

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FRONTIER OIL COMPANY I (PRIVATE) LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **Frontier Oil Company I (Private) Limited** (the Company), which comprise the statement of financial position as at June 30, 2024 and the statement of profit or loss, statement of 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 a material accounting policy information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2024 and of the loss, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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





Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

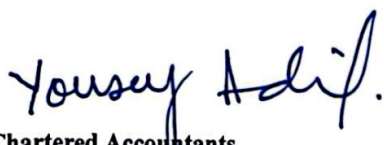
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

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

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



Chartered Accountants

Place: Islamabad

UDIN: AR202410414AntxiBMjV

Date: October 28, 2024

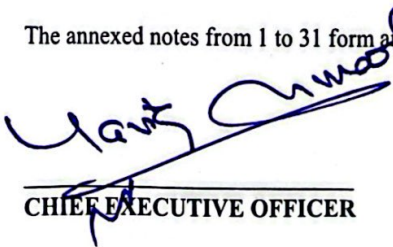
Updated on (Date): November 4, 2024

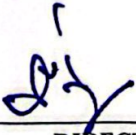
Our audit procedures on subsequent events between October 28, 2024 and November 4, 2024 are restricted solely to the amendment of the financial statements described in the note Note 2.1.1 to the financial statements.

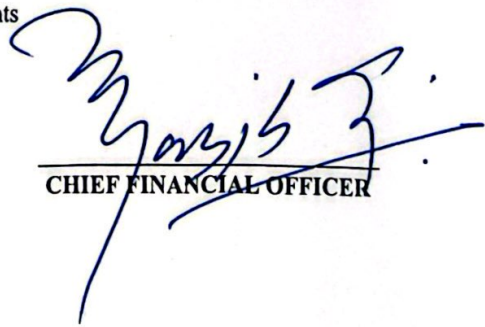
FRONTIER OIL COMPANY 1 (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
ASSETS			
Non Current Assets			
Property & equipment	6	460,820,032	497,200,518
Right of use asset	7	25,158,179	36,339,595
Net investment in finance lease	8	28,884,853	18,991,208
Security and deposits		<u>1,904,120</u>	<u>1,904,120</u>
		516,767,184	554,435,441
Current Assets			
Prepaid Assets	10	15,254,646	7,822,282
Lease rental receivable	9	846,667	700,000
Cash and bank	11	<u>171,422,375</u>	<u>136,086,365</u>
		187,523,688	144,608,647
		<u>-</u>	<u>-</u>
TOTAL ASSETS		<u>704,290,872</u>	<u>699,044,088</u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital (10,000,000 ordinary shares of Rs. 100 each)		<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid up capital	12	256,925,700	243,313,390
Accumulated losses		<u>(509,979,645)</u>	<u>(402,268,326)</u>
Total Equity		(253,053,945)	(158,954,936)
Share deposit money	13	<u>2,875,095</u>	<u>13,612,405</u>
		(250,178,850)	(145,342,531)
Non Current Liabilities			
Non current portion of Lease liabilities	14	27,138,312	34,065,018
Current Liabilities			
Current portion of lease liabilities	14	12,192,250	10,903,839
Payable to Parent Company	15	905,520,000	791,520,000
Payables and accrued liabilities	16	<u>9,619,160</u>	<u>7,897,762</u>
		927,331,410	810,321,601
TOTAL EQUITY AND LIABILITIES		<u>704,290,872</u>	<u>699,044,088</u>
CONTINGENCIES AND COMMITMENTS			
	18		

The annexed notes from 1 to 31 form an integral part of these financial statements


CHIEF EXECUTIVE OFFICER

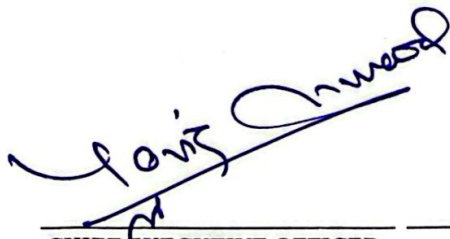

DIRECTOR


CHIEF FINANCIAL OFFICER

FRONTIER OIL COMPANY 1 (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
Revenue	19	18,922,499	1,126,178
Cost of revenue	20	<u>(1,438,887)</u>	<u>(321,765)</u>
Gross Profit		17,483,612	804,413
Administrative expenses	21	(157,480,048)	(89,904,538)
Finance cost	14	(3,622,229)	(4,686,300)
Bank charges		(12,299)	-
Finance income	22	30,733,067	18,495,827
Gain on derecognition of lease	23	5,218,589	13,510,763
Other income		<u>204,520</u>	<u>-</u>
Loss before final and revenue taxes		(107,474,788)	(61,779,835)
Final tax		-	-
Loss before revenue tax		(107,474,788)	-
Revenue taxes	24	(236,531)	-
Loss before income tax			
Taxation		-	-
Loss for the year		<u>(107,711,319)</u>	<u>(61,779,835)</u>

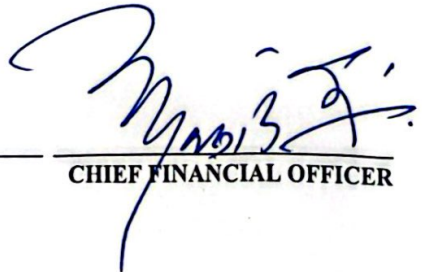
The annexed notes from 1 to 31 form an integral part of these financial statements



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

FRONTIER OIL COMPANY 1 (PRIVATE) LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2024

	2024	2023
	Rupees	Rupees
Loss for the year	(107,711,319)	(61,779,835)
Other comprehensive loss	-	-
Total comprehensive loss for the year	<u>(107,711,319)</u>	<u>(61,779,835)</u>

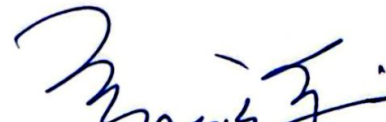
The annexed notes from 1 to 31 form an integral part of these financial statements



CHIEF EXECUTIVE OFFICER



DIRECTOR

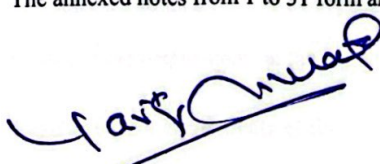


CHIEF FINANCIAL OFFICER

FRONTIER OIL COMPANY 1 (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2024

	Share Capital	Accumulated Losses	Share Deposit Money	Total
-----Rupees-----				
Balance as at June 30, 2022	236,438,390	(340,488,491)	6,875,087	(97,175,014)
Loss for the year	-	(61,779,835)	-	(61,779,835)
Other comprehensive loss for the year	-	-	-	-
<i>Transactions with owners</i>				
Shares issued during the year	6,875,000	-	(6,875,000)	-
Additions during the year	-	-	13,612,318	13,612,318
Balance as at June 30, 2023	243,313,390	(402,268,326)	13,612,405	(145,342,531)
Loss for the year	-	(107,711,319)	-	(107,711,319)
Other comprehensive loss for the year	-	-	-	-
<i>Transactions with owners</i>				
Shares issued during the year	13,612,310	-	(13,612,310)	-
Additions during the year	-	-	2,875,000	2,875,000
Balance as at June 30, 2024	256,925,700	(509,979,645)	2,875,095	(250,178,850)

The annexed notes from 1 to 31 form an integral part of these financial statements


 CHIEF EXECUTIVE OFFICER

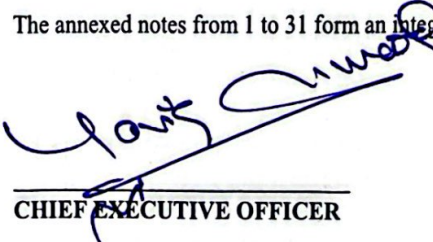

 DIRECTOR


 CHIEF FINANCIAL OFFICER

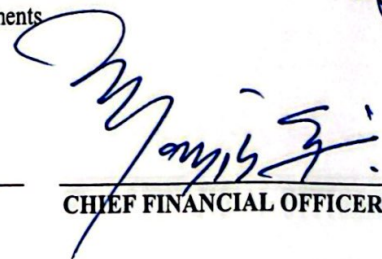
FRONTIER OIL COMPANY 1 (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

		2024	2023
		Rupees	Rupees
	Note		
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(107,711,319)	(61,779,835)
Depreciation of right of use asset	7	11,181,416	11,181,416
Depreciation of leasehold improvements	6	37,097,604	37,097,604
Finance cost		5,043,116	5,008,065
Finance income		(4,512,499)	(1,126,178)
Gain on derecognition of lease	23	(5,218,589)	(13,510,763)
Operating cash flows before movement in working capital		(64,120,271)	(23,129,691)
Decrease / (Increase) in current assets			
Advances and deposits	10	(7,668,894)	(2,833,124)
Accrued and other liabilities	16	99,821,398	33,492,744
Throughput charges receivable		(210,000)	-
Net cash flow from operating activities		27,822,233	7,529,929
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to the fixed assets		(717,118)	(1,964,277)
Proceeds from lease receivable	8	5,355,805	350,000
Net cash used in investing activities		4,638,687	(1,614,277)
CASH FLOW FROM FINANCING ACTIVITIES			
Share deposit money received during the year	13	2,875,090	13,612,318
Net cash generated from financing activities		2,875,090	13,612,318
Net Increase in cash and cash equivalents		35,336,010	19,527,970
Cash and cash equivalents at the beginning of the year		136,086,365	116,558,395
Cash and cash equivalents at the end of the year	11	171,422,375	136,086,365

The annexed notes from 1 to 31 form an integral part of these financial statements


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

FRONTIER OIL COMPANY 1 (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

1. CORPORATE AND GENERAL INFORMATION

1.1 Legal status and nature of business

Frontier Oil Company 1 (Private) Limited (the Company) was incorporated on September 22, 2016 as a private limited company in Islamabad under the repealed Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017 on May 30, 2017) and it is wholly owned subsidiary of Frontier Works Organization (FWO). The registered office of the Company is located at Headquarters Frontier Works Organization (FWO), 509, Kashmir Road, R.A Bazar, Rawalpindi.

The Company has entered into agreement with M&M Co on August 08, 2016 for provision of 100 acres of land for the 'Oil Village' project to install oil storage facility situated in Mozia Sihal tehsil and district Rawalpindi for a period of twenty years as initial term extendable up to additional three terms of twenty years each with mutual consent. The Company has taken possession of Land as per agreement and is required to pay rentals from the time of commencement of the business of the project.

Subsequent to agreement with M&M Co, the Company has entered into six agreements with other entities (i.e. oil marketing companies) for 5 acres of Land each to study, design, engineer, procure, finance, construct, operate and maintain the fuel storage and to exercise and enjoy the rights, powers, privileges, authorizations and entitlements required to successfully develop and implement the project facilities.

The Company's main operations include sub-leasing of land acquired from M&M Co for the 'Oil Village' project to oil marketing companies in separate lease and concession agreements against fixed and variable rentals and throughput charges depending upon its capacity utilization. Please refer to note 1.3 of the financial statements for further details.

The Company, as per sub agreements, is responsible for the construction of central facility including provision of roads, utilities, sewerage, security etc. which has been completed.

- 1.2** The Company was awarded license no OIL-01/2018 dated June 08, 2018 for construction of oil transportation pipeline from Machikke to Taru Jabba by Oil and Gas Regulatory Authority (OGRA). The Company intends to connect the facility with the White Oil Pipeline (WOP) infrastructure covering 460 kilometers from Machikke to Taru Jabba. The license granted was valid for a period of three years which was expired on June 08, 2021. The Company requested to Oil and Gas Regulatory Authority (OGRA) via letter No.103/OI/WOP/FOCI/01 dated May 26, 2021 for extension of the license for two years. The license has been extended till 7 June 2025 in the prior year via letter OGRA (Oil)-19-3(155)/2017 dated Feb 10, 2022 . The Company is also submitting the quarterly progress report to OGRA in this respect and hopeful that financial close will be completed by early in next year. The Company enjoys unconditional support from its parent Company FWO.

The Company via Notification No. 1(30)2015 dated September 19, 2019 from Board of Investment, has been awarded Special Economic Zone (SEZ) status for its Oil Village project, Mozia Sial, Rawalpindi. SEZ committee for "OIL VILLAGE SPECIAL ECONOMIC ZONE" has also been composed through Notification No. 1(97)2020-SEZ dated April 13, 2020.

The Company also applied for the registration of status of "Oil Marketing Company (OMC)" with "Oil & Gas Regulatory Authority" (OGRA) which is still under approval.

The company entered into a consortium agreement with FWO and PSO on the recommendation of the Government in february 2024. PAPCO and ISGS also entered the consortium subject to the government's approval. All the parties will cooperate generate a Final investment decision (FID) for the White oil pipeline project.

- 1.3** On March 15, 2024, Frontier Works Organization entered into a sale agreement with M&M for the purchase of the land which is as specified in note 1.1. The contract is signed by both parties and contains the transfer of 822 Marla Land from M&M to FWO. Further, certain legal requirements are currently in process and the land has not been fully transfered to the FWO.

All parties are in the process of Novation of the Lease Agreement. M&M shall, on the Novation Date, stand entirely substituted by the FWO as Lessor and contracting party to the Lease Agreement. As of the Novation Date, FWO agrees and undertakes to perform the obligations of M&M under the Lease Agreement, and agrees to be bound by the terms and conditions of the Lease Agreement. However, Mutation agreement is not signed yet, Furthermore, FWO , M&M and Frontier Oil Company 1 are in process of signing a Tri-party Novation agreement.

Owing to the pending Mutation agreement and Novation agreement, the sale of land has not been completed. Therefore, this development does not affect the financial statements in the current period. However due to significance of the matter, it is disclosed in the financial statements of the current year.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupee (Rs. / Rupees) which is the Company's functional currency. Amounts presented in the financial statements have been rounded off to the nearest of Rs. / Rupees, unless otherwise stated.

2.4 Amendments to the published approved accounting standards

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

The following accounting standards, amendments and interpretations are effective for the year ended June 30, 2024. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosure.

Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies

Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates

Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.

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

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

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

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

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 18 - Presentation and Disclosures in Financial Statements
- IFRS 19 - Subsidiaries without Public Accountability: Disclosures
- IFRS S1 & S2 - Sustainability and Climate Change: Disclosures
- IFRS 17 – Insurance Contracts

3 ADOPTION OF NEW ACCOUNTING POLICY

3.1 Accounting for minimum taxes and final taxes

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

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

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

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

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

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

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

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

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

	Current Classification Rupees	Previous Classification Rupees
Effect on statement of financial position:		
As at June 30, 2023		
Prepaid asset	7,822,282	-
Advances	-	7,822,282
	<u>7,822,282</u>	<u>7,822,282</u>
Effect on statement of profit or loss:		
For the year ended June 30, 2023		
Taxation:		
- prior year	-	-
- Deferred tax	-	-
Revenue taxes		
- Section 113	-	-
Final taxes:	-	-

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Depreciation of Property and Equipment (Note 5.2 and 6)

Depreciation and Lease Liability against Right of use asset (Note 5.6, 7 and 14)

Net Investment in finance lease (Note 5.6.3, 5.6.4)

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

5 MATERIAL ACCOUNTING POLICY INFORMATION

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

5.1 Provisions

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

5.2 Property & Equipment

The cost of property and equipment comprise of its purchase price, including import duties, 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 is computed using the straight-line method over the estimated useful lives of the assets at the rates specified in note 4 to the financial statements. Estimated useful lives and residual values of assets are reviewed periodically taking into account commercial and technical obsolescence as well as normal wear and tear. Depreciation is charged for the full month in which an asset is put to use and no depreciation is charged in the month of disposal. Depreciation is calculated at straight line basis taking into account useful life at lower of economic useful life or life of lease term.

An item of operating property and equipment is derecognized 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 and loss account in the year of disposal.

5.3 Biological Assets

A biological asset shall be measured at initial recognition and at the end of each reporting period at its fair value less costs to sell, which are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.

The olive trees are bearer plants and are presented and accounted for as property and equipment, see note 6.3. However, the olive fruits on the trees are accounted for as biological assets until the point of harvest. Harvested olive fruits are transferred to inventory at fair value less costs to sell when harvested.

Changes in fair value of olive fruits on trees are recognized in the statement of profit or loss. The fair value of growing olive fruits is determined using market price of similar products in the market after allowing for harvesting costs, contributory asset charges for the land and olive trees owned by the entity and other costs yet to be incurred in getting the olive fruits to maturity.

5.4 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.

5.5 Impairment of assets

Impairment of non - current assets

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

Impairment of current assets

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

5.6 Lease

5.6.1 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.

5.6.2 Lease liability

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

The lease liability is measured at 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.

5.6.3 Net investment in finance lease

Leases where the company transfers substantially all the risks and rewards of the assets to the lessee are classified as finance leases. Net investment in lease finance is stated at an amount equal to the aggregate of the minimum lease payments receivable, including any guaranteed residual value and excluding any unearned income, write-offs and provision for potential lease losses, if any the difference between the gross lease receivables and the present value of the lease receivables is recognized as unearned finance income. The variable lease payments (i.e. throughput charges) are not included as a part of net investment in finance lease.

In classifying a sublease, a company classifies sublease as a finance lease or an operating lease. If the head lease is a short-term lease than the entity shall classify the sublease as an operating lease. The sublease is classified as finance lease when the intermediate lessor derecognizes the right-of-use asset relating to the head lease that it transferred to the sub-lessee and recognizes the net investment in the sublease and the difference is recognized in profit or loss and retains the lease liability relating to the head lease in its statement of financial position which represents the lease payments owed to the head lessor. Amounts due from lessees under finance leases are recognized as receivables at the amount of the net investment in the leases. Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortized cost (i.e. after a deduction of the loss allowance).

5.6.4 Income on Finance lease

The Company follows the finance lease method in accounting for recognition of lease income. Under this method, the unearned lease income, i.e., the excess of aggregate lease rentals and the residual value over the cost of leased asset is deferred and then amortized to income over the term of the lease, so as to produce a constant rate of return on the net investment in lease finance.

5.6.5 Throughput income and Throughput expense

Throughput income and expenditure is recorded at pre determined rates within each unique sublease agreement. These amounts are only charged once business activity is commenced. The amount is calculated on capacity of output multiplied by the rates (included in agreement) for each day. Throughput expense is paid to owner of land whereas the income is received from the party to whom the land is sublet.

5.7 Foreign currency translation

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

5.8 Taxation

Current

Provision for current taxation is made in the profit and loss account on income from sources not covered under the above clause 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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.
- taxable temporary difference are adjusted by the portion of income expected to fall under presumptive tax regime in accordance with the requirement of Accounting Technical Release 27 (ATR-27) of the Institute of Chartered Accountants of Pakistan.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Company and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset if certain criteria are met.

5.9 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.

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

Financial assets are classified as measured at fair value through other comprehensive income when they are held in a business model the objective of which is both to collect contractual cash flows and sell the financial assets, and the contractual cash flows represent solely payments of principal and interest.

(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.

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 at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognized in the statement of profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in the statement of profit or loss incorporates any interest paid on the financial liability.

(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.

c) **Fair value measurement**

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

d) **Off-setting of financial assets and liabilities**

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

5.10 Trade and other payables

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

5.11 Cash and cash equivalents

In relation to cash flow statement, cash and cash equivalents comprise cash in hand and bank balances.

6 PROPERTY & EQUIPMENT

	Lease hold improvements	Electrical Connection	Capital Work in Progress	Total
	6.1	6.2	6.3	
	Rupees.....			
Cost				
As at July 01, 2023	550,000,000	39,023,979	14,931,677	603,955,656
Transfer from CWIP during the year	-	-	-	-
Additions during the year				
As at June 30, 2024	550,000,000	39,023,979	717,118	717,118
			15,648,795	604,672,774
Accumulated depreciation				
As at July 01, 2023	103,125,000	3,630,138	-	106,755,138
Depreciation charged during the year	34,375,000	2,722,604	-	37,097,604
As at June 30, 2024	137,500,000	6,352,742	-	143,852,742
Carrying value as at June 30, 2024				
	412,500,000	32,671,237	15,648,795	460,820,032
Carrying value as at June 30, 2023				
	446,875,000	35,393,841	14,931,677	497,200,518
Useful life	16 years	14 year 4 Months		

6.1 Lease hold improvements represents the expenditure incurred on land levelling and construction of central facility as per contract with Frontier Works Organization (FWO). Central Facility include provision of roads, utilities, sewerage, security etc.

6.2 It represents IESCO electrical connection expenses for the oil village.

6.3 This represents amount to entity for maintenance and growth of olive trees.

	Notes	2024 Rupees	2023 Rupees
7 RIGHT OF USE ASSET			
Opening Balance		36,339,595	47,521,011
Addition during the year		5,218,589	5,404,294
Derecognition due to Sublease	7.2	(5,218,589)	(5,404,294)
Depreciation of right of use asset		(11,181,416)	(11,181,416)
Closing Balance	7.1	<u>25,158,179</u>	<u>36,339,595</u>

7.1 It represents fully furnished office space acquired by the Company from FWO on lease. The lease term expired on September 22, 2021 after which it was renewed for a period of 5 more years.

7.2 This represents amounts recorded as Right of use asset and subsequently derecognized when the land is subleased to customers on commencement of operations.

8 NET INVESTMENT IN FINANCE LEASE

The Company has entered into lease arrangement wherein Company has rented out space of 5 acres of land to echo oil & Be Energy for a period of 28 years & 17 years. As per agreement, Company has acquire space on lease for twenty years from M&M on August 08,2016 therefore remaining lease term of 13.5 year for Echo Oil & 12.2 years for Be Energy have been used in net investment in finance lease for the remaining period starting from March 17,2023 for Echo Oil & March 08, 2024 for Be Energy. Refer note 1.3 for further details on status of lease.

Minimum rentals receivable under lease agreement as at June 30, 2024 are as follows;

Net investment in finance lease from Echo Oil and BeEnergy

	2024 Rupees	2023 Rupees
Opening	18,991,208	-
Additions	10,437,178	18,915,030
Finance income	4,512,499	1,126,178
Receipts during the year	(4,419,365)	(350,000)
Transfer to Rental Receivable	(636,667)	(700,000)
As at June 30, 2024	<u>28,884,853</u>	<u>18,991,208</u>

Particulars	Within one year	After one year but not more than five years	More than five years	Total
Gross investment in lease	6,600,000	26,400,000	45,250,000	78,250,000
Unearned finance income	(5,980,756)	(22,110,385)	(21,274,006)	(49,365,147)
Net investment in lease	<u>619,244</u>	<u>4,289,615</u>	<u>23,975,994</u>	<u>28,884,853</u>

	Notes	2024 Rupees	2023 Rupees
9 LEASE RENTAL RECEIVABLE			
From BeEnergy		286,667	-
From Echo Oil		350,000	700,000
Throughput Income Receivable	19	<u>210,000</u>	<u>-</u>
		<u>846,667</u>	<u>700,000</u>
10 PREPAID ASSETS			
Advance tax		15,254,646	7,822,282
		<u>15,254,646</u>	<u>7,822,282</u>
11 CASH AND BANK			
Cash at bank - saving account	11.1	171,422,375	136,086,365
		<u>171,422,375</u>	<u>136,086,365</u>

11.1 The balance in saving accounts carry mark up ranging between 19.5% to 22.5% (2023: 12.25% to 19.5%) per annum.

12 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2024	2023		2024	2023
Number			Rupees	
2,569,257	2,433,134	Ordinary shares of Rs. 100 each fully paid in cash	256,925,700	243,313,390
<u>2,569,257</u>	<u>2,433,134</u>		<u>256,925,700</u>	<u>243,313,390</u>

12.1 These shares have been issued in favor of FWO.

12.2 During the year 136,123 ordinary shares (2023: 68,750) have been issued to FWO.

12.3 The movement in issued, subscribed and paid up capital of the Company is as follows:

	2024	2023	2024	2023
	Number		Rupees	
As at July 01, 2023	2,433,134	2,364,384	243,313,390	236,438,390
Ordinary shares issued during the year	136,123	68,750	13,612,310	6,875,000
As at June 30, 2024	<u>2,569,257</u>	<u>2,433,134</u>	<u>256,925,700</u>	<u>243,313,390</u>

12.4 Frontier Works Organization (FWO), is the Parent Company of FOC 1, holding 100% ordinary shares of RS. 100 each of the company. All ordinary shares have same rights regarding voting, board election, right of first refusal and block reporting.

13	SHARE DEPOSIT MONEY	Note	2024 Rupees	2023 Rupees
	Opening balance		13,612,405	6,875,087
	Additions during the year		2,875,000	13,612,318
	Transferred to share capital	12.2	(13,612,310)	(6,875,000)
	Closing balance		<u>2,875,095</u>	<u>13,612,405</u>
14	LEASE LIABILITIES		2024 Rupees	2023 Rupees
	Current portion of lease liabilities against office rent	14.1	11,958,403	10,777,771
	Current portion of lease liabilities against main lease	14.2	233,847	126,068
			<u>12,192,250</u>	<u>10,903,839</u>
	Lease liabilities against office rent	14.1	16,806,624	28,765,027
	Lease liabilities against main lease	14.2	10,331,688	5,299,991
			<u>27,138,312</u>	<u>34,065,018</u>

14.1 Lease liabilities against office rent

As at July 01, 2023	39,542,798	49,256,498
Additions	-	-
Finance Cost	3,622,229	4,686,300
Payable transfer to accrued liabilities	(14,400,000)	(14,400,000)
As at June 30, 2024	<u>28,765,027</u>	<u>39,542,798</u>
Less: Current portion	11,958,403	10,777,771
Non-current portion	<u>16,806,624</u>	<u>28,765,027</u>

	2024		2023	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
	Rupees			
Not later than one year	14,400,000	11,958,403	14,400,000	10,777,771
Later than one year but not later than five years	18,000,000	16,806,624	32,400,000	28,765,027
Total minimum lease payments	32,400,000	28,765,027	46,800,000	39,542,798
Less: Future finance cost	(3,634,973)	-	(7,257,202)	-
Present value of minimum lease payment	28,765,027	28,765,027	39,542,798	39,542,798

14.2 Lease liabilities against main lease

	2024	2023
	Rupees	Rupees
As at July 1, 2023	5,426,059	5,404,294
Additions During the year	5,218,589	-
Finance Cost	1,420,887	321,765
Payable transfer to accrued liabilities	(1,500,000)	(300,000)
As at June 30, 2024	10,565,535	5,426,059
Less: Current portion	233,847	126,068
Non-current portion	10,331,688	5,299,991

	2024		2023	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
	Rupees			
Not later than one year	2,400,000	233,847	1,200,000	126,068
Later than one year but not later than five years	25,900,000	10,331,688	14,700,000	5,299,991
Total minimum lease payments	28,300,000	10,565,535	15,900,000	5,426,059
Less: Future finance cost	(17,734,465)	-	(10,473,941)	-
Present value of minimum lease payment	10,565,535	10,565,535	5,426,059	5,426,059

		2024	2023
		Rupees	Rupees
15 PAYABLE TO PARENT COMPANY	Note		
Payable to FWO	15.1	905,520,000	791,520,000
		905,520,000	791,520,000

15.1 This includes Rs. 495 million (2023 : Rs. 495 million) related to leasehold improvements, Rs. 55 million (2023: Rs. 55 million) related to retention money and Rs 355.52 million (2023: Rs. 241.52 million) payable against rent and management services.

		2024	2023
		Rupees	Rupees
16 PAYABLE AND ACCRUED LIABILITIES	Note		
Throughput Cash Guarantee from M/s Echo Oil (Private) limited		5,000,000	5,000,000
Accounts payable M/s M&M		1,040,000	1,040,000
Payable to M/s Olive Grow (Private) limited		-	358,558
Audit fee payable		690,000	359,100
Retention Money Payable - M/s Olive Grow (Private) limited		296,750	296,750
Lease rental payable M/s M&M		1,800,000	300,000
Other Payables		792,410	543,354
		9,619,160	7,897,762

17 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 144.9 million (2023: Rs 92.03 million).

The aggregate tax losses available to the Company for set off against future taxable profits at June 30, 2024 amounted to Rs 369.2 million (2023: Rs 240.7 million). Business losses expire as follows:

Losses related to tax year	Expiry year	2024	2023
		Rupees in '000'	
2024	2030	70,377,184	
2023	2029	41,688,577	41,688,577
2022	2028	63,234,476	63,234,476
2021	2027	56,841,497	56,841,497
2020	2026	37,003,424	37,003,424
2019	2025	49,579,453	49,579,453
2018	2024	50,136,709	50,136,709

18 CONTINGENCIES AND COMMITMENTS

18.1 There are no contingencies and commitments of the Company as at June 30, 2024 (2023: Nil).

19 REVENUE	Note	2024 Rupees	2023 Rupees
Income from finance lease	19.1	4,512,499	1,126,178
Throughput income	19.2	210,000	-
Receipts from customers	19.3	14,200,000	-
		<u>18,922,499</u>	<u>1,126,178</u>

19.1 It includes finance income on lease receivables against 5 acre of land sublease to M/S Echo Oil and M/S Be Energy respectively.

19.2 Throughput income is charged on rates on transfers per litre from the Oil Storage Facility by the Oil Management Companies.

19.3 This contains amount received from customer in relation with the Oil storage facility.

20 COST OF REVENUE	Note	2024 Rupees	2023 Rupees
Finance cost on lease liability	20.1	1,420,887	321,765
Throughput charges	20.2	18,000	-
		<u>1,438,887</u>	<u>321,765</u>

20.1 It includes finance cost on lease liabilities against 5 acre of land sublease to M/S Echo Oil and M/S Be Energy respectively. This amount is payable to M&M and Co.

20.2 Throughput charges are paid to original land owner on rates on transfer per litre from the Oil Storage Facility by the Oil Management Companies.

		2024 Rupees	2023 Rupees
21	ADMINISTRATIVE EXPENSES		
	Management fee	99,600,000	36,000,000
	Vehicle rental expenses	2,430,887	2,273,798
	Legal and professional charges	3,429,500	553,580
	Depreciation of right of use asset	11,181,416	11,181,416
	Depreciation charged on property and equipment	37,097,604	37,097,604
	Security & fence repair expense	3,009,841	2,441,640
	Miscellaneous Charges	40,800	-
	Auditors' remuneration	690,000	356,500
		<u>157,480,048</u>	<u>89,904,538</u>

21.1 Management fee is charged by the parent Company FWO for the provision of technical and financial services, logistics support to management consultant, requisite man power and technical and legal expertise through management agreement. These charges have been agreed between the Company and its parent FWO, duly approved by the Board of Directors.

21.2 This represents expenditure incurred on short term lease of a vehicle car, used for official purposes.

		2024 Rupees	2023 Rupees
21.3	Auditors' remuneration		
	Statutory audit fee	575,000	307,500
	Out of pocket expenses	25,000	10,000
	Sales tax	90,000	39,000
		<u>690,000</u>	<u>356,500</u>

21.4 Project wise detail of the expenses is as follows:

	Project Name.....				
	Oil village Sihla		White Oil Pipeline		Total
	2024	2023	2024	2023	
	Rupees.....		Rupees.....		Rupees.....
Management fee	9,900,000	9,000,000	89,700,000	27,000,000	99,600,000
Vehicle rental expense	607,722	568,450	1,823,165	1,705,349	2,430,887
Legal and professional charges	857,375	138,395	2,572,125	415,185	3,429,500
Advertising expenses	-	-	-	-	-
Depreciation on right of use asset	2,795,354	2,795,354	8,386,062	8,386,062	11,181,416
Depreciation charged on property & equipment	27,823,203	27,823,203	9,274,401	9,274,401	37,097,604
Fee and subscription	-	-	-	-	-
Security & fence repair expenses	2,257,381	1,831,230	752,460	610,410	3,009,841
Miscellaneous Charges	30,600	-	10,200	-	40,800
Auditor's remuneration	172,500	89,125	517,500	267,375	690,000
	44,444,135	42,245,757	113,035,914	47,658,782	157,480,048
					89,904,538

21.4.1 The basis of allocation of expenditure between projects is based on management assessment only.

22	FINANCE INCOME	Note	2024 Rupees	2023 Rupees
	Finance income from bank profits	22.1	30,733,067	18,495,827
			<u>30,733,067</u>	<u>18,495,827</u>

22.1 Finance income represents mark up paid on saving account maintained with the bank. The mark up on the saving account during the year was from 19.50% to 22.5% (2023 : 12.25% to 19.50%).

23	GAIN ON DERECOGNITION OF LEASE		2024 Rupees	2023 Rupees
	Gain on derecognition of lease	23.1	5,218,589	13,510,763
			<u>5,218,589</u>	<u>13,510,763</u>

23.1 The company has recognised the right of use asset and lease liability against remaining lease term of 12.2 year using rental of Rs 100,000 discounting at incremental monthly borrowing rates of 1.73% which gives present value of Rs 5.2 million right of use asset and liability. On same date right of use of Rs 5.2 million was derecognised and lease receivable of Rs 10.4 million was recognised and balancing amount of Rs 5.2 million has been charged as gain on derecognition.

24	TAXATION - NET	Note	2024 Rupees	2023 Rupees
	Loss before income tax and minimum tax differential		(107,474,788)	(61,779,835)
	Minimum tax differential		(236,531)	
	Loss before income tax		(107,711,319)	(61,779,835)
	Income Tax		-	-
	Current			
	- for the year		-	-
	- prior year		-	-
	Deferred			
	- for the year		-	-
	- prior year		-	-

25 RELATED PARTY TRANSACTIONS

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

	2024 Rupees	2023 Rupees
Year end balances		
Payable to FWO against rent	111,920,000	97,520,000
Payable to FWO against management services	243,600,000	144,000,000
Payable to FWO against lease hold improvements	550,000,000	550,000,000
	<u>905,520,000</u>	<u>791,520,000</u>
Transactions during the year		
Finance cost on lease	3,622,229	4,686,300
Share deposit money received during the year	2,875,000	13,612,318
Lease Payments	14,400,000	14,400,000
Management fee	99,600,000	36,000,000

26 DETAIL OF RELATED PARTIES AND ASSOCIATED COMPANIES

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

Related Parties

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

27 NUMBER OF EMPLOYEES

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

28 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

No remuneration has been paid to Directors and Chief Executive Officer during the period, such cost is borne by the group if any.

29 FINANCIAL RISK MANAGEMENT

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

Credit risk
Liquidity risk
Interest rate risk
Market risk

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

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

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

29.1 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:

Banks

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

Bank	Rating	Rating	
		Short term	Long term
Askari Bank	PACRA	A1+	AA+
Habib Bank	PACRA	A1+	AAA

29.1.2 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:

	2024	2023
	Rupees	Rupees
Bank balances	171,422,375	136,086,365
Security and Deposit	1,904,120	1,904,120
Net investment in finance lease	28,884,853	18,991,208
Lease Rental Receivable	846,667	700,000
	<u>203,058,015</u>	<u>157,681,693</u>

The credit risk related to balances with banks, deposit and lease receivables, are managed in accordance with the Company's policy to deal with approved financial institutions and investment in leases. The Company's maximum exposure to credit risk for the components of statement of financial position as at June 30, 2024 is equal to the carrying amounts as illustrated in respective notes.

29.2 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.

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

	Carrying amount	Contractual cash flows	Less than 1 year	More than 1 year
	Rupees.....			
June 30, 2024				
Payable to FWO	905,520,000	905,520,000	905,520,000	-
Audit fee payable	690,000	690,000	690,000	-
Throughput Cash Guarantee	5,000,000	5,000,000	5,000,000	
Accounts payable to M/s M&M Co	1,040,000	1,040,000	1,040,000	-
Payable to Olive Grow	-	-	-	
Retention money payable to Olive Grow	296,750	296,750	296,750	
Lease rental payable to M/s M&M Co	1,800,000	1,800,000	1,800,000	
Lease liabilities	39,330,562	39,330,562	12,192,250	27,138,312
Others	792,410	792,410	792,410	
	954,469,722	954,469,722	927,331,410	27,138,312

	Carrying amount	Contractual cash flows	Less than 1 year	More than 1 year
	Rupees.....			
June 30, 2023				
Payable to FWO	791,520,000	791,520,000	791,520,000	-
Audit fee payable	359,100	359,100	359,100	-
Throughput Cash Guarantee	5,000,000	5,000,000	5,000,000	
Accounts payable M & M	1,040,000	1,040,000	1,040,000	-
Payable to Olive Grow	358,558	358,558	358,558	
Retention money payable to Olive Grow	296,750	296,750	296,750	
Lease rental payable to M/s M&M Co	300,000	300,000	300,000	
Lease liabilities	44,968,857	44,968,857	10,903,839	34,065,018
Others	543,354	543,354	543,354	
	844,386,619	844,386,619	810,321,601	34,065,018

29.3 Financial instruments by categories

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

	2024 Rupees	2023 Rupees
Financial assets and liabilities		
Financial assets		
Maturity up to one year		
Cash and bank	171,422,375	136,086,365
Net investment in finance lease	28,884,853	18,991,208
	<u>200,307,228</u>	<u>155,077,573</u>
Maturity more than one year		
Deposits & other receivables	1,904,120	1,904,120
Financial liabilities		
Maturity up to one year		
Trade and other payables	9,619,160	7,897,762
Lease liability - current portion	12,192,250	10,903,839
	<u>21,811,410</u>	<u>18,801,601</u>
Maturity more than one		
Lease liability	27,138,312	34,065,018
	<u>27,138,312</u>	<u>34,065,018</u>

29.4 Interest rate risk

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

	2024 Rupees	2023 Rupees
Financial assets		
Saving accounts	171,422,375	136,086,365
	<u>171,422,375</u>	<u>136,086,365</u>

Sensitivity analysis

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

	2024 Rupees	2023 Rupees
Change in interest rate		
Effect on profit for the year	1,714,224	1,360,864
Effect on accumulated profit	1,714,224	1,360,864

29.5 Market Risk

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

29.6 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 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

All financial assets and financial liabilities are initially recognized at the fair value of consideration paid or received, net of transaction costs as appropriate, and subsequently carried at fair value or amortized cost. There 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 fair value hierarchy has not been presented in these financial statements, as the Company does not hold any such financial instruments in their portfolio. The company does have a policy to carry any assets or liabilities at fairvalue and are instead carried at their fair values. Therefore, the assets or liabilities are not classified in any of the three levels stated above.

29.7 Capital management

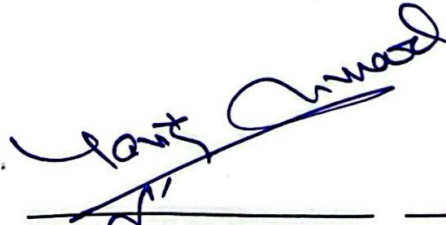
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.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

30 GENERAL

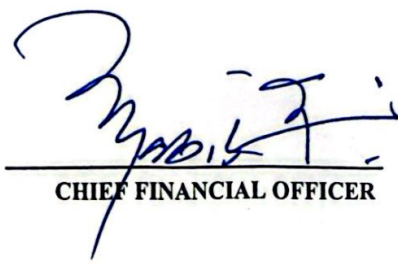
Figures have been rounded off to the nearest Pak Rupees unless otherwise stated.

31 DATE OF AUTHORIZATION FOR ISSUE

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


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER