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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	Mr.Muhammad Saqib
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, 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.

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.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 23rd Annual General Meeting of **Arshad Energy Limited** will be held at 404-405, 4th Floor, Business Centre, Mumtaz Hassan Road, Karachi on Thesday October 31, 2017 at 03:00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the Extra Ordinary General Meeting held on February 25, 2017.
2. To receive consider and adopt the Audited Financial Statements of the company for the year ended June 30, 2017 together with Auditors' and Directors' reports thereon.
3. To appoint Auditors for the year 2017-2018 and to fix their remuneration. The present Auditor M/S Riaz Ahmad & Co. chartered Accountants, being eligible have offered themselves for reappointment.

SPECIAL BUSINESS:

4. To consider and approve the transactions of special and normal trade with associated undertakings for the year ended June 30, 2017.

OTHER BUSINESS:

5. To transact any other business with the permission of the chair.

By order of the Board

(JAVED ABBAS NAQVI)
Company Secretary

Karachi
Dated: October 09, 2017

NOTES:

1. The Share transfer books of the company will remain closed from October 24, 2017 to October 31, 2017 (both days inclusive). Transfers received at Shares Registrar M/s F.D.Registrar Services (SMC-Pvt) Ltd., 1705, 17th Floor, Saima Trade Tower-A, I.I.Chundrigar Road, Karachi-74000 at the close of business hours on 23rd October 2017 will be treated in time.
2. A member entitled to attend and vote at this General Meeting is entitled to appoint another member as proxy. Proxies must be received in order to be effective at the Registered Office of the Company not less than 48 hours before the time for the meeting.
3. Any Individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC or Passport to prove his/her identity and in case of Proxy must enclose an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.
4. **Submission of copy of CNIC (Mandatory)**

   The Securities and Exchange Commission of Pakistan (SECP) vide their SRO 779(i) 2011 dated August 18, 2011 has directed the Company to print your CNIC number on your dividend warrants and if your CNIC number is not available in our records, your dividend warrant will not be issued/dispatched to you. In order to comply with the regulatory requirement, you are requested to kindly send photocopy of your CNIC to your Participant/Investor account Services or to us (in case of physical shareholding) immediately to Company's shares registrar F. D. Registrar Services (SMC-Pvt.) Ltd., 17th Floor, Saima Trade Tower-A, I.I.Chundrigar Road, Karachi-74000.

5. **Dividend Mandate**

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan (SECP) vide Circular No. 18 of 2012 dated June 05, 2012, a shareholder may, if so desire, direct the Company to pay dividend through his/her/its bank account under Section 242 of the Companies Act, 2017.

Further, transferee of shares may exercise option for dividend mandate by using the revised "Form of Transfer Deed" available on Company's website. The revised form of transfer deed will enable the transferees to receive cash dividend directly in their bank accounts, if such transferee provides particulars of its bank account which he/she/it desires to be used for credit of cash dividend.

If they so desires the shareholders have the option to seek the dividend mandate by using the standardized "Dividend Mandate Form" available on Company's website http://www.arshadenergy.com/.

6. **Payment of Cash Dividend Electronically**

In accordance with Section 242 of the Companies Act, 2017, listed companies are required to pay cash dividend directly into the bank accounts of their shareholders electronically. Therefore, it has become mandatory for all of our valued customers to provide the International Bank Account Numbers (IBANs) of Bank Account of the Title Account Holder in CDS.

Requirement relating to IBAN:

In light of the above, Securities Exchange Commission of Pakistan (SECP) has also advised to all listed companies vide their Circular No. 18 of 2017 dated August 01, 2017 to ensure that with effect from November 01, 2017 cash dividends shall only be paid electronically to shareholders. Therefore, you are requested to kindly provide IBAN, Name of Bank, Branch Na me and Branch City of the Title Account Holder of Sub Account to your respective Broker Participant as soon as possible but not later than October 31, 2017.

7. **Consent for Electronic Transmission of Annual Financial Statements & Notices (Optional):**

SECP vide SRO 787(i)/2014 dated September 8, 2014 has provided an option to receive audited financial statements electronically through e-mail. Hence, members who hold shares in physical form and are interested in receiving the annual reports electronically in future are required to submit their e-mail addresses and consent for electronic transmission to the Shares Registrar of the Company, CDC shareholders are requested to submit their e-mail addresses and consent directly to their broker (Participant)/CDC investor Account Services.

8. In compliance with SECP notification No.634(1)/2014 dated July 10, 2014, the audited financial statements and reports of the Company for the year ended June 30, 2017 are being placed on the Company's website: http://www.arshadenergy.com/ for the information and review of shareholders.

9. Shareholders are requested to promptly notify the company of change in their addresses.

STATEMENT OF MATERIAL FACTS CONCERNING SPECIAL BUSINESS PURSUANT TO SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement sets out the material facts concerning the Special Business, given in agenda item No.4 of the Notice that will be considered by the members.

Transactions with Associates

Company is doing transactions with associated companies of normal trade and the directors of the company are also directors in associated companies and therefore are common directors. On this ground they have indirect interest in associated undertakings due to common directorship. All the transactions with associates as disclosed in accounts for the year ended June 30, 2017 of the company seeks approval in Annual General Meeting and hence the notice of facts is given to shareholders.

Transactions with Associated Undertakings	**2017**
Sale of energy	241,919,510
Stores Purchased	9,790

CHAIRMAN'S REVIEW

FOR THE YEAR ENDED JUNE 30, 2017.

On behalf of the Board of Directors I am pleased to share with you performance of the company for the year ended 30June 2017:

The continuous ups and downs in the prices of furnace oil has significantly affected the performance of the company. But the company succeeded in maintaining the profitability and financial results of previous year.

FUTURE PROSPECTS

The Company has spare capacity due to non-availability of customers other than associates. On the other hand, the furnace oil prices are continuously going up that is resulting in increasing the generation cost. It is expected that the fuel prices will go up further in future, so it will be very difficult to maintain the current year financial results. Further, the company is continuously trying to find out new customers that will help to improve the production.

The Management of your company has also taken measures to improve the production efficiency by importing some new parts of the generators that will improve the efficiency and cost of production.

Code of Corporate Governance:

Our Company takes Corporate Governance seriously. The Company keeps close co-ordination with the Securities and Exchange Commission of Pakistan and the Pakistan Stock Exchange and complies with the Code of Good Corporate Governance in letter and spirit.

Board Changes:

During the year election of the Board of Directors was held. An independent director was included in the board to represent the minority shareholders.

The Board offers thanks to its bankers and financial institutions for providing support, as solicited. The Board also appreciates the dedicated services rendered by the employees and the management which is evidenced by the Company's performance and results achieved and they are contributing positively towards the goals and objectives of the Company.

Lastly, I would also like to thank our shareholder for their continued support and trust in the company. Above sated facts does not give a promising outlook but themanagementis making its efforts to earn profitability for the coming years.

For and behalf of the Board of Directors.

Nisar Ahmad Sheikh
Chairman
Date: October 09. 2017.

DIRECTORS' REPORT TO THE SHARE HOLDERS

The Directors of your Company feel pleasure in submitting audited financial statements of your Company for the year ended June 30, 2017.

	2017	2016
FINANCIAL RESULTS	Rupees	Rupees
Sales	241,919,510	235,990,952
Cost of generation	(228,534,165)	(226,219,709)
Gross profit	13,385,345	9,771,243
Administrative expenses	(5,285,687)	(3,496,765)
Other expenses	(780,708)	(914,481)
Other Income	3,941,801	5,951,186
Finance Cost	(48,094)	(6,635)
Profit before taxation	11,212,657	11,304,548
Taxation	--	--
Profit after taxation	11,212,657	11,304,548
Earnings per share – basic and diluted (Rupees)	1.40	1.41

REVIEW OF OPERATING RESULTS

Net sales for the year were Rs. 241.92 million (2016: Rs. 234.99 million) and net profit is Rs. 11.213 million (2016: Rs. 11.304 million).

Company faces challenges ahead in the form of rise in the prices of petroleum products specifically furnace continuously. That will increase the cost of doing business. In such circumstances it will become difficult to maintain the present results.

AUDITORS

The present Auditors M/S Riaz Ahmad & Co., Chartered Accountants retire and being eligible, offer themselves for re-appointment.

CORPORATE GOVERNANCE

The statement of compliance of best practices of Code of Corporate Governance is annexed.

CORPORATE AND FINANCIAL REPORTING FRAME WORK:

The Directors are pleased to state that the Company is compliant with the provisions of the Code of Corporate Governance as required by Securities & Exchange Commission of Pakistan (SECP).

