AEL

ALTERN ENERGY LIMITED

ANNUAL REPORT 2011

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Abdul Razak Dawood	(Chairman)
Syed Zamanat Abbas	(Chief Executive)
Mr. Salman Zakaria	
Mr. Fazal Hussain Asim	
Mr. Khalid Salman Khan	
Syed Ali Nazir Kazmi	
Mr. Shah Muhammad Chaudhry	
Mr. Sabah T. Barakat	(Alternate Director to Mr. Khalid Salman Khan)

AUDIT COMMITTEE

Mr. Abdul Razak Dawood	(Chairman)
Mr. Shah Muhammad Chaudhry	
Mr. Fazal Hussain Asim	

CFO AND COMPANY SECRETARY

Umer Shehzad

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

BANKERS

MCB Bank Ltd.
The Bank of Punjab

REGISTERED OFFICE

DESCON HEADQUARTERS
18-km Ferozpur Road, Lahore.

REGISTRAR SHARES

Corplink (Pvt.) Limited
Wings Arcade, 1-k Commercial Model Town, Lahore.
Tel: (92-42) 35839182 Fax: (92-42) 35869037

Vision Statement

To become a partner in the growth of economy by providing affordable electricity.

Mission Statement

The mission of **Altern Energy Limited** is to assume leading role in the power industry by;

- Ensuring long term growth of the company through competitive and creative strategy,
- Achieving the highest level of indigenization,
- Preserving environmentally friendly outlook,
- Creating an efficient and effective workforce,
- Conducting business as a good corporate citizen,
- Developing strong long term relations with industry partners.

DIRECTOR'S REPORT

The Directors are pleased to present the Annual Report together with the audited financial statements of Altern Energy Limited for the financial year ended June 30, 2011.

General

The principal activities of your Company are to own, operate, and maintain power generation assets and to sell generation to WAPDA under long term generation agreement. Altern Energy Limited owns a 29 MWs gas based thermal power plant, located near Fateh Jang, district Attock, Punjab.

Operations

Our relationships with our customer WAPDA continue to remain excellent during the period, and the Company has been successfully contributing towards minimizing the effects of nation-wide power shortage. During the period under view, the Company successfully dispatched 179,323 MWh (2010: 148,174 MWh), to WAPDA.

We are pleased to inform that during the year, the Complex successfully qualified the annual dependable capacity Test conducted by WAPDA in April 2010. The Complex achieved net capacity of 26.539 MW as against installed capacity of 29 MW, reflecting the sound health of plant and expertise of operational team.

Financial Results

During the year under review, the Company's turnover was Rs. 990.8 million (2010: 804.5 million) and operating costs were Rs. 796.8 million (2010: 607.6 million), resulting in gross profit of Rs. 194 million as against a gross profit of Rs. 196.9 million the last year. The Company suffered a net loss of Rs. 8.05 million resulting in loss per share of Rs. 0.02 as compared to net profit of Rs. 7 million and earnings per share of Rs. 0.02, in the year ended June 30, 2010.

Your Company's consolidated earning for the year was Rs. 792.9 million resulting in earning per share of Rs. 2.31 per share, as compared to consolidated earning of Rs. 1,241 million and earning per share of Rs. 3.62 in the year ended June 30, 2010. We expect that both Altern Energy limited, and its subsidiary Rousch Power (Pakistan) Limited will continue to achieve highest levels of operational efficiency and efficacy in future.

Outlook

Currently, the Country is going through its worst ever power crisis, with power shortfall touching 5,000 MW on consistent basis. It appears that the country may have to carry on living with power shortage in near future, although power sector has started attracting investment from private sector. But private sector cannot bridge the deficit without much support from Government. WAPDA's liquidity problems have caused severe damages to the private power sector, with many plants running on reduced capacity, the main reason for which is delay in payments to fuel suppliers. WAPDA is releasing payments in installments, but with applicable late payment mark-up amount. The Government is trying to maintain a balance between the payments to IPPs for the payments to fuel suppliers. We hope that problem of circular debt will subsidize with increase in power tariff in 2011-12.

Health, safety & Environment

During the year under review, your Company continued to maintain its highest level of health and safety at power plant.

Corporate and Financial Reporting Framework

As required by the Code of Corporate Governance, the Directors are pleased to report the following:

The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cashflows and changes in equity.

- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 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.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The key operating and financial data of last six years is attached to the report.

Board of Directors

During the year, Mr. Sabeeh Uz Zaman Faruqui resigned from the position of Director and Chief Executive Officer of the Company, and Mr. Fazal Hussain Asim has been appointed as Director of the Company. From amongst the existing Directors, Syed Zamanat Abbas has been appointed as the new Chief Executive Officer of the Company.

During the year, five Meetings of the Board of Directors were held. Attendance of these Meetings is as follows:

Name of Director	No. of Meetings attended
Syed Zamanat Abbas	4
Mr. A. Razak Dawood	5
Mr. Salman Zakaria	3
Mr. Sabeeh Uz Zaman Faruqui	3
Mr. Khalid Salman Khan	2
Mr. Ali Nazir Kazmi	3
Mr. Shah Muhammad Chaudhry	4

Pattern of Shareholding

The pattern of shareholding and related additional information is attached herewith. No trading in Company's share were carried out by the Directors, CEO, CFO, Company Secretary and their spouses including minor children, except of those that have been duly reported as per law.

Auditors

The present auditors M/S KPMG Taseer Hadi & Co. are being retired and being eligible offer themselves for re-appointment. The Audit Committee has recommended the re-appointment of KPMG Taseer Hadi & Co. as auditors of the Company and the Board agrees to recommendations of Audit Committee.

Acknowledgement

The Board of Directors expresses its sincere gratitude to its all shareholders, bankers, and staff for their continuous support to the Company.

The Board also recognizes the importance of contribution made by WAPDA, the GOP through the Private Power & Infrastructure Board (PPIB), and Sui Northern gas Pipelines Limited (SNGPL), and its subsidiaries and other partners.

For and on behalf the Board

Lahore
September 07, 2011

Syed Zamanat Abbas
Chief Executive

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The statement is being presented to comply with the code of Corporate Governance (the "Code") contained respectively in the Listing Regulations of the Karachi Stock Exchange for the purpose of establishing a 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 code in the following manner:

1. The Board of Directors of the Company (the "Board") comprises of six Non –Executive Directors and one Executive Director.
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company.
3. All the resident Directors 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 member of a Stock Exchange has been declared as a defaulter by that Stock Exchange.
4. Casual vacancies occurring in the Board were filled up by the directors within 30 days thereof.
5. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the Directors and employees of the Company.
6. The Board has developed a Vision and Mission Statement, overall corporate strategy and significant Policies of the Company. A complete record and particulars of significant Policies along with the dates on which they were approved has been maintained.
7. All powers of the Board have been duly exercised and decisions on material transaction including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of Board meetings, along with agenda and working papers were dispatched at least seven days prior to the Meetings. The Minutes of the meeting were appropriately recorded and circulated.
9. The Directors were communicated the orientation material and all the directors are well aware of their duties and responsibilities.
10. During the period there is no replacement of CFO & Company Secretary of the Company.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The Financial Statements of the Company were duly endorsed by the Chief Executive and the Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of share holding.
14. The Company has complied with all the corporate and financial requirements of the Code
15. The Board has formed an Audit Committee, It comprises of three members. All members of the Audit Committee are Non- Executive directors.
16. The Meetings of the Audit Committee were held at least once every quarter prior to the approval of the interim and final results of the Company and as required by the code. The Terms of Reference of the Audit Committee have been formed and advised to the Audit Committee for compliance.
17. The Board has set up an effective Group Internal Audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Group and they are involved in the Internal Audit function of the Group on a full time basis.

18. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
19. The Statutory Auditors of the Company have confirmed that they have given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse 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 the Code as adopted by Institute of Chartered Accountants of Pakistan.
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. All material principles contained in the Code have been complied with.

For and behalf of the Board of Directors

Lahore: September 07, 2011

Syed Zamanat Abbas
Chief Executive

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Altern Energy Limited ("the Company")** to comply with the Listing Regulations of Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code. As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee.

We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

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 of Corporate Governance as applicable to the Company the year ended 30 June 2011.

Date: September 07, 2011

KPMG Taseer Hadi & Co
Chartered Accountants
(Bilal Ali)

Auditors' Report to the Members

We have audited the annexed balance sheet of **Altern Energy Limited ("the Company")** as at 30 June 2011 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 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 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 Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes referred to in note 2.5 to the financial statements with which we concur;
   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, give the information required by the 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 2010 and of the loss, 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).

Date: September 07, 2011

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

BALANCE SHEET

	Note	2011	2010
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
400,000,000 (2010: 400,000,000) ordinary shares of Rs 10 each		**4,000,000**	4,000,000
Issued, subscribed and paid up capital	4	**3,425,500**	3,425,500
Accumulated loss		**(627,673)**	(619,619)
		2,797,827	2,805,881
Non-current liabilities			
Sponsors' loan - unsecured	5	**511,646**	472,662
Long term loans	6	**773,356**	903,683
Deferred liabilities	7	**940**	1,135
		1,285,942	1,377,480
Current liabilities			
Trade and other payables	8	**275,809**	212,333
Mark up accrued	9	**23,922**	55,365
Current portion of long term loan	6	**138,912**	149,512
Provision for taxation		**1,660**	1,802
		440,303	419,012
Contingencies and commitments	10		
		4,524,072	4,602,373

The annexed notes 1 to 29 form an integral part of these financial statements.

Chief Executive

AS AT 30 JUNE 2011

	Note	2011	2010
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment			
- Operating fixed assets	11	**1,051,137**	1,100,585
- Capital work in progress	12	**1,538**	-
Long term investment	13	**3,204,510**	3,204,510
Long term deposits		**38**	38
		4,257,223	4,305,133
Current assets			
Stores and spares	14	**46,489**	29,431
Trade debts - unsecured, considered good		**208,982**	200,435
Advances, prepayments and other receivables	15	**5,444**	11,622
Cash and bank balances	16	**5,934**	55,752
		266,849	297,240
		4,524,072	4,602,373

Director

PROFIT AND LOSS ACCOUNT
For the year ended 30 June 2011

	Note	2011	2010
		(Rupees in thousand)	
Revenue - net	*17*	**990,832**	804,459
Direct costs	*18*	**(796,787)**	(607,582)
Gross profit		**194,045**	196,877
Administrative expenses	*19*	**(12,933)**	(15,248)
Other operating income	*20*	**2,558**	5,977
Profit from operations		**183,670**	187,606
Finance cost	*21*	**(191,290)**	(178,964)
(Loss)/ profit before taxation		**(7,620)**	8,642
Taxation		**(434)**	(1,599)
(Loss)/ profit after taxation		**(8,054)**	7,043
(Loss)/ earnings per share - basic and diluted	*27*	**(0.02)**	0.02

The annexed notes 1 to 29 form an integral part of these financial statements.

Chief Executive **Director**

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2011

	2011	2010
	(Rupees in thousand)	
		(Restated)
(Loss)/ profit for the year	**(8,054)**	7,043
Other Comprehensive Income	-	-
Total comprehensive (loss)/ income for the year	**(8,054)**	7,043

The annexed notes 1 to 29 form an integral part of these financial statements.

Chief Executive **Director**

CASH FLOW STATEMENT

For the year ended 30 June 2011

	Note	2011	2010
		(Rupees in thousand)	
Cash flow from operating activities			
(Loss)/profit before taxation		**(7,620)**	8,642
Adjustments for:			
Depreciation		**58,422**	57,295
Gain on sale of property, plant and equipment		**-**	(4,913)
Provision for staff retirement benefits		**606**	673
Finance cost		**191,290**	178,964
		250,318	232,019
Operating profit before working capital changes		**242,698**	240,661
(Increase)/ decrease in current assets			
Advances, prepayments and other receivables		**7,300**	(9,011)
Stores and spares		**(17,058)**	(26,748)
Trade debts		**(8,547)**	(83,316)
		(18,305)	(119,075)
Increase in current liabilities			
Trade and other payables		**63,476**	82,776
Cash generated from operations		**287,869**	204,362
Finance cost paid		**(176,842)**	(152,003)
Income tax paid		**(576)**	(139)
Staff retirement benefits paid		**(801)**	(472)
		(178,219)	(152,614)
Net cash generated from operating activities		**109,650**	51,748
Cash flow from investing activities			
Fixed capital expenditure		**(10,512)**	(27,175)
Proceeds from sale of property, plant and equipment		**-**	11,913
Net cash used in investing activities		**(10,512)**	(15,262)
Cash flows from financing activities			
Repayments of long term loans		**(148,956)**	(65,650)
Net cash used in financing activities		**(148,956)**	(65,650)
Net decrease in cash and cash equivalents		**(49,818)**	(29,164)
Cash and cash equivalents at the beginning of the year		**55,752**	84,916
Cash and cash equivalents at the end of the year	*16*	**5,934**	55,752

The annexed notes 1 to 29 form an integral part of these financial statements.

Chief Executive **Director**

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2011

	Share capital	Accumulated loss	Total
	----------(Rupees in thousand)------------		
Balance as at 01 July 2009	3,425,500	(626,662)	2,798,838
Total comprehensive income for the year	-	7,043	7,043
Balance as at 30 June 2010	3,425,500	(619,619)	2,805,881
Total comprehensive loss for the year	-	(8,054)	(8,054)
Balance as at 30 June 2011	**3,425,500**	**(627,673)**	**2,797,827**

The annexed notes 1 to 29 form an integral part of these financial statements.

Chief Executive **Director**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

1 Legal status and nature of business

Altern Energy Limited ("the Company") was incorporated in Pakistan on 17 January 1995 and is listed on Karachi Stock Exchange. The principal objective of the Company is to generate and supply electric power to Water and Power Development Authority of Pakistan (WAPDA) from its thermal power plant having a gross capacity of 32 Mega Watts (2010 : 32 Mega Watts). The Company commenced commercial operations with effect from 06 June 2001. The registered office of the Company is situated at Descon Headquarters, 18 km, Ferozepur Road, Lahore.

2 Basis of preparation

2.1 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 as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These accounts have been prepared under the historical cost convention except exchange differences capitalised as part of the cost of relevant assets referred to in note 11.2.

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is also the Company's functional currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are:

a) accrued liabilities

b) provision and contingencies

c) residual values and useful lives of property, plant and equipment

2.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 January 2011.

- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2011) . The amendments add an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.

- IAS 24 Related Party Disclosures (revised 2009) (effective for annual periods beginning on or after 1 January 2011) The revised IAS 24 amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.

- Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14) (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense.

- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2011). The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes.

- Improvements to IFRSs 2010 – IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 January 2011). The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

Apart from above certain other standards, amendments to published standards and interpretations of accounting standards became effective for accounting periods beginning on or after 1 January 2011, however, they do not affect the Company's financial statements.

2.6 IFRIC 4 – "Determining whether an Arrangement contains a Lease" and IFRIC 12 – Service Concession Arrangements

IFRIC 4 – "Determining whether an Arrangement contains a Lease" (effective for annual periods beginning on or after 1 January 2006) and IFRIC 12 – "Service Concession Arrangements" (effective for annual periods beginning on or after 1 January 2008). However, the application of these interpretations have been deferred by the Securities and Exchange Commission of Pakistan (SECP), through circular 21 of 2009 dated 22 June 2009, for all companies till 30 June 2010, subject to the following:

a) The relaxation is available to companies till the conclusion of their agreements entered on or before 30 June 2010 with the government or other authority.

b) The relaxation from IFRIC 4 and IFRIC 12 is applicable to all companies and is not restricted to power sector. In case of power sector companies, the relaxation is available only in case where letter of intent or approval was issued by the government on or before 30 June 2010. In other cases, the date of agreement with the government or the other authority would determine the entitlement to the deferment and the same would be available till the conclusion of the existing agreement.

c) The requirement of IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors" is mandatory so that the investors / users of financial statements have knowledge about the results with and without the exemption.

However, the companies are encouraged to comply with the said interpretations but the fact of compliance shall be disclosed in their financial statements.

The Company has decided to avail the relaxation given by SECP. Had the Company complied with requirements of the IFRIC 12, the equity would have been lower by approximately Rs. 9.63 million and the operating assets would have been lower by approximately Rs. 986.41 million with a corresponding increase of approximately Rs. 976.78 million in receivables.

The present value of cash flows (receivables) has been estimated considering applicable degradation over the project life, indexation mechanism available under Power Purchase Agreement, cost incidental to make the plant available for dispatch to off-taker (WAPDA) and sponsor's return in the Financial Model.

The present value of cash flows (receivables) has been estimated considering applicable degradation over the project life, indexation mechanism available under Power Purchase Agreement, cost incidental to make the plant available for dispatch to off-taker (WAPDA) and sponsor's return in the Financial Model.

3 Significant accounting policies

3.1 Retirement benefits

Staff gratuity scheme

The Company operates an un-funded gratuity scheme covering all its permanent employees. Provision is made annually to cover the liability under the scheme.

Compensated absences

The Company has the policy to provide for compensated absences of its employees in accordance with respective entitlement on cessation of service; related expected cost thereof has been included in the financial statements.

3.2 Taxation

The Company's profit and gains from power generation are exempt from tax under Clause 132 of Part I of Second Schedule to the Income Tax Ordinance, 2001.

3.3 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. The cost of assets constructed by the Company includes, project development and implementation costs.

Exchange differences arising on outstanding amount of foreign currency loans contracted under Implementation Agreement with government of Pakistan are capitalized in the cost of plant and machinery in accordance with letter issued by SECP (Refer note 11.2).

Depreciation on all property, plant and equipment is charged to income by using the straight line method so as to write off the depreciable amounts of an asset over its estimated useful life at annual rates mentioned in note 11 after taking into account their residual values.

Depreciation methods, residual values and the useful lives of the assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.

Depreciation on additions to property, plant and equipment is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off.

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 income during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

3.4 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss and represents expenditure incurred on property, plant and equipment during the construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

3.5 Long term investments

In separate financial statements, investment in subsidiary company is initially measured at cost. However, at subsequent reporting dates, the Company reviews the carrying amounts of the investment and its recoverability to determine whether there is an indication that such investments have suffered an impairment loss. If any such indication exists, the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognized as an expense in the period in which these are incurred.

3.6 Stores and spares

These are valued principally at lower of moving average cost and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale. The Company reviews the carrying amount of stores and spares on regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores and spares.

3.7 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

3.8 Offsetting

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.9 Trade debts

Trade debts are carried at original invoice amount 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.

3.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, balance with banks on current and deposit accounts and other short term highly liquid investments that are readily convertible to known amounts of cash.

3.11 Trade and other payables

Financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently at amortized cost using effective interest rate method.
Other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

3.12 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-Financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.13 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 obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.14 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at exchange rates prevailing at the date of transaction. As explained in note 2.1, the Company has changed its accounting policy for treatment of exchange difference on foreign currency loans. Exchange differences arising on translation of foreign currency loans utilised for the acquisition of operating assets are capitalized and incorporated in the cost of such assets. All other exchange differences are charged to profit and loss account.

3.15 Borrowing costs

Mark-up, interest and other charges on borrowings are capitalized upto the date of commissioning of the related property, plant and equipment acquired out of the proceeds of such borrowings. All other mark-up, interest and other charges are charged to profit in which they are incurred.

3.16 Revenue recognition

Revenue from sale of electricity to the Water and Power Development Authority (WAPDA), the sole customer of the Company, is recorded based upon the output delivered and capacity available at rates as specified under the Power Purchase Agreement (PPA) as amended from time to time.

Interest income is recognised on a time-apportioned basis using the effective rate of return.

3.17 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which the dividends are approved.

4 Issued, subscribed and paid up capital

2011	2010		**2011**	2010
(Number of shares)			**(Rupees in thousand)**	
338,650,000	338,650,000	Ordinary shares of Rs 10 each fully paid in cash	**3,386,500**	3,386,500
3,900,000	3,900,000	Ordinary shares of Rs 10 each issued for consideration other than cash	**39,000**	39,000
342,550,000	342,550,000		**3,425,500**	3,425,500

As at 30 June 2011, 190,567,063 (2010:190,567,063) ordinary shares of the Company are held by Descon Engineering Limited, the holding company.

5 Sponsors' Loans - Unsecured

	Note	**2011**	2010
		(Rupees in thousand)	
These are composed of loans from associated undertakings:			
Descon Engineering Limited	*5.1*	**315,218**	315,218
Crescent Standard Business Management (Private) Limited	*5.2*	**23,152**	23,152
		338,370	338,370
Interest on long term finance	*5.3*	**173,276**	134,292
		511,646	472,662

5.1 It represents funds amounting to Rs. 315.218 million (2010: Rs. 315.218 million) received from Descon Engineering Limited for investment in Rousch (Pakistan) Power Limited through its subsidiary company, Power Management Company (Private) Limited. As per agreement between the Company, MCB Bank Limited and Descon Engineering Limited, all amounts (including mark-up) due under the sponsors' loan shall be subordinated to the loan facility from MCB Bank Limited. These are unsecured and carry mark up at six months KIBOR plus 300 basis points. It includes interest free loan amounting to Rs. 69.455 million.

5.2 It represents funds amounting to Rs. 23.152 million (2010: Rs. 23.152 million) paid by ex-sponsors previously. This loan is payable to Crescent Standard Business Management (Private) Limited and is unsecured and interest free and will be repaid on available liquidity basis.

5.3 It represents mark-up payable to Descon Engineering Limited of Rs. 173.27 million (2010: Rs. 134.29 million). As per terms of agreement the mark up payment is subordinated to loan facility from MCB Bank Limited and additional mark up is not due on this amount.

	Note	2011	2010
		(Rupees in thousand)	
6 Long term loans			
Long term loans - secured			
Syndicate finance - local currency	*6.1*	**747,253**	854,003
Syndicate finance - foreign currency	*6.2*	**106,358**	148,564
Power Management Company (Private) Limited (PMCL)	*6.3*	**50,000**	50,000
		903,611	1,052,567
Interest on loan from PMCL	*6.4*	**8,657**	628
		912,268	1,053,195
Less: Current maturity of secured loan		**(138,912)**	(149,512)
		773,356	903,683

6.1 The Company had obtained a long term syndicate facility of Rs.1,100 million, which includes foreign currency loan limit of US Dollars 3.6 million, from consortium of banks under the lead of MCB Bank Limited. The outstanding loan amount is repayable in 14 equal six monthly installments ending on 25 January 2018. The loan carries mark-up at six month KIBOR plus 275 basis points, payable half yearly in arrears. The loan is secured by way of first ranking pari-passu charge on existing property, plant and equipment of the Company at Fateh Jang site.

6.2 The limit of foreign currency portion of loan is of US dollars 3.6 million. The outstanding loan amount is repayable in eighteen un-equal quarterly installments payable upto 31 December 2015. It is secured by way of first ranking pari passu charge on existing property, plant and equipment of Company at the Fateh Jang site. It carries mark-up at three month LIBOR plus 295 basis points payable quarterly in arrears.

6.3 This represents long term loan obtained by the Company from its wholly owned subsidiary, Power Management Company (Private) Limited. As per agreement between the Company, MCB Bank Limited and Power Management Company (Private) Limited all amounts (including mark-up) due under the loan shall be subordinated to the loan facility from MCB Bank Limited. These are unsecured and carry mark up at six months KIBOR plus 300 basis points.

6.4 It represents mark-up payable to Power Management Company (Private) Limited of Rs. 8.6 million (2010: Rs. 0.63 million). As per terms of agreement the mark up payment is subordinated to loan facility from MCB Bank Limited and additional mark up is not due on this amount.

	Note	2011 (Rupees in thousand)	2010 (Rupees in thousand)
7 Deferred liabilities			
Provision for:			
Staff gratuity		**487**	300
Compensated absences		**453**	835
		940	1,135
8 Trade and other payables			
Trade creditors	*8.1 & 8.2*	**100,823**	63,337
Natural gas charges to SNGPL		**157,027**	128,098
Due to Power Management Company (Private) Limited	*8.3*	**17,527**	19,888
Provision for worker's funds	*8.4*	**-**	-
Accrued liabilities		**432**	1,010
		275,809	212,333

8.1 It includes the amount of Rs. 7.15 million (2010: Rs. 4.42 million) payable to Descon Engineering Limited, the holding company, against engineering services provided and amount of Rs. 61.43 million (2010: Rs. 29.66 million) payable to Descon Power Solution (Private) Limited, an associated company.

8.2 It includes the amount of Rs.18.713 million (2010: Rs. 15.675 million) payable to MWM GmbH against stores and spares purchased.

8.3 This represents amount payable to wholly owned subsidiary, Power Management Company (Private) Limited. This is unsecured and carry mark up at six months KIBOR plus 300 basis points.

	2011 (Rupees in thousand)	2010 (Rupees in thousand)
8.4 Provision for worker's funds		
Provision for Workers' Profit Participation Fund	-	432
Provision for Workers' Welfare Fund	-	173
	-	605
Less; Recoverable from WAPDA as pass through item	-	(605)
	-	-

9 Markup accrued

	2011	2010
	(Rupees in thousand)	
Mark up on long term loan - local currency	**20,606**	55,115
Mark up on short term loan from		
Power Management Company (Private) Limited	**3,316**	250
	23,922	55,365

10 Contingencies and commitments

10.1 Contingencies

There are no material contingencies as at 30 June 2011.

10.2 Commitments

- MCB Bank Limited has issued bank guarantee for Rs. 156.213 million (2010 : 156.213 million) in favour of Sui Northern Gas Pipelines Limited as a security to cover gas supply for which payments are made in arrears. The guarantee will expire on 10 June 2012, which is renewable.

- MCB Bank Limited has also issued bank guarantee for Rs. 2.5 million each in favour of Shell Pakistan Limited, expiring on 23 March 2012 and Rs. 2.5 million in favour of MAL Pakistan Limited, expiring on 20 March 2012.

- During the year ended 30 June 2010, Company had lodged warranty claim of Euro 300,000 on account of failure of mixer cooler cores. In order to support the Company, MWM, the engine supplier, though supplied the cores but later on did not accept the claim on account of high Sulphur content in the intake air. The Company believed that the warranty claim can be settled at one half of the claim amount and accordingly restricted its provision on account of rejected warranty claim to Euro 150,000 as against the total rejected claim of Euro 300,000.

- During the year, the Company and MWM have entered into a settlement transaction by way of which MWM will provide 5 mixer cooler cores free of cost to the Company having a fair value Euro 195,000 against the payment of full amount of warranty claim (Euro 300,000). The Company has issued the purchase order for these cores during the year and the delivery is expected in third quarter of 2011.

- Keeping in view the above, the Company has maintained the provision of Euro 150,000 and the final adjustment will be made on receipt of spares.

