FRONTIER OIL COMPANY II (PRIVATE) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

KRESTON
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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, 2025, the statement of profit or loss and other 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 material accounting policy 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 purpose 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 and other comprehensive income, the statement of changes in equity and the statement of cashflows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information as 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 Company's affairs as at June 30, 2025 and of the loss and total comprehensive loss, the changes in equity and its cashflows for the year then ended.

Basis of 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 *Auditors' 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 (the Code) 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 relating to Going Concern

We draw attention to note 1.2 to the financial statements which indicates that the Company incurred a loss of Rs. 7.475 million resulting an accumulated loss of Rs. 62.92 million as at June 30, 2025, the reporting date. 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.

Other Matter

The financial statements of Frontier Oil Company II (Private) Limited for the year ended June 30, 2024, were audited by another firm of Chartered Accountants, who expressed an unqualified opinion vide their report dated November 04, 2024.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the directors' report, but does not include the financial statements and auditors' report thereon.

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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 our audit of the 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 on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of the 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. The Board of directors is responsible for overseeing the Company's financial reporting process.

Auditors' 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 auditors' 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.

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- 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 auditors' 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 auditors' 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, 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 auditors' report is Muhammad Ali, FCA.

Kreston Hyder Bhimji

KRESTON HYDER BHIMJI& CO.
CHARTERED ACCOUNTANTS

ISLAMABAD:
DATE: OCTOBER 2, 2025
UDIN: AR202510174rJmlYCL3I

FRONTIER OIL COMPANY II (PRIVATE) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2025

	Note	2025 Rupees	2024 Rupees
ASSETS			
CURRENT ASSETS			
Due from the Government	5	4,107,050	3,864,137
Cash and bank balances	6	4,540,479	22,015,145
		8,647,529	25,879,282
TOTAL ASSETS		8,647,529	25,879,282
EQUITY & LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid up capital	7	100,000	100,000
Accumulated Loss		(62,920,894)	(55,445,516)
		(62,820,894)	(55,345,516)
CURRENT LIABILITIES			
Accrued and other liabilities	9	71,468,423	81,224,798
CONTINGENCIES AND COMMITMENTS	11		
TOTAL EQUITY AND LIABILITIES		8,647,529	25,879,282

The annexed notes from 1 to 23 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 AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2025

	Note	2025 Rupees	2024 Rupees
Revenue	12	-	-
Less: Cost of revenue		-	-
Gross Profit		-	-
Administrative expenses	13	(9,093,694)	(6,611,160)
Other income	14	1,619,418	4,156,531
Finance cost	15	(1,102)	(98,242)
Loss before income tax and levy		(7,475,378)	(2,552,871)
Levy		-	-
Loss before taxation		(7,475,378)	(2,552,871)
Taxation	16	-	-
Loss after taxation		(7,475,378)	(2,552,871)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(7,475,378)	(2,552,871)

The annexed notes from 1 to 23 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, 2025

	Share Capital	Accumulated Loss	Total
	Rupees	Rupees	Rupees
Balance as at July 01, 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)**
Total comprehensive loss for the year	-	(7,475,378)	**(7,475,378)**
Balance as at June 30, 2025	**100,000**	**(62,920,894)**	**(62,820,894)**

The annexed notes from 1 to 23 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, 2025

	Note	2025 Rupees	2024 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(7,475,378)	(2,552,871)
Adjustment for non-cash and other items:			
Finance cost		-	98,242
Amortization		-	2,060
Operating loss before working capital changes		(7,475,378)	(2,452,569)
Net changes in working capital			
Due from the Government		(242,913)	(623,480)
Accrued and other liabilities		(9,756,375)	7,509,351
Lease Liability		-	(1,200,000)
Net cash (used in) / generated from operating activities		(17,474,666)	3,233,302
CASH FLOWS FROM INVESTING ACTIVITIES		-	-
CASH FLOWS FROM FINANCING ACTIVITIES		-	-
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(17,474,666)	3,233,302
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		22,015,145	18,781,843
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	6	4,540,479	22,015,145

The annexed notes from 1 to 23 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER | DIRECTOR | CHIEF FINANCIAL OFFICER

FRONTIER OIL COMPANY II (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

1 CORPORATE AND GENERAL INFORMATION

1.1 LEGAL STATUS AND NATURE OF OPERATIONS

Frontier Oil Company II (Private) Limited (the Company) was incorporated on January 22, 2019 as a private limited company in Islamabad under the Companies Act, 2017. The registered office of the Company is located at Headquarters Frontier Works Organization (FWO), 509, Kashmir Road, R.A Bazar, Rawalpindi, whereas the branch office of the Company is located at Gracy Lines, Opposite Central Workshop, HQ 496 Engineering Group, Chaklala, 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. 7.475 million (2024: Rs. 2.553 million) resulting an accumulated loss of Rs. 62.92 million (2024: 55.446 million) as at June 30, 2025, the reporting date. At the reporting date, the current liabilities of the Company have exceeded its current assets by 62.821 million (2024: Rs. 55.346 million) and as of that date the accumulated losses have surpassed the equity by Rs. 62.821 (2024: Rs. 55.346 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 the help of FWO for the execution of project "Karak oil Refinery" 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 by 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 the Accounting and Reporting 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 of 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, 2017 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 these financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements of the Company are presented in Pak Rupees, which is the Company's functional and presentation currency.

2.4 Critical accounting estimates and judgments

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:

	Note
Impairment of assets	3.2
Depreciation of ROU assets	4
Lease liabilities	8

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.

2.5 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant:

i. New accounting standards interpretations and amendments to accounting standards that are effective and relevant:

Certain standard, amendments and interpretations to approved accounting standards are effective for the accounting periods beginning on or after July 01, 2024 but are considered not to be relevant or to have any significant effect on the Company operations. These standard, amendments and interpretations are as follows:

		Effective for the period beginning on or after
IAS-1	Amendment to IAS 1 - Non-current liabilities with covenants and amendments regarding the classification of liabilities as current or non-current.	January 01, 2024
IFRS - 7 and IAS - 7	Amendments to IAS 7 and IFRS 7 'Supplier Finance Arrangements to add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.	January 01, 2024

ii. New accounting standards and amendments to standards not yet effective:

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 01, 2025 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following.

		Effective for the period beginning on or after
IFRS 7 and IFRS 9	Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)' to address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 'Financial Instruments'.	January 1, 2026
IFRS 18	**Presentation and Disclosure in Financial Statements:** The new standard on presentation and disclosure in financial statements, IFRS 18, focuses on updates to the statement of profit or loss. It introduces key concepts such as the structure of the statement of profit or loss, required disclosures for certain profit or loss performance measures reported outside the financial statements (management-defined performance measures), and enhanced principles on aggregation and disaggregation applicable to the primary financial statements and notes.	January 1, 2027
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information.	July 01, 2025
IFRS S2	Climate-related Disclosures.	July 01, 2025

iii. **New Standards issued by IASB but have not yet been notified/adopted by SECP**

		Effective for the period beginning on or after as per IASB
IFRS 18	IFRS 18 Presentation and Disclosure in Financial Statements and IFRS 19 Subsidiaries without Public Accountability: Disclosures	January 01, 2027
IFRS 19	Subsidiaries without Public Accountability - Disclosures has been issued by IASB.	January 01, 2027
IFRS - 1	First Time Adoption of IFRS 1 (restructured version)	July 01, 2009

3 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 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.

3.2 Impairment of assets

Impairment of non-current assets

The carrying amounts of non-current assets are reviewed at each statement of financial position 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 or 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.

3.3 Right of use asset and leases

a) Right of use asset

The Company recognizes right-of-use asset and 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 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.

b) 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 amortized 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.

