS PER SHARE		<u>(1.16)</u>	<u>(0.81)</u>	<u>(2.45)</u>	<u>(1.45)</u>

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 (UN-AUDITED)

FOR THE HALF-YEAR ENDED 31 MARCH, 2010

	Half-year ended	
	31 March, 2010	31 March, 2009
(Rupees in thousand)		
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the period - before taxation	(3,311)	(1,890)
Adjustments for non-cash charges and other items:		
Depreciation	1,652	1,305
Staff retirement benefits - gratuity (net)	(229)	(812)
Gain on measurement of short term investments	(419)	0
Mark-up / profit on bank deposits	(4,197)	(5,178)
Unclaimed balances / provisions written-back	0	(788)
Trade debts written-off	0	29
Receivable balances written-off	0	189
Finance cost	20	4
Dividend	0	(657)
CASH OUTFLOW FROM OPERATING ACTIVITIES	<u>(6,484)</u>	<u>(7,798)</u>
- Before working capital changes	(6,484)	(7,798)
Decrease / (increase) in current assets:		
Loans and advances	521	(2,811)
Short term prepayments	(68)	0
Other receivables	(64)	(68)
Increase in trade and other payables	<u>631</u>	<u>126</u>
	1,020	(2,753)
CASH OUTFLOW FROM OPERATING ACTIVITIES - Before taxation	<u>(5,464)</u>	<u>(10,551)</u>
Taxes paid	(890)	(168)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES - After taxation	<u>(6,354)</u>	<u>(10,719)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Mark-up / profit on bank deposits received	3,221	2,827
Short term investments made	(48,000)	0
Dividend received	0	657
NET CASH (OUTFLOW) / INFLOW FROM INVESTING ACTIVITIES	<u>(44,779)</u>	<u>3,484</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Temporary bank overdraft	0	106
Finance cost paid	(20)	(4)
NET CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES	<u>(20)</u>	<u>102</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(51,153)</u>	<u>(7,133)</u>
CASH AND CASH EQUIVALENTS - At beginning of the period	<u>52,561</u>	<u>52,888</u>
CURRENT PORTION OF DEPOSITS WITH A NON-BANK FINANCE INSTITUTION	<u>15,600</u>	<u>0</u>
	<u>68,161</u>	<u>52,888</u>
CASH AND CASH EQUIVALENTS - At end of the period	<u>17,008</u>	<u>45,755</u>

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 (UN-AUDITED)
FOR THE HALF-YEAR ENDED 31 MARCH, 2010

	Share capital	General reserve	Fair value reserve on available-for-sale investments	Unappropriated profit / (accumulated loss)	Total
	----- Rupees in thousand -----				
Balance as at 30 September, 2008	14,000	134,000	11,347	2,218	161,565
Loss after taxation for half-year ended 31 March, 2009	0	0	0	(1,956)	(1,956)
Other comprehensive (loss) / income for the half-year ended 31 March, 2009	0	0	(6,964)	759	(6,205)
Balance as at 31 March, 2009	14,000	134,000	4,383	1,021	153,404
Loss after taxation for half-year ended 30 September, 2009	0	0	0	(3,099)	(3,099)
Other comprehensive income for the half-year ended 30 September, 2009	0	0	4,820	841	5,661
Balance as at 30 September, 2009	14,000	134,000	9,203	(1,237)	155,966
Loss after taxation for the half-year ended 31 March, 2010	0	0	0	(3,311)	(3,311)
Other comprehensive income for the half-year ended 31 March, 2010	0	0	483	994	1,477
Balance as at 31 March, 2010	14,000	134,000	9,686	(3,554)	154,132

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 (UN-AUDITED)
FOR THE HALF-YEAR ENDED 31 MARCH, 2010

1. CORPORATE INFORMATION

- 1.1** 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; however, the Company is in the process of delisting from the Exchanges as detailed in note 1.3. The principal activity of the Company is manufacturing and sale of white sugar. The Company's Mills and Registered Office are located at Takht-I-Bhai, Mardan. The Company is a Subsidiary of The Premier Sugar Mills & Distillery Company Limited.
- 1.2** The Company has been suffering losses over the years and during the current period and preceding financial years had not carried-out manufacturing operations due to non-availability of raw materials.
- 1.3** The Company, during the current period, has submitted an application to The Karachi Stock Exchange (Guarantee) Limited (the KSE) for voluntary delisting. The KSE, vide its notice dated 06 April, 2010, has fixed the minimum purchase price at Rs.190.20 per ordinary share on the basis of break-up value as on 30 September, 2009. The purchase price of a preference share has been fixed at Rs.18.60 being the market price prevailing on the Board of Directors' meeting date. The Company's shareholders, vide a special resolution passed on 30 January, 2010, have authorised the Holding Company to purchase these shares. Accordingly, trading in the ordinary and preference shares of the Company has been suspended with effect from 07 April, 2010.

