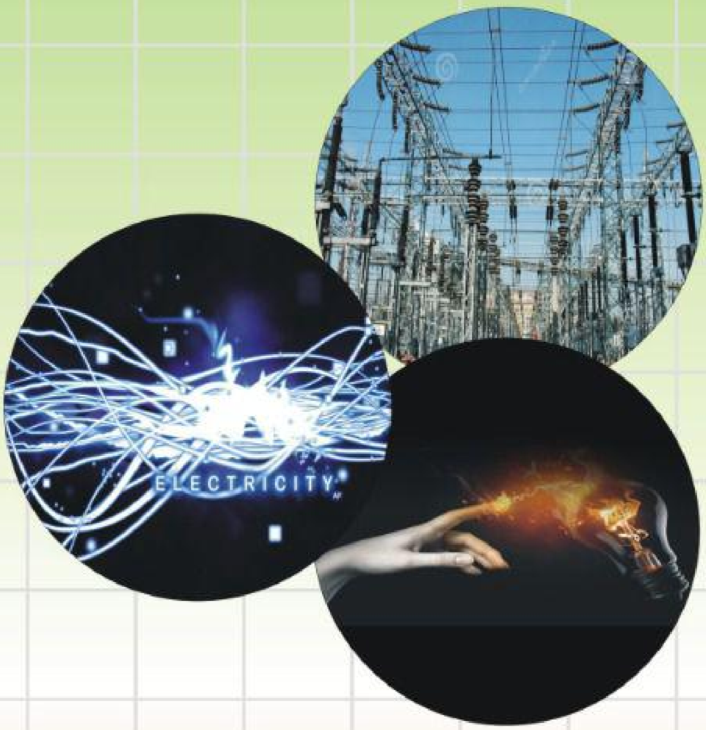
ARSHAD ENERGY LIMITED

ARSHAD GROUP

2018



ARSHAD
ENERGY LIMITED

CONTENTS

COMPANY INFORMATION

CHAIRMAN	Mr.Nisar Ahmad Sheikh
CHIEF EXECUTIVE	Mr.Muhammad Arshad
DIRECTORS	Mr.Shahzad Ahmed Sheikh Mr.Shehryar Arshad Mrs.Naureen Shahzad Ms.Resham Shahzad Mr. Faisal Masood Sheikh
AUDIT COMMITTEE	
CHAIRMAN	Mr. Faisal Masood Sheikh
MEMBER	Mr.Shahzad Ahmed Sheikh
MEMBER	Mr.Shehryar Arshad
HR & REMUNERATION COMMITTEE	
CHAIRMAN	Mr. Faisal Masood Sheikh
MEMBER	Mr.Shahzad Ahmed Sheikh
MEMBER	Mrs.Naureen Shahzad
CHIEF FINANCIAL OFFICER	Mr.Nasir Mahmood
COMPANY SECRETARY	Mr.Javed Abbas Naqvi
HEAD OF INTERNAL AUDIT	Mr.Muhammad Saqib
AUDITORS	M/S Riaz Ahmad & Co. Chartered Accountants
BANKERS	Habib Metropolitan Bank Bank Al Habib Limited
LEGAL ADVISOR	Rana Iftikhar Ahmad
REGISTERED OFFICE	404-405, 4th Floor, Business Centre, Mumtaz Hassan Road, Karachi. Tel. 021-32412814 Web: www.arshadenergy.com
SHARES REGISTRAR	F.D.Registrar Services (SMC-Pvt.) Limited 17th Floor, Saima Trade Tower-A, I. I. Chundrigar Road, Karachi.
PLANT	35-K.M., Sheikhupura Road, Tehsil Jaranwala, District Faisalabad.

Vision statement:

To become the most cost effective power generation company, committed to empowering Pakistan growth by not only maximizing energy outputs from the existing plant through sustained excellence in performance and innovation.

Mission statement:

Support the power purchaser to cope with the energy shortfalls in the country. Become the most efficient and economical plant while protecting commercial interests of the stakeholders. Create a work environment for employees that meets international standards of environment, health and safety.

ARSHAD ENERGY LIMITED
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **24th Annual General Meeting** of the Shareholders of **Arshad Energy Limited** will be held at 404-405, 4th Floor, Business Centre, Mumtaz Hassan Road, Karachi on Saturday, October 27, 2018 at 12:30 p.m. to transact the following business:

1. To confirm the minutes of the 23rd Annual General Meeting held on October 31, 2017

2. To receive, consider and adopt the audited accounts of the Company for the year ended on 30th June, 2018 together with the Directors' Report and Auditors' Report thereon and statement of compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017.

3. To appoint Auditor for the year 2018-2019 and to fix their remuneration. The present auditors **M/s. Riaz Ahmed & Co.**, Chartered Accountants, retire and being eligible have offered themselves for reappointment.

SPECIAL BUSINESS:

4. To consider and approve the transactions of special and normal trade with associated undertakings for the year ended June 30, 2018.

5. To transact any other business with the permission of the chair.

By order of the Board

Karachi
Dated: October 05, 2018

JAVED ABBAS NAQVI
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from **20th October 2018 to 31st October 2018 (both days inclusive).** Transferred received at the Share Registrar office M/s. F.D Registrar Services (SMC-Pvt) Ltd, 17th Floor Saima Trade Tower –A I.I Chundrigar Road Karachi 74000 at the close business on **19th October 2018** be treated in time.

2. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend the meeting and vote instead of him/her. The proxies in order to be effective must be received by the Company not less than 48 hours before the meeting. CDC Account holders will further have to follow the under mentioned guidelines as laid down in Circular No.1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan.

A. For Attending the Meeting :-

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity card (CNIC) or original Passport at the time of attending the meeting.
ii) In case of Corporate entity, the Board of Directors resolution of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

B. For Appointing Proxies:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
ii) The proxy form shall be witnessed by two persons whose names, address and CNIC Numbers shall be mentioned on the form.
iii) Attested copies of CNIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
iv) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.
v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

C: NOTICE TO SHAREHOLDERS WHO HAVE NOT PROVIDED CNIC:

In terms of the directive of the Securities and Exchange Commission of Pakistan ("SECP") the Computerized National

Identity Card Numbers (CNIC) of the registered shareholders or the authorized person except in the case of minor(s) and corporate shareholders are required to be mentioned in the annual return filed by the Company with the SECP. Therefore, the shareholders who have not yet provided copies of their CNIC's are advised to provide at earliest the attested copies of their CNIC's (if not already provided) directly to our Independent Share Registrar, M/s F.D. Registrar Services (SMC-Pvt) Ltd., 1705, 17th Floor, Saima Trade Tower-A, I.I.Chundrigar Road, Karachi-74000.

D. Change of Address and quote folio No. in correspondence

3. Members are also requested to notify any change in address immediately. The shareholders are further requested to quote their folio number in all correspondence with the Company and at the time of attending the Annual General Meeting.

E. Unclaimed Dividends And Shares (Important & Mandatory)

4. Shareholders of the Company are hereby informed that as per the record, there are some unclaimed/ uncollected /unpaid dividends and shares. Shareholders who could not collect their dividends/shares are advised to contact our Share Registrar M/s. F.D Registrar Services (SMC) –Pvt). Ltd 17th Floor, Saima Trade Tower-A I.I. Chundrigar Road, Karachi during working hours. Ph: 0092-21-35478192-93 Fax: 0092-21-32621233 Email: fdregistrar@yahoo.comto collect/enquire about their unclaimed dividend or shares, if any. In compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, of three (3) years or more from the date due and payable, shall be deposited to the credit of Federal Government in case of unclaimed dividend and in case of shares, shall be delivered to the Securities & Exchange Commission of Pakistan (SECP).

F. Circulation of Annual Financial Statements through Email

5. SECP through its Notification SRO 787(I)/2014 dated September 8, 2014, has allowed the circulation of Audited Financial Statements along with the Notice of Annual General Meeting to the shareholders of the Company through email. Therefore, shareholders who wish to receive the soft copy of Annual Report are requested to send their email address. The consent form for electronic transmission can be downloaded from the
Company's website. The Company shall, however, continue to provide hard copy of the Audited Financial Statements to its shareholders, on request, free of cost, within seven days of receipt of such request.

G. Placement of Financial Accounts on Website

6. Pursuant to the notification of the SECP (SRO 634(I)/2014) dated: 10th July 2014 the financial statements of the Company have been placed on Company's website at www.arshadenergy.com

H. E-VOTING

7. Pursuant to SECP S.R.O. No. 43(I)/2016 dated January 22, 2016, members can also exercise their right to vote through e-voting by giving their consent in writing at least 10 days before the date of meeting to the Company on the appointment by the Intermediary as a Proxy.

I: For Video Conference:

8. Further to SECP Circular No.1027/(I)2014 dated 21st May 2014 clause 1(b) "The company may provide video conference facility to its members for attending the general meeting at places other than the town in which general meeting is taking place after considering the geographical dispersal of its members: Provided that if members, collectively holding 10% or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video conference at least 10 days prior to date of meeting the company shall arrange video conference facility in that city subject to availability of such facility in that city".
The company will intimate members regarding venue of video conference facility at least 5 days before the date of general meeting along with complete information necessary to enable them to access such facility.

I/We, _____________________ of _______________________, being a member of the **Arshad Energy Limited,** holder of ____________ Ordinary Share(s) as per Register CDC/ Folio no. _______________ hereby opt for video conference facility at ________________.

STATEMENT OF MATERIAL FACTS CONCERNING SPECIAL BUSINESS PURSUANT TO SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement sets out the material facts concerning the Special Business, given in agenda item No.4 of the Notice that will be considered by the members.

Transactions with Associates

Company is doing transactions with associated companies of normal trade and the directors of the company are also directors in associated companies and therefore are common directors. On this ground they have indirect interest in associated undertakings due to common directorship. All the transactions with associates as disclosed in accounts for the year ended June 30, 2018 of the company seeks approval in Annual General Meeting and hence the notice of facts is given to shareholders.

Transactions with Associated Undertakings	**2018**
Sale of energy	Rs.227,473,076

CHAIRMAN'S REVIEW

For the year ended June 30, 2018.

On behalf of the Board of Directors, I am pleased to present the Annual Report of the Company together with the audited, financial statements and auditors' report thereon for the year ended 30th June, 2018.

The drastic increase in the prices of furnace oil has significantly affected the performance of the company. Further, the sale rates which are WAPDA rates as approved by NEPRA are not viable on high furnace oil prices. The situation has forced management to temporarily close down the operations of the company.

Future Prospects

To restart the operations of the company management is continuously monitoring fuel prices and sales rates.

Code of Corporate Governance:

Our company takes corporate governance seriously. The company keeps fallow the Securities and Exchange Commission of Pakistan and the Pakistan stock Exchange and complies with the code of Good corporate Governance in letter and spirit.

The Board offers thanks to its bankers and financial institution for providing support as solicited. The board also appreciates the dedicated services rendered by the employees and the management which is evidenced by the company's performance and results achieved and they are contributing positively towards the goals and objectives of the company.

Lastly, I would also like to thanks our shareholder for their continued support and trust in the company. Above stated facts do not give a promising outlook but the management is making its efforts to earn profitability for the coming years.

For and behalf of the board of directors.

Nisar Ahmad Sheikh
Chairman
Date: October 05,2018.

DIRECTORS' REPORT TO THE SHARE HOLDERS

The Directors of your Company feel pleasure in submitting audited financial statements of your Company for the year ended June 30, 2018.

FINANCIAL RESULTS		2018 Rupees	2017 Rupees
SALES	18	227,473,076	241,919,510
COST OF GENERATION	19	(242,277,425)	(228,534,165)
GROSS (LOSS) / PROFIT		(14,804,349)	13,385,345
ADMINISTRATIVE EXPENSES	20	(5,599,718)	(5,285,687)
OTHER EXPENSES		-	(780,708)
OTHER INCOME	21	1,299,869	3,941,801
FINANCE COST	22	(41,914)	(48,094)
(LOSS) / PROFIT BEFORE TAXATION		(19,146,112)	11,212,657
TAXATION	23	-	-
(LOSS) / PROFIT AFTER TAXATION		(19,146,112)	11,212,657
(LOSS) / EARNINGS PER SHARE- BASIC AND DILUTED - RUPEES	24	(2.39)	1.40

REVIEW OF OPERATING RESULTS

Net sales for the year were Rs.225.95 million (2017: Rs.241.92 million) and net loss is Rs.19.14 million (2017: net Profit Rs.11.21 million).

Due to drastically increase in prices of Petroleum products specifically furnace oil Company suffer in losses that's why Management of company has decided to temporary closed out the operations of company.

AUDITORS

The present Auditors M/S Riaz Ahmad & Co., Chartered Accountants retire and being eligible, offer themselves for re-appointment.

CORPORATE GOVERNANCE

The statement of compliance of best practices of Code of Corporate Governance is annexed.

CORPORATE AND FINANCIAL REPORTING FRAME WORK:

The Directors are pleased to state that the Company is compliant with the provisions of the Code of Corporate Governance as required by Securities & Exchange Commission of Pakistan (SECP).

1. The financial statements prepared by the Management of your Company present fairly its state of affairs, the results of its operations, cash flow and changes in equity.
2. Proper books of accounts of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates, which are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements. The system of internal control is sound in design and has been effectively implemented and monitored.
5. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
6. The system of internal control is sound in design and has been effectively implemented and monitored.
7. Key operating financial data of last six years in summarized form is annexed.

8. During the period under review five (05) meetings of Board of Directors were held. Attendance of each director is as follows:

NAME OF DIRECTOR	**MEETINGS ATTENDED**
Mr. Nisar Ahmad Sheikh	05
Mr. Muhammad Arshad	05
Mr. Shahzad Ahmad Sheikh	05
Mr. Shehryar Arshad	04
Mrs. Naureen Shahzad	05
Ms. Resham Shahzad	04
Mr. Faisal Massood Sheikh	04

- The Audit Committee held four (4) meetings during the year. Attendance by each member was as follows:

AUDIT COMMITTEE	**MEETINGS ATTENDED**
Mr. Nisar Ahmed Sheikh	01
Mr. Faisal Masood Sheikh	04
Mr. Shahzad Ahmed Sheikh	04
Mr. Shehryar Arshad	04

- The HR Committee held one (1) meetings during the year. Attendance by each member was as follows:

HR & REMUNERATION COMMITTEE	**MEETINGS ATTENDED**
Mr. Faisal Masood Sheikh	01
Mr. Shahzad Ahmed Sheikh	01
Mrs. Naureen Shahzad	01

Directors who did not attend the above meetings were granted leave of absence by the Board of Directors.

TRADING OF SHARES

Director, company secretary, chief financial officer, Head of internal Audit and their spouses and minor children has not purchased or sold shares during the year.

STATEMENT OF DIRECTOR'S RESPONSIBILITY

Board of Directors is mindful of its responsibilities and duties under legal and corporate frame work. The Board defines and establishes Company's overall objectives and directions and monitors status thereof. Short term and long term plans and business performance targets are set by Chief Executive under over all policy frame work of the Board.

PATTERN OF SHAREHOLDING

Pattern of shareholding as on June 30, 2018 is annexed.

ACKNOWLEDGEMENT:

The Board places on record its appreciation for the cooperation, commitment and hard work extended to the Company by the customers, suppliers, bankers and all the employees of the Company.

On behalf of the Board

Muhammad Arshad	**Shahzad Ahmed Sheikh**
Chief Executive Officer	Director

FAISALABAD.

Dated: October 05, 2018

Arshad Energy Limited
Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017
For the year ended 30 June 2018

Arshad Energy Limited ("the Company") has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations 2017 ("the Regulations") in the following manner:

1. The total number of directors are seven as per the following.
   a. Male: Five
   b. Female: Two

2. The composition of the Board of Directors ("the Board") is as follows:

Category	**Name**
Executive Directors	Mr. Muhammad Arshad
Non-Executive Directors	Mr. Nisar Ahmad Sheikh
	Mrs. Naureen Shahzad
	Miss Resham Shahzad
	Mr. Shahzad Ahmed Sheikh
	Mr. Shehryar Arshad
Independent Director	Mr. Faisal Masood Sheikh

3. Directors have confirmed that none of them is serving as a Director on more than five listed companies, including this Company.

4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 ("the Act") and these Regulations.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

8. The Board of Directors has a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.

9. The Board remained fully compliant with the provision with regard to their training program. Out of total of seven, three directors are exempt from training as mentioned in regulation no. 20, sub-regulation 2 of the Regulations. Other two directors have completed their training earlier.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The Board has formed committees comprising of members given below:
    a) Audit Committee

Mr. Faisal Masood Sheikh	(Chairman)
Mr. Shahzad Ahmed Sheikh	(Member)
Mr.Shehryar Arshad	(Member)

    b) HR and Remuneration Committee

Mr. Faisal Masood Sheikh	(Chairman)
Mr. Shahzad Ahmed Sheikh	(Member)
Mrs. Naureen Shahzad	(Member)

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the aforesaid committees were as per following:

    a) Audit Committee: Four meetings during the financial year ended 30 June 2018
    b) HR and Remuneration Committee: One meeting during the financial year ended 30 June 2018

15. The Board has set up an effective internal audit function that is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

Signatures
(NISAR AHMAD SHEIKH)
Chairman

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Arshad Energy Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") prepared by the Board of Directors of Arshad Energy Limited ("the Company") for the year ended 30 June 2018 in accordance with the requirements of Regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2018.

RIAZ AHMAD & COMPANY
Chartered Accountants

Faisalabad

Date: October 5, 2018

INDEPENDENT AUDITOR'S REPORT

To the members of Arshad Energy Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Arshad Energy Limited ('the Company'), which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the 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 30 June 2018 and of the loss, other comprehensive income, 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 ('the Code') and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1.1 to the financial statements, which states that the Company is no longer a going concern, therefore, these financial statements have been prepared on the basis of estimated realizable / settlement values of assets and liabilities respectively. Our opinion is not notified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Sr. No.	Key audit matters	How the matters were addressed in our audit
1.	**Non-going concern basis of accounting** The Company is no longer a going concern, therefore, these financial statements have been prepared on the basis of estimated realizable / settlement values of assets and liabilities respectively. Estimated realizable / settlement values are based on the management's best estimate. Estimation involves judgments based on the latest available, reliable information, historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In future, these estimates may need revision if changes occur in the circumstances on which the estimates are based or as a result of new information. Hence, the ultimate values at which assets will be realized and liabilities will be settled may be different from those carried in these financial statements. Therefore, we identified preparation of financial statements using the non-going concern basis of accounting as a key audit matter specially with reference to the estimates and judgments associated with the determination of estimated realizable / settlement values of assets and liabilities respectively.	Our procedures included, but were not limited to: • We checked compliance with "Guideline on the Basis of Preparation of Financial Statements for Companies that are Not Considered Going Concern" issued by The Institute of Chartered Accountants of Pakistan. • We tested how management made the estimate of realizable / settlement values of assets and liabilities respectively and the data on which it is based. • We tested the operating effectiveness of the controls over how the management made the estimate, together with appropriate substantive procedures. • We considered events occurring up to the date of our report to obtain audit evidence regarding the estimate. • We confirmed that any upsides in the carrying amounts of assets have been properly calculated and disclosed in the financial statements and not recognized in the statement of profit or loss.

Sr. No.	Key audit matters	How the matters were addressed in our audit
	For further information, refer to summary of significant accounting policies, Note 2.1(c) and 2.1(d) to the financial statements.	
2.	**Preparation of financial statements under the Companies Act, 2017** The Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 30 June 2018. The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. In case of the Company, specific additional disclosures and changes to the existing disclosures have been included in the financial statements. The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act. For further information, refer to Note 2.1(b) to the financial statements.	Our procedures included, but were not limited to: • We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the Act. • We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. • We verified on test basis the supporting evidences for the additional disclosures and ensured appropriateness of the disclosures made.

Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 and 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.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Liaqat Ali Panwar.

RIAZ AHMAD & COMPANY
Chartered Accountants

Riaz Ahmad & Co.

Faisalabad

Date: October 5, 2018

ARSHAD ENERGY LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	NOTE	2018 RUPEES	2017 RUPEES Restated	2016 RUPEES Restated
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital				
10 000 000 (2017: 10 000 000) ordinary shares of Rupees 10 each		100,000,000	100,000,000	100,000,000
Issued, subscribed and paid up share capital	3	80,000,000	80,000,000	80,000,000
Capital reserves				
Premium on issue of right shares	4	80,000,000	80,000,000	80,000,000
Surplus on revaluation of property, plant and equipment	6	43,215,514	40,688,231	42,514,371
Revenue reserves	5	(63,903,045)	(45,494,325)	(58,279,352)
Total equity		139,312,469	155,193,906	144,235,019
LIABILITIES				
NON CURRENT LIABILITIES				
Staff retirement gratuity	7	3,837,695	3,394,052	2,888,853
CURRENT LIABILITIES				
Trade and other payables	8	33,363,292	29,913,648	39,319,984
Unclaimed dividend		31,348	31,348	31,348
Short term borrowings	9	17,149,943	18,594,899	13,300,000
		50,544,583	48,539,895	52,651,332
TOTAL LIABILITIES		54,382,278	51,933,947	55,540,185
CONTINGENCIES AND COMMITMENTS	10			
TOTAL EQUITY AND LIABILITIES		193,694,747	207,127,853	199,775,204

	NOTE	2018 RUPEES	2017 RUPEES	2016 RUPEES
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	11	156,517,826	156,031,471	152,013,128
Security deposits		10,550	10,550	10,550
		156,528,376	156,042,021	152,023,678
CURRENT ASSETS				
Stores, spare parts and loose tools	12	13,220,000	16,600,000	12,947,002
Stock of oil and lubricants	13	12,107,316	8,024,045	12,086,899
Trade debts	14	919,199	21,183,093	15,970,830
Loans and advances	15	2,580,574	2,622,193	3,052,582
Other receivables	16	7,158,023	1,880,323	1,810,706
Cash and bank balances	17	1,181,259	776,178	1,883,507
		37,166,371	51,085,832	47,751,526
TOTAL ASSETS		193,694,747	207,127,853	199,775,204

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER | DIRECTOR | CHIEF FINANCIAL OFFICER

ARSHAD ENERGY LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018 RUPEES	2017 RUPEES
SALES	18	227,473,076	241,919,510
COST OF GENERATION	19	(242,277,425)	(228,534,165)
GROSS (LOSS) / PROFIT		(14,804,349)	13,385,345
ADMINISTRATIVE EXPENSES	20	(5,599,718)	(5,285,687)
OTHER EXPENSES		-	(780,708)
OTHER INCOME	21	1,299,869	3,941,801
FINANCE COST	22	(41,914)	(48,094)
(LOSS) / PROFIT BEFORE TAXATION		(19,146,112)	11,212,657
TAXATION	23	-	-
(LOSS) / PROFIT AFTER TAXATION		(19,146,112)	11,212,657
(LOSS) / EARNINGS PER SHARE- BASIC AND DILUTED - RUPEES	24	(2.39)	1.40

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER   DIRECTOR   CHIEF FINANCIAL OFFICER

ARSHAD ENERGY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	2018 RUPEES	2017 RUPEES Restated
(LOSS) / PROFIT AFTER TAXATION	(19,146,112)	11,212,657
OTHER COMPREHENSIVE INCOME / (LOSS)		
Items that will not be reclassified subsequently to profit or loss:		
Surplus / (deficit) on revaluation of property, plant and equipment	2,948,470	(825,833)
Experience adjustment on defined benefit plan	316,205	572,063
	3,264,675	(253,770)
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income / (loss) for the year	3,264,675	(253,770)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR	(15,881,437)	10,958,887

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

ARSHAD ENERGY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	SHARE CAPITAL	RESERVES								TOTAL EQUITY
		CAPITAL RESERVES			REVENUE RESERVES			TOTAL		
		Premium on issue of right shares	Surplus on revaluation of property, plant and equipment	Sub total	General	Accumulated loss	Sub total			
	RUPEES									
Balance as at 30 June 2016	80,000,000	80,000,000	-	80,000,000	14,408,600	(72,687,952)	(58,279,352)	21,720,648		101,720,648
Impact of restatement - Note 2.7.1	-	-	42,514,371	42,514,371	-	-	-	42,514,371		42,514,371
Balance as at 30 June 2016 - restated	80,000,000	80,000,000	42,514,371	122,514,371	14,408,600	(72,687,952)	(58,279,352)	64,235,019		144,235,019
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation	-	-	(1,000,307)	(1,000,307)	-	1,000,307	1,000,307	-		-
Profit for the year	-	-	-	-	-	11,212,657	11,212,657	11,212,657		11,212,657
Other comprehensive (loss) / income for the year-restated	-	-	(825,833)	(825,833)	-	572,063	572,063	(253,770)		(253,770)
Total comprehensive income for the year-restated	-	-	(825,833)	(825,833)	-	11,784,720	11,784,720	10,958,887		10,958,887
Balance as at 30 June 2017 - restated	80,000,000	80,000,000	40,688,231	120,688,231	14,408,600	(59,902,925)	(45,494,325)	75,193,906		155,193,906
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation	-	-	(421,187)	(421,187)	-	421,187	421,187	-		-
Loss for the year	-	-	-	-	-	(19,146,112)	(19,146,112)	(19,146,112)		(19,146,112)
Other comprehensive income for the year	-	-	2,948,470	2,948,470	-	316,205	316,205	3,264,675		3,264,675
Total comprehensive income / (loss) for the year	-	-	2,948,470	2,948,470	-	(18,829,907)	(18,829,907)	(15,881,437)		(15,881,437)
Balance as at 30 June 2018	80,000,000	80,000,000	43,215,514	123,215,514	14,408,600	(78,311,645)	(63,903,045)	59,312,469		139,312,469

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

ARSHAD ENERGY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018 RUPEES	2017 RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	25	5,408,144	2,536,834
Finance cost paid		(7,849)	(11,314)
Income tax paid		(36,960)	(740,240)
Workers' profit participation fund paid		(626,141)	(631,756)
Staff retirement gratuity paid		(122,000)	(59,000)
Net cash generated from operating activities		4,615,194	1,094,524
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(2,829,780)	(7,496,752)
Proceeds from sale of property, plant and equipment		64,623	-
Net cash used in investing activities		(2,765,157)	(7,496,752)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings - net		(1,444,956)	5,294,899
Net cash (used in) / from financing activities		(1,444,956)	5,294,899
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		405,081	(1,107,329)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		776,178	1,883,507
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 17)		1,181,259	776,178

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER

1. THE COMPANY AND ITS OPERATIONS

Arshad Energy Limited ("the Company") is a public limited company incorporated in Pakistan on 20 February 1994 under the repealed Companies Ordinance, 1984 (Now Companies Act, 2017) and listed on Pakistan Stock Exchange Limited. Its registered office is situated at Room No. 404 and 405, 4th Floor, Business Centre, Mumtaz Hassan Road, Karachi, Sindh. The Company is engaged in the business of generation and distribution of electricity. The project is located at 35 - Kilometers, Sheikhupura Road, Tehsil Jaranwala, District Faisalabad, Punjab.

1.1 Non-going concern basis of accounting

Previously the Company was not in operations properly because of high price of furnace oil. Now, due to decrease in the furnace oil prices in the world market, the cost of generation of electricity by the Company has been decreased. Therefore, the Company has increased its production activities. But, its present customers are two related parties only. Moreover, the current demand of the electricity is due to lower rate of furnace oil, which may be reduced in future due to possible increase in furnace oil prices. This may adversely affect the operations of the Company. Hence, the Company is not ensured a going concern.

In view of the aforesaid reasons, the Company is not considered a going concern. These financial statements have been prepared using the non-going concern basis of accounting on the basis of estimated realizable / settlement values of the assets and liabilities respectively.

1.2 Summary of significant transactions and events affecting the Company's financial position and performance

a) Due to applicability of the Companies Act, 2017 to the financial statements of the Company, some of the amounts reported for the previous period have been reclassified and restated. For detailed information please refer to Note 2.1 (b) and Note 2.6.1.

b) For a detailed discussion about the Company's performance please refer to the Directors' report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

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

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

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

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

b) Preparation of financial statements under the Companies Act, 2017

The fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for preparation of these financial statements. The Companies Act, 2017 (including its fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Change in accounting policy of surplus on revaluation of property, plant and equipment (Note 2.6.1) and additional disclosures include but are not limited to, particulars of immovable assets of the Company (Note 11.3), change in threshold for identification of executives (Note 26) and additional disclosure requirements for related parties (Note 27) etc.

c) Accounting convention

These financial statements have been prepared using the non-going concern basis of accounting on the basis of estimated realizable / settlement values of the assets and liabilities respectively. In realizable / settlement value basis, assets are carried at amount of cash and cash equivalents that could currently be obtained by selling the assets in an orderly disposal. Liabilities are carried at their settlement values, that is the undiscounted amounts of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business.

d) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

i) Realizable / settlement values of assets and liabilities respectively
ii) Useful lives, patterns of economic benefits and impairments
iii) Taxation
iv) Provision for doubtful debts
v) Inventories
vi) Employees retirement benefit

The Company started preparing its financial statements using the non-going concern basis of accounting on the basis of estimated realizable / settlement values of the assets and liabilities respectively from the year ended 30 June 2014 and recorded adjustments to account for differences between the Company's recognized assets and the measurement of its assets and liabilities (including measurement changes resulting from changes in assumptions). Subsequently, at each reporting date the Company re-measures its assets and liabilities to reflect changes in value since the previous date. Hence, during the financial year ended 30 June 2018, the Company has recognized reversal of impairment on plant and machinery of Rupees 1,272,525 (Note 21) in these financial statements.

Analysis of upside not recognized in the profit or loss on assets during the period:

Expected profit on disposal of items of property, plant and equipment of the Company, which are not revalued (Note 11) shall be Rupees 0.087 million. Hence, there is an upside of Rupees 0.087 million not recognized in the profit or loss on property, plant and equipment.

The Company have no items that it plans to sell that the Company have not previously recognized in these financial statements.

e) Amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2017:

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments have resulted in certain additional disclosures in the Company's financial statements.

IAS 12 (Amendments), 'Income Taxes' (effective for annual periods beginning on or after 01 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments have no significant impact on the Company's financial statements.

The application of the above amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

f) Amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are other amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2017 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

g) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2018 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 July 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner as under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 July 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The aforesaid standard is not expected to have a material impact on the Company's financial statements.

Amendments to IFRS 9 (effective for annual periods beginning on or after 01 January 2019) clarify that for the purpose of assessing whether a payment feature meets the Solely Payments of Principal and Interest ('SPPI') condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendments are not likely to have significant impact on the Company's financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Company's financial statements.

IAS 19 (Amendments), 'Employee Benefits' - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's financial statements

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Company's financial statements.

On 12 December 2017, IASB issued Annual Improvements to IFRS Standards: 2015-2017 Cycle, incorporating amendments to four IFRSs more specifically in IAS 12 'Income Taxes', relevant to the Company. The amendments are effective for annual periods beginning on or after 01 January 2019. The amendments have no significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 29 March 2018, the IASB issued a revised Conceptual Framework. The new Framework reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits - this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, de-recognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS and does not override any standard, so nothing will change in short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRSs. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 01 January 2020 for preparers that develop an accounting policy based on the Framework.

h) Standards and amendments to published approved accounting standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2018 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Staff retirement benefit

The Company operates unfunded gratuity scheme for all its permanent employees, who have completed the minimum qualifying period of service as defined under the scheme. The liability recognized in the statement of financial position in respect of defined benefit gratuity scheme is the present value of the defined benefit obligation at the reporting date together with the adjustments for remeasurement changes. The Company's obligation under the scheme is determined through actuarial valuation carried under Projected Unit Credit Method. Latest actuarial valuation has been carried on 30 June 2018.

Remeasurement changes which comprise actuarial gains and losses are recognized initially in other comprehensive income.

2.3 Inventories

These are valued at the lower of moving average cost and net realizable value. Items considered obsolete are carried at nil value and items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make a sale.

2.4 Taxation

Current

The provision for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available under the law. However, as stated in Note 23 to the financial statements as the Company's income is exempt from tax, therefore, no provision for current tax has been recognized in these financial statements.

Deferred

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax has not been provided in these financial statements as the management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the Company remains exempt from taxation under Clause 132 of Part I of Part IV of Second Schedule to the Income Tax Ordinance, 2001.

2.5 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the statement of profit or loss.

2.6 Property, plant, equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss, except those subject to revaluation which are stated at revalued amount less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount less any identified impairment loss. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the assets to working condition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the statement of profit or loss during the period in which they are incurred.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

2.6.1 Change in accounting policy

The specific provision in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of property, plant and equipment has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Accordingly, in accordance with the requirements of IAS 16, 'Property, Plant and Equipment', surplus on revaluation of fixed assets would now be presented under equity.

Following the application of IAS 16, the Company's accounting policy for surplus on revaluation of property, plant and equipment stands amended as follows:

Increases in the carrying amounts arising on revaluation of property, plant and equipment are recognized in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognized in the statement of profit or loss, the increase is first recognized in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the statement of profit or loss.

Each year the difference between the depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on the asset's original cost is reclassified from surplus on revaluation of property, plant and equipment to accumulated loss.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effect of change in accounting policy is summarized below:

	As at 30 June 2017			As at 30 June 2016		
	As previously reported	**As restated**	**Restatement**	**As previously reported**	**As restated**	**Restatement**
	(RUPEES)					
Effect on statement of financial position						
Surplus on revaluation of property, plant and equipment	40,688,231	-	(40,688,231)	42,514,371	-	(42,514,371)
Share capital and reserves	-	40,688,231	40,688,231	-	42,514,371	42,514,371

Effect on statement of changes in equity

Surplus on revaluation of property, plant and equipment	-	40,688,231	40,688,231	-	42,514,371	42,514,371

Effect on statement of comprehensive income

	As at 30 June 2017		
	As previously reported	As restated	Restatement
	------------------(RUPEES)--------------------		
Deficit on revaluation of property, plant and equipment	-	825,833	825,833

There was no impact on statement of profit or loss and on statement of cash flows as a result of the retrospective application of change in accounting policy.

Depreciation

Depreciation on property, plant and equipment is charged to statement of profit or loss applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 11. The Company charges the depreciation on additions from the month of acquisition and on deletions upto the month preceding the disposal when the asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

Capital work-in-progress

Capital work-in-progress is stated at cost less any recognized impairment loss and is transferred to the property, plant and equipment as and when asset is available for use.

De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the statement of profit or loss in the year the asset is de-recognized.

2.7 Revenue recognition

Revenue from sale of electricity is recognized at the time of transmission.

2.8 Financial instruments

Financial instruments carried on the statement of financial position include deposits, trade debts, other receivables, loans and advances, cash and bank balances, trade and other payables and short term borrowings etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for 'financial instruments at fair value through profit or loss' which are initially measured at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.9 Trade and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

2.10 Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

2.11 Share capital

Ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.

2.12 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.13 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

2.14 Impairment

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in statement of profit or loss. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

2.15 Offsetting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.17 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

This represents 8 000 000 (2017: 8 000 000) ordinary shares of Rupees 10 each fully paid up in cash. 373 750 ordinary shares (2017: 375 750) of the Company are held by Arshad Textile Mills Limited - an associated company.

4. PREMIUM ON ISSUE OF RIGHT SHARES

This reserve can be utilized by the Company only for the purposes specified in section 81 of the Companies Act, 2017.

5. REVENUE RESERVES

	2018 RUPEES	2017 RUPEES
General reserve	14,408,600	14,408,600
Accumulated loss	(78,311,645)	(59,902,925)
	(63,903,045)	(45,494,325)

6. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2018 RUPEES	2017 RUPEES
Surplus on revaluation of property, plant and equipment as at 01 July	40,688,231	42,514,371
Add: Net increase in surplus on revaluation	2,948,470	-
	43,636,701	42,514,371
Less:		
Net decrease in surplus on revaluation	-	825,833
Transferred to accumulated loss in respect of incremental depreciation charged during the year	421,187	1,000,307
	421,187	1,826,140
	43,215,514	40,688,231

6.1 This represents surplus resulting from revaluation of freehold land, buildings thereon and plant and machinery carried out on 30 June 2018 by Messrs W.W. Engineering Services (Private) Limited using prevailing market prices. Previously revaluations were carried out by independent valuers on 30 June 2014, 30 June 2016 and 30 June 2017.

7. STAFF RETIREMENT GRATUITY

	2018 RUPEES	2017 RUPEES
Opening balance	3,394,052	2,888,853
Charge for the year (Note 7.2)	881,848	1,136,262
Retirement benefit paid	(122,000)	(59,000)
Remeasurements chargeable in other comprehensive income (Note 7.3)	(316,205)	(572,063)
Closing balance	3,837,695	3,394,052

7.1 Movement in the net liability recognized

	2018 RUPEES	2017 RUPEES
Opening balance	3,394,052	2,888,853
Add:		
Charge for the year (Note 7.2)	881,848	1,136,262
Remeasurements chargeable in other comprehensive income (Note 7.3)	(316,205)	(572,063)
	3,959,695	3,453,052
Less: Paid during the year	(122,000)	(59,000)
	3,837,695	3,394,052

7.2 Charge for the year

	2018	2017
Current service cost	623,536	578,688
Interest cost	258,312	557,574
	881,848	1,136,262

	2018 RUPEES	2017 RUPEES
7.3 Remeasurements chargeable in other comprehensive income		
Actuarial gain from changes in financial assumptions	(828)	(26,351)
Experience adjustments	317,033	(545,712)
Total remeasurements chargeable in other comprehensive income	316,205	(572,063)

	2018	2017
7.4 Principal actuarial assumptions used		
Discount rate for interest cost in profit or loss charge (per annum)	7.75%	9.75%
Discount rate for year end obligation (per annum)	9.00%	7.75%
Expected rate of increase in salary (per annum)	8.00%	6.75%
Average duration of the benefit (year)	2	1
Mortality rates	SLIC 2001-05 set back 1 year	SLIC 2001-05 set back 1 year
Withdrawal rates	Age based	Age based
Retirement assumption	Age 60	Age 60

7.5 The estimated expenses to be charged to the statement of profit or loss for the year ending on 30 June 2019 are Rupees 828,703.

7.6 Sensitivity analysis for actuarial assumptions:

The sensitivity of the defined benefit obligation as at reporting date to changes in the weighted principal assumption is:

	2018	2017
Discount rate	1.00%	1.00%
Increase in assumption (Rupees)	66,572	47,610
Decrease in assumption (Rupees)	75,394	53,206
Future salary increase	1.00%	1.00%
Increase in assumption (Rupees)	75,394	53,206
Decrease in assumption (Rupees)	67,741	48,462

7.7 Amounts for the current and previous four years:

	2018	2017	2016	2015	2014
	RUPEES				
Present value of defined benefit obligation	3,837,695	3,394,052	2,888,853	2,413,020	1,564,502
Experience adjustment on obligation	316,205	572,063	-	838,107	486,898

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit plan to significant actuarial assumptions, the same method (present value of the defined benefit plan calculated with the projected unit credit method at the end of the reporting period) has been applied.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year, except for certain changes as given in Note 7.4.

7.8 Risk associated with the scheme

a) Final salary risk (linked to inflation risk)

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit in calculated on the final salary (which will closely reflect inflation and other macro economic factors), the benefit amount increases as salary increases.

b) Demographic risks

Mortality risk

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Withdrawal risk

The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

	2018 RUPEES	2017 RUPEES
8. TRADE AND OTHER PAYABLES		
Creditors (Note 8.1)	25,915,288	18,640,682
Accrued liabilities	5,140,210	3,330,985
Advances from customer (Note 8.2)	2,188,566	7,294,223
Income tax deducted at source	119,228	55,682
Workers' profit participation fund (Note 8.3)	-	592,076
	33,363,292	29,913,648

8.1 This includes Rupees 9.680 million (2017: Rupees 9.680 million) due to an associated undertaking, Blue Moon Filling Station.

8.2 This represents the advances received from Arshad Corporation (Private) Limited, a related party, against electricity supply.

8.3 Workers' profit participation fund

	2018	2017
Balance as on 01 July	592,076	594,976
Interest for the year (Note 22)	34,065	36,780
Provision for the year	-	592,076
	626,141	1,223,832
Less: Payments during the year	626,141	631,756
	-	592,076

8.3.1 The Company retains workers' profit participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profit (Workers' Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

9. SHORT TERM BORROWINGS

Unsecured		
From director (Note 9.1)	13,300,000	13,300,000
From banking companies		
Temporary bank overdraft	3,849,943	5,294,899
	17,149,943	18,594,899

9.1 This represents interest free loan obtained from director of the Company which is repayable on demand.

10. CONTINGENCIES AND COMMITMENTS

There was no contingent liability and commitment as at 30 June 2018 (2017: Rupees Nil).

PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings on freehold land	Plant and machinery	Factory equipment	Electric Installations	Office equipment	Computers	Electric appliances	Furniture and fittings	Vehicles	Total
	-----RUPEES-----										
At 30 June 2016											
Cost / revalued amount	25,406,250	57,842,602	331,714,309	248,147	6,540,882	227,030	254,280	604,821	350,923	939,055	424,128,299
Accumulated depreciation	-	(33,855,652)	(219,465,499)	(221,039)	(5,784,769)	(195,718)	(246,522)	(514,762)	(302,547)	(879,353)	(261,465,861)
Impairment loss	-	-	(10,649,310)	-	-	-	-	-	-	-	(10,649,310)
Net book value	25,406,250	23,986,950	101,599,500	27,108	756,113	31,312	7,758	90,059	48,376	59,702	152,013,128
Year ended 30 June 2017											
Opening net book value	25,406,250	23,986,950	101,599,500	27,108	756,113	31,312	7,758	90,059	48,376	59,702	152,013,128
Additions	-	-	7,465,752	-	-	-	-	31,000	-		7,496,752
Effect of surplus on revaluation as at 30 June 2017	3,048,750	(162,478)	(3,712,105)	-	-	-	-	-	-	-	(825,833)
Depreciation charge	-	(1,199,348)	(5,284,948)	(2,711)	(75,611)	(3,131)	(2,327)	(9,523)	(4,838)	(11,940)	(6,594,377)
Reversal of impairment loss	-	-	3,941,801	-	-	-	-	-	-	-	3,941,801
Closing net book value	28,455,000	22,625,124	104,010,000	24,397	680,502	28,181	5,431	111,536	43,538	47,762	156,031,471
At 30 June 2017											
Cost / revalued amount	28,455,000	57,680,124	335,467,956	248,147	6,540,882	227,030	254,280	635,821	350,923	939,055	430,799,218
Accumulated depreciation	-	(35,055,000)	(224,750,447)	(223,750)	(5,860,380)	(198,849)	(248,849)	(524,285)	(307,385)	(891,293)	(268,060,238)
Impairment loss	-	-	(6,707,509)	-	-	-	-	-	-	-	(6,707,509)
Net book value	28,455,000	22,625,124	104,010,000	24,397	680,502	28,181	5,431	111,536	43,538	47,762	156,031,471
Year ended 30 June 2018											
Opening net book value	28,455,000	22,625,124	104,010,000	24,397	680,502	28,181	5,431	111,536	43,538	47,762	156,031,471
Additions	-	-	2,808,830	-	-	-	19,000	-	1,950	-	2,829,780
Disposals:											
Cost	-	-	-	-	-	-	-	-	-	(39,241)	(39,241)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	1,962	1,962
										(37,279)	(37,279)
Effect of surplus on revaluation	-	-	-	-	-	-	-	-	-		
as at 30 June 2018	2,032,500	490,632	425,338	-	-	-	-	-	-	-	2,948,470
Depreciation charge	-	(1,131,256)	(5,292,693)	(2,440)	(68,050)	(2,818)	(4,629)	(11,154)	(4,549)	(9,552)	(6,527,141)
Reversal of impairment loss	-	-	1,272,525	-	-	-	-	-	-	-	1,272,525
Closing net book value	30,487,500	21,984,500	103,224,000	21,957	612,452	25,363	19,802	100,382	40,939	931	156,517,826
At 30 June 2018											
Cost / revalued amount	30,487,500	58,170,756	338,702,124	248,147	6,540,882	227,030	273,280	635,821	352,873	899,814	436,538,227
Accumulated depreciation	-	(36,186,256)	(230,043,140)	(226,190)	(5,928,430)	(201,667)	(253,478)	(535,439)	(311,934)	(898,883)	(274,585,417)
Impairment loss	-	-	(5,434,984)	-	-	-	-	-	-	-	(5,434,984)
Net book value	30,487,500	21,984,500	103,224,000	21,957	612,452	25,363	19,802	100,382	40,939	931	156,517,826
Annual rate of depreciation (%)	-	5	5	10	10	10	30	10	10	20	

11.1 If the freehold land, buildings thereon and plant and machinery were measured using the cost model, the carrying amounts would be as follows:

	Cost	Accumulated depreciation	Impairment loss	Book value
	----------------------------	RUPEES	----------------------------	
Freehold land	2,898,010	-	-	2,898,010
Buildings on freehold land	40,912,131	33,203,496	-	7,708,635
Plant and machinery	333,904,335	226,595,510	5,434,984	101,873,841
2018	377,714,476	259,799,006	5,434,984	112,480,486
2017	374,905,646	256,561,949	6,707,509	111,636,188

11.2 Depreciation charge for the year has been allocated as follows:

	2018 RUPEES	2017 RUPEES
Cost of generation (Note 19)	6,505,593	6,572,141
Administrative expenses (Note 20)	21,548	22,236
	6,527,141	6,594,377

11.3 Particulars of immovable properties (i.e. land and buildings) are as follows:

Particulars	Location	Area	Covered area
		Acres	Sq. Ft.
Generation facility	35-Kilometers, Sheikhupura Road, Tehsil Jaranwala, District Faisalabad, Punjab.	5.08	26 362

11.4 Forced sales value of property, plant and equipment is Rupees 130.359 million as at 30 June 2018.

12. STORES, SPARE PARTS AND LOOSE TOOLS

	2018 RUPEES	2017 RUPEES
Stores	552,800	781,940
Spare parts	20,235,696	23,386,183
Loose tools	14,296	14,669
	20,802,792	24,182,792
Less: Provision for slow moving and obsolete stores, spare parts and loose tools (Note 12.1)	7,582,792	7,582,792
	13,220,000	16,600,000

12.1 Provision for slow moving and obsolete stores, spares and loose tools

	2018 RUPEES	2017 RUPEES
Balance as on 01 July	7,582,792	7,415,870
Provision made during the year	-	166,922
Balance as on 30 June	7,582,792	7,582,792

13. STOCK OF OIL AND LUBRICANTS

	2018 RUPEES	2017 RUPEES
Furnace oil	10,768,392	6,462,500

Diesel oil	511,047	570,453
Lube oils	827,877	991,092
	12,107,316	8,024,045

	2018 RUPEES	2017 RUPEES
14. TRADE DEBTS		
Considered good:		
Unsecured:		
Related party (Note 14.1, Note 14.2 and Note 14.3)	53,971	20,317,865
Others (Note 14.4)	865,228	865,228
	919,199	21,183,093

14.1 This represents amount due from Arshad Textile Mills Limited, a related party.

14.2 As at 30 June 2018, trade debts due from the related party amounting to Rupees Nil (2017: Rupees 2.445 million) were past due but not impaired. The ageing analysis of these trade debts was as follows:

Upto 1 month	-	2,445,361

14.3 The maximum aggregate amount due from the related party at the end of any month during the year was Rupees 75.647 million (2017: Rupees 36.547 million).

14.4 As at 30 June 2018, the trade debts due from other than related parties amounting to Rupees 0.865 million (2017: Rupees 0.865 million) were past due but not impaired. These relate to an independent customer from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

More than 6 months	865,228	865,228

15. LOANS AND ADVANCES

Considered good:		
Employees - interest free (Note 15.1)	204,500	15,250
Advances to suppliers	108,523	376,352
Income tax	2,267,551	2,230,591
	2,580,574	2,622,193

15.1 These represent interest free loans given to employees for meeting their personal expenditure and are secured against balance to the credit of employees in the staff retirement gratuity. These are recoverable in equal monthly installments.

16. OTHER RECEIVABLES

Considered good:		
Sales tax refundable	7,157,755	1,530,753
Others	268	349,570
	7,158,023	1,880,323

17. CASH AND BANK BALANCES

With banks:

On current accounts	1,029,152	683,716
Cash in hand	152,107	92,462
	1,181,259	776,178

18. SALES

Electricity	266,143,498	283,045,823
Less: Sales tax	(38,670,422)	41,126,313
	227,473,076	241,919,510

		2018 RUPEES	2017 RUPEES
19.	**COST OF GENERATION**		
	Oil and lubricants consumed	225,505,526	209,041,362
	Electricity duty	1,515,966	1,936,571
	Salaries, wages and other benefits	5,378,061	5,803,684
	Staff retirement benefit	573,202	738,571
	Stores, spare parts and loose tools consumed	2,743,860	4,437,172
	Repair and maintenance	55,217	4,665
	Depreciation (Note 11.2)	6,505,593	6,572,140
		242,277,425	228,534,165
20.	**ADMINISTRATIVE EXPENSES**		
	Salaries and other benefits	3,055,709	2,873,000
	Staff retirement benefit	308,646	397,691
	Postage and telephone	138,858	138,501
	Vehicles' running	447,021	366,967
	Traveling and conveyance	122,110	222,167
	Printing and stationery	84,114	50,717
	Repair and maintenance	15,567	1,750
	Entertainment	127,797	118,660
	Legal and professional	207,260	122,500
	Fee and subscription	732,611	625,501
	Advertisement	110,700	99,360
	Auditors' remuneration (Note 20.1)	150,000	150,000
	Insurance	22,910	22,911
	Depreciation (Note 11.2)	21,548	22,236
	Others	54,867	73,726
		5,599,718	5,285,687
20.1	**Auditors' remuneration**		
	Audit fee	100,000	100,000
	Half yearly review	25,000	25,000
	Other certifications	25,000	25,000
		150,000	150,000
21.	**OTHER INCOME**		
	Income from non-financial assets		
	Reversal of impairment loss on plant and machinery	1,272,525	3,941,801
	Gain on sale of property, plant and equipment	27,344	-
		1,299,869	3,941,801
22.	**FINANCE COST**		
	Interest on workers' profit participation fund (Note 8.3)	34,065	36,780
	Bank charges and commission	7,849	11,314
		41,914	48,094

23. TAXATION

The profit and gains derived by the Company from the electric power generation projects are exempt from levy of income tax under Clause 132 of Part-I of the Second Schedule of the Income Tax Ordinance, 2001. Due to this reason, there is no need to provide the disclosure of sufficiency of provision for taxation.

24. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic (loss) / earnings per share which is based on:

		2018	2017
(Loss) / profit for the year	(Rupees)	(19,146,112)	11,212,657
Weighted average number of ordinary shares	(Numbers)	8 000 000	8 000 000
(Loss) / earnings per share	(Rupees)	(2.39)	1.40

25. CASH GENERATED FROM OPERATIONS

	2018 RUPEES	2017 RUPEES
(Loss) / profit before taxation	(19,146,112)	11,212,657
Adjustments for non-cash charges and other items:		
Depreciation	6,527,141	6,594,377
Reversal of impairment loss on plant and machinery	(1,272,525)	(3,941,801)
Provision for staff retirement gratuity	881,848	1,136,262
Gain on sale of property, plant and equipment	(27,344)	-
Loans and advances written off	-	21,710
Provision for slow moving and obsolete stores, spare parts and loose tools	-	166,922
Finance cost	41,914	48,094
Provision for workers' profit participation fund	-	592,076
Working capital changes (Note 25.1)	18,403,222	(13,293,463)
	5,408,144	2,536,834

25.1 Working capital changes

	2018 RUPEES	2017 RUPEES
Decrease / (increase) in current assets:		
Stores, spare parts and loose tools	3,380,000	(3,819,920)
Stock of oil and lubricants	(4,083,271)	4,062,854
Trade debts	20,263,894	(5,212,263)
Loans and advances	78,579	1,148,919
Other receivables	(5,277,700)	(69,617)
	14,361,502	(3,890,027)
Increase / (decrease) in trade and other payables	4,041,720	(9,403,436)
	18,403,222	(13,293,463)

25.2 Reconciliation of movement of liability to cash flows from financing activity:

	Short term borrowings RUPEES
Balance as at 01 July 2017	18,594,899

27. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies / undertaking, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

Name of company	Basis of relationship	Nature of transactions	2018 RUPEES	2017 RUPEES
Associated companies				
Arshad Textile Mills Limited	Common Directorship	Sale of energy	167,779,303	203,702,710
		Store purchased	-	9,790
Arshad Corporation (Private) Limited	Common Directorship	Sale of energy	59,693,773	38,216,800

28. NUMBER OF EMPLOYEES

	2018	2017
Number of employees as on 30 June (Note 28.1)	20	21
Average number of employees during the year (Note 28.1)	21	22

28.1 These include 16 (2017: 17) total factory employees and 17 (2017: 18) average factory employees.

29. PLANT CAPACITY AND ACTUAL PRODUCTION

Number of generators installed	3	3
Number of generators worked	1	1
Installed energy generation capacity (MWH)	96 480	96 480
Actual energy generation (MWH)	20 677	22 585

29.1 REASON FOR LOW GENERATION

Energy generation is lower than installed capacity due to less demand of electricity by the purchasers.

30. FINANCIAL RISK MANAGEMENT

30.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. 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, liquidity risk, investment of excess liquidity and use of non-derivative financial instruments.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company has no receivable / payable balance in foreign currency.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing assets and liabilities.

(b) Credit risk

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

	2018 RUPEES	2017 RUPEES
Trade debts	919,199	21,183,093
Loans and advances	204,500	15,250
Deposits	10,550	10,550
Bank balances	1,029,152	683,716
	2,163,401	21,892,609

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2018	2017
	Short Term	Long term	Agency	RUPEES	RUPEES
Banks					
Conventional Accounts					
Habib Bank Limited	A-1+	AAA	JCR-VIS	113,403	113,009
National Bank of Pakistan	A-1+	AAA	JCR-VIS	63,587	123,713
Bank Al-Habib Limited	A1+	AA+	PACRA	830,281	425,477
United Bank Limited	A-1+	AAA	JCR-VIS	5,333	5,468
				1,012,604	667,667
Shariah Compliant Account					
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	16,548	16,049
				1,029,152	683,716

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 14.

Due to the Company's long standing business relationships with these counterparties, the management does not expect non-performance by these counterparties on their obligations to the Company. Accordingly, the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash. At 30 June 2018, the Company had Rupees 1,181,259 (2017: Rupees 776,178) cash and bank balances. The management believes liquidity risk to be high.

Contractual maturities of financial liabilities as at 30 June 2018

	Carrying Amount	Contractual Cash Flows	6 months or less
	------------------------	RUPEES	------------------------
Non-derivative financial liabilities:			
Short term borrowings	17,149,943	17,149,943	17,149,943
Unclaimed dividend	31,348	31,348	31,348
Trade and other payables	31,055,498	31,055,498	31,055,498
	48,236,789	48,236,789	48,236,789

Contractual maturities of financial liabilities as at 30 June 2017

Non-derivative financial liabilities:

Short term borrowings	18,594,899	18,594,899	18,594,899
Unclaimed dividend	31,348	31,348	31,348
Trade and other payables	21,971,667	21,971,667	21,971,667
	40,597,914	40,597,914	40,597,914

30.2 Financial instruments by categories

	2018 RUPEES	2017 RUPEES
As at 30 June 2018	**Loans and receivables**	
Financial assets as per statement of financial position		
Trade debts	919,199	21,183,093
Loans and advances	204,500	15,250
Deposits	10,550	10,550
Cash and bank balances	1,181,259	776,178
	2,315,508	21,985,071
	At amortized cost	
Financial liabilities as per statement of financial position		
Borrowings	17,149,943	18,594,899
Unclaimed dividend	31,348	31,348
Trade and other payables	31,055,498	21,971,667
	48,236,789	40,597,914

30.3 Offsetting financial assets and liabilities

As on reporting date, recognized financial instruments are not subject to off setting as there are no enforceable master netting arrangements and similar agreements.

30.4 Capital risk management

Due to factors stated in Note 1.1 to these financial statements, the management concludes that the Company is not a going concern. Therefore, there is no need to maintain and adjust the capital structure and monitor the issues pertaining to the capital risk management of the Company.

31. RECOGNIZED FAIR VALUE MEASUREMENTS

Fair value hierarchy

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to the short-term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Judgements and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into following three levels. However as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available for sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

PATTERN OF SHAREHOLDING
Pattern of Holding of Shares held by the Shareholders
As at June 30,2018

Type of Share		Numner of Share Holders	Total Share Held
1	100	96	1206
101	500	38	17348
501	1000	45	42914
1001	5000	74	234969
5001	10000	27	230000
10001	15000	5	63500
15001	20000	4	73000
20001	25000	3	69000
30001	35000	1	30500
40001	45000	1	41000
45001	50000	1	47625
50001	55000	2	101500
55001	60000	1	56800
60001	65000	1	65000
130001	135000	1	135000
135001	140000	1	137375
140001	145000	1	142875
195001	200000	2	400000
215001	220000	1	216000
265001	270000	3	807820
295001	300000	1	300000
330001	335000	1	331180
370001	375000	1	373750
485001	490000	2	978438
755001	760000	1	760000
1135001	1140000	1	1139500
1200001	1205000	1	1203700
TOTAL		**316**	**8000000**

Categories of Shareholding
As at June 30,2018

Categories of Shareholding	Numbers	Shares held	Percentage (%)
Associated companies,			
ARSHAD TEXTILE MILLS LTD	1	373750	4.67
Directors,Chief Executive & their Spouse and Children			
Mr.Muhammad Arshad	3	1347200	16.84
Spouse	2	547180	7.03
Mr.Nisar Ahmed	3	1187750	14.85
Spouse	1	135000	1.69
Mr.Shahzad Ahmed Sheikh	1	760000	9.50
Mr.Faisal Masood Sheikh	1	2000	0.03
Mr.Shehryar Arshad	2	757945	9.47
Mrs.Naureen Shahzad	1	56800	0.71
Resham Shahzad	2	626313	7.83
Financial Institution	2	300499	3.76
Joint Stock Companies	2	1001	0.01
Individuals	295	1904562	23.81
TOTAL	**316**	**8000000**	**100.00**

SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST IN THE COMPANY

Name of Shareholder	No of Sharrs held	Percentage
Mr.Muhammad Arshad	1347200	16.84
Mr.Nisar Ahmed	1187750	14.85
Mr.Shahzad Ahmed Sheikh	760000	9.50
Mr.Shehryar Arshad	757945	9.47
Miss.Resham Shahzad	626313	7.83
Mrs.Shahida Arshad	547180	7.03

M/S F.D.Registrar Services (SMC-Pvt) Ltd.,
1705,17th Floor Saima Trade Tower-A
I.I.Chundrigar Road Karachi-74000

Dear Sir

The Share Registrar: Arshad Energy Limited
Request for E-Transmission of Annual Report

Pursuant to S.R.O.787(1)/2014 dated September 08,2014 issued by the Securities and Exchange Commission of Pakistan (SECP),kindly note requisite information for electronic transmission of annual balance sheet and profit and loss account, auditor's report and directors report etc. (Audited Financial Statements) along with notice of annual general meeting (Notice) {collectively referred to as 'Annual Report'} of Arshad Energy Limited (AEL).The email address provided hereunder may please be recorded in the members' register of the Company being maintained under Section 473 of the Companies Act 2017.

Particulars	
Name of shareholder	
Folio No./ CDC ID No.	
CNIC No.	
Passport No.(for Foreign shareholder	
E-mail address	
Land line Telephone No.	
Cell No.	

It is stated that the above-mentioned information is correct and I hereby agree and give my consent for future transmission of the Company's Annual Report via email address provided above.

It is further stated that being the shareholder of Company, it my responsibility to communicate any change in the registered email address in a timely manner.

Yours Truly,

____

Shareholder's Signature
Complete Address --

Copy to --
The Company Secretary
Arshad Energy Limited (AEL).
404/05, Business Centre, Mumtaz Hasan Road
Karachi

THE MANAGER **DATE:** ______________
F.D.REGISTRAR SERVICES(SMC-PVT) LTD
OFFICE#.1705, 17TH FLOOR, TRADE TOWER
A-II,CHUNDRIGAR ROAD KARACHI
KARACHI-74000
TEL:92-21-32271905-6

MANDATORY PAYMENT OF DIVIDEND THROUGH ELECTRONIC MODE

Dear Sir,

I hereby communicate to receive my future dividend directly in my bank account as detailed below

A. Shareholder's Detail	
Name of Company	
Name of shareholder	
Folio No. /**CDC Participant ID A/c No**.	
CNIC No.	
Passport No. (in case of foreign shareholder)	
Land Line Phone Number	
Cell Number	
E-mail address of shareholder	

B. Shareholder's Bank Detail	
Title of bank account	
Bank Account (IBAN 24-DIGITS starting with PK)	
Bank Name	
Bank's Branch Name	
Branch's complete address	

It is stated that the above-mentioned information is correct, that I will intimate the changes in the above-mentioned information to the above addresses as soon as these occur.

____

Signature of shareholder

FORM OF PROXY
24TH ANNUAL GENERAL MEETING

I/We____S/o/D/o/W/o______________________________
of ____beirg a member
of **ARSHAD ENERGY LIMITED** and holder of _______________ Ordinary Shares as per Share Register Folio No.__________ and/or CDC Participant ID No.__________ and Account / Sub-account _________ No_______________ do hereby appoint Mr./Mrs./Miss____ ________________ Folio No./CDC No. of ______________________________________failing him/her . Mr./Mrs./Miss ____________________________________Folio No./CDC No.__________________ of _______________ as my. our proxy to attend, act and vote for me/us on my/our behalf at Annual Genera Meeting of the Company to be held on Saturday, October 27, 2018 at 12.30 pm at Room no.404/5,4th Floor Business Centre Mumtaz Hasan Road Karachi. and at any adjournment thereof in the same manner as I/we myself/ourselves would vote if personally present at such meeting.

____________________ ________________
Signature of Shareholder Signature of Proxy
Folio / CDC A/C NO.

Five Rupees Revenue Stamp

Signed this __________ day of ___________2018

WITNESS:

1	Signature ----------------------------	2.	Signature ------------------------------------
	Name -------------------------------		Name ---
	Address -----------------------------		Address --------------------------------------
	CNIC No. --------------------------		CNIC No.--------------------------------------
	or Passport No.---------------------		or Passport No.----------------------------

Notes:

1. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on member`s behalf.

2. If a member is unable to attend the meeting. He/She may complete and sign this form and send it to the Company`s Share Registrar M/s. F.D. Registrar Service (SNC-PVT) Limited 1705 17th Floor Saima Trade Tower A, I.I. Chundrigar Road Karachi so as to reach not less than 48 hours before the time appointed for holding the Meeting.

3. For CDC Account Holders / Corporate Entities; in addition to the above the following Requirements have to be met:

   (a) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers be stated on the form.

   (b) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.

   © The proxy shall produce his original CNIC or original passport at the time of the meeting. In case of a corporate entity, the Board of Directors resolution/ power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

ارشد انرجی لمیٹڈ

کمرہ نمبر 405-404 چوتھی منزل بزنس سینٹر ممتاز حسن روڈ، کراچی

پراکسی فارم

24 واں سالانہ اجلاسِ عام

میں / ہم ____

ارشد انرجی لمیٹڈ کے ممبر / ممبران رجسٹرڈ فولیو نمبر / سی ڈی سی کی آئی ڈی / سی ڈی سی سب اکاؤنٹ نمبر کے مطابق عمومی شیئرز ______________________

رکھتے ہیں بذریعہ ہذا ______________________ کو تقرر کرتے ہیں۔ رجسٹرڈ فولیو نمبر / شرکاء کی ______________

آئی ڈی / سی ڈی سی سب اکاؤنٹ نمبر ______________ یا اُس کے شرکت نہ کرنے کی صورت میں ______________

رجسٹرڈ فولیو نمبر / شرکاء کی آئی ڈی / سی ڈی سی سب اکائنٹ نمبر کو بطور پراکسی 27 اکتوبر 2018ء بوقت 12:30 بجے ______________

سہ پہر بمقام کمرہ نمبر 405-404 چوتھی منزل بزنس سینٹر ممتاز حسن روڈ، کراچی 74000 کمپنی کے منعقد ہونے والے اجلاسِ عام اور اُس کے کسی التواء تک میری / ہماری جانب

سے ووٹ دینا اور اجلاس میں شرکت کا حق دیتا ہوں۔

ریونیو اسٹامپ
5/- روپے

دستخط شیئر ہولڈر ______________

دستخط پراکسی ______________

بتاریخ ______________ ۲۰۱۸ء

گواہان		گواہان	
دستخط	______________	دستخط	______________
نام	______________	نام	______________
ایڈریس	______________	ایڈریس	______________
شناختی کارڈ	______________	شناختی کارڈ	______________
پاسپورٹ	______________	پاسپورٹ	______________

نوٹس:

(1) ایک رکن جو اجلاسِ عام میں شرکت کرنے اور ووٹ دینے کا اہل ہے اس کو حق حاصل ہے کہ وہ کسی دوسرے فرد کو بطور پراکسی اپنی جانب سے شرکت کرنے اور ووٹ دینے کیلئے مقرر کرے۔

(2) اگر کوئی رکن اجلاس میں شرکت کرنے کے قابل نہیں ہے تو وہ یہ فارم مکمل اور تصدیق شدہ کمپنی کے شیئر رجسٹرار میسرز ایف۔ ڈی رجسٹرار سروس (SNC-PVT) لمیٹڈ 1705، 17 فلور صائمہ ٹریڈ ٹاور A، آئی آئی چندریگر روڈ کراچی کو اجلاس کے منعقد ہونے سے 48 گھنٹے قبل بھجوائیں۔

(3) CDC اکاؤنٹ ہولڈرز / کارپوریٹ اینٹیٹس مندرجہ بالا کے علاوہ مذکورہ شقوں پر عمل کریں۔

(a) پراکسی فارم میں دو گواہان کے دستخط نیز ان کے پتے اور شناختی کارڈ نمبر کا اندراج بھی لازمی ہے۔

(b) رکن اور پراکسی کی تصدیق شدہ قومی شناختی کارڈ یا پاسپورٹ کی نقول کی فراہمی۔

(c) پراکسی کیلئے لازم ہے کہ وہ اجلاس کے وقت اصل قومی شناختی کارڈ یا پاسپورٹ تصدیق کیلئے فراہم کرے۔ Corporate Entity کی صورت میں بورڈ آف ڈائریکٹرز کی تصدیق شدہ قرارداد کی نقل بشمول Power of Attorney دستخط کیساتھ (بجز اگر پہلے ہی جمع کروادی گئی ہے) پراکسی فارم کے ہمراہ کمپنی کے شیئر رجسٹرار کو جمع کروائے۔