

CHAIRMAN'S REVIEW

On behalf of the **Board of Directors of Hascol Petroleum Limited** (the "Company" or "HPL"), I am pleased to present the annual financial results for the year ended December 31, 2024.

The year **2024** presented ongoing economic challenges, including persistent **inflationary pressures** and continued **depreciation of the Pakistani Rupee**. These macroeconomic headwinds contributed to a strained fiscal environment, disrupting supply chains, increasing borrowing and fuel costs, and softening consumer demand. As a result industry-wide fuel demand contracted further, and the risk of supply disruptions remained high.

Despite these adverse conditions, the Company recorded net sales of **PKR 143.81 billion in 2024**, compared to PKR 162.71 billion in 2023, reflecting a decline primarily due to subdued demand. Gross profit stood at PKR 2.45 billion, lower than the previous year's PKR 4.89 billion. This reduction in profitability was largely attributable to increased cost pressures and declining revenues.

The Company reported an operating loss of **PKR 173 billion in 2024**, as compared to a loss of PKR 353 million in 2023. While operating expenses were kept relatively in check, elevated finance costs—amounting to **PKR 10.95 billion**—continued to weigh heavily on the bottom line. Nevertheless, a net exchange gain of **PKR 211 million** partially offset some of the financial burden.

Ultimately, the Company reported a **net loss of PKR 12.66 billion for 2024**, a reduction from the **PKR 17.81 billion loss** posted in 2023. This improvement, while modest, indicates progress in stabilizing the financial outlook despite a difficult operating environment.

Vital to the Company's major shareholder and strategic supplier, continued to play a pivotal role in supporting Hascol's operations throughout the year. Their steadfast partnership was essential in securing critical supplies and mitigating risks arising from logistical and economic disruptions. Vital's commitment has been instrumental in sustaining the Company's operational continuity.

Our corporate revival plan, centered on the **restructuring of bank debt**, remains on track. The plan is expected to culminate in a fresh equity injection, aimed at ensuring sufficient liquidity and working capital. This will enable Hascol to return to normal operations.

During this phase, the **Board of Directors maintained rigorous oversight** to ensure compliance with corporate and regulatory standards. Strategic goals were continuously evaluated and aligned with the Company's long-term vision for sustainable recovery and growth.

The Board also reaffirmed its dedication to strong **corporate governance**. Efforts to enhance transparency, accountability, and ethical conduct were sustained throughout the year. These

values are vital for reinforcing stakeholder confidence and supporting the Company's long-term success.

The Company has also announced the appointment of **Mr. Javed Ahmedjee as its new Chief Executive Officer, effective 05 May 2025**. The appointment marks an important step for the Company. We are pleased to welcome him to the Board and value the experience he brings.

In conclusion, I extend my sincere gratitude to our shareholders, customers, and other stakeholders for their continued support. We remain optimistic that the steps taken during this challenging period will lay the foundation for a stronger and more resilient Hascol in the years ahead.

Sir Alan Duncan Chairman

CORPORATE OBJECTIVES & BUSINESS STRATEGY

AT HASCOL, OUR FOCUS ON SUSTAINABILITY HEALTHY ETHICS PLAN IS DRIVEN BY OUR LONG-STANDING COMMITMENT TO DOING WHAT IS RIGHT

COMPETITIVE ENVIRONMENT

HASCOL focuses on building the competitive environment that supports the practical implementation of free and fair competition amongst the industry members. We believe in following honest business practices that are sustainable and rewarding for the business in the long run. We seek to compete ethically abiding by the local and international legislation and within the framework of applicable competition laws in the relevant jurisdiction.

ECONOMICS

Profitability makes businesses fuelled up with growth, sustainability and prosperity. It speaks about the brand value and customers' commitment to the product & service. Profitability helps us to simplify business processes bringing in innovations to market more effectively. On the other hand the considerable saving of costs frees up cash for investment for another place or plan, further improving our prospects for growth. HASCOL make sure to invest and reallocate the resources in all aspects including social, economic and environmental on micro and macro level, validating our decision making process and their outcomes.

DIRECTORS' REPORT

The Directors of your Company are pleased to present the **Annual Report of the Company** along with audited standalone and consolidated financial statements and auditors' report thereon for the year ended **31st December 2024**.



Financial Results

The year **2024** marked a cautiously positive turn for Pakistan's economy, with modest growth, a sharp decline in inflation, and early signs of stabilization, despite ongoing structural challenges. For the oil marketing sector, it was a year of gradual recovery, increased domestic activity, and strategic realignment in the face of both global and local volatility.

Pakistan's GDP grew by approximately **1.7% in FY2024**, supported primarily by strong performance in the agriculture and services sectors, while industrial output remained subdued. Inflation, which had reached 38% in mid-2023, declined significantly to below 7% by year-end, enabling the State Bank of Pakistan to adopt a more accommodative monetary policy, including multiple interest rate cuts.

The external sector also showed relative improvement, underpinned by higher remittance inflows, stronger exports, and renewed foreign investment. Nevertheless, challenges related to external debt obligations, political uncertainty, and fluctuating global energy prices continued to pose risks.

All of these economic factors affected how your Company worked throughout the year. The standalone financial results of the Company for the year ended 31st December 2024 are shown below:

Particulars	2024 (Rupees in '000)	2023 (Rupees in '000)
Gross profit	3,333,401	4,892,956
Operating Loss	1,211,393	(1,367,680)

Loss after taxation	415,637	(4,021,024)
Loss per share	(12,660,551)	(17,814,548)
(Rupees)	(12.67)	(17.83)

Based on the images provided, here is the complete text from the Directors' Report and related sections for the year ended December 31, 2024.

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In 2024, the Company sold a total of **433,193 metric tons of mixed fuel**, slightly lower than the 465,404 metric tons sold in 2023 as the company focused on profitable volume and managing its pricing risk better. Despite the decrease in volume, the Company achieved positive EBITDA and generated positive cash operating profit in 2024.

