

ARSHAD ENERGY LIMITED



ARSHAD GROUP

**HALF YEARLY ACCOUNTS
DECEMBER 31, 2019
UNAUDITED**

Contents

Company Information	1
Directors Review	3
Independent Auditors Review Report	5
Condensed Interim Statement of Financial Position	7
Condensed Interim Statement of Profit or Loss (Unaudited)	8
Condensed Interim Statement of Comprehensive Income (Unaudited)	9
Condensed Interim Statement of Changes in Equity (Unaudited)	10
Condensed Interim Statement of Cash Flows (Unaudited)	11
Notes to the Condensed Interim Financial Statements (Unaudited)	12

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	Shafqat Baig
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, 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.

Vision statement:

To become the most cost effective power generation company, committed to empowering Pakistan growth by not only maximizing energy outputs from the existing plant through sustained excellence in performance and innovation.

Mission statement:

Support the power purchaser to cope with the energy shortfalls in the country. Become the most efficient and economical plant while protecting commercial interests of the stakeholders. Create a work environment for employees that meets international standards of environment, health and safety.

DIRECTOR'S REVIEW TO THE SHARE HOLDERS

The Board of Directors is presenting the financial results of the Company, duly reviewed by the auditors, for the half year ended December 31, 2019.

FINANCIAL RESULTS

	Half year ended				
	31 December	31 December			
	2019	2018			
	-----RUPEES-----				
SALES	-	-			
COST OF GENERATION	(5,472,771)	(5,828,088)			
GROSS LOSS	(5,472,771)	(5,828,088)			
ADMINISTRATIVE EXPENS	(2,595,351)	(2,887,554)			
OTHER EXPENSES	(25,956)	-			
FINANCE COST	(1,697)	(2,427)			
LOSS BEFORE TAXATION	(8,095,775)	(8,718,069)			
TAXATION	-	-			
LOSS AFTER TAXATION	(8,095,775)	(8,718,069)			
LOSS PER SHARE - BASIC AND DILUTED - RUPEES	(1.01)	(1.09)			

PERFORMANCE REVIEW:

Net sales for the period also remain Nil and net loss is Rs.8.095 million as compared to net loss Rs.8.718 million of corresponding period. The Operations of the Company remain closed during the quarter due to non-viability of sale prices in contrast with cost of operating.

FUTURE PROSPECTS:

The management is continuously monitoring the fuel price and sales rates to restart Operations.

ACKNOWLEDGEMENT:

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

A handwritten signature in black ink, appearing to read 'Muhammad Arshad', written over a horizontal line.

(Muhammad Arshad)

Chief Executive Officer

LAHORE

DATED: February 24, 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Arshad Energy Limited

Report on review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of ARSHAD ENERGY LIMITED as at 31 December 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to condensed interim financial statements for the half year then ended (here-in-after referred to as "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended 31 December 2019 and 31 December 2018 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 2019.

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 statements 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 statements are not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter Paragraph

We draw attention to Note 1.1 to the condensed interim financial statements, which states that the Company is no longer a going concern, therefore, these condensed interim financial statements have been prepared on the basis of estimated realizable / settlement values of assets and liabilities respectively. Our report is not qualified in respect of this matter.

The engagement partner on the review resulting in this independent auditor's review report is Mubashar Mehmood.

RIAZ AHMAD & COMPANY
Chartered Accountants

Riaz Ahmad & Co.

Faisalabad

Date: 24-02-2020

ARSHAD ENERGY LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

NOTE	Un-audited	Audited	NOTE	Un-audited	Audited
	31 December 2019	30 June 2019		31 December 2019	30 June 2019
	RUPEES	RUPEES		RUPEES	RUPEES
EQUITY AND LIABILITIES			ASSETS		
SHARE CAPITAL AND RESERVES			NON-CURRENT ASSETS		
Authorized share capital			Property, plant and equipment		
10 000 000 (30 June 2019: 10 000 000) ordinary shares of Rupees 10 each	100,000,000	100,000,000	4	151,462,293	154,532,416
Issued, subscribed and paid up share capital			Security deposits		
8 000 000 (30 June 2019: 8 000 000) ordinary shares of Rupees 10 each	80,000,000	80,000,000		10,550	10,550
Capital reserves				151,472,843	154,542,966
Premium on issue of right shares	80,000,000	80,000,000			
Surplus on revaluation of property, plant and equipment	45,308,280	45,710,492			
Revenue reserve					
General reserve	14,408,600	14,408,600			
Accumulated loss					
	(103,556,091)	(95,862,528)			
TOTAL EQUITY	116,160,789	124,256,564			
LIABILITIES			CURRENT ASSETS		
NON-CURRENT LIABILITIES			Stores, spare parts and loose tools		
Staff retirement gratuity	5,916,616	5,440,765		13,150,000	13,150,000
CURRENT LIABILITIES			Stock of oil and lubricants		
Trade and other payables	14,221,687	14,136,405		11,203,567	11,203,567
Unclaimed dividend	31,348	31,348		1,455,908	1,455,908
Short term borrowings	50,670,000	46,450,000		2,415,323	2,424,135
	64,923,035	60,617,753		7,211,886	7,210,595
TOTAL LIABILITIES	70,839,651	66,058,518		90,913	327,911
CONTINGENCIES AND COMMITMENTS				35,527,597	35,772,116
3				187,000,440	190,315,082
TOTAL EQUITY AND LIABILITIES	187,000,440	190,315,082	TOTAL ASSETS	187,000,440	190,315,082

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


 CHIEF EXECUTIVE OFFICER


 DIRECTOR


 CHIEF FINANCIAL OFFICER

ARSHAD ENERGY LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	NOTE	Half year ended		Quarter ended	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
-----RUPEES-----					
SALES		-	-	-	-
COST OF GENERATION	6	(5,472,771)	(5,828,088)	(2,822,738)	(2,798,547)
GROSS LOSS		<u>(5,472,771)</u>	<u>(5,828,088)</u>	<u>(2,822,738)</u>	<u>(2,798,547)</u>
ADMINISTRATIVE EXPENSES		(2,595,351)	(2,887,554)	(1,095,423)	(864,138)
OTHER EXPENSES		(25,956)	-	(25,956)	-
FINANCE COST		(1,697)	(2,427)	(1,656)	(1,670)
LOSS BEFORE TAXATION		<u>(8,095,775)</u>	<u>(8,718,069)</u>	<u>(3,945,773)</u>	<u>(3,664,355)</u>
TAXATION	7	-	-	-	-
LOSS AFTER TAXATION		<u><u>(8,095,775)</u></u>	<u><u>(8,718,069)</u></u>	<u><u>(3,945,773)</u></u>	<u><u>(3,664,355)</u></u>
LOSS PER SHARE - BASIC AND DILUTED - RUPEES		<u>(1.01)</u>	<u>(1.09)</u>	<u>(0.49)</u>	<u>(0.46)</u>

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


 CHIEF EXECUTIVE OFFICER


 DIRECTOR


 CHIEF FINANCIAL OFFICER

ARSHAD ENERGY LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Half year ended		Quarter ended	
31 December 2019	31 December 2018	31 December 2019	31 December 2018

-----RUPEES-----

LOSS AFTER TAXATION (8,095,775) (8,718,069) (3,945,773) (3,664,355)

OTHER COMPREHENSIVE INCOME

Items that will not be reclassified subsequently to profit or loss

-	-	-	-
-	-	-	-

Items that may be reclassified subsequently to profit or loss

Other comprehensive income for the period

TOTAL COMPREHENSIVE LOSS FOR THE PERIOD (8,095,775) (8,718,069) (3,945,773) (3,664,355)

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


 CHIEF EXECUTIVE OFFICER


 DIRECTOR


 CHIEF FINANCIAL OFFICER

ARSHAD ENERGY LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

SHARE CAPITAL	RESERVES				TOTAL	ACCUMULATED LOSS	TOTAL EQUITY
	CAPITAL RESERVES			REVENUE RESERVE			
	Premium on issue of right shares	Surplus on revaluation of property, plant and equipment	Sub total	General			
RUPEES							
80,000,000	80,000,000	43,215,514	123,215,514	14,408,600	137,624,114	(78,311,645)	139,312,469
-	-	-	-	-	-	(865,228)	(865,228)
80,000,000	80,000,000	43,215,514	123,215,514	14,408,600	137,624,114	(79,176,873)	138,447,241
-	-	(254,776)	(254,776)	-	(254,776)	254,776	-
-	-	-	-	-	-	(8,718,069)	(8,718,069)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(8,718,069)	(8,718,069)
80,000,000	80,000,000	42,960,738	122,960,738	14,408,600	137,369,338	(87,640,166)	129,729,172
-	-	(254,776)	(254,776)	-	(254,776)	254,776	-
-	-	-	-	-	-	(6,965,460)	(6,965,460)
-	-	3,004,530	3,004,530	-	3,004,530	(1,511,678)	1,492,852
-	-	3,004,530	3,004,530	-	3,004,530	(8,477,138)	(5,472,608)
80,000,000	80,000,000	45,710,492	125,710,492	14,408,600	140,119,092	(95,862,528)	124,256,564
-	-	(402,212)	(402,212)	-	(402,212)	402,212	-
-	-	-	-	-	-	(8,095,775)	(8,095,775)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(8,095,775)	(8,095,775)
80,000,000	80,000,000	45,308,280	125,308,280	14,408,600	139,716,880	(103,556,091)	116,160,789

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


 CHIEF EXECUTIVE OFFICER


 DIRECTOR


 CHIEF FINANCIAL OFFICER

ARSHAD ENERGY LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Half year ended	
	31 December 2019	31 December 2018
	RUPEES	RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations		
Loss before taxation	(8,095,775)	(8,718,069)
Adjustments for non-cash charges and other items:		
Depreciation	3,070,123	3,173,336
Loans and advances written off	25,956	-
Provision for staff retirement gratuity	475,851	414,351
	<u>(4,523,845)</u>	<u>(5,127,955)</u>
Working capital changes		
Decrease / (increase) in current assets		
Stores, spare parts and loose tools	-	45,333
Stock of oil and lubricants	-	(8,401)
Trade debts	-	53,971
Loans and advances	(17,144)	106,368
Prepayments and other receivables	(1,291)	(251,810)
	<u>(18,435)</u>	<u>(54,539)</u>
Decrease / (increase) in trade and other payables	85,282	(11,555,477)
	<u>66,847</u>	<u>(11,610,016)</u>
Cash used in operations	<u>(4,456,998)</u>	<u>(16,737,971)</u>
Income tax paid	-	(16,950)
Staff retirement gratuity paid	-	(608,500)
Net cash used in operating activities	<u>(4,456,998)</u>	<u>(17,365,848)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings - net	4,220,000	17,400,057
Net cash from financing activities	<u>4,220,000</u>	<u>17,400,057</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	<u>(236,998)</u>	<u>34,209</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	327,911	1,181,259
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>90,913</u></u>	<u><u>1,215,468</u></u>

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


 CHIEF EXECUTIVE OFFICER


 DIRECTOR


 CHIEF FINANCIAL OFFICER

ARSHAD ENERGY LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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 (Now Companies Act, 2017) 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, Sindh. The Company is engaged in the business of generation and distribution of electricity. The project is located at 35 - Kilometers, Sheikhpura Road, Tehsil Jaranwala, District Faisalabad, Punjab.

1.1 Non-going concern basis of accounting

Previously the Company was in operations due to decrease in the furnace oil prices in the world market as the cost of generation of electricity by the Company was decreased. However, in current period the price of furnace oil has increased which ultimately resulted in suspension of Company's operations. During the half year ended 31 December 2019, the Company has loss after taxation of Rupees 8.096 million. Moreover the Company has suffered accumulated loss of Rupees 103.556 million as at 31 December 2019.

In view of the aforesaid reasons, the Company is not considered a going concern. These condensed interim 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 computation adopted in the preparation of these condensed interim financial statements are the same as applied in the preparation of the audited annual financial statements of the Company for the year ended 30 June 2019.

2.1 Basis of preparation

2.1.1 Statement of compliance

- a) These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34 'Interim Financial Reporting', issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

- b) These condensed interim financial statements do not include all the information required for full audited financial statements and should be read in conjunction with the Company's annual audited financial statements for the year ended 30 June 2019. These condensed interim financial statements are un-audited, however, have been subjected to limited scope review by the auditors and are being submitted to the shareholders as required by the Listed Companies (Code of Corporate Governance) Regulations, 2019 and section 237 of the Companies Act, 2017.

2.1.2 Accounting convention

These condensed interim 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 All the figures have been rounded off to the nearest Rupee.

2.1.3 Critical accounting estimates, judgments and financial risk management

The preparation of these condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates.

During the preparation of these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty along with the financial risk management policies were the same as those that applied in the audited annual financial statements of the Company for the year ended 30 June 2019.

Analysis of upside not recognized in the profit or loss on assets during the period:

Expected profit on disposal of items of property, plant and equipment of the Company, which are not revalued shall be Rupees 0.211 million. Hence, there is an upside of Rupees 0.211 million not recognized in the condensed interim statement of profit or loss on property, plant and equipment.

The Company have no items that it plans to sell that the Company have not previously recognized in these condensed interim financial statements.

3. CONTINGENCIES AND COMMITMENTS

There was no contingent liability and commitment as at the reporting date (30 June 2019: Rupees Nil).

4. PROPERTY, PLANT AND EQUIPMENT

	Un-audited 31 December 2019 RUPEES	Audited 30 June 2019 RUPEES
Opening book value	154,532,416	156,517,826
Add:		
Effect of surplus on revaluation	-	3,004,530
Reversal of Impairment loss	-	1,356,720
	154,532,416	160,879,076
Less: Depreciation charged during the period / year	(3,070,123)	(6,346,660)
Closing book value	151,462,293	154,532,416

5. COST OF GENERATION

	(Un-audited)			
	Half year ended		Quarter ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	-----RUPEES-----			
Oil and lubricants consumed	-	3,950	-	3,950
Salaries, wages and other benefits	2,098,458	2,182,052	1,128,956	867,887
Staff retirement gratuity	309,303	260,029	159,577	130,014
Stores, spare parts and loose tools consumed	-	206,079	-	203,039
Repair and maintenance	3,400	12,776	3,400	12,056
Depreciation	3,061,610	3,163,202	1,530,805	1,581,601
	5,472,771	5,828,088	2,822,738	2,798,547

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 and directors. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions and balances with related parties is as follows:

	(Un-audited)			
	Half year ended		Quarter ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	-----RUPEES-----			

i) Transactions

Other related parties

Borrowings received	4,220,000	21,250,000	4,220,000	21,250,000
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Un-audited 31 December	Audited 30 June
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	2019	2019
	RUPEES	RUPEES
ii) Period end balances		
Trade and other payables	11,852,563	11,852,563
Short term borrowings	50,670,000	46,450,000
Trade debts	1,455,908	1,455,908

8. DATE OF AUTHORIZATION

These condensed interim financial statements were approved by the Board of Directors of the Company and authorized for issuance on _24-02-2020_.

9. CORRESPONDING FIGURES

In order to comply with the requirements of IAS 34, the condensed interim statement of financial position 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 statement of profit or loss, condensed interim statement of comprehensive income and condensed interim statement of cash flows 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.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

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