1. The financial statements prepared by the Management of your Company present fairly its state of affairs, the results of its operations, cash flow and changes in equity.
2. Proper books of accounts of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates, which are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements. The system of internal control is sound in design and has been effectively implemented and monitored.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
7. Key operating financial data of last six years in summarized form is annexed.
8. During the period under review five (05) meetings of Board of Directors were held. Attendance of each director is as follows:

NAME OF DIRECTOR	MEETINGS ATTENDED
Mr. Nisar Ahmad Sheikh	05
Mr. Muhammad Arshad	05
Mr. Shahzad Ahmed Sheikh	05
Mr. Shehryar Arshad	04
Mrs. Naureen Shahzad	05
Mrs. Shahida Arshad	03
Ms. Resham Shahzad	04
Mr. Faisal Massood Sheikh	01

- The Audit Committee held four (4) meetings during the year. Attendance by each member was as follows:

AUDIT COMMITTEE	MEETINGS ATTENDED
Mr. Nisar Ahmed Sheikh	03
Mr. Faisal Masood Sheikh	01
Mr. Shahzad Ahmed Sheikh	04
Mr. Shehryar Arshad	04

- The HR Committee held two (2) meetings during the year. Attendance by each member was as follows:

HR & REMUNERATION COMMITTEE	MEETINGS ATTENDED
Mr. Faisal Masood Sheikh	01
Mr. Shahzad Ahmed Sheikh	02
Mrs. Naureen Shahzad	01

Directors who did not attend the above meetings were granted leave of absence by the Board of Directors.

TRADING OF SHARES

Director, company secretary, chief financial officer, Head of internal Audit and their spouses and minor children has not purchased or sold shares during the year.

STATEMENT OF DIRECTOR'S RESPONSIBILITY

Board of Directors is mindful of its responsibilities and duties under legal and corporate frame work. The Board defines and establishes Company's overall objectives and directions and monitors status thereof. Short term and long term plans and business performance targets are set by Chief Executive under over all policy frame work of the Board.

PATTERN OF SHAREHOLDING

Pattern of shareholding as on June 30, 2017 is annexed.

ACKNOWLEDGEMENT:

The Board places on record its appreciation for the cooperation, commitment and hard work extended to the Company by the customers, suppliers, bankers and all the employees of the Company.

On behalf of the Board

Muhammad Arshad
Chief Executive Officer

Shahzad Ahmed Sheikh
Director

FAISALABAD.
Dated: October 09, 2017

ڈائریکٹرز رپورٹ شیئر ہولڈرز کیلئے

کمپنی کے ڈائریکٹر 30 جون 2017 کو مالیاتی کارکردگی پریذنٹ کرنے میں خوشی محسوس کر رہے ہیں۔

فینشیل رزلٹس:

	2017	2016
	روپے	روپے
ریونیو	241,919,510	235,990,952
بجلی بنانے کی قیمت	(228,534,165)	(226,219,709)
مجموعی منافع	13,385,345	9,771,243
عوامل کی کاسٹ	(5,285,687)	(3,496,765)
دیگر کاسٹ	(780,708)	(914,481)
دیگر انکم/آمدنی	3,941,801	5,591,186
مالیاتی کاسٹ	(48,094)	(6,635)
خالص نفع محصولات سے پہلے	11,212,657	11,304,548
محصولات	–	–
خالص منافع بعداز محصولات	11,212,657	11,304,548
نفع فی شیئر (روپے فی شیئر)	1.40	1.41

مالیاتی کارکردگی کا جائزہ

اس سال کا خالص ریونیو Rs.241.92 ملین (2016 Rs.234.99 ملین) اور خالص منافع Rs.11.213 ملین (2016 Rs.11.304 ملین)۔

کمپنی کو پیٹرولیم مصنوعات خاص طور پر فرنس آئل کی قیمتوں میں اضافے کی وجہ سے چیلنج کا سامنا ہے۔کام کرنے کی لاگت بہت بڑھ گئی ہے۔ایسے حالات میں موجودہ رزلٹ کو برقرار کرنا بھی مشکل ہوجائیگا۔

آڈیٹرز

آڈیٹرز میسرز ریاض احمد اینڈ کمپنی چارٹرڈ اکاؤنٹنس ریٹائرڈ ہورہے ہیں۔اہلیت کی بنیاد پر انہوں نے دوبارہ تقرری کیلئے خود کو پیش کیا ہے۔

☆ کارپوریٹ اور فائنانشل رپورٹنگ فریم ورک پر اسٹیٹمنٹ درج ذیل ہے۔

کارپوریٹ اور فائنانشل رپورٹنگ فریم ورک

ڈائریکٹرز بصد مسرت مطلع کرتے ہیں کہ کمپنی سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے تقاضوں کے مطابق کوڈ آف کارپوریٹ گورننس کے ضوابط کی تعمیل کرتی ہے۔

☆ کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی گوشوارے اس کے معاملات، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔

☆ کمپنی نے اپنے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔

☆ کمپنی نے مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی ہے۔ اور شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔

☆ مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقومی معیاروں کی، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، پیروی کی گئی ہے۔

☆ انٹرنل کنٹرول کا نظام مستحکم ہے اور اسے موثر انداز میں لاگو کیا گیا ہے اور اس کی نگرانی کی جاتی ہے۔

☆ لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔

☆ گذشتہ چھ سال کا اہم کاروباری اور مالیاتی ڈیٹا اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

☆ ٹیکسوں اور محصولات کے بارے میں معلومات نوٹس میں دی گئی ہیں اور مالیاتی گوشواروں کا حصہ ہیں۔

بورڈ آف ڈائریکٹرز کے اجلاس

اس سال کے دوران بورڈ کے پانچ اجلاس منعقد ہوئے۔ ہر ڈائریکٹر کی طرف سے اجلاسوں میں شرکت کی تعداد درج ذیل ہے:

ڈائریکٹر کا نام:	حاضری
جناب نثار احمد شیخ	05
جناب محمد ارشد	05
جناب شہزاد احمد شیخ	05
جناب شہریار ارشد	04
مسز نورین شہزاد	05
مسز شاہدہ ارشد	03
مس ریشم شہزاد	04
جناب فیصل مسعود شیخ	01

آڈٹ کمیٹی

اس سال کے دوران آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے۔ ہر ممبر کی حاضری درج ذیل رہی۔

ممبر کا نام	حاضری
جناب نثار احمد شیخ	03
جناب فیصل مسعود شیخ	01
جناب شہزاد احمد شیخ	04
جناب شہریار ارشد	04

ایچ۔آر اینڈ معاوضہ کمیٹی

☆ اس سال کے دوران HR اور معاوضہ کمیٹی کے دو اجلاس منعقد ہوئے۔ ہر ممبر کی حاضری درج ذیل رہی۔

ممبر کا نام	حاضری
جناب فیصل مسعود شیخ	01
جناب شہزاد احمد شیخ	02
مسز نورین شہزاد	01

ٹریڈنگ آف شیئرز

ڈائریکٹر، کمپنی سیکرٹری، چیف فنانشل آفیسر، ہیڈ آف انٹرنل آڈٹ، ان کے شریک حیات اور چھوٹے بچوں نے سال کے دوران شیئرز خریدے اور بیچے نہیں۔

ڈائریکٹرز کی ذمہ داریاں

بورڈ آف ڈائریکٹرز قانونی اور کارپوریٹ فریم ورک اپنی ذمہ داریاں اور فرائض سے آگاہ ہے۔ بورڈ کمپنی کے تمام تر مقاصد اور ان کا حصول اور انکے سٹیٹس کو مونیٹر کرتے ہیں۔ چھوٹے اور لمبے عرصے کے منصوبے اور کاروبار کی کارکردگی چیف ایگزیکٹو بورڈ کی زیر نگرانی بناتا ہے۔

پیٹرن آف شیئر ہولڈنگ

30 جون 2017 کے مطابق کمپنی کے شیئر ہولڈنگ پیٹرن اور اضافی معلومات کی نشاندہی کرنے والی ایک اسٹیٹمنٹ رپورٹ میں شامل ہے۔

تشکر:

ہمارے برانڈز پر مکمل اعتماد رکھنے پر ہم اپنے کسٹمرز کا شکریہ ادا کرتے ہیں۔ ہم لگاتار معاونت کیلئے اپنے شیئر ہولڈرز، بینکرز، اور سپلائیرز اور اپنے ملازمین کی لگن اور کمپنی کیلئے ان کے قابل قدر کردار کا بھی اعتراف کرتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

محمد ارشد

چیف ایگزیکٹو آفیسر

شہزاد احمد شیخ

ڈائریکٹر

فیصل آباد 9 اکتوبر 2017

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19.24 of Rule Book of Pakistan Stock Exchange Limited (PSX) for the purpose of establishing the framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors (The Board). At present the Board includes:

   Independent Director

   i) Mr.Faisal Masood Sheikh

   Non-Executive Directors

   i) Mr.Nisar Ahmad Sheikh
   ii) Mr.Muhammad Arshad
   iii) Mr.Shahzad Ahmed Sheikh
   iv) Mr.Shehryar Arshad
   v) Mrs.Naureen Shahzad
   vi) Ms.Resham Shahzad

   The independent director meets the criteria of independence under clause 5.19.1 (b) of the CCG.

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a Broker of a Stock Echange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year ended 30 June 2017
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and other non-executive directors, have been taken by the Board / share holders.
8. The meetings of the Board were presided over by the Chairperson and, in his absence, by a Director elected by the Board for this purpose. The Board met at least once in every quarter during the year ended 30 June 2017. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Two of the directors have attended Director's Training Program in previous year while other three directors are exempt from training.

10. The Board has approved the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and it fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.

13. The Directors, CEO and Executive do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises of three members, of whom two are non-executive directors and one is independent director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the Chairman of the Committee is an independent director.

18. The Board has set-up an effective internal audit function.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

24. We confirm that all other material principles enshrined in the CCG have been complied with.

By order of the Board

Muhammad Arshad
Chief Executive Officer

Date: 09 October 2017

OPERATING AND FINANCIAL DATA OF LAST SIX YEARS

Particulars						
Financial Position	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Paid up Capital	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000
Capital reserve share premium	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000
Revenue Reserve	(45,494,325)	(58,279,352)	(70,307,335)	(64,205,229)	(33,224,142)	(18,803,497)
Fixed Assets at cost	424,091,710	413,478,989	391,607,342	392,347,459	359,690,252	362,378,345
Accumulated Depriciation	268,060,238	261,465,861	251,741,501	246,183,845	242,547,877	240,545,191
Long Term Loans	-	-	-	-	-	-
Long Term Deposits	-	-	-	-	-	-
Deffered Liabilities	3,394,052	2,888,853	2,413,020	1,564,502	2,429,292	2,192,876
Current Assets	51,096,382	47,762,076	56,275,218	35,627,232	46,306,807	36,701,442
Current Liabilities	48,539,895	52,651,332	72,139,677	35,184,420	34,254,582	15,158,868
INCOME						
Sales	241,919,510	235,990,952	119,381,130	54,445,177	152,998,088	133,727,318
Other Incomes	3,941,801	5,951,186	6,524	242,897	560,460	96,458
Statistics and Ratios						
Current Ratio	1.05:1	0.90:1	0.78:1	1.01:1	1.35:1	2.42:1
Paid up value Per Share	10	10	10	10	10	10
Earning per Share	1.40	1.41	(0.75)	(3.83)	(1.82)	(1.83)
Cash Dividend %	-	-	-	-	-	-
Generation (Mega Watt Hours)	22,585	24,873	13,519	2,891	8,210	7,859

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **ARSHAD ENERGY LIMITED** ("the Company") for the year ended 30 June 2017 to comply with the requirements of Clause 5.19.24 (b) of the Rule Book of Pakistan Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company personnel and reviews of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2017.

RIAZ AHMAD & COMPANY
Chartered Accountants

Riaz Ahmad & Co.

Name of engagement partner:
Liaqat Ali Panwar
Date: October 09, 2017.
FAISALABAD

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ARSHAD ENERGY LIMITED** ("the Company") as at 30 June 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the repealed Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the repealed Companies Ordinance, 1984;

(b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, given the information required by the repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to Note 1.1 to the financial statements, which states that the Company is no longer a going concern, therefore, these financial statements have been prepared on the basis of estimated realizable / settlement values of assets and liabilities respectively. Estimated realizable / settlement values are based on the management's best estimate. Estimation involves judgments based on the latest available, reliable information, historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In future, these estimates may need revision if changes occur in the circumstances on which the estimates are based or as a result of new information. Hence, the ultimate values at which assets will be realized and liabilities will be settled may be different from those carried in these financial statements. Our report is not qualified in respect of above matter.

RIAZ AHMAD & COMPANY
Chartered Accountants
Riaz Ahmad & Co.

Name of engagement partner:
Liaqat Ali Panwar
Date: October 09, 2017.
FAISALABAD

BALANCE SHEET AS AT 30 JUNE 2017

	NOTE	2017 RUPEES	2016 RUPEES
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
10 000 000 (2016: 10 000 000) ordinary shares of Rupees 10 each		100,000,000	100,000,000
Issued, subscribed and paid up share capital	3	80,000,000	80,000,000
Reserves	4	34,505,675	21,720,648
Total equity		114,505,675	101,720,648
Surplus on revaluation of property, plant and equipment	5	40,688,231	42,514,371
LIABILITIES			
NON CURRENT LIABILITIES			
Staff retirement gratuity	6	3,394,052	2,888,853
CURRENT LIABILITIES			
Trade and other payables	7	29,944,996	39,351,332
Short term borrowings	8	18,594,899	13,300,000
		48,539,895	52,651,332
TOTAL LIABILITIES		51,933,947	55,540,185
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		207,127,853	199,775,204

	NOTE	2017 RUPEES	2016 RUPEES
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	156,031,471	152,013,128
Security deposits		10,550	10,550
		156,042,021	152,023,678
CURRENT ASSETS			
Stores, spare parts and loose tools	11	16,600,000	12,947,002
Stock of oil and lubricants	12	8,024,045	12,086,899
Trade debts	13	21,183,093	15,970,830
Loans and advances	14	2,622,193	3,052,582
Other receivables	15	1,880,323	1,810,706
Cash and bank balances	16	776,178	1,883,507
		51,085,832	47,751,526
TOTAL ASSETS		207,127,853	199,775,204

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

MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER

SHAHZAD AHMAD SHEIKH
DIRECTOR

NASIR MAHMOOD
CHIEF FINANCIAL OFFICER

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017 RUPEES	2016 RUPEES
SALES	17	241,919,510	235,990,952
COST OF GENERATION	18	(228,534,165)	(226,219,709)
GROSS PROFIT		13,385,345	9,771,243
ADMINISTRATIVE EXPENSES	19	(5,285,687)	(3,496,765)
OTHER EXPENSES	20	(780,708)	(914,481)
OTHER INCOME	21	3,941,801	5,951,186
FINANCE COST	22	(48,094)	(6,635)
PROFIT BEFORE TAXATION		11,212,657	11,304,548
TAXATION	23	-	-
PROFIT AFTER TAXATION		11,212,657	11,304,548
EARNINGS PER SHARE- BASIC AND DILUTED - RUPEES	24	1.40	1.41

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

MUHAMMAD ARSHAD	SHAHZAD AHMAD SHEIKH	NASIR MAHMOOD
CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	2017 RUPEES	2016 RUPEES
PROFIT AFTER TAXATION	11,212,657	11,304,548
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss		
Experience adjustment on defined benefit plan	572,063	-
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the year	572,063	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	11,784,720	11,304,548

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

MUHAMMAD ARSHAD CHIEF EXECUTIVE OFFICER	SHAHZAD AHMAD SHEIKH DIRECTOR	NASIR MAHMOOD CHIEF FINANCIAL OFFICER

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017 RUPEES	2016 RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	25	2,536,834	5,299,906
Finance cost paid		(11,314)	(6,635)
Income tax paid		(740,240)	(20,557)
Workers' profit participation fund paid		(631,756)	-
Staff retirement gratuity paid		(59,000)	
Net cash generated from operating activities		1,094,524	5,272,714
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(7,496,752)	(4,578,352)
Net cash used in investing activities		(7,496,752)	(4,578,352)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings - net		5,294,899	(1,810)
Net cash from / (used in) financing activities		5,294,899	(1,810)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(1,107,329)	692,552
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,883,507	1,190,955
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 16)		776,178	1,883,507

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

MUHAMMAD ARSHAD CHIEF EXECUTIVE OFFICER	SHAHZAD AHMAD SHEIKH DIRECTOR	NASIR MAHMOOD CHIEF FINANCIAL OFFICER

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 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 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. 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 Non-going concern basis of accounting

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.

In view of the aforesaid reasons, the Company is not considered a going concern. These 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 significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 on 30 May 2017. Securities and Exchange Commission of Pakistan (SECP) vide its Circular 17 of 2017 and its press release dated 20 July 2017 has clarified that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires enhanced disclosures about Company's operations and has also enhanced the definition of related parties.

b) Accounting convention

These 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.

c) **Critical accounting estimates and judgments**

The preparation of financial statements 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. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

i) Realizable / settlement values of assets and liabilities respectively
ii) Useful lives, patterns of economic benefits and impairments
iii) Taxation
iv) Provision for doubtful debts
v) Inventories
vi) Employees retirement benefit

The Company started preparing its financial statements using the non-going concern basis of accounting on the basis of estimated realizable / settlement values of the assets and liabilities respectively from the year ended 30 June 2014 and recorded adjustments to account for differences between the Company's recognized assets and the measurement of its assets and liabilities (including measurement changes resulting from changes in assumptions). Subsequently, at each reporting date the Company re-measures its assets and liabilities to reflect changes in value since the previous date. Hence, during the year ended 30 June 2017, the Company has recognized provision for obsolete stores, spare parts and loose tools of Rupees 166,922 (Note 11), reversal of impairment on plant and machinery of Rupees 3,941,801 (Note 21) and written off loans and advances of Rupees 21,710 (Note 20) in these financial statements.

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 (Note 10) shall be Rupees 0.104 million. Hence, there is an upside of Rupees 0.104 million not recognized in the profit or loss on property, plant and equipment.

d) **Amendments to published approved accounting standards that are effective in current year and are relevant to the Company**

Following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2016:

IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2016). Amendments have been made to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: clarification that information should not be obscured by aggregating or by providing immaterial information, materiality consideration apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality consideration do apply; clarification that the list of the line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in IAS 1.

IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method which is based on revenue, generated by an activity by using of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

The adoption of the aforesaid amendments in IAS 16 will result in change of the Company's accounting estimate related to depreciation of property, plant and equipment as notified in Note 2.5.

IAS 19 (Amendments) 'Employee Benefits' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

IAS 34 (Amendments) 'Interim Financial Reporting' (effective for annual periods beginning on or after 01 January 2016). This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information.

The application of the above amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income except for the impact as given in Note 2.5.

e) Amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are other amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2016 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2017 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner as under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 replaces IAS 11 'Construction Contracts', IAS 18 'Revenue', IFRIC 13 'Customer Loyalty Programmes', IFRIC 15 'Agreements for Construction of Real Estate', IFRIC 18 'Transfer of Assets from Customers' and SIC 31 'Revenue-Barter Transactions Involving Advertising Services'. The aforesaid standard is not expected to have a material impact on the Company's financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Company's financial statements.

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments will result in certain additional disclosures in the Company's financial statements.

IAS 12 (Amendments), 'Income Taxes' (effective for annual periods beginning on or after 01 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have significant impact on Company's financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Company's financial statements.

g) Standards and amendments to published approved accounting standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2017 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Staff retirement benefit

The Company operates unfunded gratuity scheme for all its permanent employees, who have completed the minimum qualifying period of service as defined under the scheme. The Company's obligation under the scheme is determined through actuarial valuation carried under Projected Unit Credit Method. Latest actuarial valuation has been carried on 30 June 2017.

Remeasurement changes which comprise actuarial gains and losses are recognized initially in other comprehensive income

2.3 Borrowing cost

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of the relevant asset.

2.4 Inventories

These are valued at the lower of moving average cost and net realizable value. Items considered obsolete are carried at nil value and items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make a sale.

2.5 Taxation

Current

The provision for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available under the law. However, as stated in Note 23 to the financial statements as the Company's income is exempt from tax, therefore, no provision for current tax has been recognized in these financial statements.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax has not been provided in these financial statements as the management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the Company remains exempt from taxation under Clause 132 of Part I of Part IV of Second Schedule to the Income Tax Ordinance, 2001.

2.6 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the profit and loss account.

2.7 Property, plant, equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss, except those subject to revaluation which are stated at revalued amount less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount less any identified impairment loss. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the assets to working condition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to surplus on revaluation of property, plant and eqiupment except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss account, in which case the increase is recognized in profit and loss account. A revaluation deficit is recognized in profit and loss account, except to the extent that it offsets an existing surplus on the same asset recognized in surplus on revaluation of property, plant and eqiupment.

An annual transfer from surplus on revaluation of property, plant and eqiupment to accumulated loss is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation

Change in accounting estimates

Uptill 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 these financial statements would have been different as follows:

	RUPEES
Property, plant and equipment would have been lower by	2,660,294
Trade and other payables would have been higher by	133,015
Profit after taxation would have been lower by	2,527,279
Earnings per share would have been lower by	0.32

Capital work-in-progress

Capital work-in-progress is stated at cost less any recognized impairment loss and is transferred to the property, plant and eqiupment as and when asset is available for use.

De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

2.8 Revenue recognition

Revenue from sale of electricity is recognized at the time of transmission.

2.9 Financial instruments

Financial instruments carried on the balance sheet include deposits, trade debts, other receivables, loans and advances, cash and bank balances, trade and other payables and short term borrowings etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for 'financial instruments at fair value through profit or loss' which are initially measured at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.10 Trade and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

2.11 Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

2.12 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.13 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

2.14 Impairment

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

2.15 Offsetting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.17 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

This represents 8 000 000 (2016: 8 000 000) ordinary shares of Rupees 10 each fully paid up in cash. 373 750 ordinary shares (2016: 375 750) of the Company are held by Arshad Textile Mills Limited - an associated company.

	2017 RUPEES	2016 RUPEES
4. RESERVES		
Composition of reserves is as follows:		
Capital reserve		
Premium on issue of right shares (Note 4.1)	80,000,000	80,000,000
Revenue reserves		
General reserve	14,408,600	14,408,600
Accumulated loss	(59,902,925)	(72,687,952)
	(45,494,325)	(58,279,352)
	34,505,675	21,720,648

4.1 This reserve can be utilized by the Company only for the purposes specified in section 81 of the Companies Act, 2017.

5. SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENT

	2017 RUPEES	2016 RUPEES
Surplus on revaluation of property, plant and equipment as at 01 July	42,514,371	31,895,697
Add: Net increase in surplus on revaluation	-	11,342,109
	42,514,371	43,237,806
Less:		
Net decrease in surplus on revaluation	825,833	-
Transferred to accumulated loss in respect of incremental depreciation charged during the year	1,000,307	723,435
	1,826,140	723,435
	40,688,231	42,514,371

5.1 This represents surplus resulting from revaluation of freehold land, buildings thereon and plant and machinery carried out on 30 June 2017 by Evaluation Focused Consulting using prevailing market prices. Previously revaluations were carried out by independent valuers on 30 June 2014 and 30 June 2016.

6. STAFF RETIREMENT GRATUITY

	2017 RUPEES	2016 RUPEES
Opening balance	2,888,853	2,413,020
Charge for the year (Note 6.2)	1,136,262	475,833
Retirement benefit paid	(59,000)	-
Remeasurements chargeable in other comprehensive income (Note 6.3)	(572,063)	-
Closing balance	3,394,052	2,888,853

	2017 RUPEES	2016 RUPEES
6.1 Movement in the net liability recognized		
Opening balance	2,888,853	2,413,020
Add:		
Charge for the year (Note 6.2)	1,136,262	475,833
Remeasurements chargeable in other comprehensive income (Note 6.3)	(572,063)	-
	3,453,052	2,888,853
Less: Paid during the year	(59,000)	-
	3,394,052	2,888,853

6.2 Charge for the year

	2017 RUPEES	2016 RUPEES
Current service cost	578,688	343,549
Interest cost	557,574	132,284
	1,136,262	475,833

6.3 Remeasurments chargeable in other comprehensive income

	2017 RUPEES	2016 RUPEES
Actuarial gain from changes in financial assumptions	(26,351)	-
Experience adjustments	(545,712)	-
Total remeasurements chargeable in other comprehensive income	(572,063)	-

6.4 Principal actuarial assumptions used

	2017	2016
Discount rate for interest cost in profit and loss charge (per annum)	9.75%	13.25%
Discount rate for year end obligation (per annum)	7.75%	9.75%
Expected rate of increase in salary (per annum)	6.75%	8.75%
Average duration of the benefit (year)	1	1
Mortality rates	SLIC 2001-05 set back 1 year	SLIC 2001-05 set back 1 year
Withdrawal rates	Age based	Age based
Retirement assumption	Age 60	Age 60

6.5 The estimated expenses to be charged to profit and loss account for the year ending on 30 June 2018 are Rupees 782,391.

6.6 Sensitivity analysis for actuarial assumptions:

The sensitivity of the defined benefit obligation as at reporting date to changes in the weighted principal assumption is:

	2017	2016
Discount rate	1.00%	-
Increase in assumption (Rupees)	47,610	-
Decrease in assumption (Rupees)	53,206	-
Future salary increase	1.00%	-
Increase in assumption (Rupees)	53,206	-
Decrease in assumption (Rupees)	48,462	-

6.7 Amounts for the current and previous four years:

	2017	2016	2015	2014	2013
			RUPEES		
Present value of defined benefit obligation	3,394,052	2,888,853	2,413,020	1,564,502	2,306,203
Experience adjustment on obligation	572,063	-	838,107	486,898	(229,989)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit plan to significant actuarial assumptions, the same method (present value of the defined benefit plan calculated with the projected unit credit method at the end of the reporting period) has been applied.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year, except for certain changes as given in Note 6.4.

	2017 RUPEES	2016 RUPEES
7. TRADE AND OTHER PAYABLES		
Creditors (Note 7.1)	18,640,682	30,080,496
Accrued liabilities	3,330,985	1,264,092
Advances from customers (Note 7.2)	7,294,223	7,374,090
Income tax deducted at source	55,682	6,330
Unclaimed dividend	31,348	31,348
Workers' profit participation fund (Note 7.3)	592,076	594,976
	29,944,996	39,351,332

7.1 This includes Rupees 9.680 million (2016: Rupees 9.680 million) due to an associated undertaking.

7.2 This represents the advances received from associated companies against electricity supply.

7.3 Workers' profit participation fund

Balance as on 01 July	594,976	-
Interest for the year (Note 22)	36,780	-
Provision for the year (Note 20)	592,076	594,976
	1,223,832	594,976
Less: Payments during the year	631,756	-
	592,076	594,976

7.3.1 The Company retains workers' profit participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profit (Workers' Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

8. SHORT TERM BORROWINGS		
Unsecured		
From director (Note 8.1)	13,300,000	13,300,000
From banking companies		
Temporary bank overdraft	5,294,899	-
	18,594,899	13,300,000

8.1 This represents interest free loan obtained from director of the Company which is repayable on demand.

9. CONTINGENCIES AND COMMITMENTS

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

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings on freehold land	Plant and machinery	Factory equipment	Electric Installations	Office equipment	Computers	Electric appliances	Furniture and fittings	Vehicles	Total
						RUPEES					
At 30 June 2015											
Cost / revalued amount	20,325,000	56,142,348	322,641,937	248,147	6,540,882	227,030	254,280	604,821	350,923	872,470	408,207,838
Accumulated depreciation	-	(32,682,668)	(211,031,322)	(218,027)	(5,700,757)	(192,239)	(243,197)	(504,755)	(297,172)	(871,364)	(251,741,501)
Impairment loss	-	-	(16,600,496)	-	-	-	-	-	-	-	(16,600,496)
Net book value	20,325,000	23,459,680	95,010,119	30,120	840,125	34,791	11,083	100,066	53,751	1,106	139,865,841
Year ended 30 June 2016											
Opening net book value	20,325,000	23,459,680	95,010,119	30,120	840,125	34,791	11,083	100,066	53,751	1,106	139,865,841
Additions	-	-	4,511,767	-	-	-	-	-	-	66,585	4,578,352
Effect of surplus on revaluation as at 30 June 2016	5,081,250	1,700,254	4,560,605	-	-	-	-	-	-	-	11,342,109
Depreciation charge	-	(1,172,984)	(8,434,177)	(3,012)	(84,012)	(3,479)	(3,325)	(10,007)	(5,375)	(7,989)	(9,724,360)
Reversal of impairment loss	-	-	5,951,186	-	-	-	-	-	-	-	5,951,186
Closing net book value	25,406,250	23,986,950	101,599,500	27,108	756,113	31,312	7,758	90,059	48,376	59,702	152,013,128
At 30 June 2016											
Cost / revalued amount	25,406,250	57,842,602	331,714,309	248,147	6,540,882	227,030	254,280	604,821	350,923	939,055	424,128,299
Accumulated depreciation	-	(33,855,652)	(219,465,499)	(221,039)	(5,784,769)	(195,718)	(246,522)	(514,762)	(302,547)	(879,353)	(261,465,861)
Impairment loss	-	-	(10,649,310)	-	-	-	-	-	-	-	(10,649,310)
Net book value	25,406,250	23,986,950	101,599,500	27,108	756,113	31,312	7,758	90,059	48,376	59,702	152,013,128
Year ended 30 June 2017											
Opening net book value	25,406,250	23,986,950	101,599,500	27,108	756,113	31,312	7,758	90,059	48,376	59,702	152,013,128
Additions	-	-	7,465,752	-	-	-	-	31,000	-	-	7,496,752
Effect of surplus on revaluation as at 30 June 2017	3,048,750	(162,478)	(3,712,105)	-	-	-	-	-	-	-	(825,833)
Depreciation charge	-	(1,199,348)	(5,284,948)	(2,711)	(75,611)	(3,131)	(2,327)	(9,523)	(4,838)	(11,940)	(6,594,377)
Reversal of impairment loss	-	-	3,941,801	-	-	-	-	-	-	-	3,941,801
Closing net book value	28,455,000	22,625,124	104,010,000	24,397	680,502	28,181	5,431	111,536	43,538	47,762	156,031,471
At 30 June 2017											
Cost / revalued amount	28,455,000	57,680,124	335,467,956	248,147	6,540,882	227,030	254,280	635,821	350,923	939,055	430,799,218
Accumulated depreciation	-	(35,055,000)	(224,750,447)	(223,750)	(5,860,380)	(198,849)	(248,849)	(524,285)	(307,385)	(891,293)	(268,060,238)
Impairment loss	-	-	(6,707,509)	-	-	-	-	-	-	-	(6,707,509)
Net book value	28,455,000	22,625,124	104,010,000	24,397	680,502	28,181	5,431	111,536	43,538	47,762	156,031,471
Annual rate of depreciation %	-	5	5	10	10	10	30	10	10	20	

10.1 If the freehold land, buildings thereon and plant and machinery were measured using the cost model, the carrying amounts would be as follows:

	Cost	Accumulated depreciation	Impairment loss	Book value
	RUPEES			
Freehold land	2,898,010	-	-	2,898,010
Buildings on freehold land	40,912,131	32,797,778	-	8,114,353
Plant and machinery	331,095,505	223,764,171	3,941,804	103,389,530
2017	374,905,646	256,561,949	3,941,804	114,401,893
2016	370,963,845	251,836,206	10,649,310	108,478,329

10.2 Depreciation charge for the year has been allocated as follows:

	2017 RUPEES	2016 RUPEES
Cost of generation (Note 18)	6,572,141	9,704,192
Administrative expenses (Note 19)	22,236	20,168
	6,594,377	9,724,360

11. STORES, SPARE PARTS AND LOOSE TOOLS

Stores	781,940	401,143
Spare parts	23,386,183	19,947,250
Loose tools	14,669	14,479
	24,182,792	20,362,872
Less: Provision for slow moving and obsolete stores, spare parts and loose tools (Note 11.1)	7,582,792	7,415,870
	16,600,000	12,947,002

11.1 Provision for slow moving and obsolete stores, spares and loose tools

Balance as on 01 July	7,415,870	7,181,664
Provision made during the year (Note 20)	166,922	234,206
Balance as on 30 June	7,582,792	7,415,870

12. STOCK OF OIL AND LUBRICANTS

Furnace oil	6,462,500	11,338,094
Diesel oil	570,453	280,021
Lube oils	991,092	468,784
	8,024,045	12,086,899

13. TRADE DEBTS

Considered good:

Unsecured:

Related parties (Note 13.1 and Note 13.2)	20,317,865	15,105,602
Others (Note 13.3)	865,228	865,228
	21,183,093	15,970,830

13.1 This represents amount due from Arshad Textile Mills Limited, a related party.

13.2 As at 30 June 2017, trade debts due from related party amounting to Rupees 2.445 million (2016: Rupees 2.090 million) were past due but not impaired. The ageing analysis of these trade debts was as follows:

	2017 RUPEES	2016 RUPEES
Upto 1 month	2,445,361	2,090,305

13.3 As at 30 June 2017, the trade debts due from other than related parties amounting to Rupees 0.865 million (2016: Rupees 0.865 million) were past due but not impaired. These relate to an independent customer from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

More than 6 months	865,228	865,228

14. LOANS AND ADVANCES

Considered good:		
Employees - interest free (Note 14.1)	15,250	12,500
Advances to suppliers	376,352	1,549,731
Income tax	2,230,591	1,490,351
	2,622,193	3,052,582

14.1 These represent interest free loans given to employees for meeting their personal expenditure and are secured against balance to the credit of employees in the staff retirement gratuity. These are recoverable in equal monthly installments.

15. OTHER RECEIVABLES

Considered good:		
Sales tax refundable	1,530,753	1,461,404
Others	349,570	349,302
	1,880,323	1,810,706

16. CASH AND BANK BALANCES

With banks:		
On current accounts	683,716	1,724,767
Cash in hand	92,462	158,740
	776,178	1,883,507

17. SALES

Electricity	283,045,823	276,109,414
Less: Sales tax	41,126,313	40,118,462
	241,919,510	235,990,952

18. COST OF GENERATION

Oil and lubricants consumed	209,041,362	205,839,989
Electricity duty	1,936,571	-
Salaries, wages and other benefits	5,803,684	5,138,879
Staff retirement benefit	738,571	361,703
Stores, spare parts and loose tools consumed	4,437,172	5,162,696
Repair and maintenance	4,665	12,250
Depreciation (Note 10.2)	6,572,140	9,704,192
	228,534,165	226,219,709

	2017 RUPEES	2016 RUPEES
19. ADMINISTRATIVE EXPENSES		
Salaries and other benefits	2,873,000	1,536,000
Staff retirement benefit	397,691	114,130
Postage and telephone	138,501	117,818
Vehicles' running	366,967	395,588
Traveling and conveyance	222,167	186,154
Printing and stationery	50,717	61,492
Repair and maintenance	1,750	111,365
Entertainment	118,660	58,002
Legal and professional	120,500	-
Fee and subscription	625,501	480,509
Rent, rates and taxes	-	50,200
Advertisement	99,360	62,640
Auditors' remuneration (Note 19.1)	152,000	145,900
Insurance	22,911	13,154
Depreciation (Note 10.2)	22,236	20,168
Others	73,726	143,645
	5,285,687	3,496,765

19.1 Auditors' remuneration

Audit fee	100,000	100,000
Half yearly review	52,000	45,900
	152,000	145,900

20. OTHER EXPENSES

Workers' profit participation fund (Note 7.3)	592,076	594,976
Loans and advances written off	21,710	85,299
Provision for obsolete stores, spare parts and loose tools (Note 11.2)	166,922	234,206
	780,708	914,481

21. OTHER INCOME

Income from non-financial assets

Reversal of impairment loss on plant and machinery	3,941,801	5,951,186

22. FINANCE COST

Interest on workers' profit participation fund (Note 7.3)	36,780	-
Bank charges and commission	11,314	6,635
	48,094	6,635

23. 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.

24. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share which is based on:

		2017	2016
Profit for the year	(Rupees)	11,212,657	11,304,548
Weighted average number of ordinary shares	(Numbers)	8 000 000	8 000 000
Earnings per share	(Rupees)	1.40	1.41

25. CASH GENERATED FROM OPERATIONS

	2017 RUPEES	2016 RUPEES
Profit before taxation	11,212,657	11,304,548
Adjustments for non-cash charges and other items:		
Depreciation	6,594,377	9,724,360
Reversal of impairment loss on plant and machinery	(3,941,801)	(5,951,186)
Provision for staff retirement gratuity	1,136,262	475,833
Loans and advances written off	21,710	85,299
Provision for slow moving and obsolete stores, spare parts and loose tools	166,922	234,206
Finance cost	48,094	6,635
Provision for workers' profit participation fund	592,076	594,976
Working capital changes (Note 25.1)	(13,293,463)	(11,174,765)
	2,536,834	5,299,906

25.1 Working capital changes

(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(3,819,920)	5,542,847
Stock of oil and lubricants	4,062,854	12,111,402
Trade debts	(5,212,263)	(9,789,438)
Loans and advances	1,148,919	(207,555)
Other receivables	(69,617)	1,249,490
	(3,890,027)	8,906,746
Decrease in trade and other payables	(9,403,436)	(20,081,511)
	(13,293,463)	(11,174,765)

26. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVE

The aggregate amount charged in these financial statements for remuneration including all benefits to Chief Executive Officer, Director and Executive of the Company is as follows:

	Executive	
	2017 RUPEES	2016 RUPEES
Managerial remuneration	2,520,000	999,996
Allowances		
House rent	1,134,000	450,000
Utilities	126,000	50,000
	3,780,000	1,499,996
Number of persons	3	1

26.1 No remuneration, fee or any other expenses were paid to Chief Executive Officer or any director of the Company.

27. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies / undertaking, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2017 RUPEES	2016 RUPEES
Associated companies / undertaking		
Sale of energy	241,919,510	235,990,952
Store purchased	9,790	11,836

	2017	2016
28. NUMBER OF EMPLOYEES		
Number of employees as on 30 June	21	22
Average number of employees during the year	22	18
29. PLANT CAPACITY AND ACTUAL PRODUCTION		
Number of generators installed	3	3
Number of generators worked	2	2
Installed energy generation capacity (MWH)	96 480	96 480
Actual energy generation (MWH)	22 585	24 873

29.1 REASON FOR LOW GENERATION

Energy generation is lower than installed capacity due to less demand of electricity by the purchasers.

30. FINANCIAL RISK MANAGEMENT

30.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, investment of excess liquidity and use of non-derivative financial instruments.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company has no receivable / payable balance in foreign currency as at 30 June 2017 (2016: Rupees Nil).

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing assets and liabilities.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2017 RUPEES	2016 RUPEES
Trade debts	21,183,093	15,970,830
Loans and advances	15,250	12,500
Deposits	10,550	10,550
Bank balances	683,716	1,724,767
	21,892,609	17,718,647

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2017	2016
	Short Term	Long term	Agency	RUPEES	RUPEES
Banks					
Habib Bank Limited	A-1+	AAA	JCR-VIS	113,009	112,219
National Bank of Pakistan	A-1+	AAA	JCR-VIS	123,713	165,776
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	16,049	15,049
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	-	195,659
Bank Al-Habib Limited	A1+	AA+	PACRA	425,477	1,206,291
United Bank Limited	A-1+	AAA	JCR-VIS	5,468	29,773
				683,716	1,724,767

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 13.

Due to the Company's long standing business relationships with these counterparties, the management does not expect non-performance by these counterparties on their obligations to the Company. Accordingly, the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash. At 30 June 2017, the Company had Rupees 776,178 (2016: Rupees 1,883,507) cash and bank balances. The management believes liquidity risk to be high.

Contractual maturities of financial liabilities as at 30 June 2017:

	Carrying Amount	Contractual Cash Flows	6 months or less
	RUPEES		
Non-derivative financial liabilities:			
Short term borrowings	18,594,899	18,594,899	18,594,899
Trade and other payables	22,003,015	31,970,912	31,970,912
	40,597,914	50,565,811	50,565,811

Contractual maturities of financial liabilities as at 30 June 2016:

Non-derivative financial liabilities:			
Short term borrowings	13,300,000	13,300,000	13,300,000
Trade and other payables	31,970,912	31,970,912	31,970,912
	45,270,912	45,270,912	45,270,912

29.2 Financial instruments by categories

	2017 RUPEES	2016 RUPEES
As at 30 June 2017	Loans and Receivables	
Financial assets		
Trade debts	21,183,093	15,970,830
Loans and advances	15,250	12,500
Deposits	10,550	10,550
Cash and bank balances	776,178	1,883,507
	21,985,071	17,877,387
	At amortized cost	
Financial liabilities		
Borrowings	18,594,899	31,970,912
Trade and other payables	22,003,015	13,300,000
	40,597,914	45,270,912

29.3 Offsetting financial assets and liabilities

As on balance sheet date, recognized financial instruments are not subject to off setting as there are no enforceable master netting arrangements and similar agreements.

29.4 Capital risk management

Due to factors stated in Note 1.1 to these financial statements, the management concludes that the Company is not a going concern. Therefore, there is no need to maintain and adjust the capital structure and monitor the issues pertaining to the capital risk management of the Company.

30. RECOGNIZED FAIR VALUE MEASUREMENTS

Fair value hierarchy

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to the short-term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Judgements and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into following three levels. However as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available for sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

31. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

The judgments and estimates made in determining the fair values of the non-financial assets that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels.

At 30 June 2017	Level 1	Level 2	Level 3	Total
	----	----	RUPEES ----	----
Freehold land	-	28,455,000	-	28,455,000
Buildings on freehold land	-	22,625,124	-	22,625,124
Plant and machinery	-	104,010,000	-	104,010,000
Total non-financial assets	-	155,090,124	-	155,090,124

At 30 June 2016	Level 1	Level 2	Level 3	Total
	----	----	RUPEES ----	----
Freehold land	-	25,406,250	-	25,406,250
Buildings on freehold land	-	23,986,950	-	23,986,950
Plant and machinery	-	101,599,500	-	101,599,500
Total non-financial assets	-	150,992,700	-	150,992,700

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements.

(ii) Valuation techniques used to determine level 2 fair values

The Company obtains independent valuation for its freehold land, buildings thereon and plant and machinery (classified as property, plant and equipment) at least annually. The management updates the assessment of the fair value of each property taking into account the most recent independent valuation. The management determines property's value within a range of reasonable fair value estimates at the end of every financial year. The best evidence of fair value of buildings is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the new construction / replacement value of the same building. The best evidence of fair value of plant and machinery is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the value of new plant and machinery of the same specifications.

Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's freehold land, buildings thereon and plant and machinery. As at 30 June 2017, the fair value of these assets has been determined by Messrs Evaluation Focused Consulting.

Changes in fair values are analyzed at the reporting date during the annual valuation discussion between the Chief Financial Officer and the valuers. As part of this discussion the team presents a report that explains the reason for the fair value movements.

32. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 09, 2017 by the Board of Directors of the Company.

33. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made.

During the year, The Institute of Chartered Accountants of Pakistan issued "Guideline on the Basis of Preparation of Financial Statements for Companies that are Not Considered Going Concern" which necessitated changes in presentation and disclosures in these financial statements. The main change being current and non-current classification of assets and liabilities.

34. GENERAL

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

MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER

SHAHZAD AHMAD SHEIKH
DIRECTOR

NASIR MAHMOOD
CHIEF FINANCIAL OFFICER

PATTERN OF SHAREHOLDINGS
AS AT 30 JUNE 2017

Serial No.	From	To	Number of Share Holders	Total Shares Held
1	1	100	92	1282
2	101	500	51	23586
3	501	1000	43	41100
4	1001	5000	89	278969
5	5001	10000	27	234500
6	10001	15000	7	90500
7	15001	20000	3	54000
8	20001	25000	4	94000
9	40001	45000	1	30000
10	45001	50000	1	30500
11	55001	60000	1	41000
12	65001	70000	1	47625
13	70001	75000	1	50500
14	95001	100000	1	56800
15	130001	135000	1	135000
16	135001	140000	1	137375
17	140001	145000	1	142875
18	195001	200000	2	400000
19	215001	220000	1	216000
20	265001	270000	3	807820
21	295001	300000	1	300000
22	330001	335000	1	331180
23	375001	380000	1	373750
24	485001	490000	2	978438
25	755001	760000	1	760000
26	1135001	1140000	1	1139500
27	1200001	1205000	1	1203700
	TOTAL		339	8,000,000

Categories of Shareholding
As at June 30,2017

Categories of Shareholding	Numbers	Shares held	Percentage (%)
Associated companies,			
ARSHAD TEXTILE MILLS LTD	1	373750	4.67
Directors,Chief Executive & their Spouse and Children			
Mr.Muhammad Arshad Sheikh	3	1347200	16.84
Spouse	2	547180	6.84
Mr.Nisar Ahmed Sheikh	3	1187750	14.85
Spouse	1	135000	1.69
Mr.Shahzad Ahmed Sheikh	1	760000	9.50
Mr. Faisal Masood Sheikh	1	2000	0.03
Mr.Shehryar Arshad	2	757945	9.47
Mrs.Naureen Shahzad	1	56800	0.71
Resham Shahzad	2	626313	7.83
Financial Institution	2	300499	3.76
Joint Stock Companies	4	5501	0.07
Individuals	316	1900062	23.75
TOTAL	**339**	**8000000**	**100.00**

Statement showing shares bought and sold by directors, CEO,CFO, Company secretary and the minor family members form 01 July 2016 to 30 June 2017

S.NO	Name	Designation	Shares bought	Shares sold
1	MUHAMMAD ARSHAD SHEIKH	CHIEF EXECUTIVE / DIRECTOR		
2	NISAR AHMED SHEIKH	CHAIRMAN / DIRECTOR		
3	SHAHZAD AHMED SHEIKH	DIRECTOR		
4	NAUREEN SHAHZAD	DIRECTOR		
5	SHEHRYAR ARSHAD	DIRECTOR		
6	RESHAM SHAHZAD	DIRECTOR		
7	SHAHIDA ARSHAD	DIRECTOR RETIRED		
8	FAISAL MASOOD SHEIKH	DIRECTOR APPOINTED IN EOGM		
9	Mr. NASIR MEHMOOD	Chief Financial Officer		
10	Mr. JAVED ABBAS NAQVI	Company Secretary		

M/S F.D.Registrar Services (SMC-Pvt) Ltd.,
1705,17th Floor Saima Trade Tower-A
I.I.Chundrigar Road Karachi-74000

Dear Sir

The Share Registrar Arshad Energy Limited
<u>Request for E-Transmission of Annual Report</u>

Pursuant to S.R.O.787(1)/2014 dated September 08,2014 issued by the Securities and Exchange Commission of Pakistan (SECP),kindly note requisite information for electronic transmission of annual balance sheet and profit and loss account, auditor's report and directors report etc. (Audited Financial Statements) along with notice of annual general meeting (Notice) {collectively referred to as 'Annual Report'} of Arshad Energy Limited .The email address provided hereunder may please be recorded in the members' register of the Company being maintained under Section 473 of the Companies Act 2017.

Particulars	
Name of shareholder	
Folio No./ CDC ID No.	
CNIC No.	
Passport No.(for Foreign shareholder	
E-mail address	
Land line Telephone No.	
Cell No.	

It is stated that the above-mentioned information is correct and I hereby agree and give my consent for future transmission of the Company's Annual Report via email address provided above.

It is further stated that being the shareholder of Company, it my responsibility to communicate any change in the registered email address in a timely manner.

Yours Truly,

____

Shareholder's Signature
Complete Address --

Copy to --
The Company Secretary
Arshad Energy Limited
404/05, Business Centre, Mumtaz Hasan Road
Karachi

TO,

____

____

____

PAYMENT OF CASH DIVIDEND THROUGH ETECTRONIC MODE

Dear Shareholder,

In pursuance of Section 242 of the Companies Act, 2017 which mandates all listed Companies to pay dividend only by way of electronic mode, directly into the bank account designated by the entitled shareholders.

In view of above, all cash dividends, declared by the Company in future will be directly credited into the Bank Account. Therefore, in order to comply with the directives of the Regulators in regard to payment of dividend only through electronic mode, you are requested to please provide your Bank Account details in the below mentioned format.

i) Shareholder's detail	
Name of Company	
Name of Shareholder alongwith Father/Husband name	
Folio Number	
CNIC number	
Landline number / Mobile number	
Email Address	

It is requested to **F.D. Registrar Services(SMC-(Pvt) Ltd** that all my cash dividend amounts declared by the Company, may be credited into the given below bank account:

ii) Shareholder's Bank detail	
Title of Bank Account	
International Bank Account Number (IBAN)	
Bank Name	
Branch name & Address	

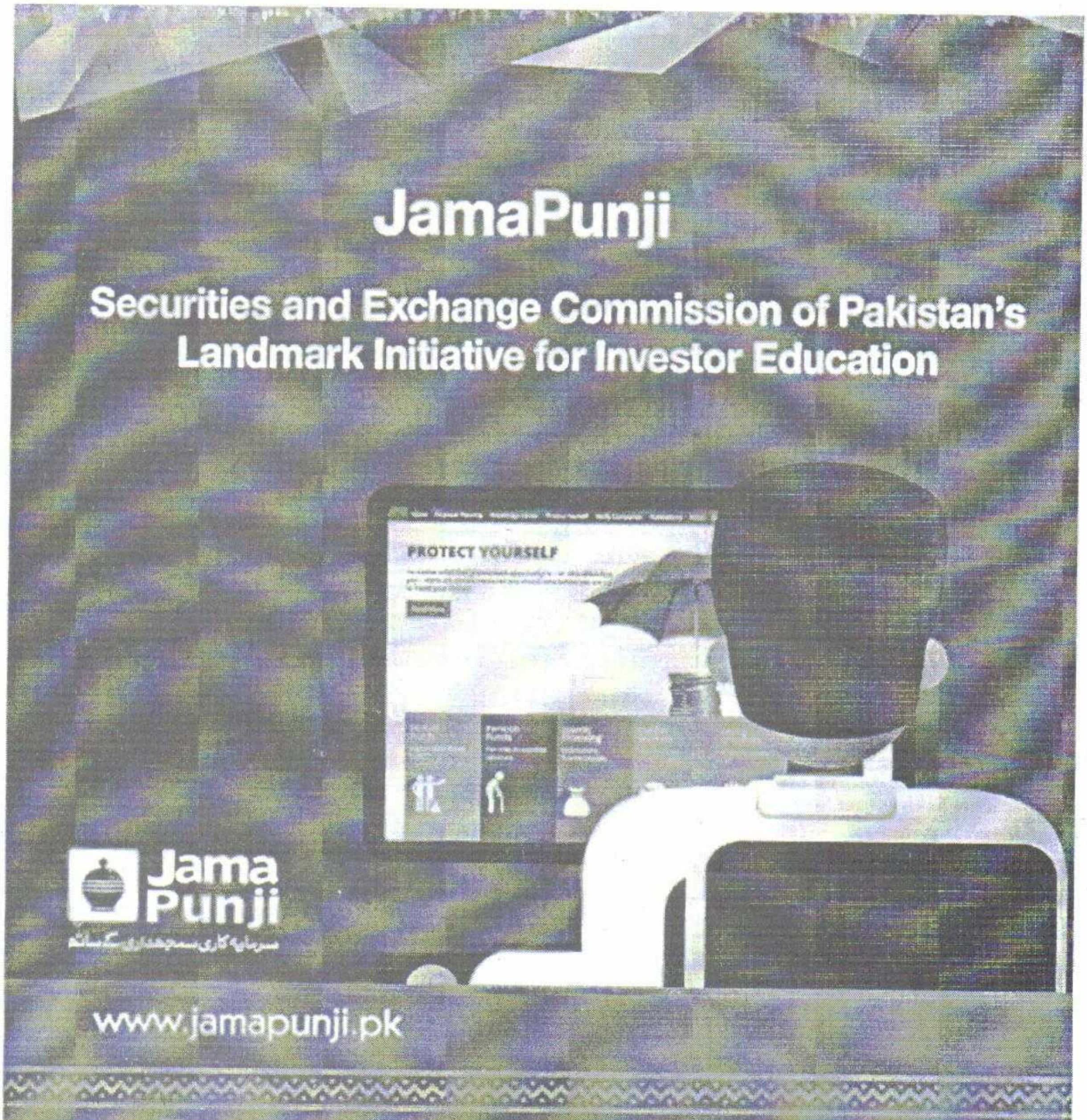
It is stated that the above mentioned information is correct and that I will intimate the changes in the above mentioned information to the Company's Share Registrar as soon as these occur.

____

Signature of shareholder

The above information should be filled and signed alongwith a legible copy of CNIC and be retuned back to the Share Registrar i.e. F.D. Registrar Services(SMC-(Pvt) Ltd, Office # 1705, 17th Floor, Saima Trade Tower – A, I.I. Chundrigar Road, Karachi-74000.

Thanks & Regards,


JamaPunji
Securities and Exchange Commission of Pakistan's Landmark Initiative for Investor Education
PROTECT YOURSELF
Jama Punji
www.jamapunji.pk
jamapunji.pk
@jamapunji_pk

Room No.404-405, 4th Floor, Business Centre,
Mumtaz Hassan Road, Karachi.

PROXY FORM

I/We____of__________________
_______________ being member(s) of ARSHAD ENERGY LIMITED holding ___________ ordinary shares as per Registered Folio./CDC A/c No. ___________ hereby appoint _______________________ Folio/ CDC Account No._________ of_____________ CNIC/Passport No.______________ or failing whom _____________________ Folio/ CDC Account No.________ of___________ CNIC/Passport No.______________ of ______________ (being member of the Company) as my/our Proxy to attend, act and vote for me/us and on my/our behalf at the 23rd Annual General Meeting of the Company to be held on October 31, 2017 and/or any adjournment thereof.

Signed this________________day of _______________2017.

Witnesses:

1. Signature ___________________
   Name ______________________
   Address ____________________
   CNIC ______________________

Signature on
Rs.5/-
Revenue Stamps

Signature______________________

2. Signature ___________________
   Name ______________________
   Address ____________________
   CNIC ______________________

(Signature must agree with the specimen signature registered with the Company)

CNIC or Passport No.________________

Notes:

1. This form of proxy, duly completed and singed, must be deposited at the Company's Registered Office not later than 48 hours before the meeting.
2. This form should be signed by the Member or by his/her attorney duly authorized in writhing. If the Member is a Corporation, its common seal should be affixed to the instrument.
3. A Member entitled to attend and vote at the meeting may appoint any other Member as his/her proxy to attend and vote on his/her behalf expect that a corporation may appoint a person who is not a Member.

For CDC Account Holders/Corporate Entities:

In addition to the above, following requirements have to be met:

(i) The proxy form shall be witnessed by two persons whose names, addressed and CNIC or passport Numbers shall be mentioned on the form.

(ii) Attested copies of CINC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(iii) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.

(iv) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

پروکسی فارم

میں/ہم ــــــــــــــ از ــــــــــــــ بحیثیت ارشد انرجی لمیٹڈ کے ممبر اور عام حصص یافتہ مطابق شیئر رجسٹر فولیو/سی ڈی سی اکاؤنٹ نمبر ــــــــــــــ مقرر کرتا ہوں ــــــــــــــ فولیو/سی ڈی سی اکاؤنٹ نمبر ــــــــــــــ سی این آئی نمبر یا پاسپورٹ نمبر ــــــــــــــ یا بصورت دیگر ــــــــــــــ فولیو/سی ڈی سی اکاؤنٹ نمبر ــــــــــــــ سی این آئی نمبر یا پاسپورٹ نمبر ــــــــــــــ جو کمپنی کے ممبر بھی ہیں، کو کمپنی کے سوموار 31 اکتوبر 2017ء کو دوپہر 3 بجے منعقد ہونیوالے تیئسویں سالانہ اجلاس میں اپنی جانب سے شرکت اور رائے دہی کیلئے اپنا پروکسی مقرر کرتا ہوں۔

دستخط مورخہ ــــــــــــــ 2017ء

گواہی:

1: دستخط ــــــــــــــ

نام ــــــــــــــ

پتہ ــــــــــــــ

سی این آئی سی یا پاسپورٹ نمبر ــــــــــــــ

2: دستخط ــــــــــــــ

نام ــــــــــــــ

پتہ ــــــــــــــ

سی این آئی سی یا پاسپورٹ نمبر ــــــــــــــ

5 روپے کا محصول ٹکٹ

دستخط ــــــــــــــ

(کمپنی کے پاس دستخط کے نمونے کے مطابق ہوں)

سی این آئی سی/پاسپورٹ نمبر ــــــــــــــ

ضروری:

-1 پروکسی فارم ہذا مکمل اور دستخط کے ہمراہ اجلاس کے انعقاد سے کم از کم اڑتالیس (48) گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں جمع کرادیا جائے۔

-2 فارم پر ممبر یا اس کا تحریراً مقرر کردہ اٹارنی دستخط کریگا۔ ممبر کارپوریشن ہونے کی صورت میں اس کی مہر فارم پر ثبت کرنی ہوگی۔

-3 اجلاس میں شرکت اور رائے دہی کا اہل ممبر اپنی جانب سے شرکت اور رائے دہی کیلئے دوسرے ممبر کو اپنا پروکسی مقرر کرسکتا ہے تاہم کارپوریشن کسی بھی غیر ممبر کو اپنا پروکسی مقرر کرسکتی ہے۔

برائے سی ڈی سی اکاؤنٹ ہولڈرز/کارپوریشن اینٹٹی

مزید براں مندرجہ ذیل شرائط پر عمل کرنا ہوگا۔

(i) پروکسی فارم پر دو افراد کی گواہی ہونی چاہیے جن کے نام اور سی این آئی سی یا پاسپورٹ نمبر فارم پر درج ہوں۔

(ii) ممبر اور پروکسی کے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ کاپیاں پروکسی فارم کے ہمراہ منسلک کرنی ہوں گی۔

(iii) پروکسی اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ پیش کرنا ہوگا۔

(iv) کارپوریٹ اینٹٹی کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی معہ نامزد فرد کے دستخط کا نمونہ (اگر پہلے فراہم نہ کئے گئے ہوں) پروکسی فارم کے ہمراہ کمپنی کو پیش کرنے ہوں گے۔