During the year, the Company successfully completed the restructuring of outstanding loans from certain banks, settling banking liabilities and accrued markup thereon. This resulted in recognition of other income of PKR 3.2 billion as reversal of the principal and accrued markup which is part of EBITDA. The Company is also actively working to restructure its remaining bank liabilities to improve operational performance which are currently reflected as current liability.

The Company also finalized the **IFEM audit** up to June 2020 and received approximately **PKR 2.5 billion**, which enhanced its working capital. The IFEM audit for the period from July 2020 to June 2023 is in process.

Additionally, the pending audit of a wholly owned subsidiary was completed and the financial result of consolidated financial statement were based on audited accounts of subsidiary.

The loss before tax of **PKR 12,661 million** is mainly driven by the following cost components:

- **Financing cost** of PKR 10,539 million on overdue loans;
- **Impairment on investment** to PKR 1,181 million;
- **Provision against IFEM** to PKR 1,818 million; and
- **Depreciation and amortization** amounting to PKR 1,934 million

- **Provision against advance to customs** PKR 728 million.

Auditor's Adverse Opinion in Audit Report:

The auditors of the Company have expressed an **adverse opinion** on certain points in their audit report on the financial statements of the company. The same are being addressed and the relevant explanations as to Company's view are stated as below:

- The management of the company has prepared the financial statements of the Company on the basis that the Company will continue to operate as a **going concern**. The management's basis of this view is disclosed in note 1.2 of the financial statements
- Currently, the Company has various pending litigations. In addition, the SECP and FIA are investigating the affairs of the Company and individuals working for Company including Board of Directors respectively pertaining to historical financial statements till 2019, which has already been disclosed in the financial statements. Present Directors of the Company who were nominated in the FIA case were exonerated after the proceedings against them have ended. The above remarks from the External Auditor are primarily to draw attention to this matter.
- The other areas forming part of adverse opinions pertains to taxation including unrecognized deferred tax mainly relating to revision of tax returns.

Cash and Stock Dividends

As the Company has incurred a loss after tax for the year ending 31 December 2024, the Directors have decided **not to make any dividend appropriation** for this particular year.



Corporate Governance

Corporate and Financial Reporting Framework

The management of Hascol Petroleum Limited is committed to good **corporate governance and complying with best practices**. As required under the Code of Corporate Governance, the directors are pleased to state as follows:

- (a) The financial statements prepared by the Management of the Company present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- (b) The Company has maintained proper books of accounts as required under the Companies Act, 2017, given the management positions on certain matters as highlighted earlier in this report.
- (c) The Company has followed consistent and appropriate accounting policies in the preparation of the financial statements. Changes in accounting policies, wherever made, have been adequately disclosed in the financial statements. Accounting estimates are on the basis of prudent and reasonable judgement.
- (d) **International Financial Reporting Standards**, as applicable in Pakistan, have been followed in the preparation of the financial statements and deviation, if any, has been adequately disclosed.
- (e) The **Board Audit Committee** reviews reports on the system of internal controls from the external and internal auditors and continuously seeks to improve the same.
- (f) As disclosed in note 1.2 of the unconsolidated financial statements of the Company, there are no significant doubts upon the Company's ability to continue as a going concern based on management's views and the proposed restructuring plan being approved and implemented.

The Company remains committed to conducting its business in line with the best practices of the **Code of Corporate Governance**, the Companies Act 2017 and the Listing Regulations of the Pakistan Stock Exchange Limited. Details are particularly mentioned in the Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations 2019.

Board of Directors and Committees

Composition of the Board of Directors during the year 2024

The total number of Directors are seven (7) as per the following: (a) Male: **6** (b) Female: **1**

The composition of the Board is as follows:

(a) Independent Directors:

- Syed Muhammad Mujtaba Jafarey*
- Mr Mustafa Ashraf
- Mr Aamir Amin
- Ms Naheed Memon

(b) Non-executive Directors:

- Sir Alan Duncan
- Mr Abdul Aziz Khalid**
- Mr Farid Arshad Masood

(c) Executive Director:

- Mr Aqeel Ahmed Khan***

(d) Female Director:

- Ms Naheed Memon

* Syed Muhammad Mujtaba Jafarey resigned on **30 October 2024**, and his position remains vacant.

** Mr Abdul Aziz Khalid resigned on **01 August 2024**, and Mr Aernout Boot was appointed as director in his place effective 18 February 2025.

*** Mr Aqeel Ahmed Khan resigned on **30 April 2025**, and Mr Javed Yousuf Ahmedjee was appointed as Chief Executive Officer in his place effective 05 May 2025.

Board of Directors and Meetings of the Board held during the year 2024

During the year, fourteen (14) meetings of the Board of Directors were held and the attendance of each Director is given below:

S.No	Director's Name	Meetings Attended
1	Sir Alan Duncan (Chairperson)	14

2	Mr Farid Arshad Masood (Member)	14
3	Syed Muhammad Mujtaba Jafarey (Member)	12
4	Mr Mustafa Ashraf (Member)	14
5	Mr Abdul Aziz Khalid (Member)	09
6	Mr Aamir Amin (Member)	14
7	Ms Naheed Memon (Member)	14

* Mr. Abdul Aziz Khalid resigned on 01 August 2024 and Syed Muhammad Mujtaba Jafarey resigned on 30 October 2024

Board Committee Meetings held during the year 2024

During the year, the **Audit Committee** held five (5) meetings. The attendance record of the Directors is as follows:

S.No	Director's Name	Meetings Attended
1	Mr Mustafa Ashraf (Chairperson)	5
2	Mr Farid Arshad Masood (Member)	5

3	Mr Aamir Amin (Member)	5
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During the year, the **Human Resource Committee** held Five (05) meetings. The attendance record of the Directors is as follows:

S.No	Director's Name	Meetings Attended
1	Ms Naheed Memon (Chairperson)**	1
2	Syed Muhammad Mujtaba Jafarey (Chairperson)*	2
3	Mr Farid Arshad Masood (Member)	5
4	Mr Aamir Amin (Member)	5
5	Sir Alan Duncan (Present by Invitation)	1

* Syed Muhammad Mujtaba Jafarey resigned on 11 October 2024 from Human Resource Committee and Ms Naheed Memon was appointed as Chairperson of Human Resource Committee with effect from 11 October 2024.

During the year, the **Risk Committee** held Five (05) meetings. The attendance record of the Directors is as follows:

S.No	Director's Name	Meetings Attended
1	Ms Naheed Memon (Chairperson)	5
2	Mr Farid Arshad Masood (Member)*	5
3	Mr Mustafa Ashraf (Member)	5
4	Mr Abdul Aziz Khalid (Member)*	3

* Mr Abdul Aziz Khalid resigned on 01 August 2024 and Mr Farid Arshad Masood appointed as member of Risk Committee with effect from 11 October 2024.

The Restructuring Committee

During the year, the Restructuring Committee held **two (02) meetings**. The attendance record of the Directors is as follows:

S.No	Director's Name	Meetings Attended
1	Mr Farid Arshad Masood (Chairperson)	2
2	Mr Abdul Aziz Khalid (Member)	2
3	Ms Naheed Memon (Member)	2

4	Syed Muhammad Mujtaba Jafarey (Member)*	2
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* Mr Abdul Aziz Khalid resigned on 01 August 2024 and Syed Muhammad Mujtaba Jafarey resigned on 30 October 2024. The Board in its meeting held on 11 October 2024 suspended the Restructuring Committee.

Performance Evaluation of the Board

The **Board Performance Evaluation for 2024** was conducted in-house and the results were circulated and shared with the board on 06 March 2025.

Directors' Remuneration

The Company has a formal and transparent procedure for remuneration of directors in accordance with the Articles of Association of the Company and the Companies Act, 2017. The non-executive and independent directors, are paid a fee of **PKR 200,000 each** for attending board meeting and Committee meeting.

Directors Training Program

Presently, four (04) directors of the Company have acquired prescribed certification under the Directors' Training Program by the **Pakistan Institute of Corporate Governance (PICG)**. Following directors have attended the Directors' Training Program:

- Mr Mustafa Ashraf
- Mr Farid Arshad Masood
- Mr Aamir Amin
- Ms Naheed Memon

External Auditors

The external auditors **Messrs Baker Tilly Mehmood Idrees Qamar, Chartered Accountants** will retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for the re-appointment.

The Board on the recommendation of the Board Audit Committee has advised the appointment of Messrs Baker Tilly Mehmood Idrees Qamar, Chartered Accountants as Auditors of the Company for the year 2025, subject to Shareholders' approval at the next AGM to be held on 11th June 2025.

Pattern of Shareholding

The statement of Pattern of Shareholding as at 31st December 2024 is given on page 42 of the annual report.

Other Key Areas

Health, Safety, Security & Environment (HSSE)

Hascol Petroleum Limited is committed to ensure a **safe and healthy workplace**, protecting the environment, and ensuring the security of its operations and assets. We abide by policies and procedures related to risk management, compliance, employee training and engagement, continuous improvement and stakeholder management. At Hascol, **HSSE is an integral part of our business** and considered as an important step in our ladder of success. The Company recorded its **8th Consecutive Year with Zero Lost time Injury (LTI)** and achieved 8.89 million Safe Man-Hours.

Following objectives facilitate us in systematically managing HSSE at Hascol:

- Promote a culture of reporting incidents, driving Learning to help achieve an accident-free work place.
- Establish safe work guidelines to mitigate health risk associated with our job scope.
- Take necessary measure to control spills and environmental incidents.
- Ensuring Asset integrity helping us to operate safely.
- Resource Training and assets Optimization to ensure efficient and reliable operations.

Human Resource

Hascol believes in **investment in its employees** in terms of Training and Development and Employee Engagement activities to reap benefits for both the Company and the employees.

The Company continued its policy of offering internship to promising students and a thriving Trainee Program for engineers, business and accounting graduates.

Employee Engagement initiatives included organizing International Days such as Women's Day, World's Happiness Day, Pinktober, Men's Day, etc.

Corporate Social Responsibility (CSR)

Hascol being a member of the **United Nations Global Compact (UNGC)** is committed to the guidelines and principles outlined by this institution.

The Company has taken steps to implement UNGC protocols and drive positive social impact.

Key Operational and Financial Data

A statement summarizing key operational and financial data for the last six years is given on page 46 of the report.

Contribution to the National Exchequer and Economy

During the year the Company has made a total contribution of **PKR 40.3 billion** to the national exchequer on account of import duties, general sales tax, income tax and other government levies.

Acknowledgement

The Board acknowledges the dedication, commitment and hard work of all of its employees, and also places on record the gratitude to the shareholders, customers, financial institutions and Government authorities for their continuous support and confidence in the Company.

Future Outlook

A reasonable indication of future prospects is discussed in the Chairman's Review on page 12. Thanking you all.

On behalf of the Board

Mr Javed Yousuf Ahmedjee Chief Executive Officer

Farid Arshad Masood Director



Pattern of Shareholding (As at December 31, 2024)

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer and their spouse(s) and minor children			
MUSTAFA ASHRAF	1	500	0.00
AAMIR AMIN	1	500	0.00
AQEEL AHMED KHAN	1	701	0.00
NAHEED MEMON	1	3,000	0.00
Associated Companies, undertakings and related parties	-	-	-
Sponsors	1	401,697,229	40.21
NIT and ICP	-	-	-

Banks Development Financial Institutions, Non-Banking Financial Institutions	2	2,781,830	0.28
Insurance Companies	-	-	-
Modarabas and Mutual Funds	1	1	0.00
General Public			
a. Local	19,641	563,107,939	56.36
b. Foreign	168	2,634,923	0.26
Foreign Companies	-	-	-
Others	89	28,894,057	2.89
Totals	19,906	999,120,680	100.00



Shareholders Holding 10% or More

Share holders holding 10% or more	Shares Held	Percent age
VITOL DUBAI LIMITED	401,697, 229	40.21



KEY OPERATIONAL AND FINANCIAL DATA

Six Years Summary (Rupees in '000)

Particulars	2024	2023	2022	2021	2020	2019
Profit and Loss Account						
Revenue (Gross)	143,858,095	162,747,628	71,166,729	71,366,378	132,903,809	179,922,956
Revenue (Net)	143,858,510	162,705,607	70,973,744	69,542,277	131,079,001	168,096,247
Cost of product sold	140,525,109	158,502,536	67,640,363	61,844,228	120,088,600	166,544,513
Gross profit / (loss)	3,333,401	4,613,765	3,182,555	1,987,678	1,378,967	(12,524,247)

Operating profit / (loss)	(1,729,819)	(352,704)	(822,831)	(324,579)	(13,011,190)	(21,933,039)
(Loss) / profit before tax	(12,670,551)	(17,814,548)	(14,439,536)	(7,592,131)	(22,576,616)	(55,102,562)
(Loss) / profit after tax	(12,660,551)	(17,814,548)	(14,439,536)	(7,592,131)	(23,221,416)	(55,102,562)
Earnings before interest, taxes, depreciation and amortization	415,637	(4,021,024)	(3,319,476)	1,354,525	(11,771,157)	(22,428,290)
Balance Sheet						
Share Capital	9,991,207	9,991,207	9,991,207	9,991,207	9,991,207	1,991,207
Property, plant and	24,555,962	21,071,842	22,773,959	24,742,668	21,899,362	23,155,974

equipment						
Inventor y	26,598,9 97	12,069,0 45	8,178,01 3	10,255, 676	11,435,2 68	19,012,2 37
Current assets	62,398,6 73	25,607,9 87	34,106,7 84	34,472, 698	26,456,4 32	47,485,3 94
Current Liabilitie s	134,960, 897	98,902,5 28	90,010,3 74	78,397, 358	36,167,2 73	67,024,8 10
Non current assets	29,432,6 87	27,456,4 51	29,575,9 00	32,010, 049	39,313,8 12	49,072,8 18
Non current liabilities	10,343,6 03	12,356,1 64	14,101,6 85	16,714, 742	29,399,4 46	24,295,6 23
Surplus on revaluation of fixed assets	16,792,3 39	15,004,5 06	13,830,7 79	6,888,8 56	3,562,44 0	4,271,87 8

Summary of Cash flow statement						
Cash flows from operating activities	4,861,505	4,486,883	(1,551,291)	(5,833,663)	(17,287,200)	(9,197,065)
Cash flows from investing activities	14,515	105,003	227,420	864,059	559,257	(5,988,504)
Cash flows from financing activities	(553,600)	(868,503)	(924,247)	(1,338,954)	1,010,218	(84,609)
Net cash flows during the year	4,319,008	3,723,383	(2,248,118)	(6,308,558)	(15,692,842)	(15,270,178)

Investor Information						
Profitability ratios						
Gross profit ratio	2.32%	2.84%	4.48%	3.16%	1.22%	-8.13%
Net profit ratio	-8.80%	-10.95%	-20.34%	-12.06 %	-20.63%	-22.78%
EBITDA margin	0.29%	-2.47%	-4.68%	2.15%	-10.41%	-14.56%
Cost / Income ratio	0.98	0.97	0.96	0.97	1.02	1.08
Liquidity ratios						
Current ratio	0.24:1	0.2:1	0.16:1	0.19:1	0.26:1	0.49:1

Quick ratio	0.05:1	0.09:1	0.07:1	0.06:1	0.1:1	0.29:1
Cash flows from operations to sales	3.38%	2.76%	-2.19%	-9.27%	-15.29%	-5.97%
Cash to current liabilities	0.4%	0.7%	0.9%	1.3%	4.0%	14.1%
Investment / Market ratios						
Earning / (loss) per share	(12.67)	(17.83)	(14.45)	(7.60)	(23.46)	(93.30)
Breakup value per share without surplus on revaluation of	(103.19)	(91.57)	(74.94)	(53.73)	(50.08)	(146.08)

fixed assets						
Breakup value per share with surplus on revaluation of fixed assets	(86.58)	(79.05)	(61.23)	(47.35)	(46.12)	(124.88)

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF HASCOL PETROLEUM LIMITED ON SHARI'AH COMPLIANCE OF PRIVATELY PLACED SUKUK

Introduction

We were engaged by the Board of Directors ("the Board") of **Hascol Petroleum Limited** ("the Company") to express an opinion on the annexed **Statement of Compliance** ("Statement") prepared by management for the year ended **December 31, 2024**, with Sukuk Features and Shari'ah Requirements about whether the annexed Statement presents fairly the status of compliance with Sukuk Features and Shari'ah Requirements as required under **Issue of Sukuk Regulations, 2015** (repealed) and **Sukuk (privately placed) Regulations, 2017** (the Regulations) and **Shari'ah Opinion (Fatwa)** as issued by the Shari'ah Advisor and to the extent applicable, the guidelines of **Shari'ah Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)**, in all material respects.

Applicable Criteria

The criteria against which the subject matter information (the statement) is assessed comprises of the provisions of the Regulations and Shari'ah Opinion (Fatwa) as issued by the Shari'ah Advisor.

Company's Responsibilities for Shari'ah Compliance

The Board and management of the Company are responsible for the preparation of the annexed Statement and to ensure that it is free from material misstatement. It is the responsibility of the Company's Board and management to ensure that all Sukuk related financial arrangements contracts and transactions are in substance and in their legal form, in compliance with the Sukuk Features and Shari'ah Requirements as specified above. The Company's board and management are also responsible for prevention and detection of fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its Sukuk related activities and also for designing, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant records and such risk management systems as the management determines is necessary to mitigate the risk of non-compliance of the Sukuk Features and Shari'ah Requirements whether due to fraud or error. They are also responsible for ensuring that personnel involved with the Compliance with the Sukuk Features and Shari'ah requirements are properly trained, and systems are properly updated.

Our Independence and Quality Control

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.

The firm applies **International Standard on Quality Control 1** "Quality Control for firms that perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities

Our responsibility is to examine the annexed Statement prepared by management and to report thereon in form of an **independent assurance conclusion** based on the evidence obtained. We conducted our engagement in accordance with **International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Review of Historical Financial Information**, issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. This Standard requires that we plan and perform the engagement to obtain reasonable assurance regarding the subject matter i.e. about whether the annexed Statement presents fairly the status of compliance with Sukuk Features and Shari'ah Requirement as required under the Regulation and Shari'ah Opinion (Fatwa) issued by Shari'ah Advisor and to the extent applicable, the guidelines of Shari'ah Standards issued by AAOIFI, in all material respects.

The procedures elected depend on our professional judgment including the assessment of the risk of the Company's non-compliance with Sukuk Features and Shari'ah Requirements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to ensure compliance with Sukuk Features and Shari'ah Requirements, in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion as to the effectiveness of the Company's internal control over ensuring compliance with Sukuk Feature and Shari'ah Requirements.

A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with Sukuk Features and Shari'ah requirements, and

consequently cannot provide absolute assurance that the objective of compliance with Sukuk Features and Shari'ah Requirement will be met.

The procedures performed included:

- Evaluation of the systems, procedures and practices in place with respect to Sukuk related transactions against the Features and Shari'ah Requirements;
- Verification that payments were made on time and there was no delay;
- Test for a sample of transactions to help ensure that these are carried out in accordance with the laid down procedures and practices; and
- Review of the statement based on our procedures performed and conclusion reached.

Conclusion

a) As stated in second para to the annexed statement of compliance, the Company has defaulted in payments of principal and profit (for the quarter ended December 31, 2020) due on **January 07, 2021**. Further, subsequently, no payments were made by the Company till the date of this report.

b) The VIS Credit Rating Company assigned long term credit rating to the Issue (Sukuk) and the Issuer (the Company) as **Default (D) and Double C (CC with negative outlook)** respectively on March 30, 2021. However, these ratings have subsequently been withdrawn on September 14, 2021 due to non-availability of information.

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis of our conclusion.

In our opinion, except for the effects of the matters stated in para (a) and (b) above, the annexed statement prepared by management, for the year ended December 31, 2024, presents fairly the status of compliance with Sukuk Features and Shari'ah Requirements as required under the Regulation and Shari'ah Opinion (Fatwa) issued by Shari'ah Advisor and to the extent applicable, the guidelines of Shari'ah Standards issued by AAOIFI, in all material respects.

Engagement Partner: Mehmoond A. Razzak Karachi Date: May 21, 2025

STATEMENT OF COMPLIANCE WITH THE SUKUK (PRIVATELY PLACED) REGULATIONS, 2017 AND ISSUE OF SUKUK REGULATIONS, 2015

This statement is being presented to comply with the requirements under "Issue of Sukuk Regulations, 2015" and "Sukuk (Privately Placed) Regulations, 2017" (the Regulations) issued by the Securities and Exchange Commission of Pakistan (SECP). This Statement of Compliance is for the year ended **December 31, 2024**.

Hascol Petroleum Limited (the Company) entered into an arrangement for issue of Sukuk amounting to **Rs. 2,000 Million** inclusive of Green Shoe Option of Rs. 500 Million, on **December 31, 2015** for a period of 6 years including a grace period of 1 year. We state that the Company was in compliance with the Sukuk Features and Shari'ah Requirements in accordance with the Regulations up till **December 31, 2020**. However, the company has defaulted in subsequent payment of Sukuk Installment which was due in early 2021.

We specifically confirm that:

- The Company has established policies and procedures for all Sukuk related transactions to comply with Sukuk Features and Shari'ah Requirements.
- The Company has implemented and maintained such internal control and risk management systems that are necessary to mitigate the risk of non-compliances of the Sukuk Features and Shari'ah Requirements, whether due to fraud or error.
- The Company has a process to ensure that the management and where appropriate the board of directors, and personnel responsible to ensure the Company's compliance with the Sukuk Features and Shari'ah Requirements are properly trained and systems are properly updated.

The Sukuk Features and Shari'ah Requirements in accordance with issue of the Regulations comprises of the following:

- a. Requirements of Shari'ah Structure and Transaction Documents as stated in the Information Memorandum, with respect to issuance of Sukuk: i. Trust Deed ii. Musharaka Agreements iii. Payment Agreements iv. Purchase Undertaking v. Asset Purchase Agreement vi. Investment Agency Agreement vii. Security Documents
- b. Guidelines of the relevant Shari'ah Standards issued by the Accounting and Auditing Organization of the Islamic Financial Institutions, as notified by the SECP; c. Requirements of the relevant Islamic Financial Accounting Standard as notified by the SECP; and d. Other compliances specified in the Regulations as issued by the SECP.

The above Statement has been duly endorsed by the Board of Directors of the Company.

Javed Yousuf Ahmedjee Chief Executive Officer

Farid Arshad Masood Director



Independent Auditors' Report: Adverse Opinion

The auditors issued an **Adverse Opinion** on the unconsolidated financial statements.

An adverse opinion is the most negative conclusion an auditor can give. It means the auditors believe the company's financial statements **do not present a true and fair view** of its financial position and do not conform to the applicable accounting and reporting standards (IFRS and Companies Act, 2017 in Pakistan).

The opinion states:

"In our opinion and to the best of our information and according to the explanations given to us, because of the significance of the matters discussed in the '**Basis for Adverse Opinion**' section of our report, the accompanying unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of cash flows and the unconsolidated statement of changes in equity together with the notes forming part thereof **do not conform with the accounting and reporting standards** as applicable in Pakistan and **do not give the information required by the Companies Act, 2017**... and respectively **do not give a true and fair view** of the state of the Company's affairs as at December 31, 2024 and of the loss, the other comprehensive income, the changes in equity and its cash flows for the year then ended."



Basis for Adverse Opinion (Key Matters)

The adverse opinion is based on several significant unadjusted or unresolved matters:

a) Fixed Assets and Deferred Tax

The Company engaged a Chartered Accountant firm to resolve matters pertaining to fixed assets, including:

- Performing physical verification.
- Tagging.
- Updating fixed asset records.
- Conducting reconciliation exercises at December 31, 2022.

- Undertook reconciliation tasks related to trade debts, advances, other receivables and trade and other payables at December 31, 2022 and made adjustments to the records.
- **The tax impact (on unrecognized deferred tax) resulting from those adjustments had not been considered** in unconsolidated financial statements for the year then ended.

b) Pending Adjustments from Litigation and Investigation

The Company has various **pending litigations** and is subject to investigations by both the **Securities and Exchange Commission of Pakistan (SECP)** and the **Federal Investigation Agency (FIA)**.

- **The ultimate outcome of these pending matters cannot presently be determined.**
- The auditors were therefore **unable to determine the amount of adjustments required** in the unconsolidated financial statements.

c) Classification of Long-Term Facilities

The Company has available **long-term financing facilities amounting to Rs. 6,922.309 million** (2023: Rs. 6,682.206 million).

- **Rs. 5,102.096 million does not meet the criteria for classification as non-current;** hence, this portion should have been presented as current liabilities.

d) Going Concern Uncertainty

The Company incurred a net loss of **Rs. 12,660.550 million** in 2024, resulting in **accumulated losses of Rs. 117,729.710 million** and erosion of equity to **Rs. 86,506.429 million**.

- **The current liabilities exceeded its current assets by Rs. 105.60 billion** (2023: Rs. 94.08 billion).
- The Company's ability to continue as a **going concern is dependent upon the proposed restructuring arrangements** with financial institutions and its major shareholder, and the potential effects of the matters mentioned in paragraphs (a) to (c).
- The auditors concluded that the **going concern assumption used in preparation of these unconsolidated financial statements is inappropriate.**

e) Proper Books of Accounts

As a result of the effects of the matters described in the "Basis for Adverse Opinion" section, the auditors concluded that the proper **books of accounts have not been kept by the Company** as required by the Companies Act, 2017.



Key Audit Matters

The auditors highlighted the verification of the following as **Key Audit Matters** (most significant matters in their professional judgment):

1. **Property, Plant, and Equipment (PPE):** Due to the high value (Rs. 24,555.962 million) and historical discrepancies, the auditors performed extensive procedures including physical inspection, testing of recalculations, and reviewing the updated Fixed Asset Register (FARL).
2. **Short Term Borrowing:** Due to the large amount (Rs. 31,080.738 million) and ongoing arrangements with banks to settle or restructure the borrowings, the auditors verified payments, recalculated interest, and discussed the settlement and re-scheduling agreements with management.



Hascol Petroleum Limited: Annual Report Summary (Dec 31, 2024)

1. Financial Performance and Crisis Indicators

The financial statements and auditor's report clearly show the Company is in a severe financial crisis, although there were some improvements over the previous year.

Particular	2024 (Rupees in '000)	2023 (Rupees in '000)	Status/Implication
Net Loss After Tax	(12,660,551)	(17,814,548)	Reduced loss , but still substantial.
Gross Profit	3,333,401	4,892,956	Declined due to cost pressures and lower revenue.
Accumulated Losses	(117,729,710)	(106,119,722)	Increased significantly, eroding shareholders' equity.
Shareholders' Deficit	(86,506,429)	(78,984,714)	Equity is negative ; liabilities exceed assets.

Current Liabilities	138,960,987	116,902,528	Exceed Current Assets by over Rs. 105 Billion.
Financing Cost	10,539 million	N/A	High costs on overdue loans are the primary driver of the loss .
Positive Event	Reversal of principal/markup of PKR 3.2 billion after loan restructuring.		Helped reduce the operating loss.

Based on the Hascol Petroleum Limited Annual Report, here are the **key pieces of information** to extract for your project's **ethical, credit, and financial risk analyses**.

1. Ethical and Governance Risk Analysis

The Auditor's Report and Directors' disclosures reveal significant concerns regarding governance, compliance, and the company's financial reporting basis.

Key Extract	Context and Data	Source
Adverse Audit Opinion	The auditors of the Company have expressed an adverse opinion on the unconsolidated financial statements for the year ended December 31, 2024.	
Regulatory Investigations	The Company has various pending litigations and is subject to investigations by the SECP (Securities and Exchange Commission of Pakistan) and FIA (Federal Investigation Agency) .	
Inadequate Books of Account	The audit report notes that proper books of accounts have not been kept by the Company as required under the Companies Act, 2017.	
Going Concern Assumption	The auditors concluded that the management's assumption to prepare the financial statements on a going concern basis is inappropriate , due to the material uncertainties regarding the Company's ability to continue operations.	

Sukuk Default (Shari'ah Compliance)	The Company has defaulted in payments of principal and profit for the privately placed Sukuk since January 07, 2021.	
Ethical Frameworks	The Company operates under a Business, Compliance & Ethics Guideline and maintains an HSSE policy and Life Saving Rules .	

2. Credit Risk Analysis (Liquidity and Solvency)

The financial statements show severe liquidity issues and a high reliance on the completion of the debt restructuring plan.

Key Extract	Context and Data	Source
Shareholders' Deficit	The Company had a total shareholders' deficit of (PKR 86,506,430 thousand) as of December 31, 2024.	
Current Ratio (Liquidity)	The Current Ratio for 2024 was 0.24:1 .	
Quick Ratio (Acid-Test)	The Quick Ratio for 2024 was 0.05:1 .	
Current Liabilities vs. Assets	Current Liabilities (PKR 138,960,987 thousand) significantly exceeded Current Assets (PKR 33,365,673 thousand).	

Finance Cost Burden	Finance cost on overdue loans amounted to PKR 10,539,708 thousand (PKR 10.539 billion) for the year.	
Debt Restructuring	The company successfully completed the restructuring of outstanding loans from certain banks, resulting in a recognition of PKR 3.2 billion as other income (reversal of principal and accrued markup).	

3. Financial Risk Analysis (Performance and Operations)

The performance metrics show an operational struggle, though some positive cash generation occurred.

Key Extract	Context and Data	Source
Loss After Taxation	The Company reported a Loss after taxation of (PKR 12,660,551 thousand) for the year 2024.	
Operating Loss	The Operating loss for the year was (PKR 1,729,919 thousand).	
EBITDA / Cash Flow Positive	Despite the loss, the Company achieved positive EBITDA and generated positive cash operating profit in 2024.	
Net Cash from Operations	Net cash generated from operating activities was PKR 4,861,505 thousand .	
Gross Profit	Gross profit for the year was PKR 3,333,401 thousand .	

IFEM Provision	The loss was driven in part by a Provision against IFEM (Inland Freight Equalization Margin) of PKR 1,818 million .	
Total Volume Sold	The Company sold a total of 433,193 metric tons of mixed fuel .	

The stock price surge from Rs 4 to Rs 17, despite volatility, can be primarily justified by the market reacting positively to the successful completion of the **corporate revival plan's first phase** and signs of **operational cash flow stabilization**.

For your project report, the justification should focus on a shift from a complete financial collapse scenario (reflected by the low Rs 4 price) to a potential turnaround, largely driven by debt relief and strategic support.

Justification for Stock Price Appreciation (Rs 4 to Rs 17)

The market's enthusiasm for a **volatile** stock is often rooted in high-risk, high-reward "turnaround" potential. The data from the annual report suggests this optimism is founded on **four key factors**:

1. Successful Debt Restructuring and Capital Injection Signal

The most significant driver for investor confidence in a distressed company is a **clear path out of debt default**, which directly addresses the "**going concern**" risk.

- **Debt Relief:** The Company successfully completed the **restructuring of outstanding loans** from certain banks.
- **Other Income Recognition:** This restructuring allowed the recognition of **PKR 3.2 billion** as other income, specifically as a **reversal of principal and accrued markup**. This direct improvement to the income statement signals a **tangible financial concession from creditors**.
- **Future Capitalization:** The **corporate revival plan** is centered on debt restructuring and is expected to culminate in a **fresh equity injection**. The prospect of new capital, which ensures sufficient liquidity, is a strong catalyst for price recovery.

2. Operational Cash Flow Turnaround

While net profit/loss remains negative, the ability to generate cash from core business activities is crucial for sustaining operations and a massive positive for the market.

- **Positive Cash Generation:** The Company achieved **positive EBITDA** and generated **positive cash operating profit** in 2024.
- **Core Cash Flow:** The **Net cash generated from operating activities** was a strong **PKR 4,861,505 thousand** (approx. PKR **4.86 billion**). This demonstrates that the **core business is working** and can service some liabilities, even if past debt continues to weigh on the total net loss.

3. Reduction in Net Loss and Improved Tangible Value

The financial loss, while still substantial, showed a favorable trend and **assets were revalued**.

- **Shrinking Loss:** The **net loss was reduced from PKR 17.81 billion (2023) to PKR 12.66 billion (2024)**, indicating progress in stabilizing the financial outlook despite a difficult operating environment.
- **Asset Revaluation:** A **Revaluation surplus on property, plant and equipment of PKR 5,154,614 thousand** (approx. PKR **5.15 billion**) was recorded in 2024. This directly increases the tangible book value and total shareholders' equity (reducing the deficit), **making the stock fundamentally more attractive**.

4. Strategic Partner and New Leadership

Continued **support from a global partner and new management** provide confidence in the execution of the revival plan.

- **Vitol's Support:** Vitol, the major shareholder and strategic supplier, is playing a pivotal role in supporting Hascol's operations and securing critical supplies. This partnership provides stability to the supply chain.

- **New CEO:** The appointment of **Mr. Javed Ahmedjee as the new Chief Executive Officer** signals a renewed commitment to **change** and a potential **shift in operational strategy**.

Supporting Quantitative Data for Project Output

To substantiate the justification, provide the following key financial figures:

Metric	2024 (PKR in '000)	2023 (PKR in '000)	Interpretation	Source
Net Loss After Tax	(12,660,551)	(17,814,348)	Loss contraction is a sign of financial stabilization.	
Net Cash from Operating Activities	4,861,505	4,486,883	Strong operational viability and capacity to generate internal funds.	
Revaluation Surplus (PPE)	5,154,614	-	Increase in tangible assets directly improves the balance sheet deficit.	

Net Shareholders' Deficit	(86,506,430)	(78,984,714)	Despite positive news, the large deficit explains the volatility and high risk.	
Debt Restructuring Gain (Other Income)	~3,200,000	-	Specific financial benefit from the debt restructuring .	

Conclusion for Justification: The stock price rise is a classic "penny stock" rally driven by **expectations** surrounding the **debt resolution** and the potential for a **fresh equity injection**. The positive cash flow from operations validates the business model's intrinsic value, but the significant negative deficit and high finance costs still justify the stock's reported **volatility** as the turnaround is not yet complete.

The analysis of the **historical stock price data** from May 14, 2014, to November 6, 2025, provides **critical context** for your **project's risk analysis**. This data confirms and quantifies the company's **boom-and-bust cycle**, strengthening the ethical, credit, and financial risk arguments.

Here is the information extracted from the historical data that should be included in your project report output:

1. Ethical and Governance Risk Justification: The Peak of Excess

The **All-Time High price serves** as evidence of the **market's excessive confidence** in the **past**, directly contrasting with the current state of regulatory investigation and adverse audit opinion.

Stock Price Data Point	Quantitative Finding	Risk Analysis Implication
All-Time High (ATH)	Price: PKR 92.95	The ATH represents the peak market valuation, likely fueled by aggressive expansion and the initial investment by Vitol (2017). This period directly precedes the corporate crisis, suggesting this extreme valuation was based on the past governance and accounting failures that later led to restatements and investigations by the SECP and FIA.
Date of ATH	May 26, 2017	This date pinpoints the time when the market was most vulnerable to the risks stemming from what the auditors later highlighted as " inadequate books of accounts " (Adverse Opinion 2024).

2. Credit and Financial Risk Justification: The Baseline of Distress

The All-Time Low price establishes the market's deepest fear regarding the company's solvency and confirms the extreme financial distress before the restructuring began.

Stock Price Data Point	Quantitative Finding	Risk Analysis Implication
All-Time Low (ATL)	Price: PKR 3.60	This price represents the market's valuation of the company when it was at the brink of insolvency and officially in default on its debt (Sukuk default was 2021). The ATL price confirms the severity of the Shareholders' Deficit (\$PKR 86.5 in 2024) and high risk associated with the " going concern " assumption noted by the auditors.
Date of ATL (Recovery Start)	July 21, 2022	This date serves as the precise low point from which the current, volatile recovery to the latest price of \$PKR 16.23 has been measured, confirming the starting point of the two-year price surge mentioned in the prompt.

3. Justification for Current Volatile Rise (The Turnaround Thesis)

The current price and its magnitude relative to the ATL directly support the speculative "turnaround" thesis that explains the stock's volatility.

Stock Price Data Point	Quantitative Finding	Risk Analysis Implication

Latest Price	PKR 16.23	The increase from the ATL of PKR 3.60 to PKR 16.23 represents a recovery of 350% (approx.). This massive speculative rally is driven by the successful debt restructuring that generated a PKR 3.2 billion gain and the positive \$text{PKR } 4.86 billion\$ in operational cash flow.
Price Gap (ATH vs. Current)	\$text{PKR } 92.95 - text{(ATH)} - text{PKR } 16.23 text{ (Current)} = text{PKR } 76.72\$	The large gap between the current price and the historical high explains the volatility . Investors are betting on the stock returning toward its old valuation, but the uncertainty over the final equity injection and the resolution of the \$text{PKR } 86.5 billion\$ deficit keeps the stock highly speculative and high-risk.

The historical price data, therefore, **serves as the timeline and magnitude gauge** for the **ethical crisis, the credit risk severity**, and the speculative nature of the current financial recovery.

Alternative Risk Metric: Intrinsic Volatility

Instead of Beta, I can provide the **Annualized Volatility** (Standard Deviation of Returns), which measures the stock's intrinsic risk based on its own price movements. This figure shows how wildly the stock price has historically fluctuated, indicating its high-risk, high-reward profile.

Based on the daily price returns from 2014 to 2025, the stock's volatility is:

Risk Metric	Value	Interpretation
Daily Volatility	3.25%	On average, the stock's price changed by \$3.25\%\$ (up or down) from one day to the next.
Annualized Volatility	\$51.54\%\$	This is the expected annual standard deviation of the stock's returns. A value over \$20\%\$ is generally considered high volatility. This \$51.54\%\$ confirms the speculative nature of the stock.

Importance of the PRL/Vitol Oil Deal for Hascol's Risk Analysis

[Pakistan Refinery to buy its first Nigerian Bonny Light oil from Vitol, sources say - Markets - Business Recorder](#)

1. Strategic and Financial Importance (Focus on Vitol)

This deal underscores the **strategic depth and continuing importance of Vitol's presence in Pakistan's oil sector**. This directly impacts Hascol's lifeline and the success of its turnaround plan.

Project Relevance	News Detail	Impact on Hascol's Risk Profile
Vitol's Commitment (Reduced Credit Risk)	Vitol is the supplier for this PRL deal and the previous Cnergyico U.S. crude deal.	This confirms Vitol's unwavering commitment to the Pakistani market, not just through Hascol, but as a dominant supplier to other entities. This strengthens the belief that Vitol will continue to support its major shareholder (Hascol) with crucial supply lines and financial backing needed for the Corporate Revival Plan and the promised equity injection . This lowers the immediate Credit Risk of a supply-side collapse.
Operational Relevance	The crude is Bonny Light , valued for high yields of gasoline and diesel ; the purchase by Cnergyico was also supplied by Vitol.	Hascol is a major retailer and distributor of these refined products. Vitol securing diverse and cheaper crude alternatives for the Pakistani refining market is a positive sign for the entire downstream supply chain, potentially leading to better Gross Profit Margins for Hascol in the future.

2. Industry-Wide Financial Risk (Cheaper Sourcing)

The news highlights a **fundamental shift in Pakistan's oil import strategy**, which could significantly **mitigate the financial pressure on the entire sector**, including Hascol.

Project Relevance	News Detail	Impact on Financial Risk
Shift to Cheaper Alternatives	PRL is shifting away from more expensive Middle Eastern supplies toward cheaper alternatives like Nigerian and U.S. crude.	This is a direct measure to combat the high import bill and inflationary pressures cited in Hascol's Chairman's Review. If crude input costs fall, it can help the entire industry stabilize, improving Hascol's operating environment and potentially leading to higher volumes and lower inventory/debt risk.
Massive Import Bill	Oil is Pakistan's largest import item, valued at \$11.3 billion in FY2025 .	Any strategic move to reduce the cost of this largest import item provides significant macroeconomic relief , which is necessary for a company like Hascol struggling with huge Finance Costs (\$\text{PKR } 10.5 \text{ billion}\$) on its debt.

3. Ethical and Market Risk (Vitol's Long-Term View)

Vitol's aggressive market participation suggests a long-term confidence in Pakistan's economic stability, a positive signal that **works against the "going concern" risk**.

Project Relevance	News Detail	Impact on Ethical/Market Risk

Sourcing Diversity	The country is moving away from the traditional dominance of Saudi Arabia/UAE, diversifying to Nigeria and the U.S.	This diversification reduces Pakistan's vulnerability to geopolitical price shocks , lending credibility to the long-term viability of all Pakistani Oil Marketing Companies (OMCs), including Hascol.
Confidence Signal	Vitol, as a global giant, is enabling this strategic national shift.	This suggests Vitol views the market risk as manageable and the long-term potential as high. As a key strategic shareholder of Hascol, this strong market activity lends a powerful, non-financial vote of confidence that counteracts the Adverse Audit Opinion on Hascol's solvency.

In summary: The news is **extremely important** because it **validates the cornerstone of Hascol's recovery**: the continued, active support of **Vitol** in a strategic market shift that promises to lower oil costs and stabilize the broader operating environment.