ARSHAD ENERGY LIMITED

ARSHAD GROUP

1ST QUARTERLY ACCOUNTS

SEPTEMBER 30, 2017
(UN-AUDITED)

COMPANY INFORMATION

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

DIRECTORS' REVIEW TO THE SHARE HOLDRES

The Directors of your Company feel pleasure in submitting un-audited financial information of your Company for the quarter ended September 30, 2017.

FINANCIAL RESULTS	Quarter ended	
	Jul-Sep 17.	Jul-Sep 16
	Rupees	Rupees
Sales	61,588,402	55,230,158
Cost of generation	(57,554,709)	(52,981,322)
Gross profit	4,033,693	2,248,836
Operating and financial expenses.	(1,469,163)	(1,049,904)
Profit after taxation	2,564,530	1,198,932
Earnings per share – basic and diluted-Rupees	0.32	0.15

Net sales for the period were Rs.61.588 million as compared to Rs.55.230 million and net profit was RS.2.564 million as compared to net profit Rs.1.198 million of corresponding period.

Company faces challenges ahead in the form of rise in the prices of petroleum products specifically furnace continuously. That will increase the cost of doing business. In such circumstances it will become difficult to maintain the present results.

On behalf of the Board

FAISALABAD

Dated: November 01, 2017

(Muhammad Arshad)

Chief Executive Officer

ڈائریکٹرز رپورٹ شیئر ہولڈرز کیلئے

کمپنی کے ڈائریکٹر 30 ستمبر 2017 کو مالیاتی کارکردگی پر یونٹ کرنے میں خوشی محسوس کر رہے ہیں -

فینشیل رزلٹس:

	30 ستمبر 2017	30 ستمبر 2016
	روپے	روپے
ریونیو	61,588,402	55,230,158
بجلی بنانے کی قیمت	(57,554,709)	(52,981,322)
مجموعی منافع	4,033,693	2,248,836
عوامل اور مالیاتی اخراجات	(1,469,163)	(1,049,904)
خالص منافع بعد از محصولات	2,564,530	1,198,932
نفع فی شیئر (روپے فی شیئر)	0.32	0.15

مالیاتی کارکردگی کا جائزہ

اس سال کا خالص ریونیو 61.588 ملین روپے ہے جبکہ 2016 میں 55.230 ملین روپے تھا اور خالص منافع 2.564 ملین روپے ہے جبکہ 2016 میں 1.198 ملین روپے تھا۔

کمپنی کو پیٹرولیم مصنوعات خاص طور پر فرنس آئل کی قیمتوں میں اضافے کی وجہ سے چیلنج کا سامنا ہے۔ کام کرنے کی لاگت بہت بڑھ گئی ہے۔ ایسے حالات میں موجودہ رزلٹ کو برقرار کرنا بھی مشکل ہو جائیگا۔

بورڈ آف ڈائریکٹرز کی جانب سے

محمد ارشد

چیف ایگزیکٹو آفیسر

فیصل آباد 01 نومبر 2017

CONDENSED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER 2017

	NOTE	Un-audited 30 SEP 2017 RUPEES	Audited 30 June 2017 RUPEES
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
10 000 000 (30 June 2017: 10 000 000) ordinary shares of Rupees 10 each		100,000,000	100,000,000
Issued, subscribed and paid up share capital		80,000,000	80,000,000
Reserves		37,210,073	34,505,675
TOTAL EQUITY		117,210,073	114,505,675
Surplus on revaluation of property, plant and equipment		40,548,363	40,688,231
LIABILITIES			
NON CURRENT LIABILITIES			
Staff retirement gratuity		3,605,150	3,394,052
CURRENT LIABILITIES			
Trade and other payables		54,517,856	29,944,996
Short term borrowings		16,196,957	18,594,899
		70,714,813	48,539,895
TOTAL LIABILITIES		74,319,963	51,933,947
CONTINGENCIES AND COMMITMENTS	3		
TOTAL EQUITY AND LIABILITIES		232,078,399	207,127,853

	NOTE	Un-audited 30 SEP 2017 RUPEES	Audited 30 June 2017 RUPEES
ASSETS			
NON-CURRENT ASSEST			
Property, plant and equipment	4	154,423,533	156,031,471
Security deposits		10,550	10,550
		154,434,083	156,042,021
CURRENT ASSETS			
Stores, spare parts and loose tools		15,812,945	16,600,000
Stock of oil and lubricants		13,965,715	8,024,045
Trade debts		38,342,530	21,183,093
Loans and advances		2,445,775	2,622,193
Other receivables		5,575,210	1,880,323
Cash and bank balances		1,502,140	776,178
		77,644,316	51,085,832
TOTAL ASSETS		232,078,399	207,127,853

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

MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER

SHAHZAD AHMAD SHEIKH
DIRECTOR

NASIR MAHMOOD
CHIEF FINANCIAL OFFICER

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)
FOR THE QUARTER ENDED 30 SEPTEMBER 2017

	NOTE	Quarter ended	
		30 September 2017	30 September 2016
		----------RUPEES----------	
SALES		61,588,402	55,230,158
COST OF GENERATION	5	(57,554,709)	(52,981,322)
GROSS PROFIT		4,033,693	2,248,836
ADMINISTRATIVE EXPENSES		(1,429,477)	(984,343)
OTHER EXPENSES		(39,645)	(63,102)
FINANCE COST		(41)	(2,459)
PROFIT BEFORE TAXATION		2,564,530	1,198,932
TAXATION	6	-	-
PROFIT AFTER TAXATION		2,564,530	1,198,932
EARNINGS PER SHARE - BASIC AND DILUTED - RUPEES		0.32	0.15

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

MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER

SHAHZAD AHMAD SHEIKH
DIRECTOR

NASIR MAHMOOD
CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)
FOR THE QUARTER ENDED 30 SEPTEMBER 2017

	Quarter ended	
	30 September 2017	30 September 2016
	RUPEES	
PROFIT AFTER TAXATION	2,564,530	1,198,932
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 FOR THE PERIOD	2,564,530	1,198,932

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

MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER

SHAHZAD AHMAD SHEIKH
DIRECTOR

NASIR MAHMOOD
CHIEF FINANCIAL OFFICER

CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited)
FOR THE QUARTER ENDED 30 SEPTEMBER 2017

	Quarter ended	
	30 September 2017	30 September 2016
	RUPEES	RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations		
Profit before taxation	2,564,530	1,198,932
Adjustments for non-cash charges and other items:		
Depreciation	1,607,938	2,117,025
Provision for staff retirement gratuity	211,098	142,449
Finance cost	41	2,459
	4,383,607	3,460,865
Working capital changes		
Decrease/(Increase) in current assets		
Stores, spare parts and loose tools	787,055	1,929,078
Stock of oil and lubricants	(5,941,670)	4,317,281
Trade debts	(17,133,127)	(20,575,890)
Loans and advances	176,418	(957,074)
Other receivables	(3,694,887)	566,836
	(25,806,211)	(14,719,769)
Increase in trade and other payables	24,572,860	10,925,295
Cash generated from/(used in) operations	(1,233,351)	(3,794,474)
Finance cost paid	3,150,256	(333,609)
Income tax paid	(41)	(2,459)
Net cash generated from/(utilised in) operating activities	(26,310)	(57,001)
	3,123,905	(393,069)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings - net	(2,397,943)	-
Net cash used in financing activities	(2,397,943)	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	725,962	(393,069)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	776,178	1,883,507
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,502,140	1,490,438

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

MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER

SHAHZAD AHMAD SHEIKH
DIRECTOR

NASIR MAHMOOD
CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)
FOR THE QUARTER ENDED 30 SEPTEMBER 2017

	SHARE CAPITAL	CAPITAL RESERVE	RESERVES					TOTAL EQUITY
			REVENUE RESERVES					
		Share premium	General reserve	Accumulated loss	Sub total	TOTAL		
	RUPEES							
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 operating fixed assets 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	-	-	-	-	-	-		-
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
Transfer from surplus on revaluation of operating fixed assets on account of incremental depreciation	-	-	-	802,719	802,719	802,719		802,719
Profit for the period ended 30 June 2017	-	-	-	10,013,725	10,013,725	10,013,725		10,013,725
Other comprehensive income for the period ended 30 June 2017	-	-	-	572,063	572,063	572,063		572,063
Total comprehensive income for the period ended 30 June 2017	-	-	-	10,585,788	10,585,788	10,585,788		10,585,788
Balance as at 30 June 2017 - (Audited)	80,000,000	80,000,000	14,408,600	(59,902,925)	(45,494,325)	34,505,675		114,505,675
Transfer from surplus on revaluation of property, plant and equipment on account of increhental depreciation	-	-	-	139,868	139,868	139,868		139,868
Profit for the period ended 30 September 2017	-	-	-	2,564,530	2,564,530	2,564,530		2,564,530
Other comprehensive income for the period ended 30 September 2017	-	-	-	-	-	-		-
Total comprehensive income for the period ended 30 September 2017	-	-	-	2,564,530	2,564,530	2,564,530		2,564,530
Balance as at 30 September 2017 - (Un-audited)	80,000,000	80,000,000	14,408,600	(57,198,527)	(42,789,927)	37,210,073		117,210,073

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

MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER

SHAHZAD AHMAD SHEIKH
DIRECTOR

NASIR MAHMOOD
CHIEF FINANCIAL OFFICER

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE QUARTER ENDED 30 SEPTEMBER 2017

1. THE COMPANY AND ITS OPERATIONS

Arshad Energy Limited (the Company) is a public limited company incorporated in Pakistan on 20 February 1994 under the repealed Companies Ordinance, 1984 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 Non-going concern basis of accounting

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

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

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 2017.

2.1 BASIS OF PREPARATION

2.1.1 Statement of compliance

This condensed interim financial informantion has been prepared in accordance the accounting framework as disclosed in the annual financial statements for the year ended June 30, 2017. This condensed interim financial information of the Company for the 1st quarter ended 30 September 2017 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 repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed 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 2017.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 on 30 May 2017. Securities and Exchange Commission of Pakistan (SECP) vide its Circular 17 of 2017 and its press release dated 20 July 2017 has clarified that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires enhanced disclosures about Company's operations and has also enhanced the definition of related parties.

2.1.2 Accounting convention

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

2.1.3 Critical accounting estimates and judgments

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

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

3. **CONTINGENCIES AND COMMITMENTS**

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

	Un-audited 30 Sep 2017 RUPEES	Audited 30 June 2017 RUPEES
4. PROPERTY, PLANT AND EQUIPMENT		
Opening book value	156,031,471	152,013,128
Cost of additions during the period / year (Note 4.1)	-	7,496,752
Effect of surplus on revaluation as at 30 June 2017	-	(825,833)
	156,031,471	158,684,047
Depreciation charged during the period / year	(1,607,938)	(6,594,377)
Reversal of Impairment loss	-	3,941,801
	154,423,533	156,031,471
4.1 Cost of additions during the period / year		
Plant and machinery	-	7,465,752
Electric Appliances	-	31,000
	-	7,496,752

5. **COST OF GENERATION**

	(Un-audited) Quarter ended 30 Sep 2017	30 Sep 2016
	RUPEES	
Oil and lubricants consumed	53,897,497	47,040,581
Salaries, wages and other benefits	1,478,864	1,458,156
Stores, spare parts and loose tools consumed	550,618	2,381,470
Repair and maintenance	24,380	2,200
Depreciation	1,603,350	2,098,915
	57,554,709	52,981,322

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:

	(Un-audited) Quarter ended 30 Sep 2017	30 Sep 2016
	RUPEES	
i) Transactions		
Associated companies / undertakings		
Sale of energy	61,588,402	55,230,158
Stores purchased	13,450	5,390

	(Un-Audited) Quarter ended	
	30 Sep 2017	30 Sep 2016
	----------RUPEES----------	
Other related parties		
Remuneration paid to Executive	681,000	375,000

	Un-audited 30 Sep 2017	Audited 30 Sep 2016
	RUPEES	RUPEES
ii) Period end balances		
Trade and other payables	54,517,856	17,584,750
Borrowings	16,196,956	13,300,000
Trade debts	38,342,530	36,546,720

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 2017.

9. DATE OF AUTHORIZATION

This condensed interim financial information was approved and authorized for issue on 01 November 2017 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	SHAHZAD AHMAD SHEIKH	NASIR MAHMOOD
CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER