

ARSHAD ENERGY LIMITED



ARSHAD GROUP

**3rd QUARTERLY
ACCOUNTS**

**MARCH 31, 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
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 th Floor, Business Centre, Mumtaz Hassan Road, Karachi. Tel. 021-32412814 Web: www.arshadenergy.com
SHARES REGISTRAR	F.D.Registrar Services (SMC-Pvt.) Limited 17 th 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 3rd quarter ended March 31, 2017.

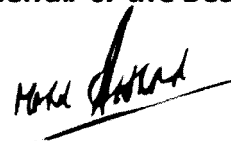
FINANCIAL RESULTS**3rd Quarter ended**

	July-Mar 17	Jul-Mar 16
	Rupees	Rupees
Sales	175,919,557	181,687,852
Cost of generation	<u>(167,150,899)</u>	<u>(176,415,271)</u>
Gross profit	8,768,658	5,272,581
Operating and financial expenses	(3,996,885)	(1,954,013)
Net profit for the period after taxation	4,771,773	3,318,568
Earnings per share-basic and diluted (Rupees)	0.60	0.41

During the period under review, by the grace of Almighty Allah, the Company have earned net profit after taxation of Rs.4.772 million as compared to net profit after taxation of Rs.3.318 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 26, 2017

CONDENSED INTERIM BALANCE SHEET AS AT 31 MARCH 2017

	Un-audited 31 March 2017		Audited 30 June 2016		NOTE
	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 2016: 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	27,242,652	27,242,652	21,720,648	21,720,648	
Total equity	107,242,652	107,242,652	101,720,648	101,720,648	
ASSETS					
Cash and bank balances					
Loans and advances					
Other receivables					
Trade debts					
Stock of oil and lubricants					
Stores, spare parts and loose tools					
Security deposits					
Property, plant and equipment					
TOTAL ASSETS	205,220,881	205,220,881	199,775,204	199,775,204	
LIABILITIES					
Trade and other payables					
Borrowings					
Staff retirement gratuity					
CONTINGENCIES AND COMMITMENTS					
TOTAL EQUITY AND LIABILITIES	205,220,881	205,220,881	199,775,204	199,775,204	

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

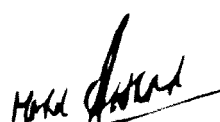

MUHAMMAD ARSHAD
 CHIEF EXECUTIVE OFFICER


SHERRY ARSHAD
 DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)
FOR THE 3rd QUARTER ENDED 31 MARCH 2017

	NOTE	3rd Quarter ended		Quarter ended	
		31 March 2017	31 March 2016	31 March 2017	31 March 2016
<hr style="border-top: 1px dashed black;"/> -----RUPEES----- <hr style="border-top: 1px dashed black;"/>					
SALES		175,919,557	181,687,852	60,752,007	63,889,598
COST OF GENERATION	5	(167,150,899)	(176,415,271)	(59,918,765)	(50,393,215)
GROSS PROFIT		<u>8,768,658</u>	<u>5,272,581</u>	<u>833,242</u>	<u>13,496,383</u>
ADMINISTRATIVE EXPENSES		(3,694,418)	(1,948,771)	(1,185,856)	(1,301,035)
OTHER EXPENSES		(256,348)	-	18,293	-
FINANCE COST		(46,119)	(5,242)	(2,905)	(3,664)
PROFIT / (LOSS) BEFORE TAXATION		<u>4,771,773</u>	<u>3,318,568</u>	<u>(337,226)</u>	<u>12,191,684</u>
TAXATION	6	-	-	-	-
PROFIT / (LOSS) AFTER TAXATION		<u>4,771,773</u>	<u>3,318,568</u>	<u>(337,226)</u>	<u>12,191,684</u>
EARNING / (LOSS) PER SHARE - BASIC AND DILUTED (RUPEES)		<u>0.60</u>	<u>0.41</u>	<u>(0.04)</u>	<u>1.52</u>

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



MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER


SHERRYAR ARSHAD
DIRECTOR

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)
FOR THE 3rd QUARTER ENDED 31 MARCH 2017

	3rd Quarter ended		Quarter ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	-----RUPEES-----			
PROFIT / (LOSS) AFTER TAXATION	4,771,773	3,318,568	(337,226)	12,191,684
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>4,771,773</u>	<u>3,318,568</u>	<u>(337,226)</u>	<u>12,191,684</u>

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



MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER


SHEHRYAR ARSHAD
DIRECTOR

CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited)
FOR THE 3RD QUARTER ENDED 31 MARCH 2017

	3rd Quarter ended	
	31 MARCH 2017	31 MARCH 2016
	RUPEES	RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations		
Profit before taxation	4,771,773	3,318,568
Adjustments for non-cash charges and other items:		
Depreciation	4,853,734	3,764,460
Provision for staff retirement gratuity	463,938	535,314
Finance cost	46,119	5,242
	<u>10,135,564</u>	<u>7,623,584</u>
Working capital changes		
(increase) / Decrease in current assets		
Stores, spare parts and loose tools	(4,567,863)	5,132,926
Stock of oil and lubricants	6,023,263	11,199,345
Trade debts	(8,752,489)	(6,018,519)
Loans and advances	1,526,770	447,588
Other receivables	680,794	438,210
Prepayments	-	(6,577)
	<u>(5,089,525)</u>	<u>11,192,973</u>
Increase / (decrease) in trade and other payables	<u>209,966</u>	<u>(14,466,617)</u>
	<u>(4,879,559)</u>	<u>(3,273,644)</u>
Cash generated from operations	<u>5,256,005</u>	<u>4,349,940</u>
Finance cost paid	(46,119)	(5,242)
Income tax paid	(734,728)	(11,506)
Net cash generated from operating activities	<u>4,475,158</u>	<u>4,333,192</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	<u>(4,965,489)</u>	<u>(4,578,352)</u>
Net cash used in investing activities	<u>(4,965,489)</u>	<u>(4,578,352)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings - net	<u>-</u>	<u>(1,810)</u>
Net cash used in financing activities	<u>-</u>	<u>(1,810)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(490,331)</u>	<u>(246,970)</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><u>1,393,176</u></u>	<u><u>943,985</u></u>

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


MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER


SHEHRYAR ARSHAD
DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)
FOR THE 3RD QUARTER ENDED 31 MARCH 2017

	SHARE CAPITAL	RESERVES					TOTAL	TOTAL EQUITY
		CAPITAL RESERVE Share premium	REVENUE RESERVES		Sub total			
			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 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 loss 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	
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation	-	-	-	180,858	180,858	180,858	180,858	
Profit for the period ended 30 June 2016	-	-	-	7,985,980	7,985,980	7,985,980	7,985,980	
Other comprehensive income for the period ended 30 June 2016	-	-	-	-	-	-	-	
Total comprehensive income for the period ended 30 June 2016	-	-	-	7,985,980	7,985,980	7,985,980	7,985,980	
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	-	-	-	750,231	750,231	750,231	750,231	
Profit for the period ended 31 March 2017	-	-	-	4,771,773	4,771,773	4,771,773	4,771,773	
Other comprehensive income for the period ended 31 March 2017	-	-	-	-	-	-	-	
Total comprehensive income for the period ended 31 March 2017	-	-	-	4,771,773	4,771,773	4,771,773	4,771,773	
Balance as at 31 March 2017 - (Un-audited)	80,000,000	80,000,000	14,408,600	(67,165,948)	(52,757,348)	27,242,652	107,242,652	

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


MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER


SHEHRYAR ARSHAD
DIRECTOR

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE 3RD QUARTER ENDED 31 MARCH 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 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	1,749,755
Trade and other payables (workers' profit participation fund payable) would have been lower by	87,487
Profit after taxation would have been lower by	1,662,268
Earnings per share would have been lower by	0.21

2.2 BASIS OF PREPARATION**2.2.1 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 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 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

There was no contingent liability and commitment as at 31 March 2017 (30 June 2016: Rupees Nil).

4. PROPERTY, PLANT AND EQUIPMENT

	152,013,128	139,865,841
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Add:

Cost of additions during the period / year (Note 4.1)	4,965,489	4,578,352
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Effect of surplus on revaluation	-	11,342,109
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Reversal of impairment loss	-	5,951,186
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156,978,617	161,737,488
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Less; Depreciation charged during the period / year	4,853,734	9,724,360
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152,124,883	152,013,128
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4.1 Cost of additions during the period / year

Plant and machinery	4,965,489	4,511,767
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Vehicles	-	66,585
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4,965,489	4,578,352
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5. COST OF GENERATION

	(Un-audited)			
	3rd Quarter ended		Quarter ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
-----RUPEES-----				
Oil and lubricants consumed	151,545,336	164,766,277	55,343,149	46,502,709
Salaries, wages and other benefits	4,036,414	3,482,162	1,002,416	1,153,008
Staff retirement benefit	301,560	535,314	100,520	333,706
Stores, spare parts and loose tools consumed	6,425,959	3,862,193	1,817,545	1,135,468
Repair and maintenance	4,575	16,660	1,405	12,440
Insurance	-	7,494	-	7,494
Depreciation	4,837,055	3,745,171	1,653,730	1,248,390
	<u>167,150,899</u>	<u>176,415,271</u>	<u>59,918,765</u>	<u>50,393,215</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)			
	3rd Quarter ended		Quarter ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
-----RUPEES-----				
i) Transactions				
Associated companies / undertakings				
Sale of energy	175,919,557	181,687,852	120,689,399	63,889,598
Stores purchased	9,790	5,940	4,400	-
Key management personnel				
Remuneration paid to Executives	2,835,000	1,125,000	945,000	375,000
			Un-audited	Audited
			31 March	30 June
			2017	2016
			RUPEES	RUPEES

ii) Period end balances

Trade and other payables	18,078,330	17,054,256
Borrowings	13,300,000	13,300,000
Trade debts	24,723,319	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 April 26, 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.

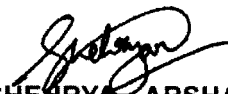
Corresponding figures have been rearranged, wherever necessary, for the purpose of comparison. However, no significant rearrangements have been made.

11. GENERAL

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



MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER



SHERYAR ARSHAD
DIRECTOR