**FRONTIER OIL COMPANY II (PRIVATE) LIMITED**
**FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED JUNE 30, 2024**

YOUSUF ADIL
PACE ALIGNED ...

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## INDEPENDENT AUDITOR'S 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, 2024 and the statement of profit or loss, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a material accounting policy 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the 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, 2024 and of the loss, other comprehensive loss, 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 the financial statements which indicates that the company incurred a loss of Rs. 2.55 million resulting an accumulated loss as at June 30, 2024 of Rs. 55.45 million. These conditions along with other matters set forth in note 1.2 indicate that a material uncertainty exists that may cast significant doubt on Company's ability to continue as a 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.

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, 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, the statement of profit or loss and other comprehensive income or the income and expenditure account, the statement of changes in equity and the 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.

Yousuf Adil

**Chartered Accountants**

**Place:** Islamabad
**UDIN:** AR202410414LQVNMqtZ6
**Date:** October 28. 2024
**Updated on (Date):** November 4, 2024

Our audit procedures on subsequent events between October 28, 2024 and November 4, 2024 are restricted solely to the amendment of the financial statements described in the note Note 2.1.1 to the financial statements.

**FRONTIER OIL COMPANY II (PRIVATE) LIMITED**
**STATEMENT OF FINANCIAL POSITION**
**AS AT JUNE 30, 2024**

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| **ASSETS** | | | |
| **Non current assets** | | | |
| Right of use asset | 6 | - | 2,060 |
| | | - | 2,060 |
| **Current assets** | | | |
| Prepaid Assets | 7 | 3,864,137 | 3,240,657 |
| Cash and bank | 8 | 22,015,145 | 18,781,843 |
| | | 25,879,282 | 22,022,500 |
| **TOTAL ASSETS** | | 25,879,282 | 22,024,560 |
| **EQUITY AND LIABILITIES** | | | |
| **Share Capital and Reserves** | | | |
| Issued, subscribed and paid up capital | 9 | 100,000 | 100,000 |
| Accumulated loss | | (55,445,516) | (52,892,645) |
| **Total Equity** | | (55,345,516) | (52,792,645) |
| **Non current liabilities** | | | |
| Lease liabilities | 10 | - | - |
| **Current liabilities** | | | |
| Current portion of lease liabilities | | - | 1,101,758 |
| Accrued and other liabilities | 11 | 81,224,798 | 73,715,447 |
| | | 81,224,798 | 74,817,205 |
| **TOTAL LIABILITIES** | | 81,224,798 | 74,817,205 |
| **TOTAL EQUITY AND LIABILITIES** | | 25,879,282 | 22,024,560 |
| **CONTINGENCIES AND COMMITMENTS** | 13 | | |

The annexed notes from 1 to 22 form an integral part of these financial statements.

**CHIEF EXECUTIVE OFFICER** | **DIRECTOR** | **CHIEF FINANCIAL OFFICER**

**FRONTIER OIL COMPANY II (PRIVATE) LIMITED**
**STATEMENT OF PROFIT OR LOSS**
**FOR THE YEAR ENDED JUNE 30, 2024**

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Revenue | 14 | - | - |
| Cost of revenue | | - | - |
| **Gross Profit** | | - | - |
| Administrative expenses | 15 | **(6,611,160)** | (6,259,581) |
| Interest income | | **4,156,531** | 2,711,436 |
| Finance Cost | 10 | **(98,242)** | (260,799) |
| Bank charges | | - | - |
| **Loss before final and revenue taxes** | | **(2,552,871)** | (3,808,944) |
| Final tax | | - | - |
| **Loss before revenue tax** | | | |
| Revenue taxes | | - | - |
| **Loss before income tax** | | | |
| Taxation | | - | - |
| **Loss for the year after taxation** | | **(2,552,871)** | (3,808,944) |

The annexed notes from 1 to 22 form an integral part of these financial statements.

**CHIEF EXECUTIVE OFFICER** **DIRECTOR** **CHIEF FINANCIAL OFFICER**

**FRONTIER OIL COMPANY II (PRIVATE) LIMITED**
**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED JUNE 30, 2024**

| | 2024<br>Rupees | 2023<br>Rupees |
|---|---|---|
| **Loss for the year after taxation** | **(2,552,871)** | (3,808,944) |
| Other comprehensive loss | - | - |
| **Total comprehensive loss for the year** | **(2,552,871)** | (3,808,944) |

The annexed notes from 1 to 22 form an integral part of these financial statements.

| | | |
|---|---|---|
| **CHIEF EXECUTIVE OFFICER** | **DIRECTOR** | **CHIEF FINANCIAL OFFICER** |

**FRONTIER OIL COMPANY II (PRIVATE) LIMITED**
**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED JUNE 30, 2024**

| | Share Capital | Accumulated Loss | Total |
|---|---|---|---|
| | -------- | Rupees | -------- |
| Balance as at June 30, 2022 | 100,000 | (49,083,701) | (48,983,701) |
| Total comprehensive loss for the year | - | (3,808,944) | (3,808,944) |
| **Balance as at June 30, 2023** | **100,000** | **(52,892,645)** | **(52,792,645)** |
| **Total comprehensive loss for the year** | **-** | **(2,552,871)** | **(2,552,871)** |
| **Balance as at June 30, 2024** | **100,000** | **(55,445,516)** | **(55,345,516)** |

The annexed notes from 1 to 22 form an integral part of these financial statements.

**CHIEF EXECUTIVE OFFICER** | **DIRECTOR** | **CHIEF FINANCIAL OFFICER**

**FRONTIER OIL COMPANY II (PRIVATE) LIMITED**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED JUNE 30, 2024**

| | Notes | 2024 Rupess | 2023 Rupess |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Loss before final and revenue taxes | | **(2,552,871)** | (3,808,944) |
| Amortization | 4 | **2,060** | 2,060 |
| Finance cost | 10 | **98,242** | 260,799 |
| Operating cash flows before movement in working capital | | **(2,452,569)** | (3,546,085) |
| **Increase in assets** | | | |
| Advances | | **(623,480)** | (406,715) |
| **Increase/(decrease) in liabilities** | | | |
| Payable and accrued liabilities | | **7,509,351** | 7,133,021 |
| Lease liability payment | 10 | **(1,200,000)** | (1,200,000) |
| Net cash generated from operating activities | | **3,233,302** | 1,980,221 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| **Net cash used in financing activities** | | **-** | - |
| **Net increase in cash and cash equivalents** | | **3,233,302** | 1,980,221 |
| Cash and cash equivalents at the beginning of the period | | **18,781,843** | 16,801,622 |
| **Cash and cash equivalents at the end of the period** | 8 | **22,015,145** | 18,781,843 |

The annexed notes from 1 to 22 form an integral part of these financial statements.

**CHIEF EXECUTIVE OFFICER** **DIRECTOR** **CHIEF FINANCIAL OFFICER**

## 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 Pukhtunkhwa 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. 2.5 million resulting an accumulated loss as at June 30, 2024 of Rs. 55.4 million. Further, The Company has applied for the necessary licensing from 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 abilitiy 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 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 are notified under the Companies Act, 2017;

- Provisions and directives issued under the Companies Act, 2017.

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

2.1.1 Subsequent to the year end, the management has re-assessed the applicability of the State-Owned Enterprises (Governance and Operation) Act, 2023 (the SOE Act), enacted by the Federal Governament on the company and based on the independent legal advice concluded that the SOE Act is not applicable in the Company. The Board of Director in its meeting dated November 04, 2024 has concluded and approved revised paragraph (2.1) in the statement of compliance and removing the application of SOE Act on the Company in that paragraph.

### 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, 2024. 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.

Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.

Amendments to IAS 12 ' Income taxes' - International Tax Reform — Pillar Two Model Rules

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

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments 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 disclosures.

| | **Effective from Accounting period beginning on or after** |
|---|---|
| Amendments to IFRS 16 ' Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions | January 01, 2024 |
| Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current along with Non-current liabilities with Convenants | January 01, 2024 |
| Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Clarification on how entity accounts when there is long term lack of Exchangeability | January 01, 2025 |
| Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 7 'Financial instruments disclosures' - Supplier Finance Arrangements | January 01, 2024 |
| IFRS 17 – Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17) | January 01, 2026 |
| Amendments IFRS 9 'Financial Instruments' and IFRS 7 'Financial instruments | January 01, 2026 |

Certain annual improvements have also been made to a number of IFRSs.

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 Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 18 - Presentation and Disclosures in Financial Statements
- IFRS 19 - Subsidiaries without Public Accountability: Disclosures

## 3 ADOPTION OF NEW ACCOUNTING POLICY

### 3.1 Accounting for minimum taxes and final taxes

During May 2024, The Institute of Chartered Accountants of Pakistan (ICAP) issued a guide 'IAS 12 Application Guidance on Accounting for Minimum taxes and Final taxes' (the Guide) to provide guidance on accounting of minimum tax and final tax, as mentioned in the Income Tax Ordinance, 2001, under the requirements of relevant IFRS Accounting Standards and provide appropriate approaches to account for minimum taxes and final taxes in compliance with the requirements of IFRS Accounting Standards.

In view of the clarifications from ICAP, it has been established that minimum tax and final taxes do not meet the criteria of income tax expense as per IAS 12 (as these are not based on taxable profits), hence, it should be accounted for under IFRIC 21 'Levies' and IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

The Guide issued by ICAP provides approaches to account for minimum and final regime taxes according to the facts and circumstances as applicable to the Company. Accordingly, the Company has adopted the following approach:

The Company first designates the amount deducted at source on reciepts as a levy within the scope of IFRIC 21 "Levies"/IAS 37" Provisions, Contingent Liabilities and Contingent Assets" and recognise it as an revenue taxes. Any excess over the amount designated as a levy is then recognised as current income tax expense falling under the scope of IAS 12.

Therefore, the deferred tax would be measured using the average effective rate of tax rather than the enacted/notified tax rate. The entity reassess its estimate for measuring deferred taxes in the future due to variation in the effective income tax rate even when the enacted rate of income tax is unchanged.

Similarly, any amount deducted as final taxes will be classified as a levy in the statement of profit or loss and there would be no deferred tax liability / (asset) recognised in case of final taxes.

Super tax charged to entities as per provisions of Income Tax Ordinance, 2001, will be classified as either 'Income Tax' or 'levy' in accordance with guidance provided in the Guide [i.e. if super tax calculation is based on taxable profits as defined in IAS 12, then, such super tax shall be recognised as 'income tax' otherwise such super tax shall qualify for recognition as 'levy' as per IFRIC 21 / IAS 37].

Advance taxes paid under any section of the Income Tax Ordinance, 2001, except minimum taxes paid under section 113, which are termed as levy as per the above guide will be classified as 'prepaid assets'.

The above changes have been accounted for in these financial statements as per the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The adoption of this policy did not result any material differences except for reclassifications which are presented as below:

| | Current Classification | Previous Classification |
|---|---|---|
| | Rupees | Rupees |
| **Effect on statement of financial position:** | | |
| As at June 30, 2023 | | |
| Prepaid asset | 3,240,657 | - |
| Advances | - | 3,240,657 |
| | 3,240,657 | 3,240,657 |
| **Effect on statement of profit or loss:** | | |
| For the year ended June 30, 2023 | | |
| **Taxation:** | | |
| - prior year | - | - |
| - Deferred tax | - | - |
| **Revenue taxes** | | |
| - Section 113 | - | - |
| **Final taxes:** | - | - |

## 4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in the application of accounting policies are as follows:

Depreciation of ROU Asset ( note 6)
Lease Liability (note 10)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised, if the revision affect only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

## 5 MATERIAL ACCOUNTING POLICY INFORMATION

During the period, the Company adopted Disclosure of Accounting Policies (Amendments to IAS 1) from January 01, 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves.

### 5.1 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.

### 5.2 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.

### 5.3 Right of use asset and Leases

#### 5.3.1 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.

### 5.3.2 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.

### 5.4 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.

### 5.5 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.
Refer to note 3.1 with respect to the Taxation policy changes and their impact on the financial statements.

### 5.6 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.

**5.7 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.

**5.8 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.

**5.9 Cash and cash equivalents**

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

| | | Notes | 2024 Rupees | 2023 Rupees |
|---|---|---|---|---|
| **6** | **RIGHT OF USE ASSET** | | | |
| | Opening balance | 6.1 | **2,060** | 4,120 |
| | Depreciation during the year | | **(2,060)** | (2,060) |
| | Closing Value | | **-** | 2,060 |

**6.1** Right of use asset is created on fully furnished office premises provided by FWO to the Company for intitial term of 5.5 years which was completed during the period.

| | | Notes | 2024 Rupees | 2023 Rupees |
|---|---|---|---|---|
| **7** | **PREPAID ASSETS** | | | |
| | Advance tax | | **3,864,137** | 3,240,657 |
| | | | **3,864,137** | 3,240,657 |
| **8** | **CASH AND BANK BALANCES** | | | |
| | Cash at bank - savings | 8.1 | **22,015,145** | 18,781,843 |
| | | | **22,015,145** | 18,781,843 |

**8.1** The balance in saving accounts carry mark up ranging between 19.5% to 20.5% (2023 : 12.25% to 19.5%) per annum.

**9 SHARE CAPITAL**

| | | | 2024 | 2023 |
|---|---|---|---|---|
| **9.1** | **AUTHORISED SHARE CAPITAL** | | | |
| | 1,000 ordinary shares of Rs. 100 each | | **100,000** | 100,000 |
| **9.2** | **ISSUED, SUBSCRIBED AND PAID UP CAPITAL** | | | |
| | 1,000 ordinary shares of Rs.100 each full paid in cash | 9.2.1 | **100,000** | 100,000 |

**9.2.1** These shares have been issued in favor of FWO (995 Shares) and directors of the Company (1 each to 5 directors). All ordinary shareholders have same rights regarding voting, board election, right of first refusal and block reporting.

| | | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| **10** | **Lease liabilities** | | |
| | As at July 01, 2023 | **1,101,758** | 2,040,958 |
| | Finance charges | **98,242** | 260,800 |
| | Adjustment during the year | | |
| | Lease payments | **(1,200,000)** | (1,200,000) |
| | As at June 30, 2024 | **-** | 1,101,758 |
| | Less: Current portion | | (1,101,758) |
| | Non current portion | **-** | - |

| | Note | 2024 Minimum Lease Payments | 2024 Present Value | 2023 Minimum Lease Payments | 2023 Present Value |
|---|---|---|---|---|---|
| | | ........ | ........ Rupees ........ | ........ | ........ |
| Not later than one year | | - | - | 1,200,000 | (1,101,758) |
| Later than one year but not later than five years | | | | - | - |
| Total minimum lease payments | | - | - | 1,200,000 | (1,101,758) |
| Less: Future finance cost | | - | - | (98,242) | - |
| Present value of minimum lease | | - | - | 1,101,758 | (1,101,758) |

| 11 | ACCRUED AND OTHER LIABILITIES | | 2024 Rupees | 2023 Rupees |
|---|---|---|---|---|
| | Payable to FWO | 11.1 | 80,793,548 | 73,593,547 |
| | Other payables | | 86,250 | 17,500 |
| | Audit Fee Payable | | 345,000 | 104,400 |
| | | | 81,224,798 | 73,715,447 |

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

## 12 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 17.18 million (2023: 17.47 million)

The aggregate tax losses available to the Company for set off against future taxable profits at June 30, 2024 amounted to Rs 62.91 million (2023: 61.81 million).

| Losses related to tax year | Expiry year | Rs in million |
|---|---|---|
| 2024 | 2030 | 3.8 |
| 2023 | 2029 | 4.75 |
| 2022 | 2028 | 7.59 |
| 2021 | 2027 | 21.13 |
| 2020 | 2026 | 10.24 |
| 2019 | 2025 | 15.40 |

## 13 CONTINGENCIES AND COMMITMENTS

13.1 There are no contingencies and commitments of the Company as at June 30, 2024.

## 14 REVENUE

The Company has not yet started its operation so there is no revenue for the year (2023 : Nil).

| 15 | ADIMINISTRATIVE EXPENSES | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|---|
| | Legal and professional charges | | 34,100 | - |
| | Depreciation of ROU Asset | 6 | 2,060 | 2,060 |
| | Management fee | 15.1 | 6,000,000 | 6,000,000 |
| | Tax Consultancy | | 230,000 | 153,121 |
| | Auditors' remuneration | 15.2 | 345,000 | 104,400 |
| | | | 6,611,160 | 6,259,581 |

15.1 Management fee is charged by the parent company FWO for the provision of technical and financial services, logistics support to mangement consultant, requisite man power and technical and legal expertise through management agreement duly approved by the Board of directors.

| 15.2 | Auditors' remuneration | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| | Statutory audit fee | 275,000 | 80,000 |
| | Out of pocket expenses | 25,000 | 10,000 |
| | Sales Tax | 45,000 | 14,400 |
| | | 345,000 | 104,400 |

## 16 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:

| | 2024<br>Rupees | 2023<br>Rupees |
|---|---|---|
| **Year end balances** | | |
| Payable to FWO agianst advance | - | - |
| Payable to FWO against rent | 25,567,742 | 24,367,741 |
| Payable to FWO against management services | 55,225,806 | 49,225,806 |
| | 80,793,548 | 73,593,547 |
| **Transactions during the year** | | |
| Management fee charged by FWO | 6,000,000 | 6,000,000 |
| Finance cost | 98,242 | 399,372 |
| Lease Payments | 1,200,000 | 1,200,000 |

## 17 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 |
|---|---|---|
| Frontier Works Organization | Parent Company | 100% |

## 18 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.

## 19 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

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

## 20 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

Interest rate 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.

## 20.1 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:

### 20.1.1 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:

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

### 20.1.2 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:

| | **2024** | 2023 |
|---|---|---|
| | **Rupees** | Rupees |
| Bank balances | **22,015,145** | 18,781,843 |
| | **22,015,145** | 18,781,843 |

## 20.2 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

The financial liabilities are 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, 2024** | | | | |
| **Payable to FWO** | **80,793,548** | **80,793,548** | **80,793,548** | **-** |
| **Audit Fee Payable** | **345,000** | **345,000** | **345,000** | **-** |
| **Other Payables** | **86,250** | **86,250** | **86,250** | |
| **Lease hold liabilities** | **-** | **-** | **-** | **-** |
| | **81,224,798** | **81,224,798** | **81,224,798** | **-** |

| | 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 Liabilities | 1,101,758 | 1,101,758 | 1,101,758 | - |
| | 74,817,205 | 74,817,205 | 74,817,205 | - |

**20.3 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:

| | 2024 Rupees | 2023 Rupees |
|---|---|---|
| **Financial assets and liabilities** | **Amortized cost** | |
| **Financial assets** | | |
| **Maturity up to one year** | | |
| Cash and bank | **22,015,145** | 18,781,843 |
| | **22,015,145** | 18,781,843 |
| **Financial liabilities** | | |
| **Maturity up to one year** | | |
| Accrued and other payables | **81,224,798** | 73,715,447 |
| Lease liability - current portion | **-** | 1,101,758 |
| | **81,224,798** | 74,817,205 |
| **Maturity more than one year** | | |
| Lease liability | **-** | - |
| | **-** | - |

**20.4 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. As the Company has fixed interest bearing assets, the Company's income and operating cash flows are substantially independent of market interest rates.

| | 2024 | 2023 |
|---|---|---|
| | **-------------Rupees-------------** | |
| **Financial assets** | | |
| Saving accounts | **22,015,145** | 18,781,843 |
| | **22,015,145** | 18,781,843 |

**Sensitivity analysis**

A change of 1% in interest rates, at the reporting date, would have changed the Company's profit for the year and accumulated profit by the amounts shown below by assuming that closing balance was outstanding for the whole year, with all other variables held constant:

| | 2024 | 2023 |
|---|---|---|
| **Change in interest rate** | **-------------Rupees-------------** | |
| Effect on profit for the year | **220,151** | 187,818 |
| Effect on accumulated profit | **220,151** | 187,818 |

**20.5 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.

**20.6 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:

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the period.

**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.

**21 GENERAL**

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

**22 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on 02 OCT 2024 by the Board of Directors of the Company.

| CHIEF EXECUTIVE OFFICER | DIRECTOR | CHIEF FINANCIAL OFFICER |
|---|---|---|