2. BASIS OF PREPARATION

This condensed interim financial information is un-audited; it has been prepared and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984 and International Accounting Standard (IAS) 34 (Interim Financial Reporting). The figures for the half-year ended 31 March, 2010 have, however, been subjected to limited scope review by the external Auditors as required by the Code of Corporate Governance. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual published financial statements of the Company for the year ended 30 September, 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation of balances adopted in the preparation of this condensed interim financial information are the same as those applied in preparation of the annual published financial statements of the Company for the year ended 30 September, 2009 except for the changes mentioned below:

- 3.1** IAS 1 (Revised) - (Presentation of Financial Statements). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from 'owner changes in equity'. All 'non-owner changes in equity' are required to be shown in a performance statement. Companies can choose whether to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income).

The Company has adopted IAS 1 (Revised) with effect from 01 October, 2009 and has chosen to present all non-owner changes in equity in one performance statement - statement of comprehensive income (profit and loss account). The interim financial information has been prepared under the revised disclosure requirements.

3.2 In addition to above, following amendments to standards are mandatory for the first time for financial year beginning on 01 October, 2009 and are also relevant to the Company. The adoption of these amendments does not have significant impact on the condensed interim financial information of the Company.

- IAS 23 (Amendment) - Borrowing Costs
- IAS 36 (Amendment) - Impairment of Assets
- IAS 39 (Amendment) - Financial Instruments: Recognition and Measurement

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after 01 October, 2009 but are considered not to be relevant or to have any significant effect on the Company's operations and are therefore not detailed in the condensed interim financial information.

4. CONTINGENCIES AND COMMITMENTS

- 4.1 No commitments were outstanding as at 31 March, 2010 and 30 September, 2009.
- 4.2 There has been no significant change in the status of contingencies since the date of preceding published annual financial statements of the Company for the year ended 30 September, 2009.

5. PROPERTY, PLANT AND EQUIPMENT

Note	Un-audited 31 March, 2010 (Rupees in thousand)	Audited 30 September, 2009
Opening book value	111,338	26,291
Add : surplus arisen on revaluation carried-out during the year	0	87,718
Less : depreciation charge for the period / year	(1,652)	(2,671)
Closing book value	<u>109,686</u>	<u>111,338</u>

6. 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	9,686	9,203
	<u>15,821</u>	<u>15,338</u>

7. DEPOSITS WITH A NON-BANK FINANCE INSTITUTION - Unsecured

These represent deposits lying with Innovative Investment Bank Limited (IIBL), Islamabad carrying profit at the rate of 5% per annum. The maturity dates of these deposits are as follows:

Date of maturity	7.1	Amount of deposit	
29 July, 2009	7.1	7,800	7,800
29 July, 2010		7,800	7,800
29 July, 2011		7,800	7,800
29 July, 2012		15,600	15,600
		<u>39,000</u>	<u>39,000</u>

- 7.1 This deposit could not be encashed on the maturity date; the management is negotiating with IIBL for realisation. Further, profit accrued on these deposits was not received during the period; at period-end accrued profit on these deposits aggregated Rs.1.949 million.

8. SHORT TERM INVESTMENTS - At fair value through profit or loss

	Un-audited 31 March, 2010 (Rupees in thousand)
MCB Cash Management Optimizer - 474,850 Units	48,000
Add: adjustment arising from measurement to fair value	419
	<u>48,419</u>

9. FIXED PRODUCTION OVERHEADS

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

10. TRANSACTIONS WITH RELATED PARTIES

- 10.1 The Company, during the current period, has not carried-out any significant transactions with any related party.
- 10.2 Period-end trade and other payables include due to Chashma Sugar Mills Limited (an Associated Company) amounting Rs.879 thousand (30 September, 2009 : Rs.907 thousand).
- 10.3 Period-end loans and advances include due from the Holding Company amounting Rs.716 thousand (30 September, 2009 : Rs.1,240 thousand).

11. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue in the Board of Directors' meeting held on 26 May, 2010.

12. GENERAL

Figures in the condensed interim financial information have been rounded-off to the nearest thousand Rupees except stated otherwise.

CHIEF EXECUTIVE

DIRECTOR