

**FRONTIER OIL COMPANY II (PRIVATE)
LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**



INDEPENDENT AUDITORS' REPORT

To the members of Frontier Oil Company II (Private) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Frontier Oil Company II (Private) Limited (the Company), which comprise the statement of financial position as at June 30, 2023 and the statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2023 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to Going Concern

We draw attention to note 1.2 to financial statements which indicates that Company incurred net loss of Rs. 3.81 million resulting an accumulated loss as at June 30, 2023 of Rs. 52.89 million. These conditions along with other matters set forth in Note 1.2 indicate that a materiality uncertainty exists that may cast significant doubt on Company's ability to continue as going concern. Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The director's report was not made available for our review.



Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with the audit of financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based in the work we have performed, we conclude that there is a material misstatement of this information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty



exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Mr. Syed Asmatullah Ali.

Chartered Accountants

Place: Islamabad

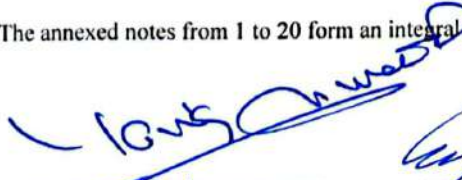
Date: October 28, 2023

UDIN: AR202310414INo1bfAIY

FRONTIER OIL COMPANY II (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Note	2023 -----Rupees-----	2022
ASSETS			
Non current assets			
Right of use asset	4	2,060	4,120
		2,060	4,120
Current assets			
Advances	5	3,240,657	2,833,942
Cash and bank	6	18,781,843	16,801,622
		22,022,500	19,635,564
TOTAL ASSETS		22,024,560	19,639,684
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Issued, subscribed and paid up capital	7	100,000	100,000
Accumulated loss		(52,892,645)	(49,083,701)
Total Equity		(52,792,645)	(48,983,701)
Non current liabilities			
Lease liabilities	8	-	1,101,758
Current liabilities			
Current portion of lease liabilities	8	1,101,758	939,201
Accrued and other liabilities	9	73,715,447	66,582,426
		74,817,205	67,521,627
TOTAL LIABILITIES		74,817,205	68,623,385
TOTAL EQUITY AND LIABILITIES		22,024,560	19,639,684
CONTINGENCIES AND COMMITMENTS	11		

The annexed notes from 1 to 20 form an integral part of these financial statements.


 CHIEF EXECUTIVE OFFICER


 CHIEF FINANCIAL OFFICER


 DIRECTOR

FRONTIER OIL COMPANY II (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
Revenue	12	-	-
Cost of revenue		-	-
Gross Profit		<u>-</u>	<u>-</u>
Expenses			
Administrative expenses	13	(6,259,581)	(6,398,819)
Finance income		2,711,436	1,246,508
Finance cost	8	(260,799)	(399,372)
Bank charges		-	-
Total expenses		<u>(3,808,944)</u>	<u>(5,551,683)</u>
Loss before taxation		<u>(3,808,944)</u>	<u>(5,551,683)</u>
Taxation		-	-
Loss for the year		<u><u>(3,808,944)</u></u>	<u><u>(5,551,683)</u></u>

The annexed notes from 1 to 20 form an integral part of these financial statements.


 CHIEF EXECUTIVE OFFICER

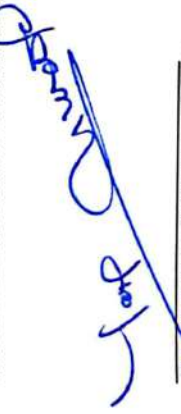

 CHIEF FINANCIAL OFFICER


 DIRECTOR

FRONTIER OIL COMPANY II (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022
	Rupees	Rupees
Loss for the year	(3,808,944)	(5,551,683)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(3,808,944)</u>	<u>(5,551,683)</u>

The annexed notes from 1 to 20 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

FRONTIER OIL COMPANY II (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2023

	Share Capital	Accumulated Loss	Total
	-----Rupees-----		
Balance as at June 30, 2021	100,000	(43,532,018)	(43,432,018)
Loss for the year	-	(5,551,683)	(5,551,683)
Other comprehensive loss for the year	-	-	-
Balance as at June 30, 2022	<u>100,000</u>	<u>(49,083,701)</u>	<u>(48,983,701)</u>
Loss for the year	-	(3,808,944)	(3,808,944)
Other comprehensive loss for the year	-	-	-
Balance as at June 30, 2023	<u>100,000</u>	<u>(52,892,645)</u>	<u>(52,792,645)</u>

The annexed notes from 1 to 20 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

FRONTIER OIL COMPANY II (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Notes	2023 Rupees	2022 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(3,808,944)	(5,551,683)
Amortization	4	2,060	2,060
Finance cost	8	260,799	399,372
		<u>(3,546,085)</u>	<u>(5,150,251)</u>
Increase in assets			
Advances		<u>(406,715)</u>	<u>(186,977)</u>
		<u>(406,715)</u>	<u>(186,977)</u>
Increase/(decrease) in liabilities			
Payable and accrued liabilities		7,133,021	7,298,879
Lease liability payment		<u>(1,200,000)</u>	<u>(1,200,000)</u>
		<u>5,933,021</u>	<u>6,098,879</u>
Net cash generated from operating activities		<u>1,980,221</u>	<u>761,652</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Advance against issue of shares	8	-	-
Net cash used in financing activities		<u>-</u>	<u>-</u>
Net (decrease) / increase in cash and cash equivalents		<u>1,980,221</u>	<u>761,652</u>
Cash and cash equivalents at the beginning of the period		16,801,622	16,039,970
Cash and cash equivalents at the end of the	6	<u><u>18,781,843</u></u>	<u><u>16,801,622</u></u>

The annexed notes from 1 to 20 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

FRONTIER OIL COMPANY II (PRIVATE) LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

1. CORPORATE AND GENERAL INFORMATION

1.1 Legal status and nature of business

Frontier Oil Company II (Private) Limited (the Company) was incorporated on January 22, 2019 as a private limited company in Islamabad under the repealed Companies Act, 2017. The registered office of the Company is located at Headquarters Frontier Works Organization (FWO), 509, Kashmir Road, R.A Bazar, Rawalpindi.

The Company, a wholly owned subsidiary of Frontier Works Organization (FWO), has been incorporated to carry out Oil Refinery project in district Karak located in Khyber Pakhtunkhwa Province of Pakistan. The Company was incorporated with an objective to install 40,000 barrels per day modular oil refinery for the production of petroleum energy and non energy products.

1.2 Going Concern

The Company has reported loss for the year amounting to Rs. 3.81 million resulting an accumulated loss as at June 30, 2023 of Rs. 52.89 million. Further, The Company has applied for the necessary licensing form regulatory authorities to carry out the Oil Refinery project. The Company has also conducted the Pre-Feasibility studies with help of FWO for the Execution of project "Karak oil Refinery" and to attract the local and international Investments. Based on the pre feasibility studies, few Investors have shown their interest in the project, however the management of the Company is evaluating the best among all the potential investors to start Feasibility Study. Furthermore, the management is rigorously perusing the statutory requirements and are hopeful to obtain the required approvals and licensing necessary for the project.

These conditions create doubts on the Company's ability to continue as going concern and it may be unable to realize its assets and discharge its liabilities in the normal course of business. Considering above mentioned factors and unconditional financial support to the Company from the FWO, management believes that the Company would be able to operate on going concern basis in the foreseeable future and annexed financial statements have been prepared reflecting this assumption.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, have been followed.

2.2 Basis of measurement

These financial statements have been prepared on the basis of "historical cost convention", except for the measurement of financial instruments at fair value or amortized cost, where applicable.

2.3 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

2.4 Amendments to the published approved accounting standards

a) Amendments to the published approved accounting standards that are effective in the current period

The following accounting standards, amendments and interpretations are effective for the year ended June 30, 2023. These standards, amendments and interpretations 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 additional disclosure.

Effective from Accounting
period beginning on or after

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract January 01, 2022

Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41) January 01, 2022

b) Standards, interpretations of and amendments to accounting and reporting standards that are not yet effective

There are certain other new amendments that are mandatory for the Company's accounting periods beginning on or after January 01, 2024, but are considered not to be relevant or will not have significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

	Effective from Accounting period beginning on or after
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 12 'Income taxes' - International Tax Reform — Pillar Two Model Rules	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IFRS 16 'Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 9 'Financial instruments' - Supplier Finance Arrangements	January 01, 2024
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates and judgement. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the estimate effects only that period, or in the period of the revision and future periods. The area involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements is right of use assets as discussed in note 4 of the financial statements.

3.2 Provisions

Provisions are recognized when the Company has a present (legal or constructive) obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are best estimates and are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.3 Impairment of assets

Impairment of non - current assets

The carrying amounts of non-current assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated to assess whether asset's carrying value exceeds its recoverable amount. Where carrying value exceeds the estimated recoverable amount, asset is written down to its recoverable amount. Impairment losses are recognized as expense in the profit and loss account. Where an impairment has subsequently reversed, the carrying amount of assets is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the assets in previous year.

Impairment of current assets

Current assets are initially recognized at fair value thereafter, stated at cost net of provision for doubtful current assets. Provision for doubtful current assets is based on the realizability of related economic inflow. current assets considered bad are written off.

3.4 Right of use asset and Leases

3.4.1 Right of use asset

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3.4.2 Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3.5 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupees at the exchange rates prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees equivalents using balance sheet date exchange rates.

3.6 Taxation

Provision for current taxation is made in the profit and loss account on income at current rates of taxation after taking into account, tax credits and rebates available, if any. The charge for taxation includes adjustments for prior years, if any.

Deferred tax is not recognized as the Company is in development phase and the construction work on refinery has yet to take place.

3.7

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial assets

Financial assets are recognized initially at fair value, normally being the transaction price. In the case of financial assets not at fair value through profit or loss, directly attributable transaction costs are also included. The subsequent measurement of financial assets depends on their classification, as set out below. The Company derecognizes financial assets when the contractual rights to the cash flows expire.

The Company classifies its financial asset as measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. The classification depends on the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

(i) Financial assets measured at amortized cost

Financial assets are classified as measured at amortized cost when they are held in a business model the objective of which is to collect contractual cash flows and the contractual cash flows represent solely payments of principal and interest. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in statement of profit or loss when the assets are derecognized or impaired and when interest is recognized using the effective interest method. This category of financial assets includes 'Loans and advances' and 'Cash and bank balances' in the statement of financial position.

(ii) Financial assets measured at fair value through other comprehensive income

Financial assets are classified as measured at fair value through other comprehensive income when they are held in a business model the objective of which is both to collect contractual cash flows and sell the financial assets, and the contractual cash flows represent solely payments of principal and interest. The Company does not have any financial assets classified in this category.

(iii) Financial assets measured at fair value through profit or loss

Financial assets are classified as measured at fair value through profit or loss when the asset does not meet the criteria to be measured at amortized cost or fair value through other comprehensive income. Such assets are carried on the statement of financial position at fair value with gains or losses recognized in the statement of profit or loss. The Company does not have any financial assets classified in this category.

b) Financial liabilities

The measurement of financial liabilities depends on their classification, as follows:

(i) Financial liabilities measured at fair value through profit or loss

Financial liabilities that meet the definition of held for trading are classified as measured at fair value through profit or loss. Such liabilities are carried on the balance sheet at fair value with gains or losses recognized in the income statement. The Company does not have any financial liabilities classified in this category.

(ii) Financial liabilities measured at amortized cost

All other financial liabilities are initially recognized at fair value, net of directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. This category of financial liabilities includes trade and other payables, unclaimed dividend and unpaid dividend.

c) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Company categorizes assets and liabilities measured at fair value into one of three levels depending on the ability to observe inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs that are observable, either directly or indirectly, other than quoted prices included within level 1 for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability reflecting significant modifications to observable related market data or Company's assumptions about pricing by market participants.

d) Off-setting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

e) Impairment of financial assets measured at amortized cost

The Company assesses on a forward looking basis the expected credit losses associated with financial assets classified as measured at amortized cost at each statement of financial position date. Expected credit losses are measured based on the maximum contractual period over which the Company is exposed to credit risk. Since this is typically less than 12 months there is no significant difference between the measurement of 12-month and lifetime expected credit losses for the Company's in-scope financial assets. The measurement of expected credit losses is a function of the probability of default, loss given default and exposure at default. The expected credit loss is estimated as the difference between the asset's carrying amount and the present value of the future cash flows the Company expects to receive discounted at the financial asset's original effective interest rate. The carrying amount of the asset is adjusted, with the amount of the impairment gain or loss recognized in the statement of profit or loss.

A financial asset or group of financial assets classified as measured at amortized cost is considered to be credit-impaired if there is reasonable and supportable evidence that one or more events that have a detrimental impact on the estimated future cash flows of the financial asset (or group of financial assets) have occurred. Financial assets are written off where the Company has no reasonable expectation of recovering amounts due.

3.8 Trade and other payables

Liabilities for trade and other amounts payable are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method which approximate their fair value of consideration to be paid in future for goods and services.

3.9 Offsetting

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

3.10 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and bank balances.

[illegible]

9	ACCRUED AND OTHER LIABILITIES	Note	2023	2022
			-----Rupees-----	
	Payable to FWO	9.1	73,593,547	66,393,547
	Other payables		17,500	84,479
	Audit Fee Payable		104,400	104,400
			<u>73,715,447</u>	<u>66,582,426</u>

9.1 This amount represents payable against lease rentals and management services.

10 DEFERRED TAX ASSET

In view of the uncertainty of taxable profits in the foreseeable future against which the tax losses could be utilized due to reasons explained in policy notes to these financial statements, the Company has not recognized deferred tax asset of Rs 17.47 million (2022: 14.16 million)

The aggregate tax losses available to the Company for set off against future taxable profits at June 30, 2023 amounted to Rs 61.81 million (2022: 54.36 million).

Losses related to tax year	Expiry year		Rs in million
	2023	2029	
	2022	2028	7.45
	2021	2027	7.59
	2020	2026	21.13
	2019	2025	10.24
			15.40

11 CONTINGENCIES AND COMMITMENTS

11.1 There are no contingencies and commitments of the Company as at June 30, 2023.

12 REVENUE

The Company has not yet started its operation so there is no revenue for the year (2022 : Nil).

13	ADMINISTRATIVE EXPENSES	Note	2023	2022
			-----Rupees-----	

Legal and professional charges	4	-	-	-
Depreciation of right of use asset	13.1	2,060	2,060	2,060
Management fee		6,000,000	6,000,000	6,000,000
Tax Consultancy		153,121	46,980	46,980
Auditors' remuneration	13.2	104,400	104,400	104,400
Others		-	245,379	245,379
			<u>6,259,581</u>	<u>6,398,819</u>

13.1 Management fee is charged by the parent company FWO for the provision of technical and financial services, logistics support to management consultant, requisite man power and technical and legal expertise through management agreement duly approved by the Board of directors. During the current year, FOC II requested its parent 'FWO' to cease its management fee till the start of company's operation. FWO agreed to stop charging management fee from 1st July.

13.2 Auditors' remuneration

Statutory audit fee	80,000	80,000
Out of pocket expenses	10,000	10,000
Sales Tax	14,400	14,400
	<u>104,400</u>	<u>104,400</u>

14 RELATED PARTY TRANSACTIONS

Frontier Works Organization (FWO) holds 100% shares of the Company. Therefore FWO including its subsidiaries and associates are the related parties of the Company. Other related parties include directors, key management personnel and entities over which directors are able to exercise significant influence. All transactions are carried at agreed terms. Transactions and related balances with related parties are shown below:

	2023	2022
	-----Rupees-----	
Year end balances		
Payable to FWO against advance	-	-
Payable to FWO against rent	24,367,741	23,167,742
Payable to FWO against management services	49,225,806	43,225,806
	<u>73,593,547</u>	<u>66,393,548</u>
Transactions during the year		
Management fee charged by FWO	6,000,000	6,000,000
Finance cost	260,799	399,372
Lease Payments	1,200,000	1,200,000

15 DETAIL OF RELATED PARTIES AND ASSOCIATED COMPANIES

Following are the details of related parties and associated companies, with whom the Company has entered into transactions or had agreements and / or arrangements in place during the financial year:

Related Parties

Name of Related Party	Basis of relationship	Percentage Shareholding
Frontier Works Organization	Parent Company	100%

16 NUMBER OF EMPLOYEES

The Company has no employees at its payroll. The statutory position and other skeleton services are being managed by staff of FWO.

17 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

No honorarium or remuneration has been paid to Directors and Chief Executive Officer during the period.

18 FINANCIAL RISK MANAGEMENT

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern. The company is fully dependent on its parent company since it is in development stages.

The Company has exposure to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

18.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from bank balances. The Company's credit risk exposures are categorized under the following headings:

18.1.1 Banks

The Company limits its exposure to credit risk by maintaining bank accounts only with counterparties that have a credit rating of at least A1 and A. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations. The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

Bank	Rating Agency	Short term	Rating Long term
Askari Bank	PACRA	A-1+	AA+

18.1.2 Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2023	2022
	Rupees	Rupees
Bank balances	18,781,843	16,801,622
	<u>18,781,843</u>	<u>16,801,622</u>

18.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and bank balances and availability of funding through an adequate amount of committed credit facilities.

The financial liabilities mostly payable to the parent company. Although, Company has financial assets comprising of cash and cash equivalents.

Financial liabilities in accordance with their contractual maturities are presented below:

	Carrying amount	Contractual cash flows	Less than 1 Year	More than 1 Year
			 Rupees	
June 30, 2023				
Payable to FWO	73,593,547	73,593,547	73,593,547	-
Audit Fee Payable	104,400	104,400	104,400	-
Other Payables	17,500	17,500	17,500	-
Lease hold liabilities	1,101,758	1,101,758	1,101,758	-
	<u>74,817,205</u>	<u>74,817,205</u>	<u>74,817,205</u>	<u>-</u>
June 30, 2022				
Payable to FWO	66,393,547	66,393,547	66,393,547	-
Audit Fee Payable	104,400	104,400	104,400	-
Other Payables	84,479	84,479	84,479	-
Lease hold liabilities	2,040,959	2,040,959	2,040,959	-
	<u>68,623,385</u>	<u>68,623,385</u>	<u>68,623,385</u>	<u>-</u>

18.3 Financial instruments by categories

The Company's activities are exposed to a variety of financial risks namely credit risk, interest rate risk, foreign exchange risk and liquidity risk. Overall, risks arising from the Company's financial instruments are limited. The Company manages its exposure to financial risk in the following manner:

Financial assets and liabilities**Financial assets**
Maturity up to one year
Cash and bank

	2023	2022
	-----Rupees-----	
	Amortized cost	
	18,781,843	16,801,622
	<u>18,781,843</u>	<u>16,801,622</u>

Financial liabilities**Maturity up to one year**Accrued and other payables
Lease liability - current portion

73,611,047	66,582,426
<u>1,101,758</u>	<u>939,201</u>
<u>74,712,805</u>	<u>67,521,627</u>

Maturity more than one year

Lease liability

-	1,101,758
<u>-</u>	<u>1,101,758</u>

18.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, markup rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The Company has no transactions in foreign currency therefore the Company is not exposed to any material foreign currency risk. The Company is not exposed to market risk.

18.5 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying values of all financial assets and liabilities reflected in the financial statements, approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

The various fair value levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial assets and financial liabilities are initially recognized at the fair value of consideration paid or received, net of transaction costs as appropriate, and subsequently carried at fair value or amortized cost.

There were no transfers made among various levels of fair value hierarchy during the period.

The fair value of financial assets is approximately equal to their carrying amounts.

The fair value hierarchy has not been presented in these financial statements, as the Company does not hold any such financial instruments in their portfolio.

19 GENERAL

Figures have been rounded off to the nearest Pak rupees unless otherwise stated.

20 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 05 OCT 2023 by the Board of Directors of the Company.

CHIEF EXECUTIVE OFFICER

DIRECTOR