

ARSHAD ENERGY LIMITED

(Formerly Ideal Energy Limited)



ARSHAD GROUP

1ST QUARTERLY ACCOUNTS

SEPTEMBER 30, 2016
(UN-AUDITED)

COMPANY INFORMATION**CHAIRMAN**

Mr.Nisar Ahmad Sheikh

CHIEF EXECUTIVE

Mr.Muhammad Arshad

DIRECTORS

Mr.Shahzad Ahmad Sheikh

Mr.Shehryar Arshad

Mrs.Shahida Arshad

Mrs.Naureen Shahzad

Ms.Resham Shahzad

AUDIT COMMITTEE**CHAIRMAN**

Mr.Nisar Ahmad Sheikh

MEMBER

Mr.Shahzad Ahmad Sheikh

MEMBER

Mr.Shehryar Arshad

HR & REMUNERATION COMMITTEE**CHAIRMAN**

Mr.Nisar Ahmad Sheikh

MEMBER

Mr.Shahzad Ahmad Sheikh

MEMBER

Mrs.Noureen Shahzad

CHIEF FINANCIAL OFFICER

Mr.Nasir Mahmood

COMPANY SECRETARY

Mr.Javed Abbas Naqvi

AUDITORS

M/S Riaz Ahmad & Co.

Chartered Accountants

BANKERS

Faysal Bank Limited

Habib Bank Limited

LEGAL ADVISOR

Rana Iftikhar Ahmad

REGISTERED OFFICE404-405, 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., Sheikhpura Road,

Tehsil Jaranwala,

District Faisalabad.

DIRECTORS' REVIEW TO THE SHARE HOLDERS

The Directors of your Company feel pleasure in submitting un-audited financial information of your Company for the quarter ended September 30, 2016.

FINANCIAL RESULTS**Quarter ended**

July-Sep 16
Rupees

July-Sep 15
Rupees

Sales	55,230,158	63,334,929
Cost of generation	(52,981,322)	(63,351,282)
Gross Profit/(loss)	2,248,836	(16,353)
Operating and financial expenses	(1,049,904)	(649,314)
Profit/(loss) after taxation	1,198,932	(665,667)

Earnings/(loss) per share - basic and diluted
(Rupees)

0.15

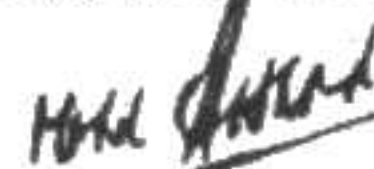
(0.08)

Net sales for the period were Rs.55.230 million as compared to Rs.63.334 million and net profit was Rs.1.199 million as compared to net loss Rs.0.665 million of corresponding period.

The future profitability depends on the prices of furnace oil which are on rising trend. But the Management is of the opinion that furnace oil might not be increased drastically in the current year and Company's current profitability may be maintained during the year

The Board places on record its appreciation for the loyalty and devotion to work by staff and workers of the Company.

On behalf of the Board



(Muhammad Arshad)
Chief Executive Officer

FAISALABAD

Dated: October 28, 2016

1ST QUARTERLY ACCOUNTS

CONDENSED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER 2016

Un-audited 30 SEP 2016		Audited 30 June 2016	
Book value	Estimated settlement value	Book value	Estimated settlement value

NOTE

EQUITY AND LIABILITIES

SHARE CAPITAL AND RESERVES

Authorized share capital

10 000 000 (30 June 2016: 10 000 000) ordinary shares of Rupees 10 each

Issued, subscribed and paid up share capital

Reserves

TOTAL EQUITY

Net surplus on estimated realizable / settlement values

**Surplus on revaluation of property,
plant and equipment**

Trade and other payables
Borrowings.

Staff retirement gratuity

CONTINGENCIES AND COMMITMENTS

TOTAL EQUITY AND LIABILITIES

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

	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	Cash and bank balances	1,490,438	1,490,438	1,083,507	1,893,507
Issued, subscribed and paid up share capital	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000	Loans and advances	4,066,657	4,066,657	3,052,582	3,052,582
Reserves	23,117,168	23,117,168	21,720,646	21,720,646	21,720,646	Other receivables	1,243,870	1,243,870	1,810,706	1,810,706
TOTAL EQUITY	103,117,168	103,117,168	101,720,646	101,720,646	101,720,646	Trade debts	36,546,720	36,546,720	15,970,830	15,970,830
						Stock of oil and lubricants	7,769,616	7,769,616	12,086,899	12,086,899
Net surplus on estimated realizable / settlement values						Stores, spare parts and loose tools	11,017,924	11,017,924	12,947,062	12,947,062
Surplus on revaluation of property, plant and equipment	42,316,783	42,316,783	42,514,371	42,514,371	42,514,371	Security deposits	10,550	10,550	10,550	10,550
Trade and other payables	50,276,627	50,276,627	39,351,332	39,351,332	39,351,332	Property, plant and equipment	149,806,103	149,806,103	152,013,128	152,013,128
Borrowings	13,300,000	13,300,000	13,300,000	13,300,000	13,300,000					
Staff retirement gratuity	3,031,302	3,031,302	2,888,853	2,888,853	2,888,853					
CONTINGENCIES AND COMMITMENTS	3	3	3	3	3	TOTAL ASSETS	212,041,879	212,041,879	192,775,204	199,735,204

Muhammad Arsha
MUHAMMAD ARSHA
CHIEF EXECUTIVE OFFICER

Shahzad Ahmad Sheikh
SHAHZAD AHMAD SHEIKH
DIRECTOR

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)
FOR THE QUARTER ENDED 30 SEPTEMBER 2016**

NOTE

Quarter ended	
30 September 2016	30 September 2015
-----RUPEES-----	

SALES		55,230,158	63,334,929
COST OF GENERATION	5	(52,981,322)	(63,351,282)
GROSS PROFIT/(LOSS)		2,248,836	(16,353)
ADMINISTRATIVE EXPENSES		(984,343)	(647,736)
OTHER EXPENSES		(63,102)	-
FINANCE COST		(2,459)	(1,578)
PROFIT/(LOSS) BEFORE TAXATION		1,198,932	(665,667)
TAXATION	6	-	-
PROFIT/(LOSS) AFTER TAXATION		1,198,932	(665,667)
EARNINGS/(LOSS) PER SHARE - BASIC AND DILUTED (RUPEES)		0.15	(0.08)

The annexed notes form an integral part of this condensed interim financial information.


MUHAMMAD ARSHAD
 CHIEF EXECUTIVE OFFICER

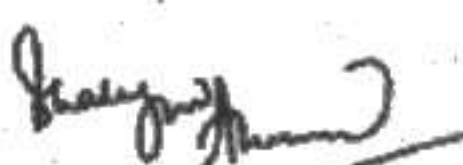

SHAHZAD AHMAD SHEIKH
 DIRECTOR

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)
FOR THE QUARTER ENDED 30 SEPTEMBER 2016**

	Quarter ended	
	30 September 2016	30 September 2015
	-----RUPEES-----	
PROFIT/(LOSS) AFTER TAXATION	1,198,932	(665,667)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss		
Items that may be reclassified subsequently to profit or loss		
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD	<u>1,198,932</u>	<u>(665,667)</u>

The annexed notes form an integral part of this condensed interim financial information.


MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER


SHAHZAD AHMAD SHEIKH
DIRECTOR

ARSHAD ENERGY LIMITED

1ST QUARTERLY ACCOUNTS

CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited) FOR THE QUARTER ENDED 30-SEPTEMBER 2016

	3rd Quarter ended	
	30 September 2016	30 September 2015
	RUPEES	RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from/(utilized in) operations		
Profit/(loss) before taxation	1,198,932	(665,667)
Adjustments for non-cash charges and other items:		
Depreciation	2,117,025	1,070,603
Provision for staff retirement gratuity	142,449	85,827
Finance cost	2,459	1,578
	<u>3,460,865</u>	<u>492,341</u>
Working capital changes		
Increase/(decrease) in current assets		
Stores, spare parts and loose tools	1,929,078	5,068,761
Stock of oil and lubricants	4,317,281	6,889,790
Trade debts	(20,575,890)	(1,841,894)
Loans and advances	(957,074)	753,411
Other receivables	566,836	1,505,578
Prepayments	(14,719,768)	12,375,646
	<u>10,925,295</u>	<u>(8,334,569)</u>
Increase in trade and other payables	(3,794,473)	4,041,077
Cash generated from operations	(333,608)	4,533,418
Finance cost paid	(2,459)	(1,578)
Income tax paid	(57,001)	(4,392)
Net cash (utilised in/generated from operating activities)	<u>(393,069)</u>	<u>4,527,448</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	-	(4,511,767)
Net cash used in investing activities	-	(4,511,767)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings - net	-	(1,810)
Net cash used in financing activities	-	(1,810)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u>(393,069)</u>	<u>13,871</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,883,507</u>	<u>1,190,955</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>1,490,438</u>	<u>1,204,826</u>

The annexed notes form an integral part of this condensed interim financial information.


MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER


SHAHZAD AHMAD SHEIKH
DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)
FOR THE QUARTER ENDED 30 SEPTEMBER 2016

	RESERVES					TOTAL	TOTAL EQUITY
	CAPITAL/REVENUE RESERVES			Sub total			
	SHARE CAPITAL	RESERVE Share premium	General reserve		Accumulated loss		
RUPEES							
Balance as at 30 June 2015 - (Audited)	80,000,000	80,000,000	14,408,600	(84,715,935)	(70,307,335)	9,692,665	89,692,665
Transfer from surplus on revaluation of operating fixed assets on account of incremental depreciation	-	-	-	180,858	180,858	180,858	180,858
Loss for the period ended 30 September 2015	-	-	-	(665,667)	(665,667)	(665,667)	(665,667)
Other comprehensive income for the period ended 30 September 2015	-	-	-	(665,667)	(665,667)	(665,667)	(665,667)
Total comprehensive loss for the period ended 30 September 2015	-	-	-	(665,667)	(665,667)	(665,667)	(665,667)
Balance as at 30 September 2015 - (Un-audited)	80,000,000	80,000,000	14,408,600	(85,200,744)	(70,792,144)	9,207,856	89,207,856
Transfer from surplus on revaluation of operating fixed assets on account of incremental depreciation	-	-	-	542,577	542,577	542,577	542,577
Profit for the period ended 30 June 2016	-	-	-	11,970,215	11,970,215	11,970,215	11,970,215
Other comprehensive income for the period ended 30 June 2016	-	-	-	11,970,215	11,970,215	11,970,215	11,970,215
Total comprehensive income for the period ended 30 June 2016	-	-	-	11,970,215	11,970,215	11,970,215	11,970,215
Balance as at 30 June 2016 - (Audited)	80,000,000	80,000,000	14,408,600	(72,687,952)	(58,279,352)	21,720,648	101,720,648
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation	-	-	-	197,588	197,588	197,588	197,588
Profit for the period ended 30 September 2016	-	-	-	1,198,932	1,198,932	1,198,932	1,198,932
Other comprehensive income for the period ended 30 September 2016	-	-	-	1,198,932	1,198,932	1,198,932	1,198,932
Total comprehensive income for the period ended 30 September 2016	-	-	-	1,198,932	1,198,932	1,198,932	1,198,932
Balance as at 30 September 2016 - (Un-audited)	80,000,000	80,000,000	14,408,600	(71,291,432)	(56,882,832)	23,117,168	103,117,168

The annexed notes form an integral part of this condensed interim financial information.

MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER

SHAHZAD AHMAD SHEIKH
DIRECTOR

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE QUARTER ENDED 30 SEPTEMBER 2016**

1. THE COMPANY AND ITS OPERATIONS

Arshad Energy Limited (formerly 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 Pakistan Stock Exchange Limited. Its registered office is situated at Room No. 404 and 405, 4th Floor, Business Centre, Mumtaz Hassan Road, Karachi. The Company is engaged in the business of generation and distribution of electricity. The project is located at Tehsil Jaranwala, District Faisalabad in the Province of Punjab.

1.1 Going concern assumption

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.

Keeping in view the above factors the management of the Company has prepared this condensed interim financial information on the basis of estimated realizable / settlement values of assets and liabilities respectively in addition to historical cost convention. All assets and liabilities in this condensed interim financial information have been presented in the order of liquidity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computations adopted for the preparation of this condensed interim financial information are the same as applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended 30 June 2016.

2.1 BASIS OF PREPARATION

2.1.1 Statement of compliance

This condensed interim financial information is un-audited and is being submitted to shareholders as required by section 245 of the Companies Ordinance, 1984. This condensed interim financial information of the Company for the 1st quarter ended 30 September 2016 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information should be read in conjunction with the audited annual published financial statements of the Company for the year ended 30 June 2016.

2.1.2 Accounting convention

Keeping in view the fact that the Company may not be able to continue as going concern, this condensed interim financial information is prepared on the basis of realizable / settlement values of assets and liabilities respectively in addition to the historical cost convention. 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. Realizable / settlement values of assets and liabilities respectively as disclosed in the balance sheet are based on the management's best estimate.

2.1.3 Critical accounting estimates and judgments

The preparation of this condensed interim financial information 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.

During preparation of this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 30 June 2016.

3. CONTINGENCIES AND COMMITMENTS

There was no contingent liability and commitment as at 30 September 2016 (30 June 2016: Rupees Nil).

4. PROPERTY, PLANT AND EQUIPMENT

	Un-audited 30 Sep 2016 RUPEES	Audited 30 June 2016 RUPEES
Opening book value	152,013,128	139,865,841
Cost of additions during the period / year (Note 4.1)	-	4,578,352
Effect of surplus on revaluation as at 30 June 2016	-	11,342,109
	152,013,128	155,786,302
Depreciation charged during the period / year	(2,117,025)	(9,724,360)
Reversal of Impairment loss	-	5,951,186
	<u>149,896,103</u>	<u>152,013,128</u>
4.1 Cost of additions during the period / year		
Plant and machinery	-	4,511,767
Vehicles	-	66,585
	-	<u>4,578,352</u>

5. COST OF GENERATION

	(Un-audited) Quarter ended	
	30 Sep 2016	30 Sep 2015
	-----RUPEES-----	
Oil and lubricants consumed	47,040,581	59,777,076
Salaries, wages and other benefits	1,458,156	1,211,238
Stores, spare parts and loose tools consumed	2,381,470	1,294,865
Repair and maintenance	2,200	600
Depreciation	2,098,915	1,067,503
	<u>52,981,322</u>	<u>63,351,282</u>

6. 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.

7. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated companies, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions and balances with related parties are as follows:

1) Transactions

Associated companies / undertakings

	(Un-audited) Quarter ended	
	30 Sep 2016	30 Sep 2015
	-----RUPEES-----	
Sale of energy	55,230,158	63,334,929
Stores purchased	5,390	-

(Un-Audited)	
Quarter ended	
30 Sep 2016	30 Sep 2015

-----RUPEES-----

Other related parties

Remuneration paid to Executive

375,000 375,000

Un-audited	Audited
30 Sep 2016	30 Sep 2015
RUPEES	RUPEES

ii) Period end balances

Trade and other payables

17,584,750 12,044,655

Borrowings

13,300,000 13,300,000

Trade debts

36,546,720 8,023,288

8. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual financial statements of the Company for the year ended 30 June 2016.

9. DATE OF AUTHORIZATION

This condensed interim financial information was approved and authorized for issue on 28 September 2016 by the Board of Directors of the Company.

10. CORRESPONDING FIGURES

In order to comply with the requirements of IAS 34, the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been rearranged, wherever necessary, for the purpose of comparison. However, no significant rearrangements have been made.

11. GENERAL

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


MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER


SHAHZAD AHMAD SHEIKH
DIRECTOR