11 Operating fixed assets

	Annual rate of depreciation	Cost as at 01 July 2010	Additions	Cost as at 30 June 2011	Accumulated depreciation as at 01 July 2010	Depreciation charge for the year	Accumulated depreciation as at 30 June 2011	Written down value as at 30 June 2011
	%	--------(R u p e e s	i n	t h o u s a n d)--------				
Freehold land	-	4,647	-	4,647	-	-	-	4,647
Building on freehold land	5	118,005	3,288	121,293	29,499	5,301	34,800	86,493
Plant and machinery	4-17	1,134,044	5,391	1,139,435	128,258	52,780	181,038	958,397
Electric equipment	10	1,849	260	2,109	412	163	575	1,534
Office equipment	10-33	916	35	951	708	178	886	65
Vehicles	20	372	-	372	371	-	371	1
		1,259,833	**8,974**	**1,268,807**	**159,248**	**58,422**	**217,670**	**1,051,137**

	Annual rate of depreciation	Cost as at 01 July 2009	Additions/ (disposals)	Cost as at 30 June 2010	Accumulated depreciation as at 01 July 2009	Depreciation charge/ (on disposals)/ *adjustments for the year	Accumulated depreciation as at 30 June 2010	Written down value as at 30 June 2010
	%	(Rupees in thousand)						
Freehold land	-	4,647	-	4,647	-	-	-	4,647
Building on freehold land	5	112,034	5,971	118,005	24,428	5,071	29,499	88,506
Plant and machinery	4-17	1,552,468	23,189 (441,613)	1,134,044	511,053	51,818 (267,320) * (167,293)	128,258	1,005,786
Electric equipment	10	1,849	-	1,849	237	175	412	1,437
Office equipment	10-33	865	51	916	507	201	708	208
Vehicles	20	372	-	372	341	30	371	1
		1,672,235	**29,211** **(441,613)**	**1,259,833**	**536,566**	**57,295** **(434,613)**	**159,248**	**1,100,585**

11.1 The depreciation charge for the year has been allocated as follows:

	Note	2011	2010
		(Rupees in thousand)	
Direct costs	*18*	**58,398**	57,094
Administrative expenses	*19*	**24**	201
		58,422	57,295

11.2 According to the letter No. EMD/233/390/2002-914 dated 06 May 2010 issued by the Securities and Exchange Commission of Pakistan (SECP), the Company is allowed to capitalize exchange gains / losses arising on outstanding amounts of foreign currency loans contracted under the Implementation Agreement with Government of Pakistan until the date of expiry of such implementation agreement. Therefore, the net exchange losses of Rs.0.710 million (2010: Rs. 10.40 million) arising on revaluation and repayments of foreign currency loans at year end and during the year have been capitalized.

		Note	2011	2010
			(Rupees in thousand)	
12	**Capital work in progress**			
	Advances to suppliers and contractors		**1,538**	-
13	**Long term investment**			
	Investment in subsidiary company	*13.1 & 13.2*	**3,204,510**	3,204,510

13.1 This represents 100% shares held in Power Management Company (Private) Limited, which in turn held 59.98% shares of Rousch (Pakistan) Power Limited.

13.2 As per terms of agreement for acquisition of shares of Rousch (Pakistan) Power Limited (RPPL), the Company has deposited these shares with the trustees of RPPL lenders.

		2011	2010
		(Rupees in thousand)	
14	**Stores and spares**		
	Stores	**21,049**	24,396
	Spares	**25,440**	5,035
		46,489	29,431
15	**Advances, prepayments and other receivables**		
	Advance against expenses	**430**	674
	Advance to Descon Power Solution (Private) Limited	**-**	5,000
	Bank guarantee cost	**1,379**	2,466
	Prepaid insurance	**651**	1,089
	Sales tax receivable	**2,456**	128
	Other receivables	**528**	2,265
		5,444	11,622

	Note	2011	2010
		(Rupees in thousand)	

16 Cash and bank balances

	Note	2011	2010
Cash at banks in:			
- Current accounts		**433**	1,123
- PLS accounts	*16.1*	**5,313**	54,612
		5,746	55,735
Cash in hand		**188**	17
		5,934	55,752

16.1 Mark up rate on PLS accounts ranges from 6% to 12% (2010: 5% to 11%).

17 Revenue - net

	Note	2011	2010
Energy revenue - gross		**753,085**	571,533
Sales tax		**(109,423)**	(78,832)
Energy revenue - net		**643,662**	492,701
Capacity revenue		**341,851**	308,254
Other supplemental charges		**5,319**	3,504
		990,832	804,459

18 Direct costs

	Note	2011	2010
Gas cost		**607,292**	463,501
Energy import		**3,295**	2,985
Lube oil consumed		**13,906**	14,568
Depreciation	*11.1*	**58,398**	57,094
Repair and maintenance		**84,168**	38,304
Operation and maintenance contractor's fee		**24,000**	24,000
Salaries, wages and other benefits		**152**	238
Insurance costs		**4,823**	5,936
Traveling and conveyance		**215**	337
Generation license fee		**85**	75
Miscellaneous		**453**	544
		796,787	607,582

		2011	2010
		(Rupees in thousand)	

19 Administrative expenses

	Note	2011	2010
Salaries, wages and other benefits	*19.1*	**4,965**	5,667
Traveling and conveyance		**2,274**	2,961
Depreciation	*11.1*	**24**	201
Postage and telephone		**355**	424
Publicity, printing and stationery		**613**	542
Auditors' remuneration	*19.2*	**700**	850
Legal and professional charges		**1,633**	3,459
Fees and subscription		**271**	173
Entertainment expenses		**155**	136
Security expenses		**1,708**	732
Miscellaneous		**235**	103
		12,933	15,248

19.1 Salaries, wages and other benefits include Rs. 0.44 million (2010: 0.17 million) and Rs. 0.16 million (2010: Rs. 0.45 million) on account of staff gratuity and staff compensated absences respectively.

19.2 Auditor's remuneration

	2011	2010
Annual audit fee	**400**	400
Half year review fee	**150**	150
Tax consultancy	**100**	250
Out of pocket expenses	**50**	50
	700	850

20 Other operating income

	2011	2010
Income from financial assets		
Profit on bank accounts	**1,240**	818
Income from non-financial assets		
Gain on disposal of property, plant and equipment	**-**	4,913
Scrap sales	**1,318**	246
	1,318	5,159
	2,558	5,977

21 Finance cost

		2011	2010
		(Rupees in thousand)	
Mark-up on			
long term loans	*21.1*	**178,407**	173,116
short term loan - Power Management Company (Private) Limited		**3,066**	250
Bank charges		**1,573**	2,457
Amortization of bank guarantee cost		**1,122**	1,143
Mark-up on late payments to SNGPL		**4,084**	1,998
Exchange loss		**3,038**	-
		191,290	178,964

21.1 It includes mark up accrued to Descon Engineering Limited, the holding company, and Power Management Company (Private) Limited, the wholly owned subsidiary company, amounting to Rs. 38.99 million (2010: Rs. 36.19 million) and Rs. 8.03 million (2010 : Rs. 0.63 million) respectively.

22 Remuneration of Chief Executive, Directors and Executives

22.1 The aggregate amounts charged in these financial statements for remuneration and certain benefits to Chief Executive and Executives of the Company are as follows:

	Chief Executive		Executives	
	2011	2010	2011	2010
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	**1,109**	1,694	**1,188**	649
Contributions to provident fund	**116**	169	**-**	-
Provision for staff gratuity	**801**	-	**110**	170
House rent allowance	**663**	932	**132**	292
Utility allowance	**121**	169	**-**	65
Leave fair assistance	**109**	180	**-**	-
	2,919	3,144	**1,430**	1,176
Number of persons	**2**	1	**1**	1

22.2 In addition to above, actual medical expenses incurred by the ex-Chief Executive of Rs. 0.01 million (2010: Rs. 0.04 million) were reimbursed by the Company. Further ex-Chief Executive was also provided with Company's maintained car.

22.3 During the year, a new CEO amongst the existing Directors of the Company was appointed in place of the outgoing CEO. However, no remuneration or any other benefits were paid to the new CEO.

22.4 No fee, remuneration, house rent and utilities were provided to Directors of the Company.

23 Financial instruments

Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

23.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

23.1.1 Exposure to credit risk and concentration of credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was domestic only and was as follows:

	2011	2010
	(Rupees in thousand)	
Long term deposits	**38**	38
Trade debts	**208,982**	200,435
Other receivables	**2,988**	11,494
Bank balances	**5,934**	55,752
	217,942	267,719

23.1.2 Impairment losses

The aging of trade debt at balance sheet date was:

	2011	2010
Not past due	**110,660**	111,933
Past due 0-30 days	**96,883**	78,788
Past due 31-120 days	**939**	9,714
More than 120 days	**750**	-
	209,232	200,435

The Company's customer is WAPDA only. The credit risk on trade debts from WAPDA is managed by a guarantee from the Government of Pakistan under the Implementation Agreement (IA) and by continuous follow-ups for release of payments from WAPDA. Cash is held only with reputable banks with high quality external credit enhancements. The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade debts and other receivables.

No impairment was charged against receivables aged more than 120 days past due at the balance sheet date because the Company is of the view that it will recover the amount by the end of current calendar year.

23.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The following are the remaining contractual maturities of financial liabilities, including interest payments:

	2011					
			Maturities			
	Carrying amount	Contractual cash flows	Less than six months	Up to one year	Two years to five years	After five years
	(Rupees in thousand)					
Sponsors' loan	511,646	(511,646)	-	-	-	(511,646)
Long term loans	912,268	(1,044,598)	(73,565)	(74,768)	(528,601)	(367,664)
Trade and other payables	275,809	(275,809)	(275,809)	-	-	-
Accrued mark up	23,922	(23,922)	(23,922)	-	-	-
	1,723,645	(1,855,975)	(373,296)	(74,768)	(528,601)	(879,310)

	2010					
			Maturities			
	Carrying amount	Contractual cash flows	Less than six months	Up to one year	Two years to five years	After five years
	(Rupees in thousand)					
Sponsors' loan	472,662	(472,662)	-	-	-	(472,662)
Long term loans	1,052,567	(1,052,900)	(74,150)	(75,362)	(532,802)	(370,586)
Trade and other payables	212,333	(212,333)	(212,333)	-	-	-
Accrued mark up	55,993	(55,993)	(55,993)	-	-	-
	1,793,555	(1,793,888)	(342,476)	(75,362)	(532,802)	(843,248)

The Company closely monitors its liquidity and cash flow position. The liquidity risk is managed by using financial model and a continuous follow-up for collecting receivables from WAPDA and managing debt repayments on due dates, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

23.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to interest rate risk and currency risk only.

23.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on bank deposit accounts and long term loans. The Company does not have any fixed rate financial instrument. The interest rate profile of the Company's interest-bearing financial instruments at the balance sheet date was as under:

	Carrying amounts	
	2011	2010
	(Rupees in thousand)	
Financial assets	**5,313**	54,612
Financial liabilities	**(1,260,209)**	(1,545,117)
	(1,254,896)	(1,490,505)

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date would have no impact on equity and would have increased loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for the previous year.

	2011	2010
	(Rupees in thousand)	
Variable rate financial instruments	**(4,074)**	(4,520)

A 100 basis points decrease in interest rates at the reporting date would have had an equal but opposite effect on the profit and loss to the amounts shown above, on the basis that all other variables remain constant.

Fair value of financial assets and liabilities

The fair value of all financial assets and financial liabilities is estimated to approximate their carrying amounts as at 30 June 2011.

23.3.2 Currency risk

Foreign currency risk is the risk that the value of a financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

Exposure to currency risk

The Company's exposure to foreign currency risk at the reporting date was as follows:

		2011	
	Rupees	**US Dollars**	**Euros**
	---------- (Amounts in thousand) --------		
Long term loans	**(106,358)**	**(1,236)**	-
Trade and other payables	**(18,713)**	-	**(150)**
Net balance sheet exposure	**(125,071)**	**(1,236)**	**(150)**

	2010		
	Rupees	US Dollars	Euros
	---------- (Amounts in thousand) --------		
Long term loans	(148,564)	(1,736)	-
Trade and other payables	(15,675)	-	(150)
Net balance sheet exposure	(164,239)	(1,736)	(150)

The foreign exchange risk on debt repayments in US Dollars is mitigated by the indexation mechanism for tariff available under Power Purchase Agreement (PPA).

The following significant exchange rates were applied during the year:

	Balance sheet date rate		**Average rate**	
	2011	2010	**2011**	2010
US Dollars	**86.02**	85.60	**85.65**	83.40
Euros	**124.75**	104.46	**117.62**	116.29

Sensitivity analysis

A ten percent strengthening of the Pakistani Rupee against the Euros at the reporting date would have no impact on equity and would have increased profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for the previous year.

	2011	2010
	(Rupees in thousand)	
Euros	**1,871**	-

A ten percent weakening of the Pakistani Rupee against the Euros at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

As stated is note 11.2, the exchange loss / gain on foreign currency loan is capitalised as part of cost of plant and equipment in case of a ten percent change in US dollar rate. The net effect which would have increased / decreased to the cost of plant and equipment is Rs. 11.2 million (2010: Rs. 14.9 million). The effect has not been considered either in equity or profit and loss account.

24 Capital risk management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

(ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

Neither there were any changes in the Company's approach to capital management during the year nor the Company is subject to externally imposed capital requirements.

25 Transactions with related parties

The related parties comprise holding company, associated companies, related group companies, directors and their close family members, staff retirement contribution fund, key management personnel and major shareholders of the Company. Amounts due from and to related parties are shown under receivable and payable. Other significant transactions with related parties not disclosed elsewhere in these financial statements are as follows:

	2011	2010
	(Rupees in thousand)	
Holding company		
Descon Engineering Limited		
On account of:		
Short term loan - received during the year	**-**	5,063
Mark up accrued during the year	**38,984**	36,186
Engineering services	**2,386**	-
Reimbursement of expenses	**624**	381
Subsidiary company		
Power Management Company (Private) Limited		
On account of:		
Mark up accrued during the year:		
- Long term loan	**8,028**	628
- Short term loan	**3,066**	250
Funds paid during the year	**(2,360)**	(1,900)
Associated companies		
Descon Power Solutions (Private) Limited		
On account of:		
- Operation and maintenance agreement	**21,600**	21,600
- Service agreement of generators	**2,400**	2,400
- Spare parts purchased	**94,856**	27,648

26 Plant capacity and actual generation

	Capacity 2011	Capacity 2010	Actual generation 2011	Actual generation 2010
Output in:				
- MWh	**206,131**	206,131	**189,294**	157,376
- percentage	**100%**	100%	**92%**	76%

26.1 The practical annual output for power plant takes into account all scheduled outages approved by WAPDA. Actual output is dependent on the load demanded by WAPDA, the plant availability and mean-site conditions.

27 (Loss)/ earnings per share - basic and diluted

27.1 (Loss)/ earnings per share - basic

		2011	2010
(Loss)/ profit for the year	*Rupees in thousand*	**(8,054)**	7,043
Weighted average number of ordinary shares	*Number*	**342,550,000**	342,550,000
Basic (loss)/ earnings per share	*Rupees*	**(0.02)**	0.02

27.2 (Loss)/ earnings per share - diluted

There is no dilution effect on the basic loss per share as the Company has no such commitments.

28 Date of authorization

These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on September 07, 2011.

29 General

29.1 Figures have been rounded off to the nearest thousand of Rupees.

29.2 Comparative information has been reclassified and rearranged in these financial statements for the purpose of comparison. No significant reclassification has been made except for as follows:

Description	Rupees in thousands	Reclassified From	Reclassified To
Interest on long term loan from PMCL	**628**	Trade and other payable	Long term loans
Interest on short term loan from PMCL	**250**	Trade and other payable	Mark up accrued
Loan from DEL	**9063**	Trade and other payable	Sponsors' loan - unsecured
Mark up on late payment to SNGPL	**1,998**	Direct cost	Finance cost
Other supplemental charges	**3,504**	Other operating income	Revenue

Chief Executive **Director**

CONSOLIDATED
FINANCIAL STATEMENT
JUNE 30, 2011

ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET

	Note	2011	2010
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
400,000,000 (2010: 400,000,000) ordinary shares of Rs. 10 each		**4,000,000**	4,000,000
Issued, subscribed and paid up capital	*4*	**3,425,500**	3,425,500
Interest rate swap revaluation reserve		**-**	(653,694)
Accumulated profit		**4,716,532**	3,923,568
		4,716,532	3,269,874
Non-controlling interest		**5,652,276**	4,685,392
		13,794,308	11,380,766
Non current liabilities			
Sponsors' loan -unsecured	*5*	**511,646**	472,662
Long term loans - secured and unsecured	*6*	**14,416,014**	16,210,791
Interest rate swap liabilities	*7*	**1,293,890**	1,541,061
Deferred liabilities	*8*	**940**	1,135
		16,222,490	18,225,649
Current liabilities			
Trade and other payables	*9*	**1,925,464**	1,932,723
Short term loan	*10*	**5,000**	
Mark up accrued		**315,933**	373,140
Current portion of long term loans	*6*	**2,150,993**	1,849,721
Provision for taxation		**5,254**	2,109
		4,402,644	4,157,693
Contingencies and commitments	*11*		
		34,419,442	33,764,108

The annexed notes 1 to 32 form an integral part of these financial statements.

Chief Executive

As at 30 June 2011

	Note	2011	2010
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment			
-Operating fixed assets	*12*	**25,672,937**	26,510,724
-Capital work-in-progress	*13*	**1,538**	-
Long term deposits		**938**	1,074
Long term loan to employees	*14*	**1,694**	1,309
		25,677,107	26,513,107
Current assets			
Stores, spares and loose tools	*15*	**396,850**	358,820
Inventory of fuel oil		**497,117**	318,057
Trade debts - Unsecured, considered good	*16*	**6,161,625**	5,983,422
Advances, prepayments and other receivables	*17*	**195,258**	268,601
Cash and bank balances	*18*	**1,491,485**	322,101
		8,742,335	7,251,001
		34,419,442	33,764,108

Director

ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 30 June 2011

	Note	2011	2010
		(Rupees in thousand)	
Revenue - net	*19*	**16,127,550**	16,017,092
Direct cost	*20*	**11,595,978**	11,443,973
Gross profit		**4,531,572**	4,573,119
Administrative expenses	*21*	**(89,573)**	(86,738)
Other operating expenses		**-**	(39,353)
Other operating income	*22*	**59,333**	24,973
Profit from operations		**4,501,332**	4,472,001
Finance cost	*23*	**(3,173,254)**	(2,405,504)
Profit before taxation		**1,328,078**	2,066,497
Taxation		**(4,317)**	(1,640)
Profit for the year		**1,323,761**	2,064,857
Attributable to:			
Equity holders of the parent		**792,964**	1,241,110
Non-controlling interest		**530,797**	823,747
		1,323,761	2,064,857
Earnings per share - basic and diluted	*30*	**2.31**	3.62

The annexed notes 1 to 32 form an integral part of these financial statements.

Chief Executive **Director**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2011

	2011	2010
	(Rupees in thousand)	
Profit after tax	**1,323,761**	2,064,857
Other comprehensive Income		
Attributable to:		
Equity holders of the parent		
Net adjustment on account of effective portion of hedging and changes in fair value of interest rate swap liabilities (note 7)	**247,173**	166,992
Net amount reclassified/ transferred to profit and loss account (note 7)	**842,608**	-
	1,089,781	166,992
Total comprehensive income	**2,413,542**	2,231,849
Equity holders of the parent	**1,446,658**	1,341,278
Non-controlling interest	**966,884**	890,571
	2,413,542	2,231,849

The annexed notes 1 to 32 form an integral part of these financial statements.

Chief Executive **Director**

ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 June 2011

	Note	2011	2010
Cash flow from operating activities		**(Rupees in thousand)**	
Profit before taxation		**1,328,078**	2,066,497
Adjustment for non-cash items:			
Depreciation		**1,368,912**	1,364,059
Gain on sale of property, plant & equipment		**(2,433)**	(5,539)
Provision for staff retirement benefits		**606**	673
Provision for guarantee reserved		**55,166**	-
Capital spares consumed		**4,017**	3,795
Finance cost		**3,173,254**	2,406,367
		4,599,522	3,769,355
Operating profit before working capital changes		**5,927,600**	5,835,852
(Increase)/decrease in current assets			
Stores, spares and loose tools		**(38,030)**	(38,802)
Inventory of fuel oil		**(179,060)**	4,761
Trade debts		**(178,203)**	(2,024,806)
Advances, prepayments and other receivables		**58,233**	(146,202)
		(337,060)	(2,205,049)
Increase/(decrease) in current liabilities			
Trade and other payables		**61,565**	(154,429)
Cash generated from operations		**5,652,105**	3,476,374
Finance cost paid		**(2,128,363)**	(2,171,473)
Long term advances		**(385)**	(1,309)
Retirement and other benefits paid		**(801)**	(472)
Taxes adjusted		**6,326**	18,322
		(2,123,223)	(2,154,932)
Net cash generated from operating activities		**3,528,882**	1,321,442
Cash flows from investing activities			
Fixed capital expenditure		**(518,137)**	(50,394)
Proceeds from sale of property, plant and equipment		**4,740**	13,912
Long term deposits		**136**	(215)
Net cash used in investing activities		**(513,261)**	(36,697)
Cash flows from financing activities			
Repayment of long term finances		**(1,851,237)**	(2,782,062)
Proceeds from short term finance		**5,000**	-
Net cash used in financing activities		**(1,846,237)**	(2,782,062)
Net increase/ (decrease) in cash and cash equivalents		**1,169,384**	(1,497,317)
Cash and cash equivalents at the beginning of the year		**322,101**	1,819,418
Cash and cash equivalents at the end of the year	*18*	**1,491,485**	322,101

The annexed notes 1 to 32 form an integral part of these financial statements.

Chief Executive **Director**

ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2011

	Attributable to equity holders of Parent Company				
	Share capital	Revaluation reserve for interest rate swap	Accumulated profit	Non-controlling interest	Total
	------------------------------Rupees in thousand)---------------------------				
Balance as at 01 July 2009	3,425,500	(753,862)	2,682,458	3,794,821	9,148,917
Profit after tax for the period	-	-	1,241,110	823,747	2,064,857
Effective portion of changes in fair value of cash flow hedge	-	100,168	-	66,824	166,992
Total comprehensive income for the year	-	100,168	1,241,110	890,571	2,231,849
Balance as at 30 June 2010	3,425,500	(653,694)	3,923,568	4,685,392	11,380,766
Profit after tax for the period	-	-	792,964	530,797	1,323,761
Net adjustment on account of effective portion of hedging and changes in fair value of interest rate swap liabilities	-	148,264	-	98,909	247,173
Net amount reclassified / transferred to profit and loss account (note 7)	-	505,430	-	337,178	842,608
Total comprehensive income for the year	-	653,694	792,964	966,884	2,413,542
Balance as at 30 June 2011	**3,425,500**	**-**	**4,716,532**	**5,652,276**	**13,794,308**

The annexed notes 1 to 32 form an integral part of these financial statements.

Chief Executive **Director**

ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

1 Legal status and nature of business

1.1 The group comprises of:

Altern Energy Limited (AEL); and

Subsidiary companies

- Power Management Company (Private) Limited (PMCL)
- Rousch (Pakistan) Power Limited (RPPL)

Altern Energy Limited ("the Parent Company") was incorporated in Pakistan on 17 January 1995 and is listed on Karachi Stock Exchange. The principal objective of the Company is to generate and supply electric power to Water and Power Development Authority of Pakistan (WAPDA) from its thermal power plant having a gross capacity of 32 Mega Watts (2010 : 32 Mega Watts). The Company commenced commercial operations with effect from 06 June 2001. The registered office of the Company is situated at Descon Headquarters, 18 km, Ferozepur Road, Lahore.

Power Management Company (Private) Limited (PMCL) was incorporated in Pakistan on 24 February 2006. The principal objective of the PMCL is to invest, manage, operate, run, own and build power projects. The registered office of the PMCL is situated at 18 km Ferozepur Road, Lahore.

Rousch (Pakistan) Power Limited (RPPL) is a public unlisted company, incorporated in Pakistan on 04 August 1994. The principal activity of the RPPL is to generate and supply electricity to Water and Power Development Authority (WAPDA) from its combined cycle thermal power plant having a gross ISO capacity of 450 MW, located near Sidhnai Barrage, Abdul Hakim, District Khanewal, in Punjab. RPPL started commercial operations from 11 December 1999.

The registered office of RPPL is situated at 68 - Studio Apartments, Park Towers, F10 Markaz, Jinnah Avenue, Islamabad.

1.2 In terms of Amendment No. 3 to the Power Purchase Agreement (PPA) executed between the RPPL and WAPDA on 21 August 2003, RPPL has agreed to transfer ownership of the Complex to WAPDA at a token value of US$ 1 at the expiry of 30 years term of PPA (starting from 11 December 1999), if WAPDA does not opt for a renewal of the PPA for the additional term pursuant to section 4.1 (c) of the PPA.

2 Basis of preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Standard Board as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

2.2 Basis of measurement

These consolidated financial statements have been prepared under historical cost convention except that Group has capitalized exchange difference (note 12) as part of the cost of relevant assets and interest rate swap derivatives (note 7) have been stated at their fair values.

2.3 Basis of consolidation

All business combinations are accounted for using the purchase method. The cost of acquisition is measured at the fair value of the assets given and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair values of the parent company's share of identifiable net assets acquired is recorded as goodwill.

The consolidated financial statements include the financial statements of the parent company and its subsidiary companies - "the Group".

Subsidiary companies are consolidated from the date on which more than 50% voting rights are transferred to the parent company or power to govern the financial and operating policies over the subsidiary is established and is excluded from the date of disposal or cessation of control.

The financial statements of the subsidiary companies are prepared for the same reporting period as the parent company, using consistent accounting policies.

The assets and liabilities of the subsidiary companies have been consolidated on a line-by-line basis and the carrying value of investment held by the parent company is eliminated against the subsidiary companies' share capital and pre-acquisition reserves in the consolidated financial statements.

Material intra-group balances and transactions are eliminated.

Non-controlling interest is that part of the net results of operations and of net assets of the subsidiary companies attributable to interest which is not owned by the parent company.

2.4 Functional and presentation currency

These consolidates financial statements are presented in Pakistani Rupees which is also the Group's functiona currency.

2.5 Usa of estimates and judgments

The preparation of these consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Group's financial statements or where judgments were exercised in application of accounting policies are:

- accrued liabilities
- residual value and useful lives of property, plant and equipment
- provisions and contingencies
- inventories
- fair value of interest rate swap

2.6 Standards, Interpretations and Amendments not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 January 2011.

- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2011) . The amendments add an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.
- IAS 24 Related Party Disclosures (revised 2009) (effective for annual periods beginning on or after 1 January 2011) The revised IAS 24 amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.
- Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14) (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense.
- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2011). The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes.
- Improvements to IFRSs 2010 – IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 January 2011). The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

Apart from above certain other standards, amendments to published standards and interpretations of accounting standards became effective for accounting periods beginning on or after 1 January 2011, however, they do not affect the Group's financial statements.

2.7 IFRIC 4 – "Determining whether an Arrangement contains a Lease" and IFRIC 12 – Service Concession Arrangements

- IFRIC 4 – "Determining whether an Arrangement contains a Lease" (effective for annual periods beginning on or after 1 January 2006) and IFRIC 12 – "Service Concession Arrangements" (effective for annual periods beginning on or after 1 January 2008). However, the application of these interpretations have been deferred by the Securities and Exchange Commission of Pakistan (SECP), through circular 21 of 2009 dated 22 June 2009, for all companies till 30 June 2010, subject to the following:

a) The relaxation is available to companies till the conclusion of their agreements entered on or before 30 June 2010 with the government or other authority.

b) The relaxation from IFRIC 4 and IFRIC 12 is applicable to all companies and is not restricted to power sector. In case of power sector companies, the relaxation is available only in case where letter of intent or approval was issued by the government on or before 30 June 2010. In other cases, the date of agreement with the government or the other authority would determine the entitlement to the deferment and the same would be available till the conclusion of the existing agreement.

c) The requirement of IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors" is mandatory so that the investors / users of financial statements have knowledge about the results with and without the exemption.

However, the companies are encouraged to comply with the said interpretations but the fact of compliance shall be disclosed in their financial statements.

The Group has decided to avail the relaxation given by SECP. Had the Group complied with requirements of the IFRIC 12, the equity would have been lower by approximately Rs. 5,563.63 million (2010: Rs. 4,628.201 million) and the operating assets would have been lower by approximately Rs. 24,181.41 million (2010: Rs. 24,890.207) with a corresponding increase of approximately Rs. 18,617.78 million (2010: Rs. 20802.006 million) in receivables.

The present value of cash flows (receivables) has been estimated considering applicable degradation over the project life, indexation mechanism available under Power Purchase Agreement, cost incidental to make the plant available for dispatch to off-taker (WAPDA) and sponsor's return in the Financial Model.

3 Significant accounting policies

3.1 Staff retirement benefits

Defined benefit plan

RPPL operates an approved funded gratuity scheme (the plan) for all employees of the Company. Company's obligation under the scheme is determined through actuarial valuations carried out under the "Projected Unit Credit Method". Actuarial valuations are carried out annually and the latest valuation was conducted at the balance sheet date.

Net cumulative unrecognised actuarial gains / losses relating to previous reporting periods in excess of the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets are recognised as income or expense over the estimated remaining working lives of the employees.

Defined contribution plan

RPPL operates a recognised provident fund for all eligible employees of the Company. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% of salary and the same is charged to the profit and loss account.

AEL operates an un-funded gratuity scheme covering all its permanent employees. Provision is made annually to cover the liability under the scheme.

AEL also has the policy to provide for compensated absences of its employees in accordance with respective entitlement on cessation of service; related expected cost thereof has been included in the financial statements.

3.2 Taxation

The Group's profit and gains from power generation are exempt from tax under Clause 132 of Part I of Second Schedule of the Income Tax Ordinance, 2001.

3.3 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. The cost of assets constructed by the Group include, Project Development and Implementation Costs.

Exchange differences arising on outstanding amount of foreign currency loans contracted under Implementation Agreement with government of Pakistan are capitalized in the cost of plant and machinery in accordance with letter / circular issued by SECP (Refer note 12.2).

Depreciation is charged to income by using the straight line method so as to write off the depreciable amounts of an asset over its estimated useful life at annual rates mentioned in note 11 after taking into account their residual values. Amortisation on free hold land of RPPL is charged for reason stated in note 1.2 to these financial statements.

Depreciation methods, residual values and the useful lives of the assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.

Depreciation on additions to property, plant and equipment is charged from the month in which the asset is acquired or capitalised, while no depreciation is charged for the month in which the asset is disposed off.

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

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

3.4 Capital work-in-progress

Capital work in progress is stated at cost less any identified impairment loss and represents expenditure incurred on property, plant and equipment during the construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

3.5 Stores, spares and loose tools

Stores and spares are valued at lower of cost or net realizable value.

Stores and spares are stated at cost less impairment losses, if any. Cost of stores and spares other than chemicals and lubricants is determined under weighted average basis whereas the cost of chemicals and lubricants is determined on first-in-first out basis. The maintenance sub-contractor, is responsible to replenish mandatory stores and spares as used by them. Items in transit are valued at cost comprising invoice values plus other charges incurred thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

3.6 Inventory of fuel oil

This is stated at lower of cost and net realisable value. Cost is determined on first-in-first out basis. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

3.7 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at exchange rates prevailing at the date of transaction. Exchange differences arising on translation of foreign currency loans utilised for the acquisition of operating assets are capitalized and incorporated in the cost of such assets. All other exchange differences are charged to profit and loss account.

3.8 Revenue recognition

Revenue from the sale of electricity to WAPDA is recorded based upon the output delivered, capacity available and rates and other factors as specified under the Power Purchase Agreement (PPA).

Interest income is recognised on a time-apportioned basis using the effective rate of return.

3.9 Financial instruments

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

3.10 Offsetting of financial instruments

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Group has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.11 Derivative financial instruments

Derivative financial instruments are initially recorded at cost and are re-measured to fair value on subsequent reporting dates. The fair value of a derivative is the equivalent of the unrealised gain or loss from mark to market the derivative using prevailing market rates. Derivatives with positive market values (unrealised gain) are recorded as an asset and those with negative market values (unrealized losses) are recorded as liability. Derivatives are recognised on net basis with corresponding effect directly into equity in case of perfect hedging.

RPPL uses derivative financial instruments to hedge its exposure to risk of variability in interest rate on its long term loans. RPPL does not hold derivative financial instruments for trading purposes. The fair value of interest rate swap is based on brokers' quote / valuation by the concerned bank.

3.12 Borrowing costs

Mark-up, interest and other charges on borrowings are capitalised upto the date of commissioning of the related property, plant and equipment acquired out of the proceeds of such borrowings. All other mark-up, interest and other charges are charged to profit in which they are incurred.

3.13 Trade and other payables

Financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently at amortized cost using effective interest rate method.

Other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

3.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, balance with banks on current and deposit accounts and other short term highly liquid investments that are readily convertible to known amounts of cash.

3.15 Trade debts

Trade debts are carried at original invoice amount 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.

3.16 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-Financial assets

The carrying amounts of non-financial assets other than inventories, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.17 Provisions

Provisions are recognized when the Group 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 obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.18 Dividend

Dividend distribution to the shareholders is recognised as a liability in the period in which the dividends are approved.

4 Issued, subscribed and paid up capital

2011	2010		**2011**	2010
(Number of shares)			**(Rupees in thousand)**	
338,650,000	338,650,000	Ordinary shares of Rs 10 each fully paid in cash	**3,386,500**	3,386,500
3,900,000	3,900,000	Ordinary shares of Rs 10 each issued for consideration other than cash	**39,000**	39,000
342,550,000	342,550,000		**3,425,500**	3,425,500

As at 30 June 2011, 190,567,063 (2010: 190,567,063) ordinary shares of the Parent Company are held by Descon Engineering Limited ("the ultimate parent").

	Note	2011	2010
		(Rupees in thousand)	

5 Sponsors' loan-unsecured

	Note	2011	2010
These are composed of loans from associated undertakings:			
Descon Engineering Limited - the ultimate parent	*5.1*	**315,218**	315,218
Crescent Standard Business Management (Private) Limited	*5.2*	**23,152**	23,152
		338,370	338,370
Interest on long term finance	*5.3*	**173,276**	134,292
		511,646	472,662

5.1 It represents funds amounting to Rs. 315.218 million (2010: Rs. 315.218 million) received by AEL from Descon Engineering Limited for investment in Rousch (Pakistan) Power Limited through its subsidiary company, Power Management Company (Private) Limited. As per agreement between the Company, MCB Bank Limited and Descon Engineering Limited, all amounts (including mark-up) due under the sponsors' loan shall be subordinated to the loan facility from MCB Bank Limited. These are unsecured and carry mark up at six months KIBOR plus 300 basis points. It includes interest free loan amounting to Rs. 69.455 million.

5.2 It represents funds amounting to Rs. 23.152 million (2010: Rs. 23.152 million) paid by ex-sponsors previously. This loan is payable by AEL to Crescent Standard Business Management (Private) Limited and is unsecured and interest free and will be repaid on available liquidity basis.

5.3 It represent mark-up payable by AEL to Descon Engineering Limited of Rs. 173.27 million (2010: Rs. 134.29 million). As per terms of agreement the mark up payment is subordinated to loan facility from MCB Bank Limited and additional mark up is not due on this amount.

	Note	2011	2010
		(Rupees in thousand)	

6 Long term loans - secured and unsecured

	Note	2011	2010
Loans from financial institutions	*6.1*	**15,035,953**	16,706,523
Loans from related parties	*6.1.5 ('c)*	**1,531,054**	1,353,989
		16,567,007	18,060,512
Current portion of long term loans		**(2,150,993)**	(1,849,721)
		14,416,014	16,210,791

6.1 Loans from financial institutions:

	Facility	Note	2011	2010
			(Rupees in thousand)	
Secured				
Standard Chartered Bank, London (SCB)	Hermes facility	*6.1.3*	**1,398,389**	1,742,794
National Bank of Pakistan (NBP)	LTCF loan	*6.1.4*	**10,683,131**	11,877,530
Australia and New Zealand Banking Group Limited (ANZ)	Backstop facility	*6.1.5 a*	**395,868**	486,246
MCB Bank Limited	Syndicate finance - local currency	*6.1.6*	**747,253**	854,003
MCB Bank Limited	Syndicate finance - foreign currency	*6.1.7*	**106,358**	148,564
Unsecured				
Australia and New Zealand Banking Group Limited (ANZ)	Supplier's loan	*6.1.5.b*	**1,704,954**	1,597,386
			15,035,953	16,706,523

6.1.1 Major terms of the above loans from financial institutions are as under;

	Hermes facility	**Supplier loan**	**Backstop facility**	**LTCF loan**	**Syndicate finance - LCY**	**Syndicate finance - FCY**
Arranger / underwriter	ANZ	ANZ	ANZ	NBP	MCB	MCB
Facility amount	US$ 34.8 million	US$ 17 million	US$ 11 million	US$ 219.08 million	PKR 1,100 million (including FCY portion)	US$ 3.6 million
Facility utilized	US$ 34.8 million	US$ 12.6 million	US$ 11 million	US$ 219.08 million	PKR 854.003 million	US$ 3.6 million
Term in years (post commercial operation date)	15	Note 6.1.5 (b)	11	20	10	7
Interest per annum and repayment terms	LIBOR + 0.75% Payable semi-annually	6% accretion semi-annually	LIBOR + 0.75% Payable semi-annually	Note 6.1.4	6 m KIBOR + 2.75% semi-annually	3 m LIBOR+2.95% quarterly
Swap rate with Royal Bank of Scotland (formerly ABN Amro Bank N.V.), effective from 29 September 2006 (note 7)	4.76%	–	4.68%	3.68% effective upto 28 September 2007 & 5.21% from 29	–	–
Notional amounts under the interest rates swap	US$ 16.357 million	–	US$ 2.090 million	US$ 124.150 million	–	–

6.1.2 The entire financing from financial institutions except for supplier loan is secured by a legal mortgage on all immovable properties of the RPPL, pledge of 75% of sponsors' shares and hypothecation of moveable property. This security is vested in Trustee on behalf of the senior and the subordinated lenders.

	Note	2011	2010
		(Rupees in thousand)	
6.1.3 Hermes loan facility			
Outstanding amount of loan facility		**1,407,550**	1,757,684
Basic and time premium	*6.1.3.1*	**(112,240)**	(112,240)
		1,295,310	1,645,444
Basic and time premium amortised		**103,079**	97,350
		1,398,389	1,742,794

6.1.3.1 This represents basic and time premium paid on revision of the loan profile. The basic and time premium paid, is being amortised over the life of the loan facility.

6.1.3.2 Hermes facility is guaranteed by the Credit Insurance of the Federal Republic of Germany.

6.1.4 Long Term Credit Facility (LTCF) loan has been co-financed by the World Bank (US$ 119.7 million) and The Export and Import Bank of Japan (US$ 49.6 million). Further, this facility includes capitalized mark-up / interest amounting to US$ 49.7 million. This facility carries mark-up at the rate of 1 year US Treasure Bill rate plus 3% per annum; or World Bank Lending rate plus 2.5% per annum payable semi-annually, whichever is higher, up to the date of termination of senior loan and 1 year US Treasury Bill rate plus 4% per annum; or World Bank Lending rate plus 3.5% per annum, whichever is higher, after the date of termination of senior loan.

6.1.5 During the year, Memorandum of Understanding (MOU) has been signed between Siemens AG and RPPL whereby it has been agreed that instead of cash sweep arrangement, loan from Backstop, Supplier loan and Long term liability would be paid in fixed installments. The MOU is subject to lenders' approval which is pending at reporting date. However, the management confident that the same would be approved by lenders. As per agreed MOU:

(a) Loan under Backstop facility will be paid after adjustments of prepayments with New Hermes for new loan. Accordingly, loan payments have been started and last installment will be due on 30 September 2011.

(b) Initially, the supplier loan repayment was agreed to be made on the basis of fund available on repayment date after fulfilling the funding requirements as per the provisions of Master Agreement before distribution of dividend. However, as per MOU, repayment of installment has been agreed which are to be due on 31 March 2014, 30 September 2014 and 31 March 2015. Subsequent to the year end, these repayments have been further rescheduled and now will due in two installments on 30 September 2014 and 31 March 2015.

(c) Initially, it was anticipated that this liability was to be settled between 2010 and 2013 and accordingly such liability has been re-measured at fair value by using discount rate of 8% per annum. However, during the year ended 30 June 2010, RPPL after reviewing its future cash flows considered that such liability is to be settled between 2015 and 2016 and accordingly liability has been re-measured at fair value by using discount rate of 8 per cent per annum. However, as per MOU Long term liability would be repaid in five unequal semi-annual installment starting from September, 2015. It has also been agreed that the long term liability would be subject to 8% interest from the period starting 1 April 2015. Subsequent to year end, it was agreed with Siemens AG that the interest will start from 1 July 2015. RPPL has remeasured the fair value of the long term liability assuming discount rate of 8 percent and has recorded accretion on discount and fair value adjustment amounting to Rs. 169.947 million in the profit and loss account.

6.1.6 AEL had obtained a long term syndicate facility of Rs.1,100 million, which includes foreign currency loan limit of US Dollars 3.6 million, from consortium of banks under the lead of MCB Bank Limited. The outstanding loan amount is repayable in 14 equal six monthly installments ending on 25 January 2018. The loan carries mark-up at six month KIBOR plus 275 basis points, payable half yearly in arrears. The loan is secured by way of first ranking pari-passu charge on existing property, plant and equipment of the AEL at Fateh Jang site.

6.1.7 The limit of foreign currency portion of loan is of US dollars 3.6 million. The outstanding loan amount is repayable in eighteen un-equal quarterly installments payable upto 31 December 2015. It is secured by way of first ranking pari passu charge on existing property, plant and equipment of AEL at the Fateh Jang site. It carries mark-up at three month LIBOR plus 295 basis points payable quarterly in arrears.

7 Interest rate swap liabilities

RPPL has novated interest rate swap agreement initially entered with Standard Chartered Bank, to hedge applicable floating interest rates on certain loan facilities to Faysal Bank Limited (formerly ABN Amro Bank N.V.) with effect from 29 September 2006. In case the floating rate is less than the fixed (hedged) rates, RPPL is liable to pay the difference during the respective period and vice versa. The swap arrangement has been secured by a first pari passu charge of US$ 25 million on all the assets of RPPL. These arrangements are effective up to 30 September 2014.

The net fair value of swap at 30 June 2011 was a liability of Rs. 1,293.890 million (2010: Rs. 1,541.061 million). The adjustment of Rs. 247.173 million (2010: Rs. 166.992 million) on account of effective portion of hedging and changes in fair value of interest rate swap liabilities has been made with revaluation reserve for interest rates swap and included in swap payments (refer note 20.1). As a result, the balance of revaluation reserve for interest rates SWAP as at 30 June 2011 was Rs. 842.608 million (2010: Rs 1089.771 million). As at 30 June 2011, an exercise to test the effectiveness of hedging has been carried out. As per exercise the hedge has become ineffective due to fluctuation in fair values of the hedging instrument i.e., interest rate swap liabilities as hedging instrument did not meet criteria for hedge accounting. Accordingly, hedge accounting has been discontinued. Resultantly, Rs. 842.608 million which represents ineffective portion of hedge and loss due to changes in fair values has been reclassified from revaluation reserve for interest rate swap to profit and loss account. The remaining balances (loss) has been reclassified / transferred to profit and loss account as it is expected that such loss would not be recovered based on past years experience and expected trends of future changes in fair values and interest rate scenario.

	Note	**2011**	2010
		(Rupees in thousand)	
8 Deferred liabilities			
Staff gratuity - AEL		**487**	300
Compensated absences - AEL		**453**	835
		940	1,135

	Note	2011	2010
		(Rupees in thousand)	
9 Trade and other payables			
Creditors	*9.1*	**111,412**	75,417
Payable to WAPDA for gas efficiency and import of energy		**23,008**	32,296
Accrued liabilities			
- Interest rate swap payments		**290,059**	362,958
- Lender related costs		**7,818**	6,104
- Operation and maintenance charges	*9.2*	**586,777**	464,305
- Natural gas charges to SNGPL		**841,524**	831,473
- Others	*9.3*	**12,889**	10,176
Sales tax payable		**-**	-
Income tax payable		**744**	26,854
Payable to staff		**4,401**	3,024
Payable in respect of gas turbine casing, repair of generators and steam turbine	*9.4*	**17,850**	14,947
Provision for repair / replacement of STG 10	*9.5*	**21,071**	35,399
Provision for guarantee issued	*9.6*	**6,842**	64,950
Liquidated damages payable		**49**	9
Payable for plant improvement related works	*9.7*	**959**	1,543
Provision for worker's funds	*9.8*	**-**	-
Payable to defined benefit plan - staff gratuity - RPPL	*24*	**61**	3,268
		1,925,464	1,932,723

9.1 It includes the amount of Rs. 7.15 million (2010: Rs. 4.42 million) payable by AEL to Descon Engineering Limited, the ultimate parent, against engineering services provided and amount of Rs. 61.43 million (2010: Rs. 29.66 million) payable to Descon Power Solution (Private) Limited, an associated company.

It also includes the amount of Rs.18.713 million (2010: Rs. 15.675 million) payable to MWM GmbH against stores and spares purchased by AEL.

9.2 It includes Rs. 201.189 million being 75% of the top up payment to be made to related party on account of not achieving threshold of equivalent operating hours (EOH) of 110,000 hours under Amendment and Restatement Agreement expired during the year.

9.3 This includes Rs. 0.097 million (2010: Rs. 0.324 million) payable to a related party.

9.4 This represents am ount payable to a related party.

9.5 This represents 5% retention money payable to the contractor, a related party on account of replacement of STG 10 rotor.

9.6 The RPPL has filed an appeal against the judgment of a single judge to challenge the levy and collection of infrastructure fee / cess imposed through the Sindh Finance (Amendment) Ordinance, 2001 on the movement of goods entering or leaving the province from or for outside the country.

The Court by its orders dated 20 February 1997, 26 March 2001 and 11 November 2003 granted the stay on levy of this fee / cess on the condition that RPPL will furnish bank guarantee of equivalent amount till the final decision is made by the Court. Accordingly, the Company had arranged bank guarantees of Rs. 64.95 million in favour of Director Excise and Taxation, Karachi and made full provision in the financial statements up to 30 June 2010. During the year 2008, the Honorable High Court of Sindh in its decision dated 17 September 2008 declared the imposition of levy of infrastructure fee / cess on import of material before 28 December 2006 as void and invalid, and ordered the guarantees to be returned and encashed. However, the levy imposed w.e.f. 28 December 2006 was declared to be legal and valid. The Government of Sindh has filed the appeal before Supreme Court of Pakistan against the order of High Court of Sindh. RPPL has also filed an appeal before Supreme Court of Pakistan against the High Court's decision of imposition of levy after 28 December 2006. During the year 30 June 2011, the Supreme Court of Pakistan ordered to agitate this matter before High Court of Sindh. The High Court by consent of the excise and taxation department has passed an order whereby it has mainly ordered to discharge any bank guarantee furnished for consignments cleared up to 27 December 2006 and any guarantee for consignment cleared after 27 December 2006 shall be encashed to the extent of 50% and a bank guarantee for remaining amount will be kept alive till the future disposal of litigations. For future consignments goods will be cleared after 50% of payment of the disputed amount would be paid by the respondents and furnishment of bank guarantee of balance of 50%. Accordingly RPPL has reversed provision of Rs 64.950 million that was capitalized in plant and equipment and has recorded full provision of 50% of disputed amount of Rs. 13.684 million i.e., Rs. 6.842 million.

9.7 This includes Rs. 0.603 million (2010: Rs. 0.887 million) payable to a related party.

	2011	2010
	(Rupees in thousand)	
9.8 Provision for workers' funds		
Provision for Workers' Profit Participation Fund	**66,323**	103,359
Provision for Workers' Welfare Fund	**26,529**	41,344
	92,852	144,703
Less: Recoverable from WAPDA as pass through item	**(92,852)**	(144,703)
	-	-

10 Short term loans

RPPL has entered into an agreement with a consortium of local banks, [Faysal Bank Limited, Bank Alfalah Limited, Soneri Bank Limited and Silkbank Limited] led by Faysal Bank Limited, to avail working capital facility of Rs. 900 million (2010: Rs. 900 million). The facility carries mark-up at KIBOR plus 3% (2010: KIBOR plus 3%).

11 Contingencies and commitments

Contingencies

- Bank guarantees have been issued to Collector of Customs by RPPL aggregating Rs. 6.842 million (2010: Rs. 30 million)

Commitments

- Commitments for LTE cost under new LTMSA (refer to note 30.6) as at 30 June 2011 amounted approximately to Rs. 1792.657 million (Euro 14.37 million) (2010 : Rs. Nil).

- Commitment under letters of credit for raw materials as at 30 June 2011 amounted to Rs. 1.370 million (2010: Rs. 1.368 million).

- Letter of credit facility of Rs. 1425 million (2010: Rs. 1425 million) is available from a consortium of local banks led by Bank Alfalah Limited in favor of Sui Northern Gas Pipelines Limited (SNGPL) as a security to cover gas supply to RPPL for payments are made in arrears.

- MCB Bank Limited has issued bank guarantee for Rs. 156.213 million (2010 : 156.213 million) in favour of Sui Northern Gas Pipelines Limited as a security to cover gas supply to AEL for which payments are made in arrears. The guarantee will expire on 10 June 2012, which is renewable.

- MCB Bank Limited has also issued bank guarantee on behalf of AEL for Rs. 2.5 million each in favour of Shell Pakistan Limited, expiring on 23 March 2012 and Rs. 2.5 million in favour of MAL Pakistan Limited, expiring on 20 March 2012.

- During the year ended 30 June 2010, AEL had lodged warranty claim of Euro 300,000 on account of failure of mixer cooler cores. In order to support the AEL, MWM, the engine supplier, though supplied the cores but later on did not accept the claim on account of high Sulphur content in the intake air. The AEL believed that the warranty claim can be settled at one half of the claim amount and accordingly restricted its provision on account of rejected warranty claim to Euro 150,000 as against the total rejected claim of Euro 300,000.

- During the year, the AEL and MWM have entered into a settlement transaction by way of which MWM will provide 5 mixer cooler cores free of cost to the AEL having a fair value Euro 195,000 against the payment of full amount of warranty claim (Euro 300,000). AEL has issued the purchase order for these cores during the year and the delivery is expected in third quarter of 2011.

- Keeping in view the above, AEL has maintained the provision of Euro 150,000 and the final adjustment will be made on receipt of spares.

12 Operating fixed assets

	Annual rate of depreciation	Cost as at 01 July 2010	Additions/ (disposals)/ adjustments	Cost as at 30 June 2011	Accumulated depreciation as 01 July 2011	charge/ (on disposals)/	Accumulated depreciation as at 30 June 2011	Book value as at 30 June 2011
	'%	-----------------------------------(R u p e e s	i n	t h o u s a n d)-------------------------------				
Freehold land	3.33	59,413	-	59,413	19,428	1,820	21,248	38,165
Building on freehold land	3-5	1,909,207	3,288	1,912,495	679,681	63,621	743,302	1,169,193
Plant and machinery	3-17	36,244,371	576,666	36,756,087	11,330,353	1,282,007	12,602,576	24,153,511
(note 12.2)			(64,950)			(9,784)		
Leasehold improvements	10	1,321	973	972	93	112	55	917
			(1,322)			(150)		
Electric equipment	10	1,849	260	2,109	412	163	575	1,534
Furniture and fixtures	20	3,014	253	3,076	2,769	116	2,720	356
			(191)			(165)		
Office equipment	10-33	20,818	2,371	21,949	15,719	2,420	16,982	4,967
			(1,240)			(1,157)		
Vehicles	20	38,261	8,806	40,968	26,835	2,571	24,335	16,633
			(6,099)			(5,071)		
Capital spares	3-5	435,624	-	431,565	127,864	16,082	143,904	287,661
			(4,059)			(42)		
		38,713,878	**592,617**	**39,228,634**	**12,203,154**	**1,368,912**	**13,555,697**	**25,672,937**
			(77,861)			**(16,369)**		

	Annual rate of depreciation	Cost as at 01 July 2009	Additions/ (disposals)/ *adjustments	* Cost as at 30 June 2010	Accumulated depreciation as 01 July 2009	charge/ (disposals)/ *adjustments for the year	Accumulated depreciation as at 30 June 2010	Book value as at 30 June 2010
	'%	-----------------------------------(R u p e e s	i n	t h o u s a n d)	--------------------------------			
Freehold land	3.33	59,413	-	59,413	17,456	1,972	19,428	39,985
Building on freehold land	3-5	1,903,236	5,971	1,909,207	616,290	63,391	679,681	1,229,526
Plant and machinery	3-17	35,767,391	23,189	36,244,371	10,487,502	1,277,464	11,330,353	24,914,018
(note 12.2)			895,404			(267,320)		
			(441,613)			(167,293)		
Leasehold improvements	10	3,877	1,322	1,321	3,585	148	93	1,228
			(3,878)			(3,640)		
Electric equipment	10	1,849	-	1,849	237	175	412	1,437
Furniture and fixtures	20	2,917	155	3,014	2,741	86	2,769	245
			(58)			(58)		
Office equipment	10-33	20,539	1,550	20,818	14,564	2,344	15,719	5,099
			(1,271)			(1,189)		
Vehicles	20	36,761	4,347	38,261	26,245	2,384	26,835	11,426
			(2,847)			(1,794)		
Capital spares	3-5	439,465	-	435,624	111,815	16,095	127,864	307,760
			(3,841)			(46)		
		38,235,448	931,938	38,713,878	11,280,435	1,364,059	12,203,154	26,510,724
			(453,508)			(441,340)		

		Note	2011	2010
			(Rupees in thousand)	
12.1	The depreciation/ amortization charge for the year has been allocated as follows:			
	Direct costs	*20*	**1,363,847**	1,359,127
	Administrative expenses	*21*	**5,065**	4,932
			1,368,912	1,364,059

12.2 According to the circular 11 of 2008 dated 13 June 2008 and letter No. EMD/233/390/2002-914 dated 06 May 2010 issued by the Securities and Exchange Commission of Pakistan (SECP), power sector companies are allowed to capitalise exchange gains / losses arising on outstanding amounts of foreign currency loans contracted under the implementation agreement with Government of Pakistan until the date of expiry of such implementation agreement. Therefore, the exchange losses of Rs.76.728 million (2010: Rs. 869.173 million) arising on revaluation and repayments of foreign currency loans at year end and during the year has been capitalized. This has resulted in accumulated capitalisation of Rs. 9771.906 million (2010: Rs. 9,695.178 million) in the cost of plant and equipment up to 30 June 2011, with book value of Rs. 7,611.928 million (2010: Rs. 7,946.246 million) as at the year end.

12.3 Details of property, plant and equipment disposed off during the year are:

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Mode of disposal	Purchaser
	('-----------------Rupees in thousand			-----------------)		
Toyota corolla	1,199	348	851	815	RPPL policy	Ex-employee
Hyundai Terracan	2,550	2,072	478	1,650	Negotiation	Employee
Various items of written down value less than Rs. 50,000 each	3,782	3,672	110	1,775	Negotiation/ RPPL Policy/ write off	Various
	7,531	6,092	1,439	4,240		

13 Capital work in progress

	2011	2010
	(Rupees in thousand)	
Advances to suppliers and contractors	**1,538**	-

14 Long term loan to employees

This represents interest free transport loan facility to employees. The Group contributes 80% of cost which are recoverable in 60 equal monthly installments from the employee. These vehicles are in the name of the Group for security purpose.

	2011	2010
	(Rupees in thousand)	
Outstanding advance as on 30 June	**2513**	2,231
Less: Current maturity	**(819)**	(922)
	1,694	1,309

15 Stores, spares and loose tools

	2011	2010
Stores	**371,410**	353,785
Spares	**25,440**	5,035
	396,850	358,820

15.1 Stores and spares include an of Rs. Nil (2009: Rs. 1.35 million) in transit. All the stores, spares and loose tools of RPPL are held by ESB International Contracting Limited (ESBI), the Operation and Maintenance contractor of RPPL.

16 Trade debts - secured, considered good

This represents receivable from WAPDA against energy and capacity. The Group is entitled to claim supplemental charges from WAPDA in case of delayed payment at the discount rate of State Bank of Pakistan (SBP) plus 2% per annum.

17 Advances, prepayments and other receivables

	Note	2011	2010
		(Rupees in thousand)	
Advances-Considered good			
-Suppliers	*17.1*	**20,425**	78,405
-Employees	*14*	**1,249**	1,596
		21,674	80,001
Advances to Descon Power Solutions (Private) Limited		**-**	5,000
Prepayments	*17.2*	**130,036**	144,100
Bank guarantee cost MCB		**1,379**	2,466
Recoverable from Government			
-Advance income tax - net		**5,830**	13,329
-Sales tax		**11,388**	20,264
		17,218	33,593
Others	*17.3*	**24,951**	3,441
		195,258	268,601

17.1 This includes advances to related party amounting to Rs. 10.413 million (2010: Rs.5.225 million)

17.2 This includes Rs. 62.68 million (2010: Rs. 36.855 million) guarantee premium paid in advance to ANZ Frankfurt for New Hermes Facility, which were supposed to replace the Backstop loan (refer note 6.15 (a)). However, since the replacement could not be done and the final maturity of New Hermes is about to expire, the premium is now to be adjusted / refunded by Hermes.

17.3 This includes receivable from related parties amounting to Rs. 2.171 million (2010: Rs.1.176 million)

18 Cash and bank balances

	Note	2011	2010
		(Rupees in thousand)	
Cash at bank:			
Saving accounts			
- Local currency		**1,257,908**	88,377
- Foreign currency		**232,005**	231,705
	18.1	**1,489,913**	320,082
Current accounts		**809**	1,428
		1,490,722	321,510
Cash in hand		**763**	591
		1,491,485	322,101

18.1 These carry mark-up at the rates ranging from 0.5% to 13.2% (2010: 0.5% to 13.2%).

19 Revenue - net

	2011	2010
	(Rupees in thousand)	
Energy - gross	**11,582,133**	11,468,434
Sales tax	**(1,682,874)**	(1,834,949)
Energy - net	**9,899,259**	9,633,485
Capacity	**5,723,621**	6,173,046
Other supplemental charges	**669,489**	417,598
Gas efficiency passed to WAPDA	**(164,819)**	(207,037)
	16,127,550	16,017,092

		Note	2011	2010
			(Rupees in thousand)	
20	**Cost of sales**			
	Energy import		**13,200**	9,666
	Salaries, wages and other benefits		**33,005**	21,736
	Travelling and conveyance		**215**	337
	Fuel consumed		**8,782,610**	8,520,966
	Chemicals, stores and spares consumed		**175,837**	134,596
	Depreciation	*12.1*	**1,363,738**	1,359,127
	Operating maintenance costs		**988,591**	1,064,202
	Insurance		**181,143**	297,154
	Generation license fee		**3,721**	3,301
	Electricity duty		**3,659**	3,245
	Repairs and maintenance		**23,432**	12,495
	WAPDA liquidated damages		**69**	68
	Miscellaneous expenses		**26,758**	17,080
			11,595,978	11,443,973
21	**Administrative expenses**			
	Salaries, wages and other benefits	*21.1*	**45,516**	49,764
	Consultancy and advisory services		**-**	539
	Depreciation	*12.1*	**5,065**	4,932
	Travelling and conveyance		**8,094**	8,416
	Rent, rates and taxes		**1,780**	1,358
	Utilities		**296**	419
	Repair and maintenance		**5,869**	6,046
	Postage and telephone		**1,204**	1,500
	Publicity, printing and stationery		**777**	781
	Donation		**3,048**	115
	Legal and professional		**11,097**	9,239
	Fee and subscription		**271**	173
	Auditors remuneration	*21.2*	**2,221**	2,146
	Entertainment		**483**	475
	Security expenses		**1,708**	732
	Miscellaneous		**2,035**	103
			89,464	86,738

21.1 This includes provision for staff gratuity amounting to Rs. 2.386 million (2010: Rs. 2.460 million) and contributions to provident fund trust amounting to Rs. 3.527 million (2010: Rs. 3.224 million).

		Note	2011	2010
			(Rupees in thousand)	
21.2	**Auditor's remuneration**			
	Annual audit fee		**1,941**	1,696
	Half year review fee		**150**	150
	Tax consultancy		**100**	250
	Out of pocket expenses		**50**	50
			2,241	2,146

22 Other operating income

		2011	2010
Income from financial assets			
Income on bank deposits		**44,466**	14,235
Interest on late payment from WAPDA		**-**	3,504
		44,466	17,739
Income from non-financial assets			
Gain on sale of property, plant & equipment		**2,433**	5,539
Scrap sales		**2,564**	1,329
Exchange gain		**26**	-
Liability written back		**9,784**	-
Other income		**60**	366
		14,867	7,234
		59,333	24,973

23 Finance cost

	Note	2011	2010
Interest and mark-up on:			
- Long term loans	*23.1 & 23.2*	**2,045,833**	2,226,484
- Short term borrowings		**21,709**	30,060
Amortization of bank guarantee cost		**1,122**	1,143
Foreign exchange difference		**3,038**	13
Accretion of discount on long term liability	*23.3*	**169,947**	(385,310)
Ineffective portion of changes in fair value of cash flow hedges		**-**	451,282
Net amount reclassified / transferred from hedging reserve	*7*	**842,608**	-
Lender fees and charges		**59,734**	64,527
Lender related costs-others		**23,606**	14,846
Mark-up on late payments to SNGPL		**4,084**	-
Bank charges		**1,573**	2,459
		3,173,254	2,405,504

23.1 It includes mark up accrued to Descon Engineering Limited, the holding company amounting to Rs. 38.99 million (2010: Rs. 36.19 million).

23.2 This includes net swap payments of Rs. 666.558 million (2010: Rs. 626.007 million) and net exchange gain of Rs. 27.187 million (2010 exchange loss : Rs. 48.680 million)

23.3 This represents reversal of liability due to change in repayment schedule as explained in note 6.1.5(c) to these financial statements.

24 Payable to defined benefit plan

The actuarial valuation of the staff gratuity have been carried out on the basis of projected unit credit method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:

24.1 Actuarial assumptions

	2011	2010
Valuation discount rate	**14%**	14%
Expected rate of increase in salaries	**14%**	14%
Expected rate of return on plan assets	**14%**	14%

24.2 Funding status

	2011	2010
	(Rupees in thousand)	
The amounts recognised in balance sheet are as follows:		
Present value of defined benefit obligation	**14,461**	9,850
Fair value of plan assets	**(12,666)**	(6,528)
(Losses) not recognised	**(1,734)**	(54)
Liability in balance sheet	**61**	3,268

24.3 Changes in present value of defined benefit obligation

	2011	2010
Present value of defined benefit obligation - beginning of the year	**9,850**	13,288
Current service cost	**1,689**	917
Interest cost	**1,379**	1,373
Actuarial losses/(gains)	**1,543**	(194)
Benefits paid	**-**	(5,534)
Present value of defined benefit obligation - end of the year	**14,461**	9,850

24.4 Changes in fair value of plan assets

	2011	2010
	(Rupees in thousand)	
Fair value of plan assets - beginning of the year	6,528	-
Expected return on plan assets	914	443
Actuarial (losses)	(137)	(248)
Benefits paid	-	(5,533)
Contribution to fund	5,361	11,866
Fair value of plan assets - end of the year	12,666	6,528

24.5 Amounts recognised in the profit and loss account

	2011	2010
Current service cost	1,689	917
Interest cost	1,379	1,373
Transitional liability	-	613
Expected return on plan assets	(914)	(443)
	2,154	2,460

24.6 Composition / fair value of plan assets

	2011	2010
Certificates of investment / term deposit receipts	97%	94%
Others	3%	6%

25 Remuneration of Chief Executive, Directors and Executives

25.1 The aggregate amount charged in the consolidated financial statements for the year for remuneration, including certain benefits, to chief executives, full time working directors and executives of the Group is as follows:

	Chief Executive		Executives	
	2011	2010	2011	2010
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	16,660	1,694	32,153	26,471
Contributions to provident and gratuity funds	1,644	169	7,299	6,294
Housing	1,850	932	3,945	292
Utilities	121	169	-	5,331
Leave fair assistance	109	180	-	-
Medical expenses	-	-	-	23
	20,384	3,144		38,411
Number of persons	3	1	16	17

25.2 In addition to above, actual medical expenses incurred by the ex-Chief Executive of AEL of Rs. 0.01 million (2010: Rs. 0.04 million) were reimbursed by the Company. Further ex-Chief Executive was also provided with Company's maintained car.

25.3 During the year CEO of AEL left the Company and new CEO was appointed from amongst the existing Directors of the Company. However, no remuneration or any other benefits were paid to new CEO.

25.4 No fee, remuneration, house rent and utilities were provided to Directors of the Group.

26 Capital risk management

The Group defines the capital that it manages as the Group's total equity. The objective of the Group when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business.

There were no changes in the Group's approach to capital management during the year. The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. The Group is not subject to any externally imposed capital requirements. However, the Group is subject to terms of certain financing agreements whereby dividend will be paid only after repayment of such loans.

27 Financial instruments

Financial risk management

The Board of Directors of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group has exposure to following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

27.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

27.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date by geographic region was as follows:

	2011			2010		
	Domestic	**United Kingdom**	**Total**	Domestic	United Kingdom	Total
	(Rupees in thousand)					
	938	-	**938**	1,074	-	1,074
Long term deposits	**6,161,625**	-	**6,161,625**	5,983,422	-	5,983,422
Trade debts	**27,411**	-	**27,411**	1,176	-	1,176
Other receivables	**1,258,529**	**232,005**	**1,490,534**	89,517	231,705	321,222
Bank balances	**7,448,503**	**232,005**	**7,680,508**	6,075,189	231,705	6,306,894

27.1.2 Impairment losses

The aging of trade debts at the balance sheet date was:

	2011		2010	
	Gross	**Impairment**	Gross	Impairment
	(Rupees in thousand)			
Not past due	**1,718,857**	**-**	1,537,604	-
Past due 0-30 days	**1,582,765**	**-**	1,544,943	-
Past due 31-120 days	**2,859,503**	**-**	2,900,875	-
More than 120 days	**750**	**-**	-	-
	6,161,875	**-**	5,983,422	-

The Group's customer is WAPDA only. The credit risk on trade debts from WAPDA is managed by a guarantee from the Government of Pakistan under the Implementation Agreement (IA) and by continuous follow-ups for release of payments from WAPDA. Cash is held only with reputable banks with high quality external credit enhancements. The credit risk on foreign currency deposits is limited because the same is secured and used for debt repayment. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade debts.

27.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Group could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The following are the remaining contractual maturities of financial liabilities, including interest payments:

	2011					
			Maturities			
	Carrying amount	**Contractual cash flows**	**Less than six months**	**Upto one year**	**Two years to five years**	**After five years**
	(Rupees in thousand)					
Non-derivative financial liabilities:						
Sponsors' loan	**511,646**	**(511,646)**	**-**	**-**	**-**	**(511,646)**
Long term loans	**16,625,664**	**(21,792,162)**	**(1,401,252)**	**(1,371,314)**	**(11,963,366)**	**(7,056,230)**
Trade and other payables	**2,246,302**	**(2,246,302)**	**(2,061,830)**	**(184,472)**	**-**	**-**
Mark up accrued	**23,922**	**(23,922)**	**(23,922)**	**-**	**-**	**-**
	19,407,534	**(24,574,032)**	**(3,487,004)**	**(1,555,786)**	**(11,963,366)**	**(7,567,876)**
Derivative financial liabilities:						
Interest rate swap liabilities	**1,293,889**	**(1,677,423)**	**(303,436)**	**(279,838)**	**(1,094,149)**	**-**
	20,701,423	**(26,251,455)**	**(3,790,440)**	**(1,835,624)**	**(13,057,515)**	**(7,567,876)**

	2010					
			Maturities			
	Carrying amount	Contractual cash flows	Less than six months	Upto one year	Two years to five years	After five years
	(Rupees in thousand)					
Non-derivative financial liabilities:						
Sponsors' loan	472,662	(472,662)	-	-	-	(463,599)
Long term loans	18,110,512	(24,659,761)	(1,505,974)	(1,475,932)	(12,360,531)	(9,317,324)
Trade and other payables	1,950,034	(2,268,059)	(2,100,784)	(167,275)	-	-
Mark up accrued	373,140	(373,140)	(373,140)	-	-	-
	20,906,348	(27,773,622)	(3,979,898)	(1,643,207)	(12,360,531)	(9,780,923)
Derivative financial liabilities:						
Interest rate swap liabilities	1,541,061	(2,112,529)	(171,109)	(315,762)	(1,452,946)	(172,712)
	22,447,409	(29,886,151)	(4,151,007)	(1,958,969)	(13,813,477)	(9,953,635)

The Group closely monitors its liquidity and cash flow position. The liquidity risk is managed by using financial model and a continuous follow-up for collecting receivables from WAPDA and managing debt repayments on due dates, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. In addition, the Group maintains committed line of credit from a consortium of local banks as disclosed in note 17.2 to these financial statements.

27.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Group is exposed to interest rate risk and currency risk only.

27.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on saving bank balances, long term loans and derivative financial instruments. The interest rate profile of the Group's interest-bearing financial instruments at the balance sheet date was as under:

	Carrying amounts	
	2011	2010
	(Rupees in thousand)	
Fixed rate instruments:		
Financial liabilities	**(3,236,008)**	(1,597,386)
Variable rate instruments:		
Financial assets	**1,489,913**	320,082
Financial liabilities	**(15,031,487)**	(17,192,748)
	(13,541,574)	(16,872,666)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial liabilities at fair value. Therefore, a change in interest rates at the reporting date would not affect profit and loss account or equity.

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for the previous year.

	Equity		Profit and loss	
	2011	2010	**2011**	2010
	----------------------- **(Rupees in thousand)** -----------------------			
Variable rate instruments	**-**	443,942	**318,382**	40,579

A 100 basis points decrease in interest rates at the reporting date would have had an equal but opposite effect on the equity and profit and loss to the amounts shown above, on the basis that all other variables remain constant. The Group uses derivative financial instruments to hedge its exposure to risk of variability in interest rate on its long term loans.

Fair value of financial assets and liabilities

The fair value of all financial assets and financial liabilities is estimated to approximate their carrying amounts as at 30 June 2011.

27.3.2 Currency risk

Foreign currency risk is the risk that the value of a financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

Exposure to currency risk

The Group's exposure to foreign currency risk at the reporting date was as follows:

	2011		
	Rupees	**US Dollars**	**Euro**
	(Amounts in thousand)		
Cash and cash equivalents	**232,005**	**2,702**	**268**
Long term loans	**(15,819,754)**	**(184,147)**	**-**
Interest rate swap	**(1,293,890)**	**(15,036)**	**-**
Trade and other payables	**(1,188,086)**	**(12,097)**	**(1,078)**
Gross balance sheet exposure	**(18,069,725)**	**(208,578)**	**(810)**

	2010		
	Rupees	US Dollars	Euro
	(Amounts in thousand)		
Cash and cash equivalents	231,705	2,386	268
Long term loans	(17,206,509)	(185,367)	-
Interest rate swap	(1,541,061)	(20,244)	-
Trade and other payables	(851,756)	(9,143)	(661)
Gross balance sheet exposure	(19,367,621)	(212,368)	(393)

The foreign exchange risk on debt repayments is managed by depositing suitable amounts in foreign currencies on a monthly basis. Further, foreign exchange risk in US Dollars is mitigated by the indexation mechanism for tariff available under Power Purchase Agreement (PPA).

The following significant exchange rates were applied during the year:

	Balance sheet date rate		Average rate	
	2011	2010	**2011**	2010
US Dollars	**86.02**	85.50	**85.65**	84.06
Euro	**124.75**	104.46	**117.62**	116.29

Sensitivity analysis

A ten percent strengthening of the Pakistani Rupee against the following currencies at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, r emain constant. The analysis is performed on the same basis as for the previous year.

	Equity		Profit and loss	
	2011	2010	**2011**	2010
	(Rupees in thousand)			
US Dollars	**-**	121,160	**48,490**	161,936
Euro	**-**	-	**11,351**	4,393

A ten percent weakening of the Pakistani Rupee against the above currencies at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

As stated is note 12.2, the exchange loss / gain is capitalised as part of cost of plant and equipment. The net effect which would have been increased / decrease to the cost of plant and equipment is Rs. 1,080.704 million (2010: Rs. 1,113.932 million). Therefore, the effect has not been considered either in equity or profit and loss account as stated above.

28 Transaction with related parties

The related parties comprise of ultimate parent company associated companies, related group companies, directors and their close family members, staff retirement contribution fund, key management personnel and major shareholders of the Group. Amounts due from and to related parties are shown under receivable and payable. Other significant transactions with related parties not disclosed elsewhere in these financial statements are as follows:

	2011	2010
	(Rupees in thousand)	
Descon Engineering Limited - the ultimate parent		
On account of:		
Short term loan - received during the year	**-**	5,063
Mark up accrued during the year	**38,984**	36,186
Engineering services	**2,386**	-
Reimbursement of expenses	**624**	381
Payments for services	**16,066**	10,601
Associated companies		
Descon Power Solutions (Private) Limited		
On account of:		
- Operation and maintenance agreement	**21,600**	21,600
- Service agreement of generators	**2,400**	2,400
- Spare parts purchased	**94,856**	27,648
Operator's fee paid to ESB International Contracting Limited	**511,863**	651,397
Payments to Siemens AG as maintenance contractor	**243,421**	385,474
Payments to Siemens AG for supply of spares and services	**-**	16,000
Payments to Siemens Pakistan Engineering Company Limited for supply of spares and services	**2,217**	854
Payments to Siemens AG on repair agreements	**18,538**	299,285
Payments to Presson Descon Engineering (Private) Limited for supply of spares and services	**3,131**	384
Payments to Siemens AG against LTMSA contract	**502,456**	-
Payments to Siemens Pakistan Engineering Company Limited against LTMSA contract	**85,982**	-
Sale proceeds from Descon Chemical Limited for the sale of leasehold improvements	**500**	-
Staff retirement contribution fund		
Payment to staff gratuity fund	**3,572**	11,866
Payment to staff provident fund	**5,361**	3,224

29 Plant capacity and actual production

		2011	2010
		(Rupees in thousand)	
Theoretical maximum output at dependable capacity of 395 GWh (2010: 395 GWh)	*GWh*	**3,666.33**	3,666.33
Practical maximum output	*GWh*	**3,307.64**	3,462.68
Actual output	*GWh*	**3,228.67**	3,413.74
Load factor	*Percentage*	**88.06**	93.11

Practical maximum output for the power plant is computed taking into account all the scheduled outages. Actual output is dependent on the load demanded by WAPDA, the plant availability and mean-site conditions.

30 Earnings per share - basic and diluted

30.1 Earnings per share - Basic

		2011	2010
Profit for the year attributable to equity holders of Parent Company	***Rupees in thousand***	**792,964**	1,241,110
Weighted average number of ordinary shares	***Number***	**342,550,000**	342,550,000
Earnings per share - basic	***Rupees***	**2.31**	3.62

30.2 Earnings per share - Diluted

There is no dilution effect on the basic earnings per share as the Group has no such commitments.

31 Date of authorisation

These consolidated financial statements were authorised for issue by the Board of Directors in their meeting held on September 7, 2011.

32 General

32.1 Figures have been rounded off to the nearest thousand of Rupees.

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

Chief Executive **Director**

Financial Year ending June 30	2011	2010	2009	2008	2007	2006	2005	2004
					(rupees In Thousand)			
Despatch (%)	87%	76%	55%	0%	0%	0%	12%	35%
Despatch (MWH)	179,323	157,376	112,714	-	-	-	9,382	27,262
Revenue	990,832	804,459	659,713	-	-	-	24,847	95,076
Direct Costs	796,787	607,852	511,349	38,186	37,174	38,141	77,139	95,522
Gross Profit/ (Loss)	194,045	196,877	148,364	(38,186)	(37,174)	(38,141)	(52,292)	(446)
Net Profit/(Loss)	(8,054)	7,043	(197,291)	(97,524)	(73,537)	(114,963)	(101,482)	(46,580)
Total Assets	4,524,072	4,602,373	4,549,582	4,520,454	3,612,740	621,629	454,288	480,395

PATTERN OF SHAREHOLDING

Pattern of holding of the shares held by the shareholders as at 30-06-2011

------Shareholding------

4. No. of Shareholders	From	To	Total Shares Held
35	1	100	202
25	101	500	11,713
16	501	1,000	15,153
24	1,001	5,000	86,538
6	5,001	10,000	50,925
5	10,001	15,000	66,985
5	15,001	20,000	94,899
4	20,001	25,000	91,802
3	25,001	30,000	87,800
3	35,001	40,000	118,999
1	45,001	50,000	48,500
1	55,001	60,000	55,210
1	70,001	75,000	73,000
1	80,001	85,000	81,446
2	95,001	100,000	199,277
1	105,001	110,000	109,499
1	120,001	125,000	121,000
1	130,001	135,000	134,866
1	210,001	215,000	215,000
1	225,001	230,000	230,000
1	245,001	250,000	250,000
1	300,001	305,000	300,500
1	595,001	600,000	600,000
1	715,001	720,000	717,461
1	805,001	810,000	810,000
1	1,680,001	1,685,000	1,680,404
1	2,055,001	2,060,000	2,056,821
1	8,695,001	8,700,000	8,700,000
1	12,530,001	12,535,000	12,530,582
1	60,475,001	60,480,000	60,475,416
1	61,965,001	61,970,000	61,968,939
1	190,565,001	190,570,000	190,567,063
149			**342,550,000**

CATEGORIES OF SHAREHOLDERS REQUIRED UNDER C.C.G. AS ON 30th June, 2011

S. No.	NAME	% AGE	HOLDING
DIRECTORS, CEO THEIR SPOUSE AND MINOR CHILDREN			
1	MR. ABDUL RAZZAK DAWOOD (CDC)	0.0001	500
2	SYED ZAMANAT ABBAS (CDC)	0.0001	500
		0.0002	1,000
ASSOCIATED COMPANIES, UNDERTAKING & RELATED PARTIES			
1	DESCON ENGINEERING LIMITED (CDC)	55.6319	190,567,063
NIT & ICP		-	-
FINANCIAL INSTITUTION		0.3078	1,054,365
MODARABAS & MUTUAL FUNDS		1.1538	3,952,225
PUBLIC SECTOR COMPANIES & CORPORATION		23.8858	81,820,797
OTHERS			
1	TRUSTEE MAYMAR HOUSING SER VICES LTD.(CDC)	0.0049	16,899
INSURANCE COMPANIES		-	-
FOREIGN COMPANY			
1	SAUDI ARABIAN CONSTRUCTION & REPAIR CO. LTD.	18.0905	61,968,939
SHARES HELD BY THE GENERAL PUBLIC		0.9250	3,168,712
	TOTAL:	**100.0000**	**342,550,000**

SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL

S. No.	Name	% AGE	Holding
1	DESCON ENGINEERING LIMITED (CDC)	55.6319	190,567,063
2	SAUDI ARABIAN CONSTRUCTION & REPAIR CO. LTD.	18.0905	61,968,939
3	CRESCENT STEEL AND ALLIED PRODUCTS LTD. (CDC)	17.6545	60,475,416
		91.3769	**313,011,418**

During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows

NIL

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 17th Annual General Meeting of Altern Energy Limited, will be held on Friday, October 21, 2011 at 11.00 am at Descon Headquarters, 18 – KM, Ferozepur Road, Lahore, to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the last Annual General Meeting of the Company held on Tuesday, September 21, 2010.

2. To receive, consider and adopt the audited accounts of the Company for the year ended 30th June 2011 together with the Directors and Auditors Reports thereon.

3. To appoint Auditors for the year ending June 30, 2012 and fix their remuneration. The present auditors M/S KPMG Taseer Hadi & Co. have retired and being eligible have offered themselves for appointment as auditors of the Company.

4. To transact any other business with the permission of the Chair.

By Order of the Board

Lahore
September 22, 2011

(Umer Shehzad)
Company Secretary

Notes:-

1. The share transfer books of the Company shall remain closed from 14-10-2011 to 21-10-2011 (both days inclusive).

2. Members are requested to attend in person along with National Identity Card ("NIC") or appoint some other member as proxy and send their proxy duly witnessed so as to reach the registered office of the Company not later than 48 hours before the time of holding the meeting.

3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his / her original NIC or passport, Account and participants, I.D. Numbers to prove his / her identity, and in case of proxy must enclose an attested copy of his / her NIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.

4. Shareholders are requested to immediately notify change in address, if any, to the Company's Share Registrar, M/s Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore and also furnish attested photocopy of their computerized NIC as per Listing Regulations, if not provided earlier.

PROXY FORM

I/We ____ of ____________________________________, a member/members of ALTERN ENERGY LIMITED and holder of ______________ shares as per registered Folio # /CDC Participant ID # /Sub A/C # / Investor A/C # _________ do hereby appoint ______________________________________, a member of the Company vide Registered Folio #/CDC Participant ID#/Sub A/C # /Investor A/C # ______________ as my/our Proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the shareholders of ALTERN ENERGY LIMITED will be held on Friday October 21, 2011 at 11:00 am at DESCON HEAD QUARTER 18-km Ferozpur Road, Lahore and at any adjournment thereof.

As witness may hand this ___________________________day of _________2011.

Member's Signature

Please affix here Revenue Stamp

Witness's Signature

Place:________________

Date:___________________

Note: A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered Office of the Company not later than 48 hours before the time for holding the meeting.

Proxies of the member(s) through CDC shall be accompanied with attested copies of the CNIC(s). The shareholders through CDC are requested to bring original CNIC, Account Number and participant Account Number to be produced at the time of attending the meeting.