

**ARSHAD ENERGY LIMITED**



**ARSHAD GROUP**

**HALF YEARLY  
ACCOUNTS**

**DECEMBER 31, 2016  
(UN-AUDITED)**

**COMPANY INFORMATION**

CHAIRMAN	Mr.Nisar Ahmad Sheikh
CHIEF EXECUTIVE	Mr.Muhammad Arshad
DIRECTORS	Mr.Shahzad Ahmed Sheikh Mr.Shehryar Arshad Mrs.Shahida Arshad Mrs.Naureen Shahzad Ms.Resham Shahzad
AUDIT COMMITTEE	
CHAIRMAN	Mr.Nisar Ahmad Sheikh
MEMBER	Mr.Shahzad Ahmed Sheikh
MEMBER	Mr.Shehryar Arshad
HR & REMUNERATION COMMITTEE	
CHAIRMAN	Mr.Nisar Ahmad Sheikh
MEMBER	Mr.Shahzad Ahmed Sheikh
MEMBER	Mrs.Naureen Shahzad
CHIEF FINANCIAL OFFICER	Mr.Nasir Mahmood
COMPANY SECRETARY	Mr.Javed Abbas Naqvi
AUDITORS	M/S Riaz Ahmad & Co. Chartered Accountants
BANKERS	Habib Metropolitan Bank Limited Bank Al-Habib 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., Sheikhpura Road, Tehsil Jaranwala, District Faisalabad.

**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 as at 31 December 2016 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 2016 and 31 December 2015 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 2016.

*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 2016 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 27, 2017**

**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 December 31, 2016.

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

	July-Dec 16 Rupees	July-Dec 15 Rupees
Sales	115,167,550	117,798,254
Cost of generation	(107,232,134)	(126,022,056)
Gross profit/(loss)	7,935,416	(8,223,802)
Operating and financial expenses	(2,826,417)	(1,171,088)
Profit/(loss) after taxation	5,108,999	(9,394,890)
Earnings/(loss) per share - basic and diluted (Rupees)	0.64	(1.17)

Net sales for the period were Rs.115.167 million as compared to Rs.117.798 million and net profit was Rs.5.109 million as compared to net loss Rs.9.395 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 prices are at maximum and will not increase 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: February 27, 2017

## HALF YEARLY ACCOUNTS

Un-audited		Audited	
31 December 2016		30 June 2016	
Estimated realizable value	Book value	Estimated realizable value	Book value
RUPEES	RUPEES	RUPEES	RUPEES

**Q**

## Assets

Un-audited 31 December 2016	Audited 30 June 2016
Estimated settlement value	Estimated settlement value
RUPEES	RUPEES
RUPEES	RUPEES

**NOTE**

## EQUITY AND LIABILITIES

## CHANGE CAPITAL AND RESERVES

**Authorized share count**

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

(saved, subscribed and paid up share capital)

## References

**Total equity**

Net surplus on estimated realizable / settlement values

**Surplus on revaluation of property,**

**plant and equipment**

## LIABILITIES

Trade and other variables

## SOULMATE LIVES

### Staff retirement or disability

## CONTINGENCIES AND COMMITMENTS

**TOTAL EQUITY AND LIABILITIES**

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

Un-audited		Audited	
31 December 2016		30 June 2016	
Estimated realizable value	Book value	Estimated realizable value	Book value
RUPEES	RUPEES	RUPEES	RUPEES

**Q**

## Assets

Un-audited 31 December 2016	Audited 30 June 2016
Estimated settlement value	Estimated settlement value
RUPEES	RUPEES

**NOTE**

## EQUITY AND LIABILITIES

## CHANGE CAPITAL AND RESERVES

**Authorized share count**

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

(saved, subscribed and paid up share capital)

## References

**Total equity**

Net surplus on estimated realizable / settlement values

**Surplus on revaluation of property,**

**plant and equipment**

## LIABILITIES

Trade and other variables

## SOULMATE LIVES

### Staff retirement or ability

## CONTINGENCIES AND COMMITMENTS

**TOTAL EQUITY AND LIABILITIES**

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

*Muhammad Arshad*  
**MUHAMMAD ARSHAD**  
**CHIEF EXECUTIVE OFFICER**

  
SHAHZAD AHMAD SHEIKH  
DIRECTOR

**ARSHAD ENERGY LIMITED****HALF YEARLY ACCOUNTS****CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)  
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

NOTE	Half year ended		Quarter ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
<b>-----RUPEES-----</b>				
SALES	115,167,550	117,798,254	59,937,392	54,463,325
COST OF GENERATION	(107,232,134)	(126,022,056)	(54,250,812)	(62,670,774)
GROSS PROFIT / (LOSS)	7,935,416	(8,223,802)	5,686,580	(8,207,449)
ADMINISTRATIVE EXPENSES	(2,508,562)	(1,166,026)	(1,524,219)	(518,290)
OTHER EXPENSES	(274,641)	-	(211,539)	-
FINANCE COST	(43,214)	(5,062)	(40,755)	(3,484)
PROFIT / (LOSS) BEFORE TAXATION	5,108,999	(9,394,890)	3,910,067	(8,729,223)
TAXATION	-	-	-	-
PROFIT / (LOSS) AFTER TAXATION	5,108,999	(9,394,890)	3,910,067	(8,729,223)
EARNING / (LOSS) PER SHARE - BASIC AND DILUTED (RUPEES)	0.64	(1.17)	0.49	(1.09)

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****HALF YEARLY ACCOUNTS****CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)  
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	Half year ended		Quarter ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
-----RUPEES-----				
PROFIT / (LOSS) AFTER TAXATION	5,108,999	(9,394,890)	3,910,067	(8,729,223)
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>5,108,999</u>	<u>(9,394,890)</u>	<u>3,910,067</u>	<u>(8,729,223)</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 2016**

	<b>Half year ended</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>RUPEES</b>	<b>RUPEES</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash generated from / (utilized in) operations</b>		
Profit / (loss) before taxation	5,108,999	(9,394,890)
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	3,194,444	2,509,640
Provision for staff retirement gratuity	309,292	237,917
Finance cost	43,214	5,062
	<u>8,655,949</u>	<u>(6,642,271)</u>
<b>Working capital changes</b>		
<b>Decrease / (increase) in current assets</b>		
Stores, spare parts and loose tools	2,410,543	4,976,567
Stock of oil and lubricants	(15,971,891)	14,232,678
Trade debts	(8,082,050)	(15,472,215)
Loans and advances	526,150	(2,885,036)
Other receivables	(2,950,950)	285,124
Prepayments	(202,248)	(202,524)
	<u>(24,270,446)</u>	<u>934,594</u>
Increase in trade and other payables	14,719,856	10,877,241
	<u>(9,550,590)</u>	<u>11,811,835</u>
<b>Cash (utilized in) / generated from operations</b>	<u>(894,641)</u>	<u>5,169,564</u>
Finance cost paid	(43,214)	(5,062)
Income tax paid	(62,695)	(9,098)
<b>Net cash (utilized in) / generated from operating activities</b>	<u>(1,000,550)</u>	<u>5,155,404</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure on property, plant and equipment	-	(4,578,352)
<b>Net cash used in investing activities</b>	-	(4,578,352)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings - net	-	(1,810)
<b>Net cash used in financing activities</b>	-	(1,810)
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(1,000,550)</u>	<u>575,242</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	1,883,507	1,190,955
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>882,957</u>	<u>1,766,197</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 2016**

SHARE CAPITAL	CAPITAL RESERVE Share premium	RESERVES				TOTAL	TOTAL EQUITY
		General reserve	REVENUE RESERVES		Sub total		
			Accumulated loss				
-----RUPEES-----							
80,000,000	80,000,000	14,408,600	(84,715,935)	(70,307,335)	9,692,665	89,692,665	
-	-	-	361,718	361,718	361,718	361,718	
-	-	-	(9,394,890)	(9,394,890)	(9,394,890)	(9,394,890)	
-	-	-	-	-	-	-	
-	-	-	(9,394,890)	(9,394,890)	(9,394,890)	(9,394,890)	
80,000,000	80,000,000	14,408,600	(93,749,107)	(79,340,507)	659,493	80,659,493	
-	-	-	361,717	361,717	361,717	361,717	
-	-	-	20,699,438	20,699,438	20,699,438	20,699,438	
-	-	-	-	-	-	-	
-	-	-	20,699,438	20,699,438	20,699,438	20,699,438	
80,000,000	80,000,000	14,408,600	(72,687,952)	(58,279,352)	21,720,648	101,720,648	
-	-	-	500,154	500,154	500,154	500,154	
-	-	-	5,108,999	5,108,999	5,108,999	5,108,999	
-	-	-	-	-	-	-	
-	-	-	5,108,999	5,108,999	5,108,999	5,108,999	
80,000,000	80,000,000	14,408,600	(67,078,799)	(52,670,199)	27,329,801	107,329,801	

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 2016**

**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 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 except for the change in accounting estimate given below:

**2.1 Change in accounting estimate**

Uptil 30 June 2016, the plant and machinery of the Company was being depreciated by using unit of production method subject to minimum of Rupees 3 million to cover obsolescence. Due to amendment in IAS 16 'Property, Plant and Equipment', the unit of production method is not considered an appropriate method for charging depreciation. Therefore, the Company has changed its accounting estimate regarding charging depreciation on plant and machinery from unit of production method to reducing balance method at the rate of 5 percent per annum. This change in accounting estimate has been accounted for prospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Had there been no change in this accounting estimate, the figures recognized in this condensed interim financial information would have been different as follows:

**RUPEES**

Property, plant and equipment would have been lower by	1,166,503
Trade and other payables (workers' profit participation fund payable) would have been lower by	58,325
Profit after taxation would have been lower by	1,108,178
Earnings per share would have been lower by	0.14

**2.2 BASIS OF PREPARATION**

**2.2.1 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 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 shall prevail. This condensed interim financial information should be read in conjunction with the preceding audited annual published financial statements of the Company for the year ended 30 June 2016.

**2.2.2 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.

In addition to the accounting convention of realizable / settlement values of assets and liabilities, this condensed interim financial information has also been prepared under the historical cost convention except for certain operating fixed assets which are carried at revalued amounts.

**2.2.3 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****a) Contingencies**

There was no contingent liability as at 31 December 2016 (30 June 2016: Rupees Nil).

**a) Commitments**

i) Letters of credit for capital expenditure as at 31 December 2016 are of Rupees 11.150 million (30 June 2016: Rupees Nil).

ii) There was no letter of credit for other than capital expenditure as at 31 December 2016 (30 June 2016: Rupees Nil).

**4. PROPERTY, PLANT AND EQUIPMENT**

	Un-audited 31 December 2016 RUPEES	Audited 30 June 2016 RUPEES
Opening book value	152,013,128	139,865,841
<b>Add:</b>		
Cost of additions during the period / year (Note 4.1)	-	4,578,352
Effect of surplus on revaluation	-	11,342,109
Reversal of impairment loss	-	5,951,186
	152,013,128	161,737,488
Less: Depreciation charged during the period / year	3,194,444	9,724,360
	<b>148,818,684</b>	<b>152,013,128</b>

**4.1 Cost of additions during the period / year**

Plant and machinery	=	4,511,767
Vehicles	-	66,585
	-	<b>4,578,352</b>

## 5. COST OF GENERATION

(Un-audited)				
Half year ended		Quarter ended		
31 December 2016	31 December 2015	31 December 2016	31 December 2015	
-----RUPEES-----				
Oil and lubricants consumed	96,202,187	118,263,568	49,161,606	58,486,492
Salaries, wages and other benefits	3,033,998	2,329,154	1,684,352	1,226,724
Staff retirement benefit	201,040	201,608	92,530	92,800
Stores, spare parts and loose tools consumed	4,608,414	2,726,725	2,226,944	1,431,860
Repair and maintenance	3,170	4,220	970	3,620
Depreciation	3,183,325	2,496,781	1,084,410	1,429,278
	<u>107,232,134</u>	<u>126,022,056</u>	<u>54,250,812</u>	<u>62,670,774</u>

## 6. TAXATION

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

## 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 2016	31 December 2015	31 December 2016	31 December 2015
-----RUPEES-----			

## i) Transactions

## Associated companies / undertakings

Sale of energy	115,167,550	117,798,254	59,937,392	54,463,325
Stores purchased	5,390	5,940	-	-

## Key management personnel

Remuneration paid to Executives	1,890,000	750,000	945,000	375,000
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Un-audited	Audited
31 December 2016	30 June 2016
RUPEES	RUPEES

## ii) Period end balances

Trade and other payables	9,680,166	17,054,256
Borrowings	13,300,000	13,300,000
Trade debts	23,137,652	15,105,602

## 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 February 27, 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 Rupee unless otherwise stated.

  
**MUHAMMAD ARSHAD**  
CHIEF EXECUTIVE OFFICER

  
**SHAHZAD AHMAD SHEIKH**  
DIRECTOR