

**FRONTIER OIL COMPANY-II (PRIVATE)
LIMITED**

FINANCIAL STATEMENTS FOR THE
YEAR ENDED JUNE 30, 2026

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, 2026, 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 information 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, 2026 and of the loss and other 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.

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.

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.

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.
- 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/ (loss), 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.

ISLAMABAD:
DATE: SEPTEMBER 18, 2026
UDIN: AR202610174EBYpJ9c6t



KRESTON HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

FRONTIER OIL COMPANY-II (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2026

	Note	2026 Rupees	2025 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	4	92,891,176	-
Capital work in progress	5	228,846,831	-
Intangible asset	6	3,784,807	-
Right of use asset	7	2,096,515	-
Advance for purchase of land	8	183,201,342	-
Receivable from Frontier Oil Company 1	9	16,117,511	-
		526,938,182	-
CURRENT ASSETS			
Taxation	10	12,059,757	4,107,050
Cash and bank balances	11	1,035,899,394	4,540,479
		1,047,959,151	8,647,529
TOTAL ASSETS		1,574,897,333	8,647,529
EQUITY & LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid up capital	12	2,013,174,700	100,000
Accumulated loss		(635,626,981)	(62,920,894)
		1,377,547,719	(62,820,894)
PAYABLE TO PARENT COMPANY	13	134,700,000	69,993,548
		1,512,247,719	7,172,654
NON-CURRENT LIABILITIES			
Advance From Consortium Partners	14	56,864,605	-
CURRENT LIABILITIES			
Lease liability	15	2,653,692	-
Accrued and other liabilities	16	3,131,317	1,474,875
		5,785,009	1,474,875
CONTINGENCIES AND COMMITMENTS	18		
TOTAL EQUITY AND LIABILITIES		1,574,897,333	8,647,529

The annexed notes from 1 to 30 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, 2026

	Note	2026 Rupees	2025 Rupees
Revenue	19	-	-
Cost of revenue		-	-
Gross Profit		-	-
Administrative expenses	20	(86,563,084)	(9,093,694)
Other income	21	39,763,535	1,619,418
Finance cost	22	(121,275)	(1,102)
Loss before income tax and levy		(46,920,824)	(7,475,378)
Levy		-	-
Loss before income tax		(46,920,824)	(7,475,378)
Income tax	23	-	-
Loss after income tax		(46,920,824)	(7,475,378)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(46,920,824)	(7,475,378)

The annexed notes from 1 to 30 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

192


CHIEF FINANCIAL OFFICER

FRONTIER OIL COMPANY-II (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2026

	Share Capital	Revenue reserve/ Accumulated loss	Payable to parent Company	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at July 01, 2024	100,000	(55,445,516)	80,793,548	25,448,032
Payable to parent company for the year	-	-	(10,800,000)	(10,800,000)
Total comprehensive loss for the year	-	(7,475,378)	-	(7,475,378)
Balance as at June 30, 2025	100,000	(62,920,894)	69,993,548	7,172,654
Payable to parent company for the year	-	-	64,706,452	64,706,452
Total comprehensive loss for the year	-	(46,920,824)	-	(46,920,824)
Issuance of shares	2,013,074,700	-	-	2,013,074,700
Transferred from Frontier Oil Company 1	-	(525,785,263)	-	(525,785,263)
Balance as at June 30, 2026	2,013,174,700	(635,626,981)	134,700,000	1,512,247,719

The annexed notes from 1 to 30 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, 2026

	Note	2026 Rupees	2025 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax and levy		(46,898,824)	(7,475,378)
Adjustment for non-cash and other items:			
Depreciation of PPE	4	2,327,538	-
Depreciation of ROU	7	2,096,515	-
Finance cost	22	114,381	-
Amortization	6	333,130	-
Management fee capitalised	5	(74,400,000)	-
Lease Liability		(2,700,000)	-
Share deposit money written off		(57)	-
Management fee adjusted by FWO		69,993,548	-
Operating loss before working capital changes		(49,133,769)	(7,475,378)
Net changes in working capital			
(Decrease) / Increase in current liabilities			
Accrued and other liabilities		66,340,894	(9,756,375)
cash generated from/(used in) operating activities		17,207,125	(17,231,753)
Taxes paid	10	(7,952,707)	(242,913)
Net cash generated from/(used in) operating activities		9,254,418	(17,474,666)
CASH FLOWS FROM INVESTING ACTIVITIES			
Transferred from Frontier Oil Company 1		41,973,349	-
Land Purchased	8	(183,201,342)	-
Payment for Forest NOC	9	(16,117,511)	-
Payments for capital work in progress	5	(7,950,000)	-
Net cash used in investing activities		(165,295,504)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares - cash consideration	12.5	1,187,400,000	-
Net cash generated from investing activities		1,187,400,000	-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		1,031,358,914	(17,474,666)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		4,540,479	22,015,145
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	11	1,035,899,394	4,540,479

The annexed notes from 1 to 29 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, 2026

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 is a wholly owned subsidiary of Frontier Works Organization (FWO). The Principal Line of Business of the Company is to carry on the Petroleum Products Business of purchase of or acquire, sale, store, transport through pipeline or other means, market, distribute, supply, sell, import, export, and otherwise dispose of and generally trade in any and all kinds of petroleum and petroleum products, oil, gas, hydrocarbons, petrochemicals, asphalt, bituminous substances and to undertake all such activities as are connected herewith or ancillary thereto.

1.2 Asset Transfer Agreement

Frontier Oil Company 1 (Private) Limited was awarded license for construction of oil transportation pipeline from Faisalabad-Thallian-TaruJabba White Oil Pipeline (FTT-WOP) by Oil and Gas Regulatory Authority (OGRA) on June 08, 2018 which was extended till June 07, 2028. The Company intends to connect the facility with the White Oil Pipeline (WOP) infrastructure covering 437 kilometers from Machike to Tarujabba.

In February 2024, on the recommendation of the Government of Pakistan (GOP), the Company was entered into a consortium agreement with Frontier Works Organization (FWO) and Pakistan State Oil (PSO). The consortium partners will collaborate to reach a Final Investment Decision (FID) for the execution of White Oil Pipeline Project, which is a strategic infrastructure initiative aimed at enhancing energy transportation capabilities across the region. Furthermore, on February 24, 2025, in pursuit of foreign investment, the Company signed a Memorandum of Understanding (MoU) with Messrs SOCAR, a State-Owned entity of Azerbaijan. Negotiations are currently underway to finalize the term sheets, which will define the framework for SOCAR's potential participation in the project.

Frontier Oil Company-II (Private) Limited is currently undertaking the development of a Faisalabad-Thallian-Taru Jabba White Oil Pipeline (FTT-WOP) project in Pakistan with total length of 437 kilometers comprising of the following three sections :

Section I: Faisalabad to Thallian - 256 km
Section II: Thallian to Taru Jabba - 172 km
Section III: Ghazi I/C to Fakirabad - 9 km

On March 31, 2026, Frontier Works Organization (FWO), Frontier Oil Company 1 (Private) Limited (Frontier Oil Company 1) and the Company have entered into an Asset Transfer Agreement for the transfer / carve-out of a White Oil Pipeline (WOP) project to the Company. Accordingly, the assets and liabilities related to the project have been transferred at their book values.

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 directives and notifications issued under the Companies Act, 2017.

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

103

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:

	<u>Note</u>
Useful lives and residual values of property and equipment	3.1
Useful lives and residual values of intangible	3.3
Impairment of assets	3.5
Provision for trade and other receivables	3.8
Provisions	3.1
Contingencies and commitments	3.1
Taxation	3.2

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:

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

Certain amendments and interpretations to IFRS are effective for accounting periods beginning on July 01, 2025 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements.

	Effective for the period beginning on or after January 01, 2025
IAS-21 Amendments to IAS 21, clarify how to assess whether a currency is exchangeable and how determine the exchange rate when it is not including related disclosure requirements.	

ii. Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Company:

Standards, interpretations and amendments to approved accounting standards that are not yet effective and have not been early adopted by the Company.

	Effective for the period beginning on or after January 01, 2026
IFRS-7 Amendments to IFRS-7 Financial Instruments Disclosures - Amendments regarding classification and measurement of Financial Instrument	January 01, 2026
IFRS-9 Amendments to IFRS-9 Financial Instrument Amendment regarding the classification and measurement of Financial Instrument.	January 01, 2026
IFRS-18 Presentation and Disclosures in Financial Statements.	January 1, 2027
IFRS-19 Subsidiaries without Public Accountability Disclosures	January 1, 2027

100

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

Other than aforesaid Standards, Interpretations and Amendments, International Accounting Standard Board (IASB) has also issued the following Standards and Interpretations, which have not been notified locally or declared exempt by the SECP as at June 30, 2026.

IFRS 1 First time adoption of International Financial Reporting Standard.

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 Property and equipment

The cost of property and equipment comprise of its purchase price, including non-refundable purchase taxes and other related costs of bringing the asset to its present working condition and location for its intended use. Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (if any).

The Company's olive trees qualify as bearer plants under the definition in IAS 41 Agriculture and are therefore accounted for under cost accumulation method the rules for plant and equipment as per IAS 16. Under this method, the cost incurred on harvesting of the bearer plants is accumulated and the cost so accumulated is transferred to property and equipment on maturity. The trees are classified as immature until the produce can be commercially harvested. Immature olive oil trees are measured at cost accumulated.

Depreciation

Depreciation is charged when the asset is available for use on number of days basis to the statement of profit or loss by applying reducing balance method as the rates specified in Note 4 to the financial statements, to write off the cost over useful life of the assets, except leasehold improvements and electrical connections which are depreciated over straight line basis.

Disposal

An item of operating property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of assets. Gains or losses arising on disposal of property and equipment are taken to the profit or loss account in the month of disposal.

3.2 Capital work in progress

Capital work in progress is stated at cost less impairment loss, if any. Items are transferred to operating property and equipment as and when they are available for use.

3.3 Intangible asset

Measurement

An intangible asset is an identifiable non-monetary asset without physical substance. An intangible asset is recognized if it is probable that the future economic benefits, that are attributable to the asset, will flow to the Company and that the cost of such asset can be measured reliably. Cost of the intangible asset includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Amortization

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is charged so as to allocate the cost of assets over their estimated useful lives, using the straight-line method at the rates specified in note 6 of the financial statements.

3.4 Lease

a) Right of use asset

The Company recognizes 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 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.

3.5 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.

3.6 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 '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.

Handwritten signature

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 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.

3.7 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 Trade and other receivables

Measurement

Trade receivables and other receivables are recognized at transaction price less an allowance for impairment. Trade and other receivables are accounted for as per accounting policy of revenue recognition described in note - 3.5

Impairment

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognized in the statement of profit or loss. Bad debts are written-off in the statement of profit or loss on identification.

100

Derecognition

Trade and other receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to make payments within 3 years from the invoice date and failure to engage with the Company on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery. Based on a review of all outstanding amounts at the year end by the management. Known bad debts are written off as and when identified.

Judgments and estimates

The allowance for doubtful debts of the Company is based on the age analysis and management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realization of these receivables, management considers, among other factors, the creditworthiness and the past collection history of each customer.

3.9 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at nominal amount. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and bank balances.

3.10 Trade and other payables

Liabilities for trade and other payables are carried at their amortized cost which approximates the fair value of the consideration to be paid in future for goods and services received.

3.11 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting year, taking into account the risks and uncertainties surrounding the obligation.

3.12 Contingencies and commitments

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Capital commitments, unless those are actual liabilities, are not incorporated in the books of accounts.

3.13 Related party transactions

All transactions arising in the normal course of business, are conducted at arm's length at normal commercial rate on the same terms and conditions as third party transactions using valuation modes as admissible, except in rarely extreme circumstances where, subject to approval of the Board of Directors, it is in the interest of the Company to do so.

3.14 Other income

Profit on bank accounts, gain on derecognition of lease and delay charges are recognized and received on a time proportion basis on the principal amount outstanding at the applicable rate.

3.15 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 at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

149

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short position at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

3.16 Taxation

Income tax expense is recognized in the statement of profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity (if any), in which case the tax amounts are recognized directly in other comprehensive income or equity.

Current tax

The charge for current taxation is based on taxable income at current rates of taxation after taking into account tax credits, rebates and exemptions available, if any, or minimum taxation at the rate of 1.25% of the turnover, or Alternative Corporate Tax at the rate of 17% of accounting profit adjustable as per income tax laws, whichever is higher. The charge for current tax includes adjustments to charge for prior years, if any.

Deferred tax

Deferred taxation is provided on all temporary timing differences by using the financial position liability method.

Deferred tax liability is recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled based on tax rates that have been enacted or substantively enacted at the financial position date. Deferred tax is charged or credited in the statement of profit or loss, except where deferred tax arises on the items directly credited or charged to equity in which case it is included in equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority.

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.

Judgement and estimates

Significant judgment is required in determining the income tax expenses and corresponding provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Further, the carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable surplus. If required, carrying amount of deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable surplus to allow the benefit of part or all of that recognized deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable surplus will be available.

levy

4 PROPERTY AND EQUIPMENT

	Leasehold improvements	Electrical connection	Vehicles	Total
4.1	4.2			
----- Rupees -----				
Balance as on June 30, 2025	-	-	-	-
Transferred from Frontier Oil Company 1	137,500,000	9,755,995	178,730	147,434,725
Balance as on June 30, 2026	137,500,000	9,755,995	178,730	147,434,725
Accumulated Depreciation				
Balance as on June 30, 2025	-	-	-	-
Transferred from Frontier Oil Company 1	49,414,063.00	2,779,325	22,623	52,216,011
Charge for the year	2,148,438	170,163	8,937	2,327,538
Balance as on June 30, 2026	51,562,501	2,949,488	31,560	54,543,549
Carrying amount				
Balance at June 30, 2025	-	-	-	-
Balance at June 30, 2026	85,937,499	6,806,507	147,170	92,891,176
Useful life	16 years	14 years 4 months		
Rate of depreciation		20%		

4.1 Leasehold improvement of 4xPlots allocated to Faisalabad-Thallian-Tarujabba White Oil Pipeline (FTT-WOP), represents the expenditure incurred on land levelling and construction of central facility as per the contract with Frontier Works Organization (FWO). Central facility includes provision of roads, utilities, sewerage and security etc.

4.2 It represents IESCO electrical connection expenses for oil village.

149

	Note	2026 Rupees	2025 Rupees
5 CAPITAL WORK IN PROGRESS			
Transferred from Frontier Oil Company 1	5.1	146,496,831	-
Additions during the year		7,950,000	-
Management fee	5.2	74,400,000	-
Balance as on June 30, 2026		<u>228,846,831</u>	<u>-</u>
5.1 This represents capital expenditure incurred for development of White Oil Pipeline (WOP) project covering 437 kilometers from Faisalabad-Thallian-TaruJabba White Oil Pipeline (FTT-WOP) transferred during the year from Frontier Oil Company 1 as per the asset transfer agreement dated March 13, 2026.			
5.2 Vide Addendum No. 2 of the Management Services Agreement (in continuation of the agreement dated January 23, 2019) executed between the Company and Frontier Works Organisation (FWO), a management fee amounting to Rs. 6.2 million has been charged for the purpose of development of the White Oil Pipeline Project.			
6 INTANGIBLE ASSET - OGRA LICENSE			
Transferred from Frontier Oil Company 1		4,117,937	-
Amortisation for the year		(333,130)	-
Carrying amount as on June 30,		<u>3,784,807</u>	<u>-</u>
Useful life (years)		<u>3</u>	<u>-</u>
The Company was awarded license dated June 08, 2018 for construction of oil transportation pipeline from Machikke to Faisalabad-Thallian-TaruJabba White Oil Pipeline (FTT-WOP) by Oil and Gas Regulatory Authority (OGRA) which has been extended till June 03, 2028.			
7 RIGHT OF USE ASSET			
Balance as on July 01,	7.1	-	-
Transferred from Frontier Oil Company 1		4,193,030	-
Depreciation during the year		(2,096,515)	-
Balance as on June 30,		<u>2,096,515</u>	<u>-</u>
7.1 These relate to the fully furnished office space leased by the Company from Frontier Works Organisation FWO (a related party) for a period of five years ending on September 22, 2026. During the year, 75% of the space was transferred to the Company under the Carve out arrangements.			
8 ADVANCE FOR PURCHASE OF LAND			
Advance for purchase of land in Faisalabad	8.1	86,801,342	-
Advance for purchase of land in Taru jabba	8.1	96,400,000	-
		<u>183,201,342</u>	<u>-</u>
8.1 It represents partial payment (Bayana) relating to land purchased for the white oil pipeline (WOP) project of the company.			
9 RECEIVABLE FROM ASSOCIATED COMPANY			
Receivable from Frontier Oil Company 1	9.1	16,117,511	-
9.1 These amount relates to the payment of demand notice for issuance of No Objection Certificate (NOC) on behalf of Frontier Oil Company 1. These balances are receivable subject to approval of the board keeping in view sufficient liquidity of that Company. Maximum aggregate amount outstanding at any time during the year calculated by reference to month-end balances are same.			
10 TAXATION			
Balance as on July 01,		4,107,050	3,864,137
Tax deducted at source		7,952,707	242,913
Balance as on June 30,		<u>12,059,757</u>	<u>4,107,050</u>

1003

Note	2026 Rupees	2025 Rupees
------	----------------	----------------

11 CASH AND BANK BALANCE

Cash at bank - saving accounts

Askari Bank Limited

Askari Bank Limited-Engagement Budget account-Transferred from Frontier Oil Company 1

	999,824,234	4,540,479
	36,075,160	-
11.1	1,035,899,394	4,540,479

- 11.1 The savings accounts earns profit at floating rates based on daily bank deposit rates ranging from 9% to 10% (2025: 7.5% to 19%) per annum.

12 SHARE CAPITAL

12.1 AUTHORISED SHARE CAPITAL

30,001,000 ordinary shares of Rs.100 each.

3,000,100,000	100,000
---------------	---------

12.2 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2026	2025
Number of Shares	
20,131,747	1,000

Ordinary shares of Rs.100 each, fully paid in cash.

2,013,174,700	100,000
---------------	---------

- 12.3 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.

- 12.4 The movement in issued, subscribed and paid up share capital is as under:

	2026 Number of Shares	2025 Number of Shares	2026 Rupees	2025 Rupees
As on July 01,	1,000	1,000	100,000	100,000
Ordinary shares issued during the year	20,130,747	-	2,013,074,700	-
As on June 30,	20,131,747	1,000	2,013,174,700	100,000

12.5 Consideration for issuance of share capital against :

Cash

1,187,500,000	100,000
---------------	---------

Other than cash :

Settlement of amounts payable to FWO

Net assets transferred to the Company from Frontier Oil Company 1

69,993,500	-
755,681,200	-
825,674,700	-
2,013,174,700	100,000

13 PAYABLE TO PARENT COMPANY - FWO (related party)

Payable against office rent and management fee

13.1	134,700,000	69,993,548
------	-------------	------------

- 13.1 These relates to the office rent and management fee payable to the parent company - FWO which will be payable at the discretion of the Company.

14 ADVANCE FROM CONSORTIUM PARTNERS

Transferred from Frontier Oil Company 1:

PSO Consortium Partners

14.1	51,857,005	-
------	------------	---

PAPCO Consortium Partners

14.1	5,007,600	-
------	-----------	---

56,864,605	-
------------	---

- 14.1 These advances were received from PSO and PAPCO in response to the Consortium agreement dated September 04, 2024 executed between Frontier Oil Company 1, FWO and PSO. Under the agreement, the consortium partners agreed for the joint execution of the White Oil Pipeline project. The same project alongwith assets and liabilities has been transferred to the Company from Frontier Oil Company 1.

1003

	<u>Note</u>	<u>2026</u> <u>Rupees</u>	<u>2025</u> <u>Rupees</u>
15 LEASE LIABILITIES			
<u>Current portion</u>			
Against office	15.1	2,653,692	-
15.1 LEASE LIABILITIES			
Transferred from Frontier Oil Company 1		5,239,311	-
Accretion of interest		114,381	-
Payable transferred to Parent Company		(2,700,000)	-
Balance as on June 30,		2,653,692	-
Less: Current portion shown under current liabilities		(2,653,692)	-
		-	-

This relates to the lease of office premises of the company for which an agreement was executed with FWO till September 30, 2026 at the rental value of Rs. 1,200,000 per month. As per curve out agreement, 75% of the space has been transferred to Frontier Oil Company-II with effect from April 01, 2026. The agreement is extendable with mutual consent of the parties.

The minimum lease payments have been discounted at internal borrowing rate of 10.44% (2025: 10.44%) per annum to arrive at their present value. The following table sets out a maturity analysis of lease liabilities, showing the undiscounted lease payments to be made after the expected date.

	<u>2026</u>		<u>2025</u>	
	<u>Minimum lease payments</u>	<u>Present value</u>	<u>Minimum lease payments</u>	<u>Present value</u>
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
Not later than one year	2,700,000	2,653,692	-	-
Later than one year but not later than five years	-	-	-	-
	2,700,000	2,653,692	-	-
Less: Finance cost allocated to future periods	(46,308)	-	-	-
	2,653,692	2,653,692	-	-

16 ACCRUED AND OTHER LIABILITIES			
Audit fee payable	21	575,000	690,000
Other payables	16.1	2,534,317	784,875
		3,109,317	1,474,875

16.1 It relates to consultancy charges payable to Pakistan Engineering Council (PEC), Tax consultancy fee, transport charges, legal advisor's retention fee and Supervision fee of regulators.

17 DEFERRED TAX ASSET

The management of the Company is uncertain about taxable profits in the foreseeable future against which the tax losses could be utilized, the Company has not recognized deferred tax assets of Rs. 40.652 million (2025: Rs. 20.88 million).

The aggregate tax losses available to the Company for set off against future taxable profits at June 30, 2026 amounted to Rs. 113.54 million (2025: Rs. 56.60 million). Business losses expire as follows:

<u>Losses related to tax year</u>	<u>Expiry year</u>	<u>2026</u> <u>Rupees in million</u>	<u>2025</u> <u>Rupees in million</u>
2026	2032	44.73	-
2025	2031	9.09	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
Unabsorbed depreciation and amortisation		22.45	-
		113.54	56.60

100

18 CONTINGENCIES AND COMMITMENTS

18.1 Contingencies:

- a) For the tax year 2019, Under section 161(1)/205 of the Income Tax Ordinance, 2001, an order (bar code No. 1000000204279153 dated August 21, 2024) was passed against the Company creating a tax demand of Rs. 2,357,213, along with default surcharge of Rs. 231,856 and penalty of Rs. 193,214.
- b) For the Tax Year 2020, For tax year 2020, an order under section 161(1)/205 of the Income Tax Ordinance, 2001 (bar code No. 1000000204279217 dated August 21, 2024) created a tax demand of Rs. 5,340,680, along with default surcharge of Rs. 525,313 and penalty of Rs. 437,760.
- c) For tax year 2021, an order under section 161(1)/205 of the Income Tax Ordinance, 2001 (bar code No. 1000000204279353 dated August 21, 2024) created a tax demand of Rs. 2,280,370, along with default surcharge of Rs. 224,299 and penalty of Rs. 186,915.
- d) For tax year 2022, an order under section 161(1)/205 of the Income Tax Ordinance, 2001 (bar code No. 1000000204279368 dated August 21, 2024) created a tax demand of Rs. 1,836,907, along with default surcharge of Rs. 180,679 and penalty of Rs. 150,566.

Against the above orders for the years 2019 to 2022, the Company filed an appeal before the Commissioner Inland Revenue (Appeals), which was disposed of vide order dated February 10, 2026, whereby the matter was remanded back to the Assessing Officer with directions to reconsider the case after verifying FWO's tax-exemption status and a fresh order in this respect is awaited. Management and its tax advisors, are confident that the ultimate outcome of the matter is unlikely to result in a material outflow of economic resources, and accordingly, no provision has been recognized in these financial statements.

18.2 Commitments:

There was no commitments of the Company at the terminal date (2025: Nil)

19 REVENUE

The Company has not yet started its operation so there is no revenue for the year (2025: Nil).

	Note	2026 Rupees	2025 Rupees
20 ADMINISTRATIVE EXPENSES			
Management fee	20.1	54,000,000	6,000,000
Office rent including facilities		3,600,000	1,200,000
SECP fee for increase in authorised Share capital		21,002,895	-
Vehical Rental Expenses		1,144,272	-
Legal and professional charges		1,201,679	1,543,410
Auditor's remuneration	20.2	833,751	345,000
Communication expenses		1,304	5,284
Depreciation on property plant and equipment	4	2,327,538	-
Amortization on intangible assets	6	333,130	-
Depreciation on right of use assets	7	2,096,515	-
		86,541,084	9,093,694
20.1 Vide Addendum No. 2 of the Management Services Agreement (in continuation of the agreement dated January 23, 2019) executed between the Company and Frontier Works Organisation (FWO), Management fee is charged by the FWO for the provision of technical and financial services, logistics support, management consultancy, requisite manpower, and technical and legal expertise.			
20.2 AUDITOR'S REMUNERATION			
Audit services			
Audit fee		400,000	200,000
Review report on CCG Compliance		75,000	75,000
Out of pocket expenses		25,000	25,000
Sales tax on services		75,000	45,000
Non audit services		575,000	345,000
Certification fee		258,751	-
		833,751	345,000

	<u>Note</u>	<u>2026</u> <u>Rupees</u>	<u>2025</u> <u>Rupees</u>
21 OTHER INCOME			
Profit on bank accounts		<u>39,763,535</u>	<u>1,619,418</u>
22 FINANCE COST			
Bank charges		6,894	1,102
Lease charges	15.1	<u>114,381</u>	-
		<u>121,275</u>	<u>1,102</u>

23 INCOME TAX

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-16 of these financial Statements.

24 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:

	<u>Note</u>	<u>2026</u> <u>Rupees</u>	<u>2025</u> <u>Rupees</u>
Related Party-FWO			
Basis of relationship - Parent Company			
<u>Transactions during the year</u>			
Capital Injection From FWO through FOC-I	12.5	755,681,200	-
Consideration given for issuance of shares	12.5	1,257,493,500	-
Lease liabilities - Transaction during the year	15.1	2,700,000	-
Management fee	20	54,000,000	6,000,000
Office rent including facilities	20	3,600,000	1,200,000
<u>Balance as on June 30,</u>			
Payable to Parent Company - Equity	13	134,700,000	69,993,548

Related Party- Frontier Oil Company-I (Private) Limited

Basis of relationship - Associate

Transactions during the year

Property and equipment	4	95,218,714	-
Capital work in progress	5	146,496,831	-
Intangible asset	6	4,117,937	-
Right of use asset	7	4,193,030	-
Cash at bank - saving account	11	41,973,349	-
Lease liabilities	15.1	5,239,311	-
Advance from parties	14	56,864,605	-
Capital Injection through Associated Company	12.4	755,681,200	-
Accumulated loss transferred		525,785,263	-
Receivable from Frontier Oil Company 1	9	16,117,511	-

Balance as on June 30,

Receivable from Frontier Oil Company 1	9	16,117,511	-
--	---	------------	---

25 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, and included in its management fee.

26 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.

26.1 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:

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:

Bank name	Agency	2026		2025	
		Short term rating	Long term rating	Short term rating	Long term rating
Askari Bank Limited	PACRA	A1+	AA+	A1+	AA+

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:

	Note	2026		2025	
		Carrying amount	Maximum Exposure	Carrying amount	Maximum Exposure
		Rupees	Rupees	Rupees	Rupees
Cash and bank	11	1,035,899,394	1,035,899,394	4,540,479	4,540,479
Receivable from associated company	9	16,117,511	16,117,511	-	-
		<u>1,052,016,905</u>	<u>1,052,016,905</u>	<u>4,540,479</u>	<u>4,540,479</u>

Geographically, there is no concentration of credit risk.

The Company's most significant amount balance is cash and bank balances amounting to Rs. 1035.89 million (2024: Rs. 4.54 million) at the reporting dates.

26.2 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:

	Note	2026			
		Carrying amount	Contractual cash flows	Less than 1 year	More than 1 year
		Rupees	Rupees	Rupees	Rupees
Accrued and other liabilities	16	2,899,317	2,899,317	2,899,317	-
Lease Liability	14.1	2,653,692	2,653,692	2,653,692	-
		<u>5,553,009</u>	<u>5,553,009</u>	<u>5,553,009</u>	<u>-</u>
	Note	2025			
		Carrying amount	Contractual cash flows	Less than 1 year	More than 1 year
		Rupees	Rupees	Rupees	Rupees
Accrued and other liabilities	16	1,264,875	1,264,875	1,264,875	-

100

26.3 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.

26.4 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.

26.5 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 saving accounts therefore the Company's income and operating cash flows are substantially independent of market interest rates and not exposed to interest rate risk.

	Note	2026 Rupees	2025 Rupees
Financial assets			
Savings account	11	1,035,899,394	4,540,479

26.6 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 (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 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 fair value 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.

27 NUMBER OF EMPLOYEES

There is no permanent employee of the company and those who are working in the company are deputed by the parent company - FWO and their emoluments are included in the management fee, being charged by FWO.

28 DATE OF AUTHORIZATION

These financial statements were authorized for issue on **07 SEP 2026** by the Board of Directors of the Company.

29 GENERAL

Figures of the corresponding year have been presented for comparison and better understanding.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER