ARSHAD ENERGY LIMITED

(Formerly Ideal Energy Limited)

ARSHAD GROUP

3RD QUARTERLY ACCOUNTS

MARCH 31, 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 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 HOLDERS

The Directors of your Company feel pleasure in submitting un-audited financial information of your Company for the period ended March 31, 2016.

FINANCIAL RESULTS	3rd Quarter ended	
	July-Mar 16	Jul-Mar 15
	Rupees	Rupees
Sales	181,687,852	51,305,257
Cost of generation	(176,415,271)	(56,788,102)
Gross profit/(loss)	5,272,581	(5,482,845)
Operating and financial expenses	(1,954,013)	(1,641,604)
Net profit/(loss) for the period after taxation	3,318,568	(7,124,449)
Earnings/(loss) per share- basic and diluted (Rupees)	0.41	(0.89)

During the period under review, by the grace of Almighty Allah, the Company have earned net profit after taxation of Rs.3.318 million as compared to loss after taxation of Rs.7.124 million of corresponding period. The Management is doing its level best to maintain the profitability in the period to come.

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

FAISALABAD.
Dated: April 27, 2016

CONDENSED INTERIM BALANCE SHEET AS AT 31 MARCH 2016

	NOTE	Un-audited 31 March 2016		Audited 30 June 2015	
		Estimated settlement value	Book value	Estimated settlement value	Book value
		RUPEES	RUPEES	RUPEES	RUPEES
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		100,000,000	100,000,000	100,000,000	100,000,000
Issued, subscribed and paid up share capital		80,000,000	80,000,000	80,000,000	80,000,000
Reserves		13,553,610	13,553,610	9,692,665	9,692,665
TOTAL EQUITY		93,553,610	93,553,610	89,692,665	89,692,665
Net surplus on estimated realizable / settlement values		31,353,120	-	31,895,697	-
Surplus on revaluation of property, plant and equipment		-	31,353,120	-	31,895,697
Trade and other payables		44,371,250	44,371,250	58,837,867	58,837,867
Borrowings		13,300,000	13,300,000	13,301,810	13,301,810
Staff retirement gratuity		2,948,334	2,948,334	2,413,020	2,413,020
CONTINGENCIES AND COMMITMENTS	3				
TOTAL EQUITY AND LIABILITIES		185,526,513	185,526,513	196,141,059	196,141,059

	NOTE	Un-audited 31 March 2016		Audited 30 June 2015	
		Estimated realizable value	Book value	Estimated realizable value	Book value
		RUPEES	RUPEES	RUPEES	RUPEES
ASSETS					
Cash and bank balances		943,985	943,985	1,190,955	1,190,955
Loans and advances		2,473,687	2,473,687	2,909,769	2,909,769
Other receivables		2,821,986	2,821,986	3,060,196	3,060,196
Prepayments		6,577	6,577	-	-
Trade debts		12,199,911	12,199,911	6,181,392	6,181,392
Stock of oil and lubricants		12,998,956	12,998,956	24,198,301	24,198,301
Stores, spare parts and loose tools		13,591,129	13,591,129	18,724,055	18,724,055
Security deposits		10,550	10,550	10,550	10,550
Property, plant and equipment	4	140,679,733	140,679,733	139,865,841	139,865,841
TOTAL ASSETS		185,526,513	185,526,513	196,141,059	196,141,059

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 3rd QUARTER ENDED 31 MARCH 2016

	NOTE	3rd Quarter ended		Quarter ended	
		31 March 2016	31 March 2015	31 March 2016	31 March 2015
		RUPEES			
SALES		181,687,852	51,305,257	63,889,598	46,984,387
COST OF GENERATION	5	(176,415,271)	(56,788,102)	(50,393,215)	(45,058,833)
GROSS PROFIT/(LOSS)		5,272,581	(5,482,845)	13,496,383	1,925,554
ADMINISTRATIVE EXPENSES		(1,948,771)	(1,637,209)	(1,301,035)	(424,367)
PROFIT/(LOSS) FROM OPERATIONS		3,323,810	(7,120,054)	12,195,348	1,501,187
FINANCE COST		(5,242)	(4,395)	(3,664)	(2,055)
PROFIT/(LOSS) BEFORE TAXATION		3,318,568	(7,124,449)	12,191,684	1,499,132
TAXATION	6	-	-	-	-
PROFIT/(LOSS) AFTER TAXATION		3,318,568	(7,124,449)	12,191,684	1,499,132
EARNINGS/(LOSS) PER SHARE - BASIC AND DILUTED (RUPEES)		0.41	(0.89)	1.52	0.19

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 3rd QUARTER ENDED 31 MARCH 2016

	3rd Quarter ended		Quarter ended	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	RUPEES			
PROFIT/(LOSS) AFTER TAXATION	3,318,568	(7,124,449)	12,191,684	1,499,132
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	3,318,568	(7,124,449)	12,191,684	1,499,132

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 3rd QUARTER ENDED 31 MARCH 2016

	3rd Quater ended	
	31 March 2016	31 March 2015
	RUPEES	RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash utilized in operations		
Profit/(loss) before taxation	3,318,568	(7,124,449)
Adjustments for non-cash charges and other items:		
Depreciation	3,764,460	3,268,047
Provision for staff retirement gratuity	535,314	249,825
Finance cost	5,242	4,395
	7,623,584	(3,602,182)
Working capital changes		
Decrease / (increase) in current assets		
Stores, spare parts and loose tools	5,132,926	963,190
Stock of oil and lubricants	11,199,345	787,635
Trade debts	(6,018,519)	(4,099,170)
Loans and advances	447,588	(436,678)
Other receivables	438,210	(12,151)
Prepayments	(6,577)	-
	11,192,974	(2,797,174)
(Decrease)/increase in trade and other payables	(14,466,617)	13,040,366
	(3,273,643)	10,243,192
Cash generated from operations	4,349,941	6,641,010
Finance cost paid	(5,242)	(4,395)
Income tax paid	(11,506)	(280,166)
Staff retirement gratuity paid	-	(61,200)
Net cash generated from operating activities	4,333,192	6,295,249
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	(4,578,352)	(4,991,007)
Net cash used in investing activities	(4,578,352)	(4,991,007)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings - net	(1,810)	(797,451)
Net cash used in financing activities	(1,810)	(797,451)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(246,970)	506,791
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,190,955	885,475
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	943,985	1,392,266

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 3rd QUARTER ENDED 31 MARCH 2016

	SHARE CAPITAL	RESERVES					TOTAL EQUITY
		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	-	-	-	571,133	571,133	571,133	571,133
Loss for the period ended 31 March 2015	-	-	-	(7,124,449)	(7,124,449)	(7,124,449)	(7,124,449)
Other comprehensive income for the period ended 31 March 2015	-	-	-	-	-	-	-
Total comprehensive loss for the period ended 31 March 2015	-	-	-	(7,124,449)	(7,124,449)	(7,124,449)	(7,124,449)
Balance as at 31 March 2015 - (Un-audited)	80,000,000	80,000,000	14,408,600	(85,167,145)	(70,758,545)	9,241,455	89,241,455
Transfer from surplus on revaluation of operating fixed assets on account of incremental depreciation	-	-	-	190,377	190,377	190,377	190,377
Profit for the period ended 30 June 2015	-	-	-	1,098,940	1,098,940	1,098,940	1,098,940
Other comprehensive loss for the period ended 30 June 2015	-	-	-	(838,107)	(838,107)	(838,107)	(838,107)
Total comprehensive income for the period ended 30 June 2015	-	-	-	260,833	260,833	260,833	260,833
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	-	-	-	542,577	542,577	542,577	542,577
Profit for the period ended 31 March 2016	-	-	-	3,318,568	3,318,568	3,318,568	3,318,568
Other comprehensive income for the period ended 31 March 2016	-	-	-	-	-	-	-
Total comprehensive income for the period ended 31 March 2016	-	-	-	3,318,568	3,318,568	3,318,568	3,318,568
Balance as at 31 March 2016 - (Un-audited)	80,000,000	80,000,000	14,408,600	(80,854,790)	(66,446,190)	13,553,810	93,553,810

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 3rd QUARTER ENDED 31 MARCH 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. The Company has changed its name from Ideal Energy Limited to Arshad Energy Limited on 04 January 2016.

1.1 Going concern assumption

During the period ended 31 March 2016, the Company has earned profit after taxation of Rupees 3.318 million. The Company has suffered accumulated losses of Rupees 80.855 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. Inspite of this fact, the Company has earned a marginal gross profit of Rupees 5.272 million during the period ended 31 March 2016.

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 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 3rd quarter ended 31 March 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 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 March 2016 (30 June 2015: Rupees Nil).

	Un-audited 31 March 2016	Audited 30 June 2015
	RUPEES	RUPEES
4. PROPERTY, PLANT AND EQUIPMENT		
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	(3,764,460)	(5,557,656)
	140,679,733	139,865,841
4.1 Cost of additions during the period / year		
Plant and machinery	4,511,767	15,860,379
Vehicles	66,585	-
	4,578,352	15,860,379

5. COST OF GENERATION

	(Un-audited)			
	3rd Quarter ended		Quarter ended	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	RUPEES			
Oil and lubricants consumed	164,766,277	50,197,720	46,502,709	42,074,108
Salaries, wages and other benefits	4,017,476	2,252,802	1,486,714	871,522
Stores, spare parts and loose tools consumed	3,862,193	1,059,256	1,135,468	1,010,095
Repair and maintenance	16,660	21,425	12,440	17,475
Insurance	7,494	-	7,494	-
Depreciation	3,745,171	3,256,899	1,248,390	1,085,633
	176,415,271	56,788,102	50,393,215	45,058,833

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)			
	3rd Quarter ended		Quarter ended	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	RUPEES			
I) Transactions				
Associated companies / undertakings				
Sale of energy	181,687,852	51,305,257	63,889,598	46,984,387
Stores purchased	5,940	-	-	-
Other charges paid	-	50,460	-	19,750

	(Un-Audited)			
	3rd Quarter ended		Quarter ended	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	RUPEES			
Directors				
Remuneration paid to Executive	1,125,000	1,158,750	375,000	346,250

	Un-audited	Audited
	31 March 2016	30 June 2015
	RUPEES	RUPEES
ii) Period end balances		
Trade and other payables	7,159,877	27,189,164
Borrowings	13,300,000	13,300,000
Trade debts	10,314,859	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 27 April 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