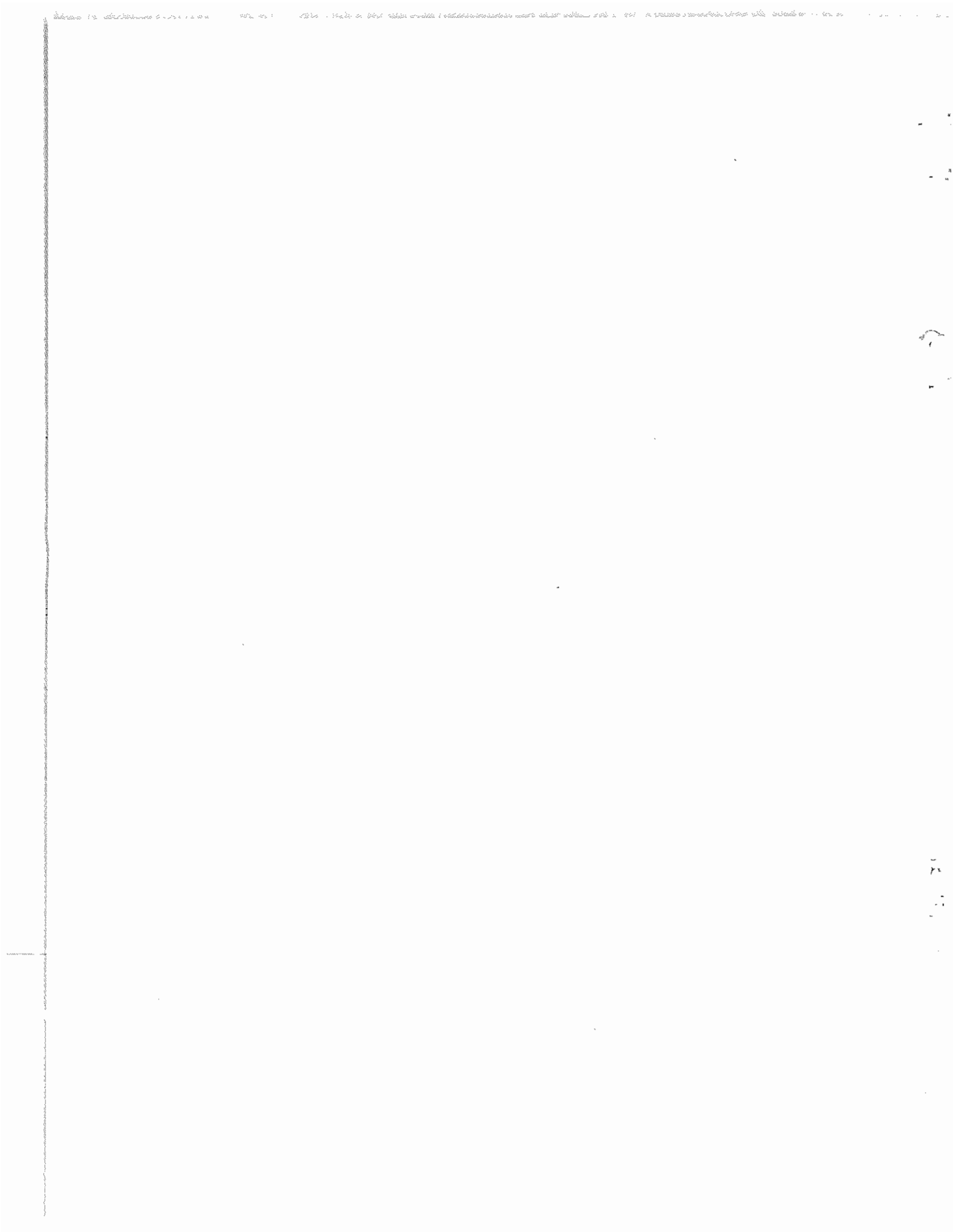




Altern Energy Limited

**Annual Report
2014**



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ALTERN ENERGY LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Abdul Razak Dawood (Chairman)
Mr. Taimur Dawood (Chief Executive)
Mr. Farooq Nazir
Mr. Fazal Hussain Asim
Mr. Khalid Salman Khan
Syed Ali Nazir Kazmi
Mr. Shah Muhammad Chaudhry
Syed Rizwan Ali Shah
Mr. Mohammad Saleh Al Shaikh (Alternate Director to Mr. Khalid Salman Khan)

AUDIT COMMITTEE

Mr. Farooq Nazir (Chairman)
Mr. Fazal Hussain Asim
Mr. Shah Muhammad Chaudhry

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Farooq Nazir (Chairman)
Mr. Fazal Hussain Asim
Mr. Shah Muhammad Chaudhry

CFO AND COMPANY SECRETARY

Mr. Umer Shehzad

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

BANKERS

MCB Bank Limited
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

ANNUAL REPORT 2014

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

We are pleased to present the annual report together with the audited financial statements of Altern Energy Limited ("the Company") for the financial year ended June 30, 2014.

GENERAL

The principal activities of your Company continue to be the ownership, operation and maintenance of a 32 MWs gas based thermal power plant located near Fateh Jang, district Attock, Punjab, and to sell the electrical energy produced to Water and Power Development Authority (WAPDA) under long term Power Purchase Agreement.

The Company owns 100% shares of Power Management Company (Pvt) Limited which in turn holds 59.98% shares of Rousch (Pakistan) Power Limited ("RPPL"). RPPL is an unlisted public Company and independent power producer having a gross ISO capacity of 450 MWs from its gas-fired combined cycle thermal power plant, located near Khanewal, Punjab.

OPERATIONS

The Company continues to provide support to both WAPDA and the Government of Pakistan through supply of energy to minimize the effects of nation-wide power shortage. During the period under view, the Company successfully dispatched 205,398 MWh (2012-13: 193,794 MWh) to WAPDA.

During the year, gas gensets installed at our plant reached 32,000 operating hours. Considering recent maintenance history as well as in view of budgetary constraints, 2 out of 8 gensets were overhauled whereas remaining 6 gensets will be overhauled during the upcoming no-gas period. All other scheduled and preventive maintenance activities were carried out in accordance with the plans. We are confident that all the engines and their auxiliary equipment are in sound health for smooth and reliable operations.

FINANCE

During the year under review, the Company's turnover is Rs. 1,756.95 million (2012-13: Rs. 1,471.6 million) and operating costs were Rs. 1,459.09 million (2012-13: Rs. 1,228.9 million), resulting in gross profit of Rs. 297.86 million as against a gross profit of Rs. 242.7 million of last year. The Company posted net profit of Rs. 1,868.2 million showing an earning per share (EPS) of Rs. 5.14 as compared to corresponding period net profit of Rs. 57.8 million and earning per share (EPS) of Rs. 0.16.

The Company duly discharged its obligations to lenders against local and foreign currency loans as and when these became due. On 31 December 2013, the Company paid off its entire outstanding portion of syndicated local currency loan amounting to Rs. 480 million to lenders. The prepayment has been done to boost sustainability of Altern's operations on stand-alone basis moving forward.

Your Company's consolidated earning for the year was Rs. 1,627.9 million resulting in earning per share (EPS) of Rs. 4.48 per share, as compared to consolidated earning of Rs. 1,815.9 million and earning per share (EPS) of Rs. 5.00 in the year ended 30 June 2013. We expect that both Altern Energy Limited and its subsidiary Rousch (Pakistan) Power Limited will continue to achieve highest levels of operational efficiency and performance in future.

DIVIDEND DISTRIBUTION

On 31 December 2013, the Board declared and subsequently paid 1st Interim dividend @10% to the shareholders of the Company. In addition, on 27 June 2014, the Board declared 2nd Interim dividend @10%, making cumulative dividend distribution of dividend @20% for the financial year.

ALTERN ENERGY LIMITED

SUBSIDIARY'S REVIEW

During the year under review, RPPL operated smoothly posting profit of Rs. 3,672.3 million showing and earning per share (EPS) of Rs. 4.26 as compared to profit of Rs. 2,924 million and earning per share (EPS) of Rs. 3.39 earned during the corresponding period of the last year. RPPL continues to discharge its liabilities as and when they become due. During the year, RPPL has repaid its debt obligations amounting to Rs. 2,683 million due in September 2013 and March 2014 to the senior and subordinated debt lenders.

The Rousch power station generated 2,760 GWh of electricity during the year under review as compared to 2,535 GWh during the previous financial year. RPPL's generation would have been much higher had its plant not remained out of operation (60 days at full load) due to suspension / curtailment of gas supply as a result of Government's decision to divert the Company's gas to other sectors.

During the year, RPPL has paid Rs 318.66 million to WAPDA as its share of gas efficiency due to efficient plant operations.

FUTURE OUTLOOK

Ever increasing demand of power in our country has created a huge challenge for the Government. Ever depleting gas resources in Pakistan have put IPPs in a difficult situation; however, Government's decision to import LNG has provided a much needed hope for the sector.

HEALTH, SAFETY & ENVIRONMENT

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

CORPORATE GOVERNANCE

The Company's Directors and management are fully cognizant of their responsibility as recognized by the Companies Ordinance provisions and Code of Corporate Governance incorporated in listing regulations of stock exchange. The Company has adopted best practices of Corporate Governance by ensuring a strong sense of business principles and high ethical standards for the conduct of business.

Composition of the Board of Directors

The Board consists of eight (8) Directors including the Chief Executive Officer, effectively representing the interest of the Shareholders. There are seven (7) non-executive Directors and only one Executive Director (which is CEO).

Meetings of the Board

The Board is legally required to meet at least once every quarter to monitor the Company's performance aimed at effective and timely accountability of its management. The Board held eight (8) such meetings during the year, agendas of which were circulated in a timely manner. The decisions made by the Board during the meetings were minuted, and were duly circulated to all the Directors for endorsement and were approved in the following Board meetings. All meetings of the Board had minimum quorum attendance prescribed by the Code of Corporate Governance. The Chairman and the Company Secretary of the Company also attended all Board meetings.

ALTERN ENERGY LIMITED

During the year, eight (08) Meetings of the Board of Directors were held. Attendance of these Meetings is as follows:

Name of Director	Meetings attended	Remarks
Mr. Abdul Razak Dawood	8/8	
Mr. Taimur Dawood	4/4	
Mr. Fazal Hussain Asim	8/8	
Mr. Farooq Nazir	5/8	Leave for absence was granted in 3 meetings
Syed Zamanat Abbas	5/6	Leave for absence was granted in 1 meeting
Mr. Shah Muhammad Chaudhry	8/8	
Mr. Khalid Salman Khan	2/8	Leave for absence was granted in 6 meetings
Syed Ali Nazir Kazmi	4/8	Leave for absence was granted in 4 meetings
Syed Rizwan Ali Shah	0/1	Leave for absence was granted in 1 meeting

Changes to the Board

During the year, Syed Zamanat Abbas resigned from the position of CEO & Director of the Company. Mr. Taimur Dawood has been appointed as CEO & Director of the Company in his place for the balance unexpired term. During the year, the Company appointed Syed Rizwan Ali Shah as an Independent Director of the Company.

Directors Statement

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 Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no 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.

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. have retired. The Audit Committee has recommended the appointment of M/S A. F. Ferguson & Co. as auditors of the Company and the Board agrees to the recommendations of Audit Committee.

Acknowledgement

The Board of Directors would like to place on record its gratitude to its valuable shareholders, Federal and Provincial Government Functionaries, SNGPL, WAPDA and banks for their cooperation, continued support, and patronage.

The Board also appreciates the contribution made by the executives, staff, and workers in turning around this Company.

For and on behalf the Board

**Lahore
September 29, 2014**

**Taimur Dawood
Chief Executive**

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the “Code”) contained in the Listing Regulation No. 35 of listing regulations of 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 Company encourages the representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Director	Syed Rizwan Ali Shah
Executive Director	Mr. Taimur Dawood
Non-Executive Directors	Mr. Abdul Razak Dawood Mr. Farooq Nazir Mr. Fazal Hussain Asim Mr. Khalid Salman Khan Mr. Shah Muhammad Chaudhary Syed Ali Nazir Kazmi

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding company where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs, or being a member of a stock exchange, has been declared as defaulter by that stock exchange.
4. Casual vacancies occurred on the Board and were filled up by the Directors within 90 days.
5. The Company has prepared a “Statement of Ethics and Business Practices” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The board has arranged Corporate Governance Leadership Skills (CGLS) training program from Pakistan Institute of Corporate Governance Corporate for its directors during the year.

10. During the period, there is no replacement of CFO, Company Secretary, and Head of Internal Audit of the Company
11. The director's 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 CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The board has formed an audit committee. It comprises of three members. All members of audit committee are non-executive directors, including the Chairman. However, the Code requires that the chairman of the audit committee should be an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed a Human Resource & Remuneration Committee. It comprises of three members. All members of Human Resource & Remuneration Committee are non-executive directors, including the Chairman.
18. The Company has set up an effective internal audit function through staff of its holding company which is suitably qualified and experienced and is conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period' prior to the announcement of interim/final results and business decisions which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the Code have been complied with except for the requirement of clause v (e) of the Code whereby the Board had to put in place a mechanism for its own evaluation. This requirement has not been complied with as of 30 June 2014.

For and behalf of the Board of Directors

**Lahore:
September 29, 2014**

**Taimur Dawood
Chief Executive**

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Altern Energy Limited** ("the Company") for the year ended 30 June 2014 to comply with the Listing Regulation no. 35 of Karachi Stock Exchange, where the company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2014.

Further, we highlight below instance of non compliance with the requirement of the Code of Corporate Governance as follows where it is stated in statement of compliance:

Reference Description

- | | | |
|----|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| i | Note 15 | As per the requirement of clause xxiv of the Code of Corporate Governance, the Chairman of the committee shall be an independent director. This requirement has not been complied with as of 30 June 2014. |
| ii | Note 23 | As per the requirement of clause v (e) of the Code of Corporate Governance the board had to put in place a mechanism for its own evaluation. This requirement has not been complied with as of 30 June 2014. |

KPMG Taseer Hadi & Co

Lahore:
September 29, 2014

Chartered Accountants
(Farid Uddin Ahmed)

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Altern Energy Limited ("the Company")** as at 30 June 2014 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;
 - 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 2014 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the central Zakat fund established under section 7 of that Ordinance.

Lahore:
September 29, 2014

KPMG Taseer Hadi & Co
Chartered Accountants
(Farid Uddin Ahmed)

ALTERN ENERGY LIMITED

BALANCE SHEET

	Note	2014 (Rupees in thousand)	2013
EQUITY AND LIABILITIES			
<i><u>Share capital and reserves</u></i>			
Authorized capital 400,000,000 (2013: 400,000,000) ordinary shares of Rs. 10 each		<u>4,000,000</u>	<u>4,000,000</u>
Issued, subscribed and paid up capital 363,380,000 (30 June 2013: 363,380,000) ordinary shares of Rs. 10/- each	4	3,633,800	3,633,800
Share premium		41,660	41,660
Equity portion of sponsors' loan	5	15,899	43,179
Accumulated profit / (loss)		<u>534,600</u>	<u>(606,833)</u>
		4,225,959	3,111,806
<i><u>Non-current liabilities</u></i>			
Sponsors' loan - unsecured	6	622,597	562,331
Long term loans	7	86,664	530,553
Deferred liabilities	8	1,450	1,372
		710,711	1,094,256
<i><u>Current liabilities</u></i>			
Trade and other payables	9	422,643	265,992
Unclaimed dividend		786	-
Dividend payable	10	363,380	-
Mark up accrued	11	8,888	18,641
Current portion of long term loan	7	23,271	130,754
Provision for taxation		3,481	1,661
		822,449	417,048
Contingencies and commitments	12	<u>5,759,119</u>	<u>4,623,110</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

Chief Executive

ALTERN ENERGY LIMITED

AS AT 30 JUNE 2014

	<i>Note</i>	2014 (Rupees in thousand)	2013
ASSETS			
<u><i>Non-current assets</i></u>			
Property, plant and equipment	<i>13</i>	895,241	968,219
Long term investment	<i>14</i>	3,204,510	3,204,510
Long term deposits		38	38
		<u>4,099,789</u>	<u>4,172,767</u>
 <u><i>Current assets</i></u>			
Stores and spares	<i>15</i>	52,735	24,677
Trade debts -secured, considered good		731,925	291,303
Advances, prepayments and other receivables	<i>16</i>	29,461	19,106
Dividend receivable	<i>17</i>	617,880	-
Cash and bank balances	<i>18</i>	227,329	115,257
		<u>1,659,330</u>	<u>450,343</u>
		<u><u>5,759,119</u></u>	<u><u>4,623,110</u></u>

Director

ALTERN ENERGY LIMITED**PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014**

	<i>Note</i>	2014 (Rupees in thousand)	2013
Revenue - net	19	1,756,949	1,471,563
Direct costs	20	<u>(1,459,092)</u>	<u>(1,228,881)</u>
Gross profit		297,857	242,682
Administrative expenses	21	(11,947)	(11,303)
Other income	22	1,676,745	1,815
Profit from operations		1,962,655	233,194
Finance cost	23	(90,887)	(175,068)
Profit before taxation		1,871,768	58,126
Taxation		(3,575)	(301)
Profit after taxation		1,868,193	57,825
Earning per share - basic and diluted	(Rupee) 29	<u>5.14</u>	<u>0.16</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

Chief Executive

Director

ALTERN ENERGY LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	(Rupees in thousand)	
Profit after taxation	1,868,193	57,825
Other comprehensive income for the year		
<i>Items that may be reclassified subsequently to profit and loss</i>	-	-
<i>Items that will not be reclassified to profit and loss</i>	-	-
Total comprehensive income for the year	1,868,193	57,825

The annexed notes 1 to 31 form an integral part of these financial statements.

Chief Executive

Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

	2014 (Rupees in thousand)	2013
<i>Note</i>		
<u>Cash flows from operating activities</u>		
Profit before taxation	1,871,768	58,126
<i>Adjustments for:</i>		
Depreciation	80,761	79,476
Provision for staff retirement benefits	433	333
Amortization of bank guarantee cost	3,037	1,351
Dividend income	(1,666,223)	-
Exchange loss	-	606
Finance cost	87,850	173,111
	<u>(1,494,142)</u>	<u>254,877</u>
Operating profit before working capital changes	377,626	313,003
<u>(Increase)/ decrease in current assets</u>		
Advances, prepayments and other receivables	(13,392)	(5,645)
Stores and spares	(34,106)	12,781
Trade debts	(440,622)	157,474
	<u>(488,120)</u>	<u>164,610</u>
<u>(Decrease)/increase in current liabilities</u>		
Trade and other payables	149,183	(290,532)
Cash generated from operations	38,689	187,081
Finance cost paid	(50,705)	(142,587)
Income tax paid	(1,755)	(241)
Staff retirement benefits paid	(355)	(32)
	<u>(52,815)</u>	<u>(142,860)</u>
Net cash flows (used in)/generated from operating activities	(14,126)	44,221
<u>Cash flows from investing activities</u>		
Fixed capital expenditure	(1,735)	(3,744)
Dividend received	1,048,343	-
Net cash generated from/(used in) investing activities	1,046,608	(3,744)
<u>Cash flows from financing activities</u>		
Repayments of long term loans	(557,816)	(187,114)
Proceeds from issuance of share capital	-	208,300
Share premium received	-	41,660
Dividend paid	(362,594)	-
Net cash (used in)/generated from financing activities	(920,410)	62,846
Net increase in cash and cash equivalents	112,072	103,323
Cash and cash equivalents at the beginning of the year	115,257	11,934
Cash and cash equivalents at the end of the year	227,329	115,257

The annexed notes 1 to 31 form an integral part of these financial statements.

Chief Executive

Director

ALTERN ENERGY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014**

	Share capital	Share premium	Equity portion of sponsor loan	Accumulated loss	Total
-----Rupees in thousand-----					
Balance as at 30 June 2012	3,425,500	-	49,012	(664,658)	2,809,854
Imputed interest on sponsors' loan	-	-	(5,833)	-	(5,833)
Total comprehensive income for the year	-	-	-	57,825	57,825
	<u>3,425,500</u>	<u>-</u>	<u>43,179</u>	<u>(606,833)</u>	<u>2,861,846</u>
Transaction with owners recorded in equity					
Issuance of Share capital	208,300	-	-	-	208,300
Share premium	-	41,660	-	-	41,660
	<u>208,300</u>	<u>41,660</u>	<u>-</u>	<u>-</u>	<u>249,960</u>
Balance as at 30 June 2013	3,633,800	41,660	43,179	(606,833)	3,111,806
Imputed interest on sponsors' loan	-	-	(27,280)	-	(27,280)
Total comprehensive income for the year	-	-	-	1,868,193	1,868,193
	<u>3,633,800</u>	<u>41,660</u>	<u>15,899</u>	<u>1,261,360</u>	<u>4,952,719</u>
Transaction with owners recorded in equity					
1st Interim dividend @ Rs. 1/- per share	-	-	-	(363,380)	(363,380)
2nd Interim dividend @ Rs. 1/- per share	-	-	-	(363,380)	(363,380)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(726,760)</u>	<u>(726,760)</u>
Balance as at 30 June 2014	3,633,800	41,660	15,899	534,600	4,225,959

The annexed notes 1 to 31 form an integral part of these financial statements.

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1 Legal status and nature of business

- 1.1 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 (2013 : 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, Ferozpur Road, Lahore.
- 1.2 Company's Gas Supply Agreement (GSA) with Sui Northern Gas Pipelines Limited (SNGPL) expired on 30 June 2013. Thereafter, the Company has signed a Supplemental Deed dated 17 March 2014, with SNGPL whereby SNGPL has agreed to supply gas to the Company on as-and-when-available basis till the expiry of the Power Purchase Agreement on 06 June 2031.

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 capitalized as part of the cost of relevant assets referred to in note 13.2.

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 New Standards, amendments to approved accounting standards and interpretations which became effective during the year ended 30 June, 2014

There were certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) interpretations which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

2.6 Standards and amendments to published approved International Financial Reporting Standards not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Company's financial statements.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Company's financial statements.
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.
- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016.
- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place.
- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

These amendments have no significant impact on financial statements of the Company.

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, 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 the 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 higher by approximately Rs. 54.613 million (2013: Rs. 34.439 million) and the operating assets would have been lower by approximately Rs. 1,041.023 million (2013: Rs. 1,020.849 million) with a corresponding increase of approximately Rs. 1,095.636 million (2013: Rs. 1,055.288 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 (PPA), 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 profits 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

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 13.2).

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 13 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 over the period.

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 reporting date. 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 13.2, exchange differences arising on translation of foreign currency loans utilized 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 up to 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 the period 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 PPA as amended from time to time.

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

Dividend on equity instruments is recognized when right to receive the dividend is established.

3.17 Dividend

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

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4 Issued, subscribed and paid up capital

2014 (Number of shares)	2013	Note	2014 (Rupees in thousand)	2013
359,480,000	359,480,000	Ordinary shares of Rs. 10 each fully paid in cash	3,594,800	3,594,800
3,900,000	3,900,000	Ordinary shares of Rs. 10 each issued for consideration other than cash	39,000	39,000
363,380,000	363,380,000		3,633,800	3,633,800

Ordinary shares of the Company held by Descon Engineering Limited (DEL), the holding company, as at 30 June 2014 were 211,397,063 (2013: 211,397,063).

	Note	2014 (Rupees in thousand)	2013
5 Equity portion of sponsors' loan			
Descon Engineering Limited	5.1	11,924	32,384
Crescent Standard Business Management (Private) Limited	5.2	3,975	10,795
		15,899	43,179

5.1 It represents equity portion relating to interest free loan from Descon Engineering Limited amounting to Rs. 69.455 million (2013: Rs. 69.455 million).

5.2 It represents equity portion of funds amounting to Rs. 23.152 million (2013: Rs. 23.152 million) from Crescent Standard Business Management (Private) Limited.

5.3 Interest free loans received from Descon Engineering Limited and Crescent Standard Business Management (Private) Limited have been discounted at using effective rate of interest and classified separately in equity portion and long term loan.

6 Sponsors' loans - unsecured

These are composed of loans from associated undertakings:

Descon Engineering Limited				
Interest free loan	6.1	69,455	69,455	
Present value adjustment		(11,924)	(32,384)	
		57,531	37,071	
Crescent Standard Business Management (Private) Limited				
Interest free loan	6.2	23,152	23,152	
Present value adjustment		(3,975)	(10,795)	
		19,177	12,357	
Present value of interest free loan from sponsors	6.3	76,708	49,428	
Other long term finances	6.4	261,763	261,763	
Interest on long term finance	6.5	284,126	251,140	
		622,597	562,331	

- 6.1 It represents long term loan portion relating to unsecured and interest free loan from Descon Engineering Limited amounting to Rs. 69.455 million (2013: Rs. 69.455 million).
- 6.2 It represents long term loan portion of funds amounting to Rs. 23.152 million (2013: Rs. 23.152 million) payable to Crescent Standard Business Management (Private) Limited. This is unsecured and interest free loan.
- 6.3 These have been recognized at amortized cost using discount rate of 13.38%. The resulting change has been charged to equity portion of sponsors' loan as referred to in note 5.
- 6.4 This includes funds amounting to Rs. 261.763 million (2013: Rs. 261.763 million) received from Descon Engineering Limited for investment in Rousch (Pakistan) Power Limited through its subsidiary company, Power Management Company (Private) Limited.
- The loan amount shall be payable within a period of five (5) years from the Execution Date (the "term") in one or more installments. The term is extendable with mutual consent of the parties. As per agreement between the Company, MCB Bank Limited and Descon Engineering Limited, all amounts (including mark-up) due under the Sponsors' Loans shall be subordinated to the loan facility from MCB Bank Limited. These loans are unsecured and carry mark up at six months KIBOR plus 300 basis points (2013 : six months KIBOR plus 300 basis points).
- 6.5 It represents mark-up payable to Descon Engineering Limited of Rs. 284.126 million (2013: Rs. 251.140 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 till repayment of loan from MCB Bank Limited.

7 Long term loans	Note	2014 (Rupees in thousand)	2013
Long term loans - secured			
Syndicate finance - local currency	7.1	-	533,752
Syndicate finance - foreign currency	7.2	30,173	54,237
Power Management Company (Private) Limited (PMCL)	7.3	50,000	50,000
		80,173	637,989
Interest on loan from PMCL	7.4	29,762	23,318
		109,935	661,307
Less: Current maturity of long term loan		(23,271)	(130,754)
		<u>86,664</u>	<u>530,553</u>

- 7.1 The Company had obtained a long term syndicate facility of Rs.1,100 million (2013: Rs. 1,100 million), which includes foreign currency loan limit of US Dollars 3.6 million (2013: US Dollars 3.6 million), from consortium of banks under the lead of MCB Bank Limited. On 31st December 2013, the Company prepaid the outstanding local currency portion of the syndicated long term loan amounting to Rs. 480 million including mark up thereon.

The loan carried mark-up at six month KIBOR plus 275 basis points (2013: six month KIBOR plus 275 basis points), payable in half yearly installments 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.

- 7.2 The limit of foreign currency portion of loan is of US Dollars 3.6 million (2013: US Dollars 3.6 million). The outstanding loan amount is repayable in six un-equal quarterly installments payable up to 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 (2013 : three month LIBOR plus 295 basis) payable quarterly in arrears.

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7.3 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 (2013: six months KIBOR plus 300 basis points).

7.4 It represent mark-up payable to Power Management Company (Private) Limited of Rs. 29.762 million (2013: Rs. 23.318 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.

8	Deferred liabilities	Note	2014 (Rupees in thousand)	2013
	Provision for:			
	Staff gratuity		1,260	1,125
	Compensated absences		190	247
			<u>1,450</u>	<u>1,372</u>
9	Trade and other payables			
	Trade creditors	9.1	45,429	149,952
	Natural gas charges to SNGPL	9.2	369,182	105,036
	Due to Power Management Company (Private) Limited	9.3	7,570	10,579
	Provision for workers' funds	9.4	-	-
	Accrued liabilities		462	425
			<u>422,643</u>	<u>265,992</u>

9.1 It includes amount of Rs. 6.50 million (2013: Rs. 6.50 million) payable to Descon Engineering Limited, the holding company and amount of Rs. 25.51 million (2013: Rs. 131.16 million) payable to Descon Power Solution (Private) Limited, an associated company, against engineering services provided and supply of spare parts by these companies.

9.2 Supreme Court of Pakistan in its order dated 27 December 2013 has suspended the decision of Peshawar High Court and reinstated the Gas Infrastructure Development Cess (GIDC) Act, 2011 imposing cess on gas consumers. Accordingly, Ministry of Petroleum & Natural Resources through its notification DGO(AC)-8(49)/12 dated 31 December, 2013 has imposed GIDC under the Gas Infrastructure Development Cess Act 2011 on specified consumers including the Company.

Consequently, Sui Northern Gas Pipelines Limited (SNGPL) in its sui gas bill for the month of December, 2013 charged the Company Rs. 234.61 million as 'GIDC arrears' for the period ranging from 1st January, 2013 to 31 December 2013. In February 2014, the Company filed a writ petition in the Lahore High Court against the levy of GIDC on retrospective basis. The honorable court granted stay against recovery to the Company till the time similar petitions filed in the Supreme Court were decided.

Subsequent to the year end on 22 August 2014, Supreme Court upheld the decision of Peshawar High Court and declared GIDC ultra vires and directed SNGPL to refund the amount. However the Government has passed Gas Infrastructure Development Cess Ordinance, 2014 on 25 September 2014 and declared the cess levied and collected under GIDC Act, 2011 as valid.

The Company has accordingly recorded a payable of Rs. 234.61 million to SNGPL and receivable from WAPDA of Rs. 221.345 million on account of GIDC arrears based on the GIDC Ordinance 2014.

9.3 This represents amount payable to wholly owned subsidiary, Power Management Company (Private) Limited. This is unsecured and carries mark up at six months KIBOR plus 300 basis points (2013: six months KIBOR plus 300 basis points).

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		2014	2013
		(Rupees in thousand)	
9.4 Provision for workers' funds	<i>Note</i>		
Provision for Workers' Profit Participation Fund		93,588	2,906
Provision for Workers' Welfare Fund		37,435	1,140
		<u>131,023</u>	<u>4,046</u>
Recoverable from WAPDA as pass through item		<u>(131,023)</u>	<u>(4,046)</u>
		<u>-</u>	<u>-</u>

Dividend payable

This represents second interim dividend of Rs. 1/- per share (@10%) amounting to Rs. 363.380 million declared and approved on 27 June 2014.

Markup accrued

Mark up on long term loan - local currency	-	10,990
Mark up on short term loan from Power Management Company (Private) Limited	8,888	7,651
	<u>8,888</u>	<u>18,641</u>

Contingencies and commitments

12.1 Contingencies

There are no material contingencies as at 30 June 2014.

12.2 Commitments

MCB Bank Limited has issued bank guarantee for Rs. 200 million (30 June 2013 : Rs. 156.213 million) in favor 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 31 January 2015, which is renewable.

13 Property, plant and equipment

	Annual rate of depreciation %	Cost as at 01 July 2013	Additions	Cost as at 30 June 2014	Accumulated depreciation as at		Written down value as at 30 June 2014
					01 July 2013	30 June 2014	
Rupees in thousand							
Freehold land	-	4,647	-	4,647	-	-	4,647
Building on freehold land	5	121,447	-	121,447	45,729	5,466	70,252
Plant and machinery (note 13.2)	4-17	1,213,016	6,900 768	1,220,684	326,466	75,025	819,193
Electric equipment	10	2,109	-	2,109	953	189	967
Office equipment	10-33	1,127	115	1,242	980	81	181
Vehicles	20	372	-	372	371	-	1
		1,342,718	7,783	1,350,501	374,499	80,761	895,241

Property, plant and equipment

	Annual rate of depreciation %	Cost as at 01 July 2012	Additions	Cost as at 30 June 2013	Accumulated depreciation as at		Depreciation charge for the year 2013	Accumulated depreciation as at 30 June 2013	Written down value as at 30 June 2013
					01 July 2012	30 June 2013			
-----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	121,435	12	121,447	40,263	5,466	45,729	75,718	
Plant and machinery (note 13.2)	4-17	1,193,128	16,237 3,651	1,213,016	252,701	73,765	326,466	886,550	
Electric equipment	10	2,109	-	2,109	764	189	953	1,156	
Office equipment	10-33	1,046	81	1,127	924	56	980	147	
Vehicles	20	372	-	372	371	-	371	1	
		<u>1,322,737</u>	<u>19,981</u>	<u>1,342,718</u>	<u>295,023</u>	<u>79,476</u>	<u>374,499</u>	<u>968,219</u>	

2014 2013
(Rupees in thousand)

Note

13.1 The depreciation charge for the period has been allocated as follows:

Direct costs	20	80,680	79,420
Administrative expenses	21	81	56
		<u>80,761</u>	<u>79,476</u>

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. 0.769 million (2013: Rs. 3.651 million) arising on revaluation and repayments of foreign currency loans at year end and during the year have been capitalized. This has resulted in accumulated capitalization of Rs. 86.926 million (2013: Rs. 86.157 million) in the cost of plant and equipment upto 30 June 2014, with net book value of Rs. 82.300 million (2013: Rs. 82.369 million).

ALTERN ENERGY LIMITED

		2014	2013
	Note	(Rupees in thousand)	
14 Long term investment			
Investment in subsidiary company	14.1 & 14.2	<u>3,204,510</u>	<u>3,204,510</u>
14.1 This represents 100% shares (2013: 100% shares) held in Power Management Company (Private) Limited, which in turn holds 59.98% shares (2013: 59.98% shares) of Rousch (Pakistan) Power Limited.			
14.2 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.			
15 Stores and spares			
Stores		7,364	8,785
Spares		<u>49,007</u>	<u>19,528</u>
		<u>56,371</u>	<u>28,313</u>
Provision for slow moving and obsolete stores		<u>(3,636)</u>	<u>(3,636)</u>
		<u>52,735</u>	<u>24,677</u>
16 Advances, prepayments and other receivables			
Advance against expenses		172	134
Bank guarantee cost		2,098	814
Prepaid insurance		1,381	1,500
Sales tax receivable		25,434	16,452
Other receivables		376	206
		<u>29,461</u>	<u>19,106</u>
17 Dividend receivable			
This represents second interim dividend receivable from the Power Management Company (Pvt) Limited, subsidiary of the Company of Rs. 1.93/- per share amounting to Rs. 617.88 million.			
18 Cash and bank balances			
Cash at bank - local currency			
Current accounts		3,496	1,728
Saving accounts	18.1	<u>223,831</u>	<u>113,471</u>
		<u>227,327</u>	<u>115,199</u>
Cash in hand		2	58
		<u>227,329</u>	<u>115,257</u>
18.1 These carry mark-up at rates ranging from 5 to 9 percent-per annum (2013: 5 to 9 percent per annum).			
19 Revenue - net			
Energy revenue - gross	9.2	1,484,020	1,237,528
Sales tax		<u>(156,330)</u>	<u>(171,180)</u>
Energy revenue - net		<u>1,327,690</u>	<u>1,066,348</u>
Capacity revenue		404,428	357,165
Other supplemental charges		<u>24,831</u>	<u>48,050</u>
		<u>1,756,949</u>	<u>1,471,563</u>

ALTERN ENERGY LIMITED

		2014	2013
		(Rupees in thousand)	
20 Direct costs	<i>Note</i>		
Gas cost	9.2	1,267,032	1,035,001
Energy import		2,571	2,314
Stores & Spares consumed		54,307	59,574
Lube oil consumed		15,443	12,493
Depreciation	13.1	80,680	79,420
Repair and maintenance		4,249	6,590
Operation and maintenance contractor's fee		31,460	29,040
Salaries, wages and other benefits		229	205
Insurance costs		2,190	3,234
Traveling and conveyance		323	341
Generation license fee		119	107
Miscellaneous		489	562
		<u>1,459,092</u>	<u>1,228,881</u>
21 Administrative expenses			
Salaries, wages and other benefits	21.1	3,646	3,207
Traveling and conveyance		881	895
Depreciation	13.1	81	56
Postage and telephone		411	371
Publicity, printing and stationery		625	416
Auditors' remuneration	21.2	1,075	960
Legal and professional charges		2,091	2,055
Fees and subscription		492	665
Entertainment expenses		169	230
Security expenses		2,012	1,755
Miscellaneous		464	693
		<u>11,947</u>	<u>11,303</u>
21.1			
Salaries, wages and other benefits include rupees 0.399 million (2013 : rupees 0.303 million) and rupees 0.034 million (2013 : rupees 0.295 million) on account of staff graduity and staff compensated absences respectively.			
21.2			
Auditors' remuneration			
Annual audit fee		500	400
Half year review fee		165	150
Tax consultancy		360	360
Out of pocket expenses		50	50
		<u>1,075</u>	<u>960</u>
22 Other income			
<i>Income from financial assets</i>			
Profit on bank accounts		10,513	861
Dividend income		1,666,223	-
		<u>1,676,736</u>	<u>861</u>
<i>Income from non-financial assets</i>			
Scrap sales		9	954
		<u>1,676,745</u>	<u>1,815</u>

ALTERN ENERGY LIMITED

23 Finance cost	Note	2014 (Rupees in thousand)	2013
<i>Mark-up on:</i>			
long term loans	23.1	73,898	125,386
short term loan - PMCL		1,237	1,758
Bank charges		2,636	1,619
Amortization of bank guarantee cost		3,037	1,351
Mark-up on late payments to SNGPL		2,611	44,348
Mark-up on late payments to DPSL		7,468	-
Exchange loss		-	606
		<u>90,887</u>	<u>175,068</u>

23.1 It includes mark up accrued on loans from Descon Engineering Limited, the holding company, and Power Management Company (Private) Limited, the wholly owned subsidiary company, amounting to Rs. 32.985 million (2013: Rs. 35.927 million) and Rs. 6.44 million (2013: Rs. 6.78 million) respectively.

24 Remuneration of Chief Executive, Directors and Executives

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

	Chief Executive		Executive Director	
	2014 (Rupees in thousand)	2013	2014 (Rupees in thousand)	2013 (Rupees in thousand)
Remuneration	-	-	-	-
Retirement benefits	-	-	-	-
House rent, utilities and allowances	-	-	-	-
	-	-	-	-
Number of persons	<u>2</u>	<u>1</u>	<u>2</u>	<u>1</u>
	Non Executive Director		Executives	
	2014 (Rupees in thousand)	2013	2014 (Rupees in thousand)	2013 (Rupees in thousand)
Remuneration	-	-	1,728	1,512
Retirement benefits	-	-	180	160
House rent, utilities and allowances	-	-	192	168
	-	-	<u>2,100</u>	<u>1,840</u>
Number of persons	<u>7</u>	<u>6</u>	<u>1</u>	<u>1</u>

24.2 During the year the Chief Executive of the Company retired and new Chief Executive has been appointed.

24.3 No remuneration or any other benefits are being paid to the CEO of the Company.

24.4 No fee, remuneration or any other benefits were provided to the eight (8) directors of the Company.

24.5 The Company has employed following number of persons including permanent and contractual staff:

	2014	2013
	(Number of persons)	
- As at 30 June	6	6
- Average number of employees	6	6

25 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

25.1 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.

25.1.1 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:

	2014	2013
	(Rupees in thousand)	
Long term deposits	38	38
Trade debts	731,925	291,303
Other receivables	172	134
Bank balances	227,327	115,199
	<u>959,462</u>	<u>406,674</u>

The age of trade debts at balance sheet date is as follows:

Not past due	186,646	151,035
Past due 0-30 days	183,263	118,837
Past due 31-120 days	88,633	17,330
More than 120 days	273,383	4,101
	<u>731,925</u>	<u>291,303</u>

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The Company's only customer is WAPDA. 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 financial year.

25.1.2 Credit quality of major financial assets

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

Banks	Rating		Rating Agency	2014	2013
	Short term	Long term			
				(Rupees in thousand)	
MCB Bank Limited	A1+	AAA	PACRA	1,795	113,529
Bank of Punjab	A1+	AA-	PACRA	1,670	1,670
Habib Bank Limited	A1+	AAA	JCR-VIS	38	-
				3,503	115,199

25.2 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:

	2014					
	Carrying amount	Contractual cash flows	Maturities			
			Less than six months	Up to one year	Two years to five years	After five years
	(Rupees in thousand)					
Sponsors' loan	622,597	622,597	-	-	622,597	-
Long term loans	109,935	109,935	11,323	11,984	30,219	56,409
Trade and other payables	422,643	422,643	422,643	-	-	-
Accrued mark up	8,888	8,888	8,888	-	-	-
	1,164,063	1,164,063	442,854	11,984	652,816	56,409
	2013					
	Carrying amount	Contractual cash flows	Maturities			
			Less than six months	Up to one year	Two years to five years	After five years

	(Rupees in thousand)					
Sponsors' loan	562,331	562,331	-	-	-	562,331
Long term loans	661,307	661,307	65,037	65,717	457,235	73,318
Trade and other payables	265,992	265,992	265,992	-	-	-
Accrued mark up	18,641	18,641	18,641	-	-	-
	1,508,271	1,508,271	349,670	65,717	457,235	635,649

25.3 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.

25.3.1 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	
	2014	2013
	(Rupees in thousand)	
Financial assets	223,831	113,471
Financial liabilities	(280,051)	(840,876)
	(56,220)	(727,405)

Cash flow sensitivity analysis for variable rate instruments

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:

	2014	2013
	(Rupees in thousand)	
Variable rate financial instruments	(3,696)	(9,840)

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 2014.

25.3.2 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:

	2014	
	Rupees (Amounts in thousand)	US Dollars (306)
Long term loans	(30,173)	(306)
	2013	
	Rupees (Amounts in thousand)	US Dollars
Long term loans	(54,237)	(549)

ALTERN ENERGY LIMITED

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:

	<u>Balance sheet date rate</u>		<u>Average rate</u>	
	2014	2013	2014	2013
US Dollars	98.55	98.80	102.89	97.56

Sensitivity analysis

A ten percent strengthening of the Pakistani Rupee against the US Dollars and 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.

	2014	2013
	(Rupees in thousand)	
US Dollars	3,031	5,420

A ten percent weakening of the Pakistani Rupee against the US Dollars and 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.

26 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 or issue new shares.

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.

The company monitors capital on the basis of the debt-to-equity ratio - calculated as a ratio of total debt to equity.

The gearing ratios as at 30 June 2014 and 2013 were as follows:

	2014	2013
	(Rupees in thousand)	
Total debt	740,102	1,234,217
Total equity	4,225,959	3,111,806
Total capital	4,966,061	4,346,023
Gearing ratio	14.90%	28.40%

27 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:

<u>Holding company</u>	2014	2013
Descon Engineering Limited	(Rupees in Thousand)	
<i>On account of:</i>		
Mark up accrued during the year	<u>32,985</u>	<u>35,927</u>
Reimbursable expenses	<u>305</u>	<u>249</u>
<u>Subsidiary company</u>		
Power Management Company (Private) Limited		
<i>On account of:</i>		
Mark up accrued during the year:		
- Long term loan	<u>6,444</u>	<u>6,781</u>
- Short term loan	<u>1,237</u>	<u>1,758</u>
Funds paid during the year	<u>3,009</u>	<u>5,020</u>
<u>Associated companies</u>		
Descon Power Solutions (Private) Limited		
<i>On account of:</i>		
- Operation and maintenance agreement	<u>28,600</u>	<u>26,400</u>
- Service agreement of generators	<u>2,860</u>	<u>2,640</u>
- Spare parts purchased	<u>98,610</u>	<u>50,697</u>

28 Plant capacity and actual generation

	<u>Theoretical Capacity</u>		<u>Actual Generation</u>	
	2014	2013	2014	2013
- MWh	234,315	228,618	216,638	204,380
- percentage	100%	100%	92%	89%

28.1 The actual generation for power plant takes into account all scheduled outages approved by WAPDA. Actual output is dependent on the load demanded by WAPDA, gas supply by SNGPL under as-and-when available basis, the plant availability and mean-site conditions.

29 Earning per share - basic and diluted

2014 2013

29.1 Earning per share - basic

Earning for the year	<i>Rupees in thousand</i>	<u>1,868,193</u>	<u>57,825</u>
Weighted average number of ordinary shares	<i>Number</i>	<u>363,380,000</u>	<u>363,380,000</u>
Basic Earning per share	<i>Rupee</i>	<u>5.14</u>	<u>0.16</u>

29.2 Earning per share - diluted

There is no dilutive effect on the basic earning per share as the Company has no such commitments.

30 Date of authorization

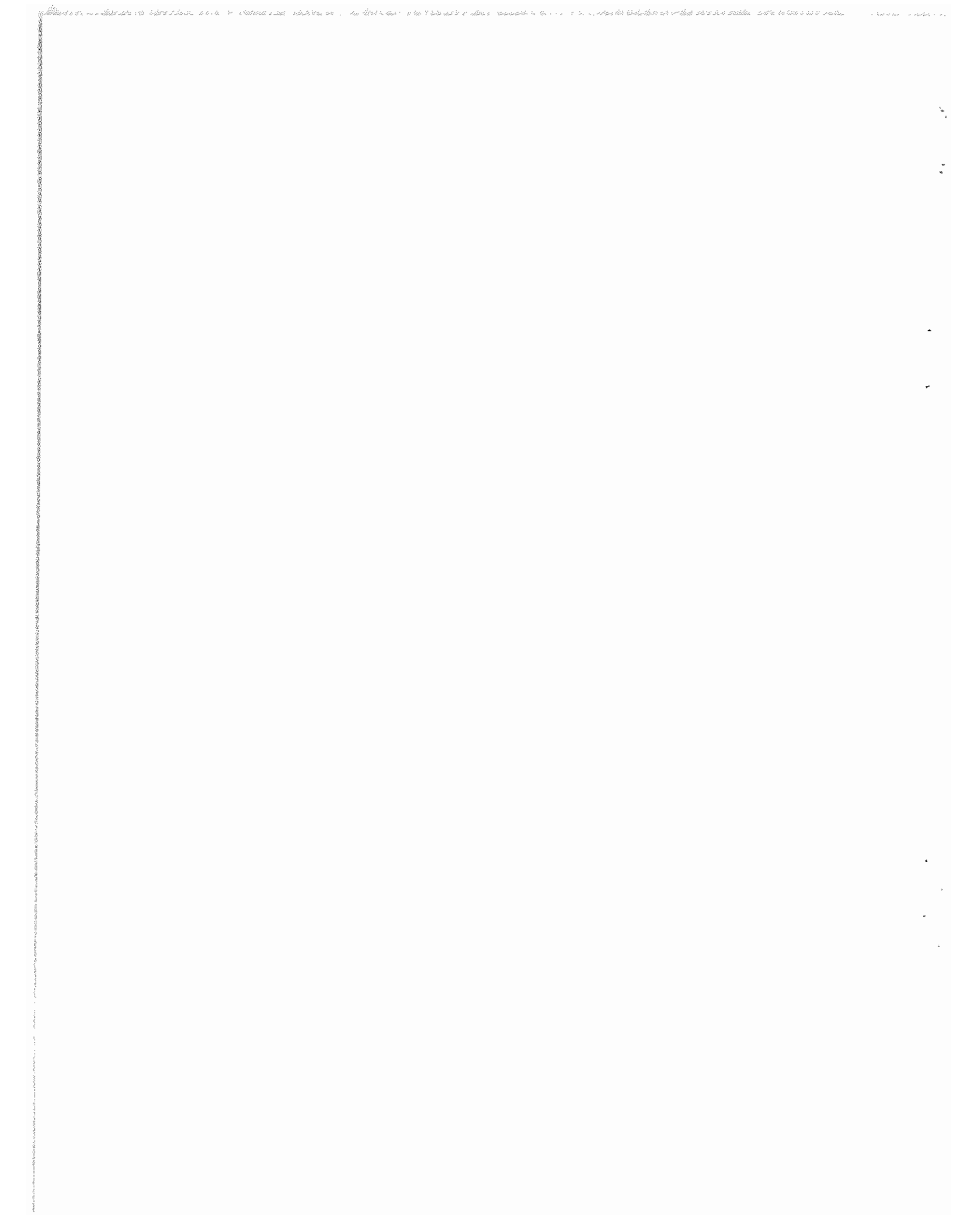
These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on September 29, 2014.

31 General

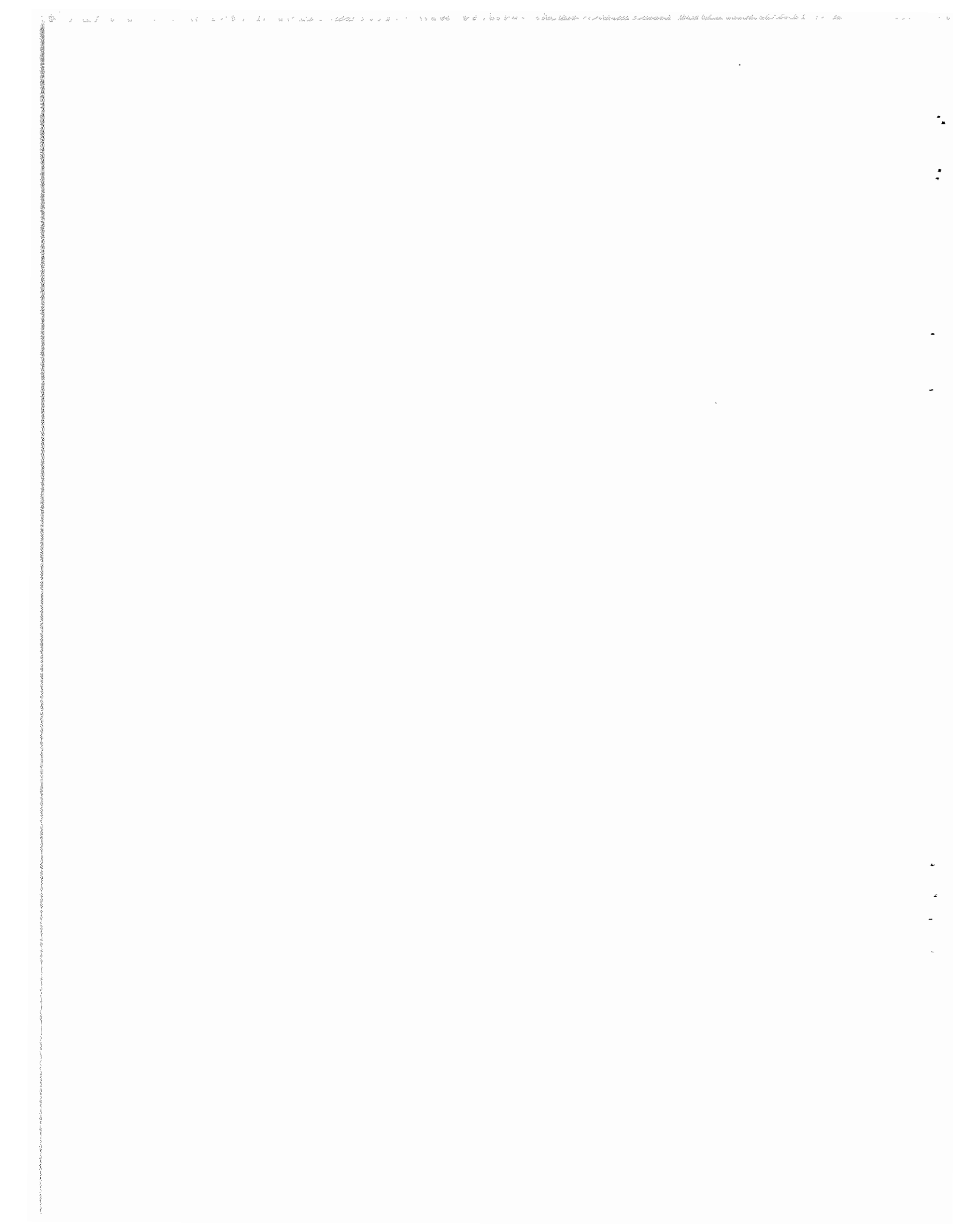
- Figures have been rounded off to the nearest thousand of Rupee.
- Corresponding figures have been re-arranged, where necessary, for the purpose of comparison. Significant reclassification for better presentation includes stores and spares consumed amounting to Rs. 59.57 million previously included in repair and maintenance expenses now presented in stores & spares consumed.

Chief Executive

Director



Consolidated Financial Statement
June 30, 2014



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Altern Energy Limited (“the Holding Company”)** and its subsidiary Companies as at 30 June 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Altern Energy Limited and its subsidiary Companies. These financial statements are the responsibility of the Holding Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the international standards on auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our Opinion, consolidated financial statements present fairly the financial position of the Altern Energy Limited and its subsidiary companies as at 30 June 2014 and the results of their operations, for the year then ended.

We draw attention to note 15.4 to the consolidated financial statements which describes that Rousch (Pakistan) Power Limited, subsidiary of the holding Company has not made any provision for liquidated damages of Rs. 1,587 million as claimed by WAPDA. This amount has been claimed by WAPDA on account of short supply of electricity by Rousch (Pakistan) Power Limited. The management in consultation with its legal counsel is of the view that the plant was technically available to deliver the electricity and failure was consequential to the shortage of fuel due to default in payment by WAPDA. The ultimate outcome of the matter cannot be presently determined. Subsequent to approval of accounts of the subsidiary, the expert mediator appointed by the subsidiary and WAPDA has given decision in favour of subsidiary. However the decision of the expert mediator is not legally binding on the parties. Our opinion is not qualified in respect of this matter.

**Lahore:
September 29, 2014**

**KPMG Taseer Hadi & Co
Chartered Accountants
(Farid Uddin Ahmed)**

ALTERN ENERGY LIMITED

ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES	Note	2014	2013	2012
		(Rupees in thousand)		
			<i>Restated</i>	<i>Restated</i>
<u>Share capital</u>				
Authorized capital 400,000,000 (2013: 400,000,000) ordinary shares of Rs.10/- each		4,000,000	4,000,000	4,000,000
Issued, subscribed and paid up capital	5	3,633,800	3,633,800	3,425,500
Share premium		41,660	41,660	-
Equity portion of sponsor's loan	6	15,899	43,179	49,012
Accumulated profit		8,507,237	7,608,150	5,793,945
		12,198,596	11,326,789	9,268,457
Non-controlling interest		7,821,784	7,561,153	6,392,175
		20,020,380	18,887,942	15,660,632
<u>Non-current liabilities</u>				
Sponsors' loan -unsecured	7	622,597	562,331	520,571
Long term loans - secured and unsecured	8	8,711,213	12,922,551	14,153,605
Employees' retirement benefits	9	10,095	5,497	5,581
Interest rate swap liabilities	10	-	683,452	1,169,105
Deferred taxation	11	644,773	-	-
		9,988,678	14,173,831	15,848,862
<u>Current liabilities</u>				
Trade and other payables	12	4,414,321	2,096,414	5,325,254
Short term loans	13	-	-	636,000
Mark up accrued		213,866	288,599	67,929
Current portion of long term loans	8	3,484,458	2,179,699	2,143,187
Interest rate swap liabilities	10	211,760	-	-
Unclaimed dividend		37,180	-	-
Dividend payable	14	811,881	-	-
Provision for taxation		59,406	5,383	5,465
		9,232,872	4,570,095	8,177,835
Contingencies and Commitments	15			
		39,241,930	37,631,868	39,687,329

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive

ALTERN ENERGY LIMITED

AS AT 30 JUNE 2014 ASSETS

<u>Non-current assets</u>		2014	2013	2012
	<i>Note</i>	(Rupees in thousand)		
Property, plant and equipment			Restated	Restated
-Operating fixed assets	16	24,616,636	26,124,494	27,097,944
Long term deposits		539	730	1,069
Long term loan to employees	17	35	355	9,971
		24,617,210	26,125,579	27,108,984

Current assets

Store, spares and loose tools	18	512,920	439,484	423,744
Inventory of fuel oil		485,337	487,684	491,285
Trade debts - secured, considered good	19	9,348,064	5,402,850	10,756,568
Advances, prepayments and other receivables	20	280,641	216,218	339,494
Cash and bank balances	21	3,997,758	4,960,053	567,254
		14,624,720	11,506,289	12,578,345

39,241,930	37,631,868	39,687,329
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Director

ALTERN ENERGY LIMITED

ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 (Rupees in thousand)	2013 Restated
Revenue - net	22	23,347,539	20,337,512
Direct costs	23	(18,049,888)	(14,681,818)
Gross profit		5,297,651	5,655,694
Administrative expenses	24	(127,922)	(86,146)
Other income	25	270,418	34,389
Profit from operations		5,440,147	5,603,937
Finance cost	26	(1,556,049)	(2,614,701)
Profit before taxation		3,884,098	2,989,236
Taxation	27	(786,714)	(3,290)
Profit after taxation		3,097,384	2,985,946
Attributable to:			
Equity holders of the parent		1,627,888	1,815,910
Non-controlling interest		1,469,496	1,170,036
		3,097,384	2,985,946
Earnings per share - basic and diluted (Rupee)	34	4.48	5.00

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive

Director

ALTERN ENERGY LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014**

	2014	2013
	(Rupees in thousand)	<i>Restated</i>
Profit after taxation	3,097,384	2,985,946
<i>Other comprehensive income:</i>		
<i>Items that may be reclassified subsequently to profit and loss</i>	-	-
<i>Items that will not be reclassified to profit and loss</i>		
Remeasurement of post retirement benefits obligation	(3,403)	(2,763)
Total comprehensive income for the year	<u>3,093,981</u>	<u>2,983,183</u>
Attributable to:		
Equity holders of the parent	1,625,847	1,814,205
Non-controlling interest	<u>1,468,134</u>	<u>1,168,978</u>
	<u>3,093,981</u>	<u>2,983,183</u>

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive

Director

ALTERN ENERGY LIMITED

ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 (Rupees in thousand)	2013 Restated
<u>Cash flows from operating activities</u>			
Profit before taxation		3,884,098	2,989,114
<i>Adjustment for:</i>			
Depreciation		1,647,842	1,625,903
Gain on sale of property, plant & equipment		(466)	(644)
Provision for staff retirement benefits		4,302	333
Capital spares consumed		1,201	193
Amortization of bank guarantee cost		3,037	1,351
Exchange loss		-	606
Finance cost		1,553,012	2,612,744
		3,208,928	4,240,486
Operating profit before working capital changes		7,093,026	7,229,600
<i>(Increase)/ decrease in current assets</i>			
Stores, spares and loose tools		(79,484)	(31,977)
Inventory of fuel oil		2,347	3,601
Trade debts		(3,945,214)	5,353,718
Advances, prepayments, and other receivables		(64,268)	112,409
		(4,086,619)	5,437,751
<i>(Decrease)/increase in current liabilities</i>			
Trade and other payables		2,307,607	(2,969,494)
Cash generated from operations		5,314,014	9,697,857
Long term advances		538	9,616
Finance cost paid		(1,746,759)	(2,739,039)
Income tax paid		(142,423)	10,675
Staff retirement benefits paid		(20,857)	(32)
		(1,909,501)	(2,718,780)
Net cash flows generated from operating activities	(A)	3,404,513	6,979,077
<u>Cash flows from investing activities</u>			
Fixed capital expenditure		(43,181)	(11,091)
Proceeds from sale of property, plant & equipment		1,702	1,200
Long term deposits		191	339
Net cash used in investing activities	(B)	(41,288)	(9,552)
<u>Cash flows from financing activities</u>			
Repayments of long term loans		(3,240,318)	(2,190,686)
Dividend paid		(1,085,202)	-
Proceeds from issuance of share capital		-	208,300
Share premium received		-	41,660
Net cash used in financing activities	(C)	(4,325,520)	(1,940,726)
Net (decrease) / increase in cash and cash equivalents	(A+B+C)	(962,295)	5,028,799
Cash and cash equivalents at the beginning of the year		4,960,053	(68,746)
Cash and cash equivalents at the end of the year	33	3,997,758	4,960,053

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive

Director

ALTERN ENERGY LIMITED

ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Attributable to equity holders of Parent Company					Total
	Share capital	Share premium	Equity portion of sponsor loan	Accumulated profit	Non-controlling Interest	
	(Rupees in Thousand)					
Balance as at 30 June 2012 - as previously reported	3,425,500	-	49,012	5,795,938	6,393,505	15,663,955
Effect of change in accounting policy as referred to note 4	-	-	-	(1,993)	(1,330)	(3,323)
Balance as at 30 June 2012 - restated	3,425,500	-	49,012	5,793,945	6,392,175	15,660,632
Imputed interest on sponsors' loan	-	-	(5,833)	-	-	(5,833)
Total comprehensive income for the year	-	-	-	1,814,205	1,168,978	2,983,183
Transactions with owners recorded in equity						
Issuance of Share capital	208,300	-	-	-	-	208,300
Share premium	-	41,660	-	-	-	41,660
Balance as at 30 June 2013 - restated	3,633,800	41,660	43,179	7,608,150	7,561,153	18,887,942
Imputed interest on sponsors' loan	-	-	(27,280)	-	-	(27,280)
Total comprehensive income for the year	-	-	-	1,625,847	1,468,134	3,093,981
	3,633,800	41,660	15,899	9,233,997	9,029,287	21,954,643
Transactions with owners recorded in equity						
1st Interim dividend @ Rs. 1/- per share by AEL	-	-	-	(363,380)	-	(363,380)
2nd Interim dividend @ Rs. 1/- per share by AEL	-	-	-	(363,380)	-	(363,380)
Dividends relating to 2014 paid to non-controlling interest	-	-	-	-	(1,207,503)	(1,207,503)
	-	-	-	(726,760)	(1,207,503)	(1,934,263)
Balance as at 30 June 2014	3,633,800	41,660	15,899	8,507,237	7,821,784	20,020,380

The annexed notes 1 to 36 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 2014**

1 Legal status and nature of business

1.1 The group comprises of:

Altern Energy Limited (AEL); and	2014	2013
	(Holding percentage)	
Subsidiary companies		
- Power Management Company (Private) Limited (PMCL)	100.00%	100.00%
- Rousch (Pakistan) Power Limited (RPPL)	59.98%	59.98%

Altern Energy Limited ("the Parent Company or AEL") 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 (30 June 2013 : 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 RPPL is to generate and supply electricity to Water and Power Development Authority (WAPDA) from its combined cycle thermal power plant ("the Complex") having a gross ISO capacity of 450 MW (30 June 2013 : 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, F 10 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.

1.3 AEL's Gas Supply Agreement (GSA) with Sui Northern Gas Pipelines Limited (SNGPL) expired on 30 June 2013. Thereafter, the AEL has signed a Supplemental Deed dated 17 March 2014, with SNGPL whereby SNGPL has agreed to supply gas to the AEL on as-and-when-available basis till the expiry of the Power Purchase Agreement on 06 June 2031.

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 16) as part of the cost of relevant assets and interest rate swap derivatives (note 10) 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 consolidated financial statements are presented in Pakistani Rupees which is also the Group's functional currency.

2.5 Use 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 and amendments to published approved International Financial Reporting Standards not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Group's consolidated financial statements.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Group's consolidated financial statements.
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.
- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Group's consolidated financial statements.

IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016.
- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place.
- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual periods beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

These amendments have no significant impact on financial statements of the Group.

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. 8,341.39 million (2013: Rs. 6,932.56 million) and the operating assets would have been lower by approximately Rs. 20,822.02 million (2013: Rs. 22,802.85 million) with a corresponding increase of approximately Rs.12,480.64 million (2013: Rs. 15,870.29 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 maintains an approved gratuity fund for all permanent employees. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements. The most recent valuation was carried out as at 30 June 2014.

As stated in note 4, during the year the Company has changed its accounting policy. Now the remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in SOCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Defined contribution plan

RPPL operates a recognized 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.

Deferred

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

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

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 16.2).

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 16 after taking into account their residual values. Amortization 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 capitalized, while no depreciation is charged for the month in which the asset is disposed off.

Gains and losses on disposal are included in income currently.

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 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 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 intended use.

3.5 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of cost less impairment losses (if any) and net realizable value.

Cost of Stores, spares and loose tools 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. 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 realizable value. Cost is determined on first-in-first out basis. Net realizable 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 utilized 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).

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, amortized 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 including hedge accounting - cash flow hedges

The Company holds derivative financial instruments to hedge its exposure to variability in interest rate on long term loans. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. The fair value of a derivative is the equivalent of the unrealized gain or loss from mark to market the derivative using prevailing market rates. The fair value of interest rate swap is based on brokers' quote / valuation by the concerned bank. Derivatives with positive market values (unrealized gain) are recorded as an asset and those with negative market values (unrealized losses) are recorded as liability. The Company does not hold derivative financial instruments for trading purposes.

Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as follows:

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively.

3.12 Non - derivative financial instruments

Financial assets include long term security deposits, long term loans to employees, trade debts, advances, other receivables and cash and cash equivalents. These are recognized initially on trade date i.e. the date on which the Company becomes party to the respective contractual provisions, Loans & Receivable are financial asset with fixed or determinable payment that are not quoted in an active market. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The Company derecognizes the financial assets when it ceases to be a party to the contractual provisions of such assets, Loans and receivable comprise cash and cash equivalents and trade and other receivables.

3.13 Mark-up bearing borrowings and borrowing cost

Mark-up bearing borrowings are recognized initially at fair value which is usually the cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost, while the difference between the cost (reduced for periodic payments) and redemption value is recognized in the profit and loss account over the period of the borrowings.

Borrowing costs are recognized as an expense in the period in which these are incurred, except to the extent that they are directly attributable to the acquisition or construction of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) in which case these are capitalized as part of the cost of that asset.

3.14 Trade debts, loans and other receivables

Trade debts, loans and other receivables are recognized initially at fair value and subsequently measured at amortized cost or cost, as the case may be, less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Bad debts are written off when identified. Other receivables considered irrecoverable are written off.

3.15 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.

3.16 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.

3.17 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 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.

3.18 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.

3.19 Dividend and appropriation to / from reserves

Dividend distribution to the Group's shareholders and appropriation to / from reserves is recognized in the period in which these are approved.

4 Change in accounting policy

4.1 Adoption of amendments in IAS 19, (Revised) 'Employee Benefits'

As a result of IAS 19 (Revised) 'Employee benefits', the Company has changed its accounting policies with respect to the basis for determining the income or expense related to the defined benefit and recognition of actuarial gain/loss.

The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income with no subsequent recycling to profit and loss account; to immediately recognize all past service costs in profit and loss account; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. This change has now eliminated the corridor approach and calculates finance costs on a net funding basis.

The Company has applied this change in accounting policy retrospectively in accordance with International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and recorded un-recognized actuarial losses associated with this retirement benefit plan by adjusting the opening balance of accumulated profit and retirement benefit (gratuity) for the prior period presented.

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The following table summarize the material impacts resulting from the above changes in accounting policies on the balance sheet, profit and loss account, statement of comprehensive income and statement of changes in equity.

	30 June 2013		
	Previously reported	Restatement	Restated amounts
----- Rupees in thousands -----			
(a) Balance sheet			
Retirement benefits	1,840	(5,965)	(4,125)
(b) Profit and loss account			
Administrative, selling and general expenses	3,507	(122)	3,385
(c) Statement of comprehensive income			
Remeasurement of defined benefit obligation	-	2,763	2,763
	30 June 2012		
	Previously reported	Restatement	Restated amounts
----- Rupees in thousands -----			
(a) Balance sheet			
Retirement benefits	(1,186)	(3,323)	(4,509)
(b) Statement of changes in equity			
Unappropriated profit	7,355,794	(3,323)	7,352,471

5 Issued, subscribed and paid up capital

30 June 2014	30 June 2013		30 June 2014	30 June 2013
(No. of Shares)			(Rupees in thousand)	
359,480,000	359,480,000	Ordinary Shares of Rs. 10/- each fully	3,594,800	3,594,800
3,900,000	3,900,000	Ordinary Shares of Rs. 10/- each issued	39,000	39,000
<u>363,380,000</u>	<u>363,380,000</u>		<u>3,633,800</u>	<u>3,633,800</u>

5.1 Ordinary shares of the Company held by Descon Engineering Limited (DEL), the holding company, as at 30 June 2014 were 211,397,063 (2013: 211,397,063).

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		2014	2013
		(Rupees in thousand)	
6 Equity portion of sponsors' loan	<i>Note</i>		
These are composed of loans from associated undertakings:			
Descon Engineering Limited	6.1	11,924	32,384
Crescent Standard Business Management (Private) Limited	6.2	3,975	10,795
		<u>15,899</u>	<u>43,179</u>

6.1 It represents equity portion relating to interest free loan from Descon Engineering Limited amounting to Rs. 69.455 million (2013: Rs. 69.455 million) as per terms of acquisition arrangement.

6.2 It represents equity portion of funds amounting to Rs. 23.152 million (2013: Rs. 23.152 million) from Crescent Standard Business Management (Private) Limited as per terms of acquisition arrangement.

		2014	2013
		(Rupees in thousand)	
7 Sponsors' loan -unsecured	<i>Note</i>		
These are composed of loans from associated undertakings to the Parent Company:			
Descon Engineering Limited			
Interest free loan - gross	7.1	69,455	69,455
Effect of discounting		(11,924)	(32,384)
		57,531	37,071
Crescent Standard Business Management (Pvt) Limited			
Interest free loan - gross	7.2	23,152	23,152
Effect of discounting		(3,975)	(10,795)
		19,177	12,357
Present value of interest free loan from sponsors	7.3	76,708	49,428
Other long term finance - DEL	7.4	261,763	261,763
Interest on long term finance	7.5	284,126	251,140
		<u>622,597</u>	<u>562,331</u>

7.1 It represents long term loan portion relating to unsecured and interest free loan from Descon Engineering Limited amounting to Rs. 69.455 million (2013: Rs. 69.455 million).

7.2 It represents long term loan portion of funds amounting to Rs. 23.152 million (2013: Rs. 23.152 million) payable to Crescent Standard Business Management (Private) Limited. This is unsecured and interest free loan.

7.3 These have been recognized at amortized cost using discount rate of 13.38%. The resulting change has been charged to equity portion of sponsors' loan as referred to in note 5.

7.4 This includes funds amounting to Rs. 261.763 million (2013: Rs. 261.763 million) received from Descon Engineering Limited for investment in Rousch (Pakistan) Power Limited through its subsidiary company, Power Management Company (Private) Limited.

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- 7.5 The loan amount shall be payable within a period of five (5) years from the Execution Date (the "term") in one or more installments. The term is extendable with mutual consent of the parties. As per agreement between the Company, MCB Bank Limited and Descon Engineering Limited, all amounts (including mark-up) due under the Sponsors' Loans shall be subordinated to the loan facility from MCB Bank Limited. These loans are unsecured and carry mark up at six months KIBOR plus 300 basis points (2013 : six months KIBOR plus 300 basis points).
- 7.6 It represents mark-up payable to Descon Engineering Limited of Rs. 284.126 million (2013: Rs. 251.140 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 till repayment of loan from MCB Bank Limited.

	<i>Note</i>	2014 (Rupees in thousand)	2013
8 Long term loans - secured and unsecured			
Loans from financial institutions	<i>8.1</i>	9,981,864	13,051,391
Loans from related parties	<i>8.1</i>	<u>2,213,807</u>	<u>2,050,859</u>
		12,195,671	15,102,250
Current portion of long term loans		<u>(3,484,458)</u>	<u>(2,179,699)</u>
		<u>8,711,213</u>	<u>12,922,551</u>

8.1 Loans from financial institutions:

	Facility	Note	2014 (Rupees in thousand)	2013 (Rupees in thousand)
Secured				
Standard Chartered Bank, London (SCB)	Hermes facility	8.1.3	240,386	720,387
National Bank of Pakistan (NDP)	LTCF loan	8.1.4	7,932,838	9,379,919
Australia and New Zealand Banking Group Limited (ANZ)	Backstop facility		31,398	155,902
MCB Bank Limited (MCB)	Syndicate finance - LCY	8.1.7	-	533,752
MCB Bank Limited (MCB)	Syndicate finance - FCY	8.1.8	30,173	54,237
Unsecured				
Australia and New Zealand Banking Group Limited (ANZ)	Supplier's loan	8.1.5	1,747,069	2,207,194
			9,981,864	13,051,391
Loan from an associated Company	EPC Deferral and AMSA	8.1.6	2,213,807	2,050,859

8.1.1 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\$ 17 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 8.1.5	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 8.1.4	KIBOR + 2.75% semi-annually	LIBOR+2.95% quarterly
Swap rate with Faysal Bank Limited effective from 29 September 2006	4.76%	-	-	3.68% effective upto 28 September 2007 & 5.21% from 29 September 2007	-	-
Notional amounts under the interest rates swap	US\$ 7.31 million	-	-	US\$ 94.94 million	-	-

8.1.2 The entire financing from financial institutions except for supplier loan and syndicate finances is secured by a legal mortgage on all immovable properties of the Group, 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.

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		2014	2013
		(Rupees in thousand)	
8.1.3 Hermes loan facility	<i>Note</i>		
Outstanding amount of loan facility		240,575	722,089
Basic and time premium	8.1.3.1	(112,240)	(112,240)
		<u>128,335</u>	<u>609,849</u>
Basic and time premium amortized		112,051	110,538
		<u>240,386</u>	<u>720,387</u>

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

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

8.1.4 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 Treasury 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. As per terms of the agreement, RPPL will require prior affidavit of the lender before declaring any dividend.

8.1.5 Initially, the supplier loan repayment funding was agreed to be made out of funds available on repayment date after fulfilling the funding requirements as per the provisions of Master Agreement before distribution of dividend with the repayment date of March 2015. However, as per revised MOU, repayment of instalment has been agreed which are to be due on 30 September 2014 and 31 March 2015.

8.1.6 As per revised MOU long term liability would be repaid in six unequal semi-annual instalments starting from September 2015. It has also been agreed that the long term liability would be subject to 8% per annum interest from the period starting 1 July 2015. The Company 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. 163.986 million (2013: Rs.151.915 million) in the profit and loss account.

8.1.7 AEL had obtained a long term syndicate facility of Rs.1,100 million (2013: Rs. 1,100 million), which includes foreign currency loan limit of US Dollars 3.6 million (2013: US Dollars 3.6 million), from consortium of banks under the lead of MCB Bank Limited. On 31st December 2013, the Company prepaid the outstanding local currency portion of the syndicated long term loan amounting to Rs. 480 million including mark up thereon.

The loan carried mark-up at six month KIBOR plus 275 basis points (2013: six month KIBOR plus 275 basis points), payable in half yearly installments 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.

8.1.8 The limit of foreign currency portion of loan is of US Dollars 3.6 million (2013: US Dollars 3.6 million). The outstanding loan amount is repayable in six un-equal quarterly installments payable up to 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 (2013 : three month LIBOR plus 295 basis) payable quarterly in arrears.

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	2014 (Rupees in thousand)	2013 <i>Restated</i>
9 Employees' retirement benefits		
Staff gratuity - AEL	1,260	1,125
Compensated absences - AEL	190	247
Staff gratuity - RPPL	8,645	4,125
	<u>10,095</u>	<u>5,497</u>
9.1	The latest actuarial valuation of gratuