

# **ARSHAD ENERGY LIMITED**

(Formerly Ideal Energy Limited)



**ARSHAD GROUP**

## **HALF YEARLY ACCOUNTS**

**DECEMBER 31, 2015  
(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 OFFICE	404-405, 4 <sup>th</sup> Floor, Business Centre, Mumtaz Hassan Road, Karachi. Tel. 021-32412814 Web: <a href="http://www.arshadenergy.com">www.arshadenergy.com</a>
SHARES REGISTRAR	F.D.Registrar Services (SMC-Pvt.) Limited 17 <sup>th</sup> 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 HOLDERS**

The Directors of your Company feel pleasure in submitting un-audited financial information of your Company for the half year ended December 31, 2015.

**FINANCIAL RESULTS****Half year ended**

July-Dec 15

Jul-Dec 14

Rupees

Rupees

Sales	117,798,254	4,320,870
Cost of generation	<u>(126,022,056)</u>	<u>(11,729,269)</u>
Gross loss	(8,223,802)	(7,408,399)
Operating and financial expenses	(1,171,088)	(1,215,182)
Loss after taxation	(9,394,890)	(8,623,581)
Loss per share – basic And diluted (Rupees)	(1.17)	(1.08)

During the period ended 31 December 2015, the Company has incurred loss after taxation of Rupees 9.395 million. 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. The Management is hopeful to earn profit in the period to come if the oil prices will maintain at current level.

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)**

FAISALABAD.

Dated: February 26, 2016      Chief Executive



**AUDITORS' REPORT TO THE MEMBERS**  
**ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION**

*Introduction*

We have reviewed the accompanying condensed interim balance sheet of ARSHAD ENERGY LIMITED (formerly Ideal Energy Limited) ("the Company") as at 31 December 2015 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended 31 December 2015 and 31 December 2014 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended 31 December 2015.

*Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended 31 December 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

*Emphasis of Matter*

We draw attention to Note No. 1.1 to the condensed interim financial information, which states that this condensed interim financial information has been prepared on the basis of estimated realizable / settlement values of assets and liabilities respectively in addition to historical cost convention as the Company is no longer a going concern for the reasons stated in the aforesaid note. Our report is not qualified in respect of this matter.

**RIAZ AHMAD & COMPANY**  
**Chartered Accountants**

*Riaz Ahmad & Co.*

Name of engagement partner:

**Liaqat Ali Panwar**

**Date: February 26, 2016**

**FAISALABAD**



CONDENSED INTERIM BALANCE SHEET AS AT 31 DECEMBER 2015

	NOTE			NOTE		
	Un-audited		Audited	Un-audited		Audited
	31 December 2015			31 December 2015		
	Estimated settlement value	Book value		Estimated realizable value	Book value	
	RUPEES	RUPEES		RUPEES	RUPEES	
ASSETS						
EQUITY AND LIABILITIES						
SHARE CAPITAL AND RESERVES						
Authorized share capital						
10 000 000 (30 June 2015; 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						
TOTAL ASSETS						

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

  
MUHAMMAD ARSHAD  
CHIEF EXECUTIVE OFFICER

  
SHAHZAD AHMAD SHEIKH  
DIRECTOR



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

NOTE	Half year ended		Quarter ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
-----RUPEES-----				
5	117,798,254 (126,022,056)	4,320,870 (11,729,269)	54,463,325 (62,670,774)	1,766,733 (7,483,491)
	(8,223,802)	(7,408,399)	(8,207,449)	(5,716,758)
	(1,166,026)	(1,212,842)	(518,290)	(697,926)
	(9,389,828)	(8,621,241)	(8,725,739)	(6,414,684)
	(5,062)	(2,340)	(3,484)	(1,028)
	(9,394,890)	(8,623,581)	(8,729,223)	(6,415,712)
6	-	-	-	-
	(9,394,890)	(8,623,581)	(8,729,223)	(6,415,712)
	(1.17)	(1.08)	(1.09)	(0.80)

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 HALF YEAR ENDED 31 DECEMBER 2015

	Half year ended		Quarter ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
-----RUPEES-----				
LOSS AFTER TAXATION	(9,394,890)	(8,623,581)	(8,729,223)	(6,415,712)
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 LOSS FOR THE PERIOD	<u>(9,394,890)</u>	<u>(8,623,581)</u>	<u>(8,729,223)</u>	<u>(6,415,712)</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 CASH FLOW STATEMENT (Un-audited)**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

	Half year ended	
	31 December 2015	31 December 2014
	RUPEES	RUPEES
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash utilized in operations</b>		
Loss before taxation	(9,394,890)	(8,623,581)
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	2,509,640	2,178,698
Provision for staff retirement gratuity	237,917	146,150
Finance cost	5,062	2,340
	<u>(6,642,271)</u>	<u>(6,296,393)</u>
<b>Working capital changes</b>		
<b>Decrease / (increase) in current assets</b>		
Stores, spare parts and loose tools	4,976,567	(16,847)
Stock of oil and lubricants	14,232,678	4,671,757
Trade debts	(15,472,215)	1,417,636
Loans and advances	(2,885,036)	1,499
Other receivables	285,124	181,430
Prepayments	(202,524)	-
	<u>934,594</u>	<u>6,255,475</u>
Increase / (decrease) in trade and other payables	<u>10,877,241</u>	<u>(987,030)</u>
	<u>11,811,835</u>	<u>5,268,445</u>
Cash generated from / (utilized in) operations	<u>5,169,564</u>	<u>(1,027,948)</u>
Finance cost paid	(5,062)	(2,340)
Income tax paid	(9,098)	(9,305)
<b>Net cash generated from / (utilized in) operating activities</b>	<u>5,155,404</u>	<u>(1,039,593)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure on property, plant and equipment	<u>(4,578,352)</u>	<u>-</u>
<b>Net cash used in investing activities</b>	<u>(4,578,352)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings - net	<u>(1,810)</u>	<u>512,254</u>
<b>Net cash (used in) / from financing activities</b>	<u>(1,810)</u>	<u>512,254</u>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>575,242</u>	<u>(527,339)</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>1,190,955</u>	<u>885,475</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u><u>1,766,197</u></u>	<u><u>358,136</u></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 HALF YEAR ENDED 31 DECEMBER 2015

	RESERVES						TOTAL EQUITY
	SHARE CAPITAL	CAPITAL RESERVE	REVENUE RESERVES			TOTAL	
		Share premium	General reserve	Accumulated loss	Sub total		
-----RUPEES-----							
Balance as at 30 June 2014 - (Audited)	80,000,000	80,000,000	14,408,600	(78,613,829)	(64,205,229)	15,794,771	95,794,771
Transfer from surplus on revaluation of operating fixed assets on account of incremental depreciation	-	-	-	380,755	380,755	380,755	380,755
Loss for the half year ended 31 December 2014	-	-	-	(8,623,581)	(8,623,581)	(8,623,581)	(8,623,581)
Other comprehensive income for the half year ended 31 December 2014	-	-	-	-	-	-	-
Total comprehensive loss for the half year ended 31 December 2014	-	-	-	(8,623,581)	(8,623,581)	(8,623,581)	(8,623,581)
Balance as at 31 December 2014 - (Un-audited)	80,000,000	80,000,000	14,408,600	(86,856,655)	(72,448,055)	7,551,945	87,551,945
Transfer from surplus on revaluation of operating fixed assets on account of incremental depreciation	-	-	-	380,755	380,755	380,755	380,755
Profit for the half year ended 30 June 2015	-	-	-	2,598,072	2,598,072	2,598,072	2,598,072
Other comprehensive loss for the half year ended 30 June 2015	-	-	-	(838,107)	(838,107)	(838,107)	(838,107)
Total comprehensive income for the half year ended 30 June 2015	-	-	-	1,759,965	1,759,965	1,759,965	1,759,965
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 property, plant and equipment on account of incremental depreciation	-	-	-	361,718	361,718	361,718	361,718
Loss for the half year ended 31 December 2015	-	-	-	(9,394,890)	(9,394,890)	(9,394,890)	(9,394,890)
Other comprehensive income for the half year ended 31 December 2015	-	-	-	-	-	-	-
Total comprehensive loss for the half year ended 31 December 2015	-	-	-	(9,394,890)	(9,394,890)	(9,394,890)	(9,394,890)
Balance as at 31 December 2015 - (Un-audited)	80,000,000	80,000,000	14,408,600	(93,749,107)	(79,340,507)	659,493	80,659,493

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 HALF YEAR ENDED 31 DECEMBER 2015**

**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. The Company has changed its name from Ideal Energy Limited to Arshad Energy Limited on 04 January 2016 subsequently after the half year ended 31 December 2015.

**1.1 Going concern assumption**

During the period ended 31 December 2015, the Company has incurred loss after taxation of Rupees 9.395 million. The Company has suffered accumulated losses of Rupees 93.749 million. 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. In spite of this fact, the Company is still facing gross loss of Rupees 8.224 million during the period ended 31 December 2015.

Keeping in view the above factors the management of the Company 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 2015.

**2.1 BASIS OF PREPARATION**

**2.1.1 Statement of compliance**

This condensed interim financial information is un-audited but subject to limited scope review by the statutory auditors 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 half year ended 31 December 2015 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 2015.

**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 2015.

### 3. CONTINGENCIES AND COMMITMENTS

There was no contingent liability and commitment as at 31 December 2015 (30 June 2015: Rupees Nil).

### 4. PROPERTY, PLANT AND EQUIPMENT

	Un-audited 31 December 2015 RUPEES	Audited 30 June 2015 RUPEES
Opening book value	139,865,841	129,563,118
Add: Cost of additions during the period / year (Note 4.1)	4,578,352	15,860,379
	144,444,193	145,423,497
Less: Depreciation charged during the period / year	(2,509,640)	(5,557,656)
	<u>141,934,553</u>	<u>139,865,841</u>
<b>4.1 Cost of additions during the period / year</b>		
Plant and machinery	4,511,767	15,860,379
Vehicles	66,585	-
	<u>4,578,352</u>	<u>15,860,379</u>

### 5. COST OF GENERATION

	(Un-audited)			
	Half year ended		Quarter ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	-----RUPEES-----			
Oil and lubricants consumed	118,263,568	8,123,612	58,486,492	5,573,359
Salaries, wages and other benefits	2,530,762	1,381,280	1,319,524	777,687
Stores, spare parts and loose tools consumed	2,726,725	49,161	1,431,860	45,062
Repair and maintenance	4,220	3,950	3,620	1,750
Depreciation	2,496,781	2,171,266	1,429,278	1,085,633
	<u>126,022,056</u>	<u>11,729,269</u>	<u>62,670,774</u>	<u>7,483,491</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 / undertakings, 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)			
	Half year ended		Quarter ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	-----RUPEES-----			

#### i) Transactions

#### Associated companies / undertakings

Sale of energy	117,798,254	4,320,870	54,463,325	1,766,733
Stores purchased	5,940	-	-	-
Other charges paid	-	30,710	-	30,710



(Un-Audited)			
Half year ended		Quarter ended	
31 December 2015	31 December 2014	31 December 2015	31 December 2014

-----RUPEES-----

Directors

Remuneration paid to Executive	750,000	720,000	375,000	360,000
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Un-audited	Audited
31 December 2015	30 June 2015

RUPEES RUPEES

ii) Period end balances

Trade and other payables	41,293,118	27,189,164
Borrowings	13,300,000	13,300,000
Trade debts	20,738,379	5,266,164

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 2015.

9. DATE OF AUTHORIZATION

This condensed interim financial information was approved and authorized for issue on Feburary 26, 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