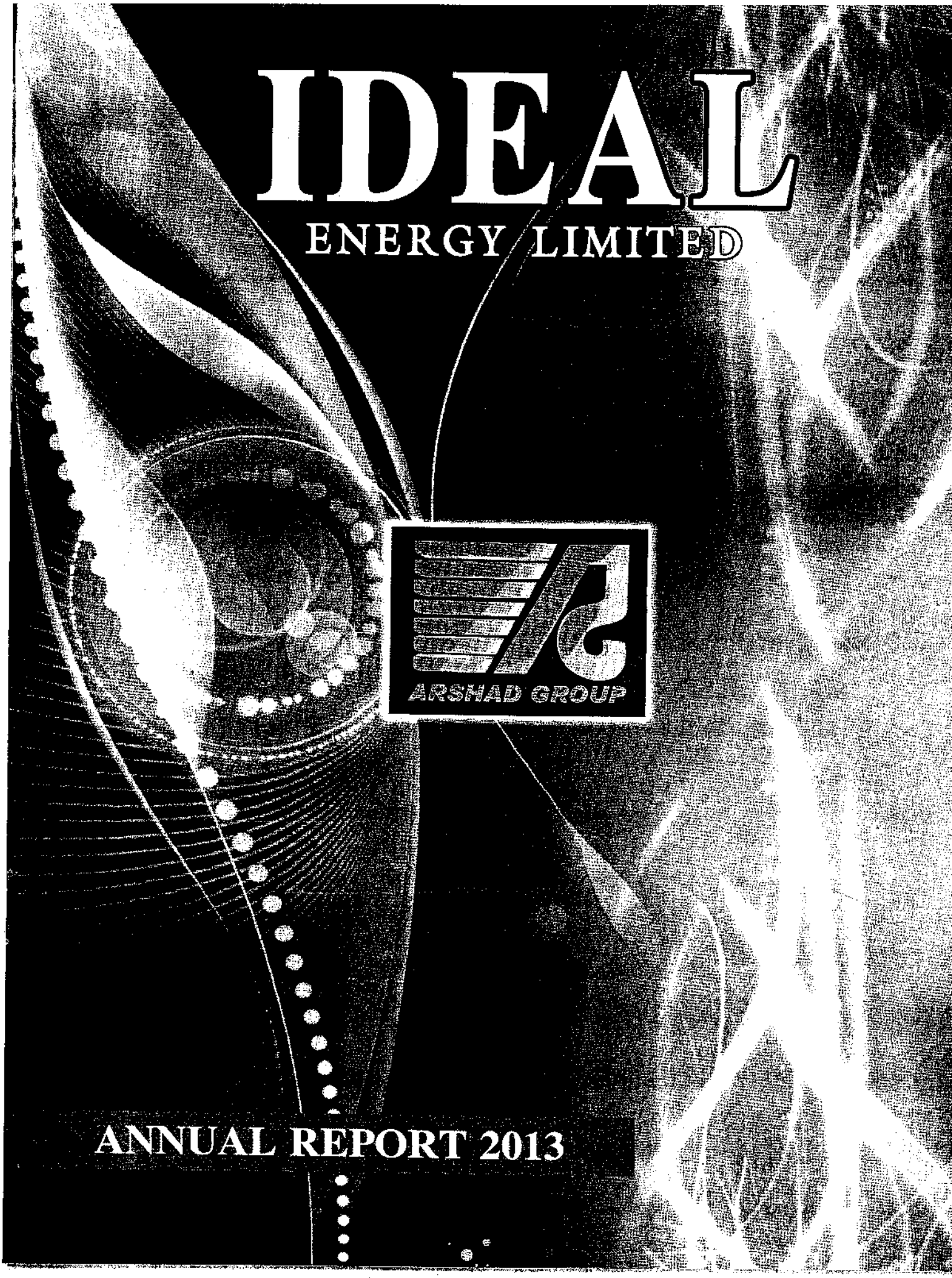
IDEAL
ENERGY LIMITED



ARSHAD GROUP

ANNUAL REPORT 2013

بسم الله الرحمن الرحيم

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COMPANY INFORMATION

BOARD OF DIRECTORS

Chairman	Nisar Ahmed Sheikh
Chief Executive	Muhammad Arshad
Director	Muhammad Saeed
Director	Amjad Saeed
Director	Shahzad Ahmed
Director	Naureen Shahzad
Director	Aizad Amer

BOARD OF AUDIT COMMITTEE

Chairman	Nisar Ahmed Sheikh
Member	Amjad Saeed
Member	Shahzad Ahmed

HR & REMUNERATION COMMITTEE

Chairman	Nisar Ahmed Sheikh
Member	Shahzad Ahmad
Member	Aizad Amer

COMPANY SECRETARY	Javed Abbas Naqvi
CHIEF FINANCIAL OFFICER	Nasir Mahmood
AUDITORS	M/s. Riaz Ahmad & Co. Chartered Accountant
BANKERS	Faysal Bank Limited Habib Bank Limited
LEGAL ADVISOR	Rana Iftikhar Ahmed
REGISTERED OFFICE	404-405, 4th Floor, Business Centre, Mumtaz Hassan Road, Karachi.
SHARES REGISTRAR	Consulting One (Pvt) Limited, 478-D, Peoples Colony No 1., Faisalabad
PLANT	35.K.M. Sheikhupura Road, Faisalabad.

NOTICE OF MEETING

Notice is hereby given that the 19th Annual General Meeting of IDEAL ENERGY LIMITED will be held at 404-405, 4th Floor Business centre, Mumtaz Hassan Road, Karachi on Thursday, October 31, 2013, at 03:00 p.m to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the 18th Annual General Meeting held on October 31, 2012.
2. To receive, consider and adopt the audited financial statements for the year ended June 30, 2013 together with the Auditors' and Directors' Reports there on.
3. To appoint the auditors for the year 2013-2014 and to fix their remuneration. The present auditors M/S Riaz Ahmad & CO. Chartered Accountants, being eligible have offered themselves for re-appointment.

SPECIAL BUSINESS:

4. Transactions with associated undertakings.

OTHER BUSINESS:

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

By order of the Board

Javed Abbas Naqvi
(Company Secretary)

Karachi
Dated: October 08, 2013

Notes:

1. The Share Transfer Books of the Company will remain closed from October 24, 2013 to October 31, 2013 (both days inclusive). Transfers received at the Share Registrar, Consulting One (Pvt) Ltd, 478-D, People Colony No. 1, Faisalabad at the close of business hours on October 23, 2013 will be treated in time.
2. A member entitled to attend and vote at this general meeting is entitled to appoint another member as proxy. Proxies must be received in order to effective at the registered office of the Company not less than 48 hours before the time for the meeting.
3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original C.N.I.C. or Passport to prove his/her identity and in case of Proxy must enclose an attested copy of his/her C.N.I.C. or Passport. Representatives of corporate members should bring the usual documents required for such purpose.

1. Shareholders are requested to notify the change in their addresses if any, immediately.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting.

Transactions with Associates

A. 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 mentioned hereunder for the year ended June 30, 2013 of the company seeks approval in Annual General Meeting and hence the notice of facts is given to shareholders.

Transactions with Associated Undertakings	2013 (Rupees in Thousands)
Sale of Energy	152,998,088
Sale of Operating Fixed assets	-
Sale of Furnace oil	-
Other charges received	10,000
Fuel Purchased	3,609,398
Other charges paid	121,967
Other related parties	
Loan obtained from director	10,000,000
Loan repaid to director	4,000,000

B. Due to increase in furnace oil prices the company suffering from continues losses and directors of the company have proposal to change in sale prices policy which would be on cost plus profit basis and after application of revised policy, company will earn a handsome profit.

DIRECTORS' REPORT TO SHARE HOLDERS

The Directors of Ideal Energy Limited is submitting audited financial statements of your company for the year ended June 30, 2013.

Operating results for the year ended June 30, 2013 are given below:

	2013	2012
Operating Loss	(11,087,179)	(10,032,220)
Administrative Expense	(3,955,705)	(4,171,516)
Other Operating Expense	--	(462,871)
	(3,955,705)	(4,634,387)
	(15,042,884)	(14,666,607)
Other Operating Income	560,460	96,458
	(14,482,424)	(14,570,149)
Finance cost	(101,154)	(101,909)
Loss before taxation	(14,583,578)	(14,672,058)
Provision for taxation	--	--
Loss after taxation	(14,583,578)	(14,672,058)

Auditors have qualified their report that going concern assumption used in preparation of these financial statements is in-appropriate. The management do not agree with auditors reservation on company's going concern assumption on the ground that there is acute shortage of electricity and board has decided in their meeting held dated October 08, 2013 that company should sold electricity to its customer at cost + profit with immediate effect instead of wapda tarrif. With this decision company should earn profit. More over it is to mentioned here that differential in wapda tarrif and furnace based power is minor and hence a good demand of power may arise in current year and years to come. Hence we are of the opinion that this year company's operation should be profitable as well as utilization of production capacity should also be expected on higher side.

Company has made provision of staff retirement gratuity on the actuarial basis.

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.

HR AND REMUNERATION COMMITTEE

The Board in compliance of Code of Corporate Governance has constituted an HR and Remuneration Committee comprising the following members:

Muhammad Arshad	Chairman
Mr.Shahzad Ahmad	Member
Mr.Aizad Amer	Member

CORPORATE AND FINANCIAL REPORTING FRAME WORK

In compliance to listing regulations of stock exchanges and as required under the Companies Ordinance, 1984, your Directors are pleased to state as under:

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. Key operating financial data for the last six years in summarized form is annexed.
7. During the year four meetings of the board of directors were held and attendance of the directors was as under:

Name of Directors	No of meetings attended
Mr. Nisar Ahmad Sheikh	4
Mr. Muhammad Arshad	4
Mr. Muhammad Anwar Sajjad	2
Mr. Muhammad Saeed	3
Mr. Amjad Saeed	2
Mr. Shahzad Ahmad	3
Mrs. Naureen Shahzad	3
Mr. Aizad Amer	2

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.

Management

There has been no change in the composition of the board of Directors during the year.

Pattern of share holding:

A statement showing the pattern of shareholding as at June 30, 2013 is attached.

Future Prospects

The management has change its sale policy on cost + profit and increased in wapda tarrif arise the demand of profitable electricity. Hence we are hopeful for better results in this year.

For and on behalf of the Board

Nisar Ahmad Sheikh
Chairman

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE TO THE MEMBERS

This statement is being presented to comply with the Code of Corporate Governance (CCG) as contained in the Listing Regulations of the Stock Exchanges of Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors (The Board). At present the board includes:

   Non-Executive Directors
   i) Mr.Nisar Ahmad Sheikh
   ii) Mr.Muhammad Arshad
   iii) Mr.Shahzad Ahmad Sheikh
   iv) Mr.Muhammad Saeed
   v) Mr.Aizad Amer
   vi) Mr.Amjad Saeed
   vii) Mrs. Noureen Shahzad

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including this Company.

3. All the resident Directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of a Stock Exchange has been declared as a defaulter by that stock exchange.

4. No casual vacancy has occurred in the Board during the year ended 30 June 2013.

5. 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.

6. 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.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board.

8. All 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 met once in each quarter during the year ended 30 June 2013 including once in every quarter to approve the financial statements of the Company. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days prior to the meetings. The minutes of the meetings were appropriately recorded and circulated in time.

9. The board arranged training programs for its directors during the year.

10. The Board has approved appointment of CFO/Company Secretary and the Head of Internal Audit, including their remuneration and terms and conditions of employment, as recommended by the CEO.

11. The Directors' Report for the year ended 30 June 2013 has been prepared in compliance with the requirements of the CCG and it fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by the CEO and CFO before approval by the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company, other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises of three members, who are non-executive directors including the Chairman of the Committee. Composition of the Audit Committee will be made in line with requirements of CCG at the time of next election of directors in accordance with the 'Implementation deadlines of Code of Corporate Governance 2013'.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been framed and advised to the Committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises 3 members,who are non-executive directors and the chairman of the committee is a non-executive director.

18. The Board has set-up an effective internal audit function.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants 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 Institute of Chartered Accountants of Pakistan.

20. The statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the Auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles enshrined in the CCG have been complied with except for the requirements pertaining to change in composition of some of the committees of Board of Directors which will be made in line with requirements of CCG at the time of next election of directors in accordance with the 'Implementation deadlines of Code of Corporate Governance 2013'.

By order of the Board

Chief Executive Officer/ Company Secretary

OPERATING AND FINANCIAL DATA OF LAST SIX YEARS

Particulars						
Financial Position	2013	2012	2011	2010	2009	2008
Paid up Capital	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000
Capital reserve share premium	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000
Revenue Reserve	(33,224,142)	(18,803,497)	(4,131,439)	7,982,672	18,616,092	36,834,201
Fixed Assets at cost	359,690,252	362,378,345	370,178,345	369,120,345	360,435,285	360,126,940
Accumulated Depriciation	242,547,877	240,545,191	241,916,998	237,842,327	233,941,441	221,803,109
Long Term Loans	-	-	-	-	-	-
Long Term Deposits	-	-	-	-	-	-
Deffered Liabilities	2,429,292	2,192,876	2,160,420	1,927,664	1,908,565	1,932,045
Current Assets	46,306,807	36,701,442	42,369,994	45,025,253	57,992,755	73,395,177
Current Liabilities	34,254,582	15,158,868	12,612,910	6,403,485	3,972,492	5,164,314
INCOME						
Sales	152,998,088	133,727,318	43,459,909	42,194,869	21,775,870	28,218,824
Other Incomes	560,460	96,458	-	-	-	-
Statistics and Ratios						
Current Ratio	1.35:1	2.42:1	3.36:1	7.03:1	14.59:1	14.21:1
Paid up value Per Share	10	10	10	10	10	10
Earning per Share	(1.82)	(1.83)	(1.44)	(1.33)	(2.28)	(2.00)
Cash Dividend %	-	0	0.20	-	-	-
Generation (Mega watt hours)	**8,210**	**7,859**	**2,620**	**3,013**	**2,875**	**3,932**

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **IDEAL ENERGY LIMITED** ("the Company") for the year ended 30 June 2013, to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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's 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.

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

The Company has not complied with the corporate and financial reporting requirements of the Code. The financial statements of the Company have not been prepared in accordance with the requirements of the approved accounting standards as applicable in Pakistan. Therefore, the financial statements do not give a true and fair view of the state of the Company's affairs as at 30 June 2013 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended.

Based on our review, with the exception of the matter described in the preceding paragraph, 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 best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2013.

RIAZ AHMAD & COMPANY
Chartered Accountants

Riaz Ahmad & Co.

Name of engagement partner:
Liaqat Ali Panwar
Date: October 08, 2013.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **IDEAL ENERGY LIMITED** as at 30 June 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) The Company has almost ceased its operations as it is not commercially viable to carry on operations due to increase in furnace oil prices. The management has no alternate plans for viable continuation of operations. These facts indicate that going concern assumption used in the preparation of these financial statements is inappropriate;

(b) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(c) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in Note 2.10 with which we concur;

ii) the expenditure incurred during the year was for the purpose of the company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(d) in our opinion and to the best of our information and according to the explanations given to us, because of the effect of matter discussed in paragraph (a) above, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof do not conform with approved accounting standards as applicable in Pakistan, and do not give a true and fair view of the state of the company's affairs as at 30 June 2013 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended. In all other respects, in our opinion the financial statements give the information required by the Companies Ordinance, 1984, in the manner so required; and

(f) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

RIAZ AHMAD & COMPANY
Chartered Accountants

Riaz Ahmad & Co.

Name of engagement partner:
Muhammad Kamran Nasir
Date: October 08, 2013.
FAISALABAD

BALANCE SHEET AS AT 30 JUNE 2013

	NOTE	2013 RUPEES	2012 RUPEES
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
10 000 000 (2012: 10 000 000) ordinary shares of Rupees 10 each		100,000,000	100,000,000
Issued, subscribed and paid up share capital	3	80,000,000	80,000,000
Reserves	4	46,775,858	61,196,503
Total equity		126,775,858	141,196,503
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred liability - Staff retirement gratuity	5	2,429,292	2,192,876
CURRENT LIABILITIES			
Trade and other payables	6	23,419,198	13,158,868
Short term borrowings	7	10,835,384	2,000,000
		34,254,582	15,158,868
TOTAL LIABILITIES		36,683,874	17,351,744
CONTINGENCIES AND COMMITMENTS	8		
TOTAL EQUITY AND LIABILITIES		163,459,732	158,548,247

	NOTE	2013 RUPEES	2012 RUPEES
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	117,142,375	121,833,154
Long term deposits and prepayments	10	10,550	13,651
		117,152,925	121,846,805
CURRENT ASSETS			
Stores, spare parts and loose tools	11	24,718,672	25,513,335
Stock of oil and lubricants	12	10,230,455	7,486,317
Trade debts	13	7,338,918	1,340,860
Loans and advances	14	1,513,474	1,170,809
Short term prepayments		3,101	2,066
Sales tax refundable		1,677,844	978,343
Cash and bank balances	15	824,343	209,712
		46,306,807	36,701,442
TOTAL ASSETS		163,459,732	158,548,247

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

MUHAMMAD ARSHAD
Chief Executive Officer

NISAR AHMAD SHEIKH
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	2013 RUPEES	2012 RUPEES
SALES	16	152,998,088	133,727,318
COST OF GENERATION	17	(164,085,267)	(143,759,538)
GROSS LOSS		(11,087,179)	(10,032,220)
ADMINISTRATIVE EXPENSES	18	(3,955,705)	(4,171,516)
OTHER EXPENSES	19	-	(462,871)
		(3,955,705)	(4,634,387)
		(15,042,884)	(14,666,607)
OTHER INCOME	20	560,460	96,458
LOSS FROM OPERATIONS		(14,482,424)	(14,570,149)
FINANCE COST	21	(101,154)	(101,909)
LOSS BEFORE TAXATION		(14,583,578)	(14,672,058)
TAXATION	22	-	-
LOSS AFTER TAXATION		(14,583,578)	(14,672,058)
LOSS PER SHARE- BASIC AND DILUTED - RUPEES	23	(1.82)	(1.83)

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

MUHAMMAD ARSHAD
Chief Executive Officer

NISAR AHMAD SHEIKH
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	2013 RUPEES	2012 RUPEES
LOSS AFTER TAXATION	(14,583,578)	(14,672,058)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss	-	-
items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the year	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(14,583,578)	(14,672,058)

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

MUHAMMAD ARSHAD
Chief Executive Officer

NISAR AHMAD SHEIKH
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	2013 RUPEES	2012 RUPEES
CASH GENERATED FROM OPERATING ACTIVITIES			
Cash used in operations	24	(9,532,976)	(3,989,346)
Finance cost paid		(101,154)	(101,909)
Income tax paid		(23,873)	(106,373)
Staff retirement gratuity paid		-	(270,000)
Net (increase) / decrease in long term deposits and prepayments		3,101	(3,101)
Net cash used in operating activities		(9,654,902)	(4,470,729)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		1,434,149	2,400,000
Net cash from investing activities		1,434,149	2,400,000
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings - net		8,835,384	2,000,000
NET CASH FROM FINANCING ACTIVITIES		8,835,384	2,000,000
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		614,631	(70,729)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		209,712	280,441
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 15)		824,343	209,712

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

MUHAMMAD ARSHAD
Chief Executive Officer

NISAR AHMAD SHEIKH
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	SHARE CAPITAL	RESERVES					TOTAL EQUITY
		CAPITAL RESERVE	REVENUE RESERVES			TOTAL	
		Share premium	General	Accumulated loss	Sub total		
	RUPEES						
Balance as at 30 June 2011	80,000,000	80,000,000	14,408,600	(18,540,039)	(4,131,439)	75,868,561	155,868,561
Loss for the year after taxation	-	-	-	(14,672,058)	(14,672,058)	(14,672,058)	(14,672,058)
Other comprehensive loss for the year	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(14,672,058)	(14,672,058)	(14,672,058)	(14,672,058)
Balance as at 30 June 2012	80,000,000	80,000,000	14,408,600	(33,212,097)	(18,803,497)	61,196,503	141,196,503
Effect of change in accounting policy of staff retirement gratuity (Note 5.2.1)	-	-	-	162,933	162,933	162,933	162,933
Loss for the year after taxation	-	-	-	(14,583,578)	(14,583,578)	(14,583,578)	(14,583,578)
Other comprehensive loss for the year	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(14,583,578)	(14,583,578)	(14,583,578)	(14,583,578)
Balance as at 30 June 2013	80,000,000	80,000,000	14,408,600	(47,632,742)	(33,224,142)	46,775,858	126,775,858

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

MUHAMMAD ARSHAD
Chief Executive Officer

NISAR AHMAD SHEIKH
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. THE COMPANY AND ITS OPERATIONS

Ideal Energy Limited (the Company) is a public limited company incorporated in Pakistan on 20 February 1994 under the Companies Ordinance, 1984 and listed on Karachi and Lahore Stock Exchanges. Its registered office is situated at Room No. 404 and 405, 4th Floor, Business Centre, Mumtaz Hassan Road, Karachi. The main object of the Company is generation and distribution of electricity. The project is located at Tehsil Jaranwala, District Faisalabad in the Province of Punjab.

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 approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

b) Accounting convention

These financial statements have been prepared under the historical cost convention.

c) 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 expectation 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:

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

Provision for doubtful debts

The Company reviews its receivable balances against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

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

Following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 July 2012:

IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). The main change resulting from these amendments is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

There are other new interpretations and amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2012 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.

f) **Standards and amendments to published approved standards that are not yet effective but relevant to the Company**

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2013 or later periods:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The International Accounting Standards Board (IASB) has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Standard Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The clarifying amendments to IAS 32 are effective for annual periods beginning on or after 01 January 2014. However, these amendments are not expected to have a material impact on the Company's financial statements.

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2015). It addresses the classification, measurement and recognition of financial assets and financial liabilities. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This shall mainly affect financial institutions. There shall be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Company does not have any such liabilities.

IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 01 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.

IAS 19 (Amendments) 'Employee Benefits' (effective for annual periods beginning on or after 01 January 2013). The amendments have eliminated the corridor approach which permitted to recognize actuarial gains / losses in profit and loss account using the corridor method, whereby actuarial gains / losses are recognized when the cumulative unrecognized amount thereof at the beginning of the year exceeds the corridor limit, where corridor limit has been prescribed as 10% of the greater of the present value of the defined benefit obligation and the fair value of the plan assets. Pursuant to this change, effective from the next accounting year, the Company will be required to recognize immediately all actuarial gains or losses in other comprehensive income and past service cost in profit and loss account.

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, the amendments are not expected to have a material impact on the Company's financial statements.

On 17 May 2012, IASB issued Annual Improvements to IFRSs: 2009 – 2011 Cycle, incorporating amendments to five IFRSs more specifically in IAS 1 'Presentation of Financial Statements' and IAS 32 'Financial instruments: Presentation', that are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2013. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

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

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2013 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 Property, plant, equipment and depreciation

a) Cost

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and 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 cost of bringing the asset to working condition. Freehold land and capital work-in-progress are stated at cost less any identified impairment loss.

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 benefit 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 profit and loss account during the period in which they are incurred.

b) Depreciation

Depreciation on property, plant and equipment is charged to profit and loss account 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 9 except plant and machinery on which depreciation is charged on unit of production method subject to minimum of Rupees 3 million to cover obsolescence. 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.

c) 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 profit and loss account in the year the asset is de-recognized.

2.3 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 flow 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. An impairment loss in respect of available for sale financial asset is calculated by reference to its current fair value.

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 balance sheet 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 profit and loss account. 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 profit and loss account.

2.4 Borrowing cost

Interest, mark-up and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other interest, mark-up and other charges are recognized in profit and loss account.

2.5 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 represents the estimated selling price less estimated cost necessary to make the sales.

2.6 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 22 to the financial statements as the Company's income is exempted from tax, therefore, no provision for current tax has been recognized in these financial statements.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of the assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are 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 balance sheet date. Deferred tax is charged or credited in the profit and loss account, 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.

2.7 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.

2.8 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.

2.9 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.

2.10 Staff retirement benefits

a) Gratuity

The Company operates defined benefit plan - unfunded gratuity scheme for all its employees except for the employees at Head Office, who have completed the minimum qualifying period of service as defined under the respective scheme.

Previously, staff retirement gratuity was calculated on the basis of last drawn salary. From the current year, the Company has changed its accounting policy to calculate the staff retirement benefits on the basis of actuarial valuation in accordance with IAS 19 'Employee Benefits' to cover the period of service completed by employees using Projected Unit Credit Actuarial Cost Method. The amount recognized in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses. The Company's policy with regard to actuarial gains / (losses) is to follow the minimum recommended approach under IAS-19 "Employee Benefits".

This change in accounting policy has been applied prospectively in accordance with IAS 8 'Accounting policies, Changes in Accounting Estimates and Errors' due to non-availability of the actuarial data for previous years and considering the immateriality of the figures involved. Had there been no change in this accounting policy, the figures recognized in these financial statements would have been different as follows:

	RUPEES
Staff retirement gratuity would be lower by	22,010
Loss after taxation would be higher by	184,943
Reserves would be lower by	22,010

Details of the scheme are given in Note 5 to these financial statements.

b) Employees' provident fund

The Company maintains provident fund for its permanent employees at Head Office. However, Provident Fund Trust is not created yet by the Company. Equal monthly contributions are made to the fund both by the Company and the employees at the rate of 8.25 percent of the basic salary. Obligation for contributions to defined contribution plan is recognized as an expense in the profit and loss account as and when incurred.

2.11 Financial instruments

Financial instruments carried on the balance sheet include deposits, trade debts, 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 measured initially 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 and loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.12 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.

2.13 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 profit and loss account over the period of the borrowings using the effective interest method.

2.14 Trade and other payables

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

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 Revenue recognition

Revenue is recognized when it is probable that the economic bene?ts will ?ow to the Company and the revenue can be measured reliably

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

2.17 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 balance sheet 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 profit and loss account.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

This represents 8 000 000 (2012: 8 000 000) ordinary shares of Rupees 10 each fully paid in cash. 375 750 ordinary shares (2012: 375 750) of the Company are held by Arshad Textile Mills Limited - an associated company.

4. RESERVES	2013 RUPEES	2012 RUPEES
Composition of reserves is as follows:		
Capital reserve		
Premium on issue of right shares (Note 4.1)	80,000,000	80,000,000
Revenue reserves		
General reserve	14,408,600	14,408,600
Accumulated loss	(47,632,742)	(33,212,097)
	(33,224,142)	(18,803,497)
	46,775,858	61,196,503

4.1 This reserve can be utilized by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

5. DEFERRED LIABILITY - STAFF RETIREMENT GRATUITY

5.1 General description

The Company operates staff retirement gratuity scheme for all its permanent employees except of employees at Head Office who attains the minimum qualifying period. Annual charge is based on actuarial valuation, carried out as at 31 December 2012 using Projected Unit Credit Actuarial Cost Method.

5.2 Movement in present value of defined benefit obligation

Balance as at 01 July	2,192,876	2,160,420
Charge for the year (Note 5.4)	399,349	302,456
Retirement benefit paid	-	(270,000)
Charge due to change in accounting policy (Note 5.2.1)	(162,933)	-
Balance as at 30 June	2,429,292	2,192,876

5.2.1 During the year the Company used actuarial valuation for the calculation of liability of staff retirement gratuity. The amount of Rupees 162,933 has been charged by the actuaries as per their report due to change in accounting policy.

		2013 RUPEES	2012 RUPEES
5.3	**Movement in the net liability recognized**		
	Opening balance	2,192,876	2,160,420
	Add: Provision for the year (Note 5.4)	399,349	302,456
		2,592,225	2,462,876
	Less: Paid during the year	-	(270,000)
		2,592,225	2,192,876
5.4	**Provision for the year**		
	Current service cost	194,565	302,456
	Interest cost	233,060	-
	Actuarial gain recognized during the year	(28,276)	-
		399,349	302,456

		2013	2012
5.5	**Principal actuarial assumptions used**		
	Discount rate used (% per annum)	11%	-
	Expected rate of increase in salaries (% per annum)	10%	-
	Expected remaining working life time of employees (years)	8	-

5.6 **Trend information**

	2013	2012	2011	2010	2009
	RUPEES				
Present value of defined benefit obligation	2,592,225	2,192,876	2,160,420	1,927,664	1,908,565
Experience adjustment on obligation	-	-	-	-	-

6. TRADE AND OTHER PAYABLES

	2013 RUPEES	2012 RUPEES
Creditors (Note 6.1)	21,590,871	12,153,124
Accrued liabilities	805,888	265,138
Security deposits - Interest free	20,000	20,000
Unclaimed dividend	31,348	31,348
Payable to Employees' Provident Fund	971,091	689,258
	23,419,198	13,158,868

6.1 This includes Rupees 13.476 million (2012: Rupees 9.229 million) due to an associated undertaking.

7. SHORT TERM BORROWINGS

	2013 RUPEES	2012 RUPEES
Unsecured		
From director (Note 7.1)	8,000,000	2,000,000
From banking companies		
Temporary bank overdraft	2,835,384	-
	10,835,384	2,000,000

7.1 This represents interest free un-secured loan obtained from director of the Company repayable on demand.

8. CONTINGENCIES AND COMMITMENTS

There was no contingent liability and commitment as at 30 June 2013 (2012: Rupees Nil).

9. 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 2011											
Cost	2,898,010	40,912,131	314,581,558	248,147	6,540,882	227,030	254,280	604,821	350,923	3,560,563	370,178,345
Accumulated depreciation	-	(29,873,573)	(203,183,339)	(202,238)	(5,260,400)	(174,003)	(208,122)	(452,305)	(268,999)	(2,294,019)	(241,916,998)
Net book value	2,898,010	11,038,558	111,398,219	45,909	1,280,482	53,027	46,158	152,516	81,924	1,266,544	128,261,347
Year ended 30 June 2012											
Opening net book value	2,898,010	11,038,558	111,398,219	45,909	1,280,482	53,027	46,158	152,516	81,924	1,266,544	128,261,347
Disposals:											
Cost	-	-	(7,800,000)	-	-	-	-	-	-	-	(7,800,000)
Accumulated depreciation	-	-	5,496,458	-	-	-	-	-	-	-	5,496,458
Depreciation charge	-	(551,928)	(2,303,542) (3,144,181)	(4,591)	(128,048)	(5,303)	(13,847)	(15,252)	(8,192)	(253,309)	(2,303,542) (4,124,651)
Closing net book value	2,898,010	10,486,630	105,950,496	41,318	1,152,434	47,724	32,311	137,264	73,732	1,013,235	121,833,154
At 30 June 2012											
Cost	2,898,010	40,912,131	306,781,558	248,147	6,540,882	227,030	254,280	604,821	350,923	3,560,563	362,378,345
Accumulated depreciation	-	(30,425,501)	(200,831,062)	(206,829)	(5,388,448)	(179,306)	(221,969)	(467,557)	(277,191)	(2,547,328)	(240,545,191)
Net book value	2,898,010	10,486,630	105,950,496	41,318	1,152,434	47,724	32,311	137,264	73,732	1,013,235	121,833,154
Year ended 30 June 2013											
Opening net book value	2,898,010	10,486,630	105,950,496	41,318	1,152,434	47,724	32,311	137,264	73,732	1,013,235	121,833,154
Disposals:											
Cost	-	-		-	-	-	-	-	-	(2,688,093)	(2,688,093)
Accumulated depreciation	-	-		-	-	-	-	-	-	1,814,404	1,814,404
Depreciation charge	-	(524,332)	(3,000,000)	(4,132)	(115,243)	(4,772)	(9,693)	(13,726)	(7,373)	(873,689) (137,819)	(873,689) (3,817,090)
Closing net book value	2,898,010	9,962,298	102,950,496	37,186	1,037,191	42,952	22,618	123,538	66,359	1,727	117,142,375
At 30 June 2013											
Cost	2,898,010	40,912,131	306,781,558	248,147	6,540,882	227,030	254,280	604,821	350,923	872,470	359,690,252
Accumulated depreciation	-	(30,949,833)	(203,831,062)	(210,961)	(5,503,691)	(184,078)	(231,662)	(481,283)	(284,564)	(870,743)	(242,547,877)
Net book value	2,898,010	9,962,298	102,950,496	37,186	1,037,191	42,952	22,618	123,538	66,359	1,727	117,142,375
Annual rate of depreciation (%)	-	5	Note 2.2	10	10	10	30	10	10	20	

9.1 **Depreciation charge for the year has been allocated as follows:**

	2013	2012
	---(RUPEES)---	
Cost of generation (Note 17)	3,657,433	3,844,000
Administrative expenses (Note 18)	159,657	280,651
	3,817,090	4,124,651

9.2 **Detail of operating fixed assets disposed of during the year is as follows:**

Description	Qty.	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchasers
	Nos	---------- (RUPEES) ----------						
Suzuki Baleno FSF-337	1	927,130	748,575	178,555	303,802	125,247	Negotiation	Mr. Nadeem Ahmad, 35-Kilometers, Sheikhupura Road, Faisalabad
Suzuki Cultus FSG-2189	1	702,963	572,331	130,632	230,347	99,715	Negotiation	Mr. Amjad Ali, Nigehbanpura, Faisalabad
Suzuki Swift LE-7878	1	1,058,000	493,498	564,502	900,000	335,498	Negotiation	Mr. Muhammad Usman, Saeed Colony, Faisalabad
		2,688,093	1,814,404	873,689	1,434,149	560,460		

	2013 RUPEES	2012 RUPEES
10. LONG TERM DEPOSITS AND PREPAYMENTS		
Security deposits	10,550	10,550
Prepayments	3,101	5,167
	13,651	15,717
Less: Current portion shown under current assets	3,101	2,066
	10,550	13,651
11. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	330,318	306,400
Spare parts	24,376,627	25,195,038
Loose tools	11,727	11,897
	24,718,672	25,513,335
12. STOCK OF OIL AND LUBRICANTS		
Furnace oil	9,335,836	6,608,995
Diesel oil	529,130	493,173
Lube oils	365,489	384,149
	10,230,455	7,486,317
13. TRADE DEBTS		
Considered good:		
Unsecured (Note 13.1)	7,338,918	1,340,860

13.1 This balance is due from the following associated companies:

Arshad Corporation (Private) Limited	-	963,674
Arshad Textile Mills Limited	1,308,731	-
Ideal Spinning Mills Limited	2,331,701	377,186
Ishaq Textile Mills Limited	3,698,486	-
	7,338,918	1,340,860

13.2 As at 30 June 2013, trade debts of Rupees 1.351 million (2012: Rupees 1.341 million) were past due but not impaired. These relate to the associated companies from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

Upto 1 month	1,268,102	-
1 to 6 months	82,426	963,674
More than 6 months	-	377,186
	1,350,528	1,340,860

	2013 RUPEES	2012 RUPEES
14. LOANS AND ADVANCES		
Considered good:		
Employees - Interest free (Note 14.1):		
– Executive	-	40,000
– Other employees	396,000	331,900
	396,000	371,900
Advances to suppliers	779,504	484,812
Income tax	337,970	314,097
	1,513,474	1,170,809

14.1 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 retirement benefits. These are recoverable in equal monthly installments.

15. CASH AND BANK BALANCES		
With banks:		
On current accounts	737,320	175,986
Cash in hand	87,023	33,726
	824,343	209,712
16. SALES		
Electricity	177,555,717	155,123,688
Less: Sales tax	(24,557,629)	(21,396,370)
	152,998,088	133,727,318
17. COST OF GENERATION		
Oil and lubricants consumed	156,466,146	135,981,054
Salaries, wages and other benefits	1,203,172	2,180,290
Staff retirement benefits	399,349	302,456
Stores, spare parts and loose tools consumed	2,315,232	1,408,191
Repair and maintenance	43,935	43,547
Depreciation (Note 9.1)	3,657,433	3,844,000
	164,085,267	143,759,538

		2013 RUPEES	2012 RUPEES
18.	**ADMINISTRATIVE EXPENSES**		
	Salaries and other benefits	1,692,638	1,435,159
	Staff retirement benefits	93,208	75,638
	Postage and telephone	312,898	281,641
	Vehicles' running	536,907	788,041
	Traveling and conveyance	461,661	490,676
	Printing and stationery	48,816	43,525
	Entertainment	48,123	41,195
	Fee and subscription	342,088	469,669
	Rent, rates and taxes	56,066	50,400
	Advertisement	25,920	26,265
	Auditors' remuneration (Note 18.1)	82,500	82,500
	Insurance	62,825	84,535
	Depreciation (Note 9.1)	159,657	280,651
	Others	32,398	21,621
		3,955,705	4,171,516
18.1	**Auditors' remuneration:**		
	Audit fee	75,000	75,000
	Half yearly review	7,500	7,500
		82,500	82,500
19.	**OTHER EXPENSES**		
	Loss on sale of furnace oil	-	462,871
		-	462,871
20.	**OTHER INCOME**		
	Income from non-financial assets		
	Gain on sale of property, plant and equipment	560,460	96,458
		560,460	96,458
21.	**FINANCE COST**		
	Bank charges and commission	5,417	34,106
	Interest on Employees' Provident Fund	95,737	67,803
		101,154	101,909

22. TAXATION

The profit and gains derived by the Company from the electric power generation projects are exempted from levy of income tax under Clause 132 of Part-I of the Second Schedule of the Income Tax Ordinance, 2001.

		2013	2012

23. LOSS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic loss per share which is based on:

Loss for the year	(Rupees)	(14,583,578)	(14,672,058)
Number of ordinary shares	(Numbers)	8,000,000	8 000 000
Loss per share	(Rupees)	(1.82)	(1.83)

	2013 RUPEES	2012 RUPEES
24. CASH GENERATED FROM OPERATIONS		
Loss before taxation	(14,583,578)	(14,672,058)
Adjustments for non-cash charges and other items:		
Depreciation	3,817,090	4,124,651
Provision for staff retirement gratuity	399,349	302,456
Gain on sale of property, plant and equipment	(560,460)	(96,458)
Finance cost	101,154	101,909
Working capital changes (Note 24.1)	1,293,469	6,250,154
	(9,532,976)	(3,989,346)
24.1 Working capital changes		
Decrease / (increase) in current assets		
Stores, spare parts and loose tools	794,663	758,219
Stock of oil and lubricants	(2,744,138)	(1,602,695)
Trade debts	(5,998,058)	5,951,171
Loans and advances	(318,792)	294,905
Short term prepayments	(1,035)	(2,066)
Sales tax refundable	(699,501)	304,662
	(8,966,861)	5,704,196
Increase in trade and other payables	10,260,330	545,958
	1,293,469	6,250,154

25. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration including all benefits to the Executive of the Company is as follows:

	Executive	
	2013	2012
	.....RUPEES.....	
Managerial remuneration	600,000	533,330
Allowances		
House rent	270,000	240,000
Utilities	30,000	26,670
Contribution to provident fund	49,500	44,000
	949,500	844,000
Number of persons	1	1

25.1 No remuneration, fee or any other expenses were paid to Chief Executive Officer or any Director of the Company.

26. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies / undertakings, other related parties 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:

	2013 RUPEES	2012 RUPEES
Associated companies / undertakings		
Sale of energy	152,998,088	133,727,318
Sale of operating fixed assets	-	2,400,000
Sale of furnace oil	-	5,594,160
Other charges received	10,000	-
Fuel purchased	3,609,398	3,854,200
Other charges paid	121,967	117,607
Other related parties		
Loan obtained from director	10,000,000	5,000,000
Loan repaid to director	4,000,000	3,000,000

27. PROVIDENT FUND RELATED DISCLOSURE

The provisions of section 227 of the Companies Ordinance, 1984 were not followed by the Company as the monthly contribution of the provident fund was not deposited in the separate bank account of Employees' Provident Fund Trust within 15 days from the date of deduction. Moreover, provident fund trust was also not created by the Company.

28. NUMBER OF EMPLOYEES

	2013	2012
	(Number of Persons)	
Number of employees as on 30 June	11	19
Average number of employees during the year	11	16

29. PLANT CAPACITY AND ACTUAL PRODUCTION

	2013	2012
Number of generators installed	3	3
Number of generators worked	2	2
Installed energy generation capacity (MWH)	96 480	96 480
Actual energy generation (MWH)	8 210	7 859

29.1 REASON FOR LOW GENERATION:

Operation of unit is suspended as the running of generators is not economically viable.

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 minimise potential adverse effects on the 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 balances in foreign currency as at 30 June 2013.

(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 significant 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:

	2013 RUPEES	2012 RUPEES
Trade debts	7,338,918	1,340,860
Loans and advances	396,000	371,900
Deposits	10,550	10,550
Bank balances	737,320	175,986
	8,482,788	1,899,296

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			2013	2012
	Short Term	Long term	Agency	------ RUPEES ------	
Banks					
Faysal Bank Limited	A1+	AA	PACRA	48,646	48,646
Habib Bank Limited	A-1+	AAA	JCR-VIS	9,327	9,861
United Bank Limited	A-1+	AA+	JCR-VIS	-	10,994
National Bank of Pakistan	A-1+	AAA	JCR-VIS	210,008	44,617
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	84,942	29,229
Soneri Bank Limited	A1+	AA -	PACRA	12,655	12,725
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	360,845	13,665
Bank Al-Habib Limited	A1+	AA+	PACRA	10,897	6,249
				737,320	175,986

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

Due to the Company's long standing business relationships with these counterparties, 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 2013, the Company had Rupees 824,343 (2012: Rupees 209,712) cash and bank balances. The management believes that liquidity risk to be low.

Following are the contractual maturities of financial liabilities as at 30 June 2013:

	Carrying Amount	Contractual cash flows	6 months or less
	---------- RUPEES ----------		
Trade and other payables	22,448,107	22,448,107	22,448,107
Short term borrowings	10,835,384	10,835,384	10,835,384
	33,283,491	33,283,491	33,283,491

Contractual maturities of financial liabilities as at 30 June 2012:

	Carrying Amount	Contractual cash flows	6 months or less
	---------- RUPEES ----------		
Trade and other payables	12,469,610	12,469,610	12,469,610
Short term borrowings	2,000,000	2,000,000	2,000,000
	14,469,610	14,469,610	14,469,610

30.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

30.3 Financial instruments by categories

	2013 RUPEES	2012 RUPEES
Assets as per balance sheet	**Loans and Receivables**	
Trade debts	7,338,918	1,340,860
Loans and advances	396,000	371,900
Deposits	10,550	10,550
Cash and bank balances	824,343	209,712
	8,569,811	1,933,022
Liabilities as per balance sheet	**Financial Liabilities at amortized cost**	
Trade and other payables	22,448,107	12,469,610
Short term borrowings	10,835,384	2,000,000
	33,283,491	14,469,610

30.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to reduce debt.

31. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on October 08, 2013 by the Board of Directors of the Company.

32. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made.

33. GENERAL

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

MUHAMMAD ARSHAD
Chief Executive Officer

NISAR AHMAD SHEIKH
Director

PATTERN OF SHAREHOLDING

Pattern of Holding of Shares held by the Shareholders
As at June 30,2013

Type of Share		Numner of Share Holders	Total Share Held
1	100	37	543
101	500	10	4461
501	1000	16	16000
1001	5000	27	93361
5001	10000	9	81500
10001	20000	5	81500
20001	25000	1	25000
45001	55000	1	50000
55001	60000	1	56800
60001	65000	1	60010
115001	135000	2	270000
135001	155000	1	135500
225001	280000	3	749500
310001	660000	2	975750
840001	940000	1	939375
940001	1040000	1	974500
1040001	10000000	3	3486200
TOTAL		121	8000000

Categories of Shareholding

As at June 30,2013

Categories of Shareholding	Numbers	Shares held	Percentage (%)
Associated companies,			
ARSHAD TEXTILE MILLS LTD	1	375750	4.70
Directors,Chief Executive & their Spouse and Children			
Mr.Muhammad Arshad Sheikh	2	2346700	29.33
Spouse and Adult Children	2	153500	1.92
Mr.Muhammad Saeed	1	280000	3.50
Mr.Nisar Ahmed Sheikh	1	1139500	14.24
Spouse	1	135000	1.69
Mr.Amjad Saeed	1	974500	12.18
Mr.Shahzad Ahmed Sheikh	1	230000	2.88
Mrs.Naureen Shahzad	1	56800	0.71
Mr.Aized Amer	1	50000	0.63
Financial Institution	3	1539874	19.25
Joint Stock Companies	3	61509	0.77
Individuals	103	656867	8.21
Total	**121**	**8000000**	

STATEMENT SHOWING SHARES BOUGHT AND SOLD BY DIRECTORS CEO,CFO, COMPANY SECRETARY AND THE MINOR FAMILY MEMBERS FROM 1ST JULY 2012TO 30TH JUNE 2013

NAME	DESIGNATION	SHARES BOUGHT	SHARES SOLD
MR.NISAR AHMED SHEIKH	Chairman / Director		
MR.MUHAMMAD ARSHAD SHEIKH	Chief Executive / Director		
MR.MUHAMMAD SAEED	Director		
MR.MUHAMMAD ANWAR SAJJAD	Director 1ST JULY 2012 TO 23 DEC 2012		
MR.AMJAD SAEED	Director		
MR.SHAHZAD AHMED	Director		
MRS.NAUREEN SHAHZAD	Director		
MR.AIZED AMIR	Director APPOINTED 07-01-2013	50000 Shares Purchase From Market	
MRS.ZARRIN AKHTAR		135000 Shares Purchase From Market	
MRS.PERVEEN AKHTER		135000 Shares Purchase From Market	
MRS.SHAHIDA ARSHAD		135000 Shares Purchase From Market	
MR.SHARHYAR ARSHAD		18500 Shares Purchase From Market	
MR.NASIR MAHMOOD	CHIEF FINANCIAL OFFICER		
MR.JAVED ABBAS NAQVI	COMPANY SECRETARY		

IDEAL ENERGY LIMITED
Room No.404-405, 4th Floor, Business Centre,
Mumtaz Hassan Road, Karachi.

PROXY FORM

I/We_____of
_____being member(s) of IDEAL ENERGY LIMITED holding _____ordinary shares as per Registered Folio No./CDC A/c No. (for members who have shares in CDS) _____
hereby appoint Mr./Mrs./Miss _____of
(full address) _____or failing
him/her Mr./Mrs./Miss_____of
(full address)_____
(being member of the Company) as my/our Proxy to attend, act and vote for me/us and on my/our behalf at the 19th Annual General Meeting of the Company to be held on October 31, 2013 and/or any adjournment thereof.

As witness my/our hand seal this _____day of _____2013
Signed by _____in the
presence of _____

Signature on Rs.5/- Revenue Stamps

(Signature must agree with the specimen signature registered with the Company)

Notes:

1. This proxy form duly completed and signed, must be received at the Registered Office of the Company, 404-405, 4th Floor, Business Centre, Mumtaz Hassan Road, Karachi not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he/she himself/herself is a member of the Company, except that a Corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
4. Any individual Beneficial Owner of the Central Depository Company, entitled to vote at this meeting must bring his/her National Identity Card with him/her to prove his/her identity, and in case of proxy, must enclose an attested copy of his/her National Identity Card. Representatives of Corporate members should bring the usual documents required for such purpose.