3.4 Taxation

Provision for current taxation is made in the profit or 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 taken place.

Levy

Minimum Taxes (i.e. the amount in excess of Company corporate income tax) which is not adjustable against the future income tax liability and final tax, are classified as Levies and presented as an other operating expense in the statement of profit or loss.

3.5 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 'Cash and bank balances' in the statement of financial position.

ii) Financial assets measured at fair value through other comprehensive Income

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

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b) **Financial liabilities**

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

i) **Financial liabilitics 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 statement of financial position 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**

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize 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.

3.6 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.

3.7 Offsetting

Financial assets and liabilities are 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 recognized amounts and the Company intends to settle on a net basis, or realize the asset and settle the liability simultaneously.

3.8 Cash and cash equivalents

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

		Notes	2025 Rupees	2024 Rupees
4	**RIGHT OF USE ASSET**			
	Balance as on July 01,	4.1	-	2,060
	Depreciation during the year		-	(2,060)
	Balance as on June 30,		-	-

4.1 Right of use asset is created on fully furnished office premises provided by the FWO (related party) to the Company for initial term of 5.5 years which was completed during the last reporting period.

			2025 Rupees	2024 Rupees
5	**Due from the Government**			
	Balance as on July 01,		3,864,137	3,240,660
	Tax deducted at source		242,913	623,477
	Balance as on June 30,		4,107,050	3,864,137
6	**CASH AND BANK BALANCE**			
	Cash at bank - saving account - local currency	6.1	4,540,479	22,015,145

6.1 The savings accounts earns interest at floating rates based on daily bank deposit rates ranging from 7.5% to 19% (2024: 19.5% to 20.5%) per annum.

7 **SHARE CAPITAL**

			2025 Rupees	2024 Rupees
7.1	**AUTHORISED SHARE CAPITAL**			
	1,000 ordinary shares of Rs.100 each.		100,000	100,000
7.2	**ISSUED, SUBSCRIBED AND PAID UP CAPITAL**			
	1,000 ordinary shares of Rs.100 each, fully paid in cash.	7.3	100,000	100,000

7.3 FWO is the Parent Company holding 100% ordinary shares of Rs. 100 each having the same voting rights. There are 03 shareholders nominees of the FWO having one share each issued to them.

			2025 Rupees	2024 Rupees
8	**LEASE LIABILITIES**			
	Balance as on July 01,		-	1,101,758
	Finance charges		-	98,242
	Lease payments		-	(1,200,000)
	Balance as on June 30,		-	-
9	**ACCRUED AND OTHER LIABILITIES**			
	Payable to Parent Company - FWO (related party)		69,993,548	80,793,548
	Audit fee payable		690,000	345,000
	Payable to tax advisor		784,875	-
	Other payables		-	86,250
			71,468,423	81,224,798

10 **DEFERRED TAX ASSET**

In view of the uncertainty of taxable profits in the foreseeable future against which the tax losses could be utilized, the Company has not recognized deferred tax asset of Rs. 20.88 million (2024: Rs. 17.18 million).

The aggregate tax losses available to the Company for set off against future taxable profits at June 30, 2025 amounted to Rs. 72. million (2024: Rs. 62.91 million). Business losses expire as follows:

Losses related to tax year	Expiry year	2025 Rupees in million	2024 Rupees in million
2025	2031	9.09	-
2024	2030	3.80	3.80
2023	2029	4.75	4.75
2022	2028	7.59	7.59
2021	2027	21.13	21.13
2020	2026	10.24	10.24
2019	2025	15.40	15.40
		72.00	62.91

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies:

a) For the tax year 2019, proceedings under section 161(1A) read with section 205 of the Income Tax Ordinance, 2001 were initiated vide SCN having bar code No. 1000000186674076 dated January 29, 2024. The SCN was converted into an Order u/s 161 of the ITO, 2001 having bar code No. 1000000204279153 dated Aug 21, 2024, creating tax demand of PKR 2,357,213. A recovery notice had been issued dated November 08, 2024 for recovery of tax demand created via above mentioned order. The entity had filed an appeal and stay extension application against the aforementioned order before CIRA, which are pending.

b) For the Tax Year 2020, proceedings under section 161(1A) read with section 205 of the Income Tax Ordinance, 2001 were initiated vide SCN having bar code No. 1000000186672569 dated January 29, 2024. The SCN was converted into an Order u/s 161 of the ITO, 2001 having bar code No. 1000000204279217 dated August 21, 2024, creating tax demand of PKR 5,340,680. A recovery notice had been issued dated November 08, 2024 for recovery of tax demand created via above mentioned order. The entity had filed an appeal and stay extension application against the aforementioned order before CIRA, which are pending.

c) For the Tax Year 2021, proceedings under section 161(1A) read with section 205 of the Income Tax Ordinance, 2001 were initiated vide SCN having bar code No. 1000000186672055 dated January 29, 2024. The SCN was converted into an Order u/s 161 of the ITO, 2001 having bar code No. 1000000204279353 dated August 21, 2024, creating tax demand of PKR 2,280,370. A recovery notice had been issued dated November 08, 2024 for recovery of tax demand created via above mentioned order. The entity had filed an appeal and stay extension application against the aforementioned order before CIRA, which are pending.

d) For the Tax Year 2022, proceedings under section 161(1A) read with section 205 of the Income Tax Ordinance, 2001 were initiated vide SCN having bar code No. 1000000186672J00 dated January 29, 2024. The SCN was converted into an Order u/s 161 of the ITO, 2001 having bar code No. 1000000204279368 dated August 21, 2024, creating tax demand of PKR 1,836,907. The entity had filed an appeal against the aforementioned order before CIRA which is pending.

e) The management and tax consultants believe that the Company has strong grounds to fight the case legally. No liability has been accounted for in these financial statements for the above cases as management and tax consultants of the Company are confident that the outcome of the above apeals will be in favor of the Company.

11.2 Commitments:

There was no commitments of the company at the terminal date (2024: Nil).

12 REVENUE

The Company has not yet started its operation so there is no revenue for the year (2024: Nil).

	Note	2025 Rupees	2024 Rupees
13 ADMINISTRATIVE EXPENSES			
Management fee	13.1	6,000,000	6,000,000
Office rental expenses		1,200,000	-
Legal and professional charges		1,543,410	264,100
Auditor's remuneration	13.2	345,000	345,000
Miscellaneous charges		5,284	-
Depreciation of ROU Asset		-	2,060
		9,093,694	6,611,160

13.1 Management fee is charged by the Parent Company FWO vide agreement dated January 01, 2020, for the provision of technical and financial services, logistics support to management consultant, requisite manpower and technical and legal expertise through management agreement. These charges have been agreed between the Company and its Parent Company, FWO, duly approved by the Directors of both the Companies vide addendum 2 dated June 12, 2025.

	2025	2024
13.2 AUDITOR'S REMUNERAITON		
Statutory audit fee	200,000	200,000
Review report on CCG Compliance	75,000	75,000
Out of pocket expenses	25,000	25,000
Sales tax on services	45,000	45,000
	345,000	345,000

	2025	2024
14 OTHER INCOME		
Profit on bank accounts	1,619,418	4,156,531

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	Note	2025 Rupees	2024 Rupees
15 FINANCE COST			
Bank charges		1,102	-
Lease charges		-	98,242
		1,102	98,242

16 **TAXATION**

Due to nil operations of the Company and loss, there is neither levy/current tax nor deferred tax recorded due to the reasons stated in Note-10 of these financial Statements.

17 **DETAIL OF RELATED PARTIES AND ASSOCIATED COMPANIES**

Following are the details of the 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.

Name of related party	Relationship	Basis of relationship
Frontier Works Organization	Parent Company	100% shareholding

18 **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 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:

	Note	2025 Rupees	2024 Rupees
Year end balances	9		
Payable to FWO against rent		17,767,742	25,567,742
Payable to FWO against management services		52,225,806	55,225,806
		69,993,548	80,793,548
Transactions during the year			
Finance cost on lease	8	-	98,242
Lease payments	8	-	1,200,000
Management fee	13	6,000,000	6,000,000
Office rental expenses	13	1,200,000	-
		7,200,000	7,298,242

19 **REMUNERATION OF CHIEF EXECUTIVE OFFICER AND DIRECTORS**

No remuneration has been paid by the Company to Directors and Chief Executive Officer during the year. Such costs were borne by the Parent Company, if any.

20 **FINANCIAL RISK MANAGEMENT**

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 deposit, other receivables and bank balances. The Company's credit risk exposures are categorized under the following headings:

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a) Bank

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:

		2025		2024	
Bank name	**Agency**	**Short term rating**	**Long term**	Short term	Long term
Askari Bank Limited	PACRA	A1+	AA	A1+	AA+

b) Exposure to credit risk

Credit risk represents the risk that one party to a financial instruments will cause a financial loss for the another party by failing to discharge an obligation. The carrying amount of financial assets represent the maximum credit exposure. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

		2025		2024	
	Note	**Carrying amount**	Maximum Exposure	Carrying amount	Maximum Exposure
		Rupees	**Rupees**	Rupees	Rupees
Cash and bank		**4,540,479**	**4,540,479**	22,015,145	22,015,145

Geographically, there is no concentration of credit risk.

The Company's most significant amount balance is cash and bank balances amounting to Rs. 4.54 million (2024: Rs. 22.01 million) at the reporting dates.

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 facilities.

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

The financial liabilities in accordance with their contractual maturities are presented below:

		2025			
		Carrying amount	**Contractual cash flows**	**Less than 1 year**	**More than 1 year**
	Note	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Accrued and other liabiliti	**9**	**71,468,423**	**71,468,423**	**71,468,423**	**-**

		2024			
		Carrying amount	Contractual cash flows	Less than 1 year	More than 1 year
	Note	Rupees	Rupees	Rupees	Rupees
Accrued and other liabilitie	9	81,224,798	81,224,798	81,224,798	-

20.3 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 foreign currency risk. The Company is not exposed to market risk.

20.4 Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company is not exposed to foreign currency risk on trade debts, payables and revenues which are entered in a currency other than Pak Rupees. Majority of the revenue of the Company is in Pak Rupees.

20.5 Interest rate risk

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

	Note	2025 Rupees	2024 Rupees
Financial assets			
Savings account	6	**4,540,479**	22,015,145

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/(loss) by the amounts shown below by assuming that closing balance was outstanding for the whole year, with all other variables held constant:

	2025 Rupees	2024 Rupees
Changes in interest rate		
Effect on profit for the year	**45,405**	220,151
Effect on acumulated profit	**45,405**	220,151

20.6 Fair value of assets and liabilities

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 I that are observable for the asset or liability, either directly (Le. as prices) or indirectly (ie. derived from prices).

Level 3: inputs for the asset or liability that are not based on observahle 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 is no need for the fair market valuation since there is no impairment in the value of financial instruments except from trade debts.

There were no transfers made among various levels of fair value hierarchy during the period.
The company does have a policy to carry any assets or liabilities at fairvalue and are instead carried at their fair values.

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 NUMBER OF EMPLOYEES

	2025	2024
Number of employees at the year-end	-	-
Average number of employees during the year	-	-

22 DATE OF AUTHORIZATION

These financial statements were authorized for issue on 29 SEP 2025 by the Board of Directors of the Company.

23 GENERAL

Figures of the corresponding years have been presented for comparison and better understanding. However, no material reclassifications have been made in these financial statements.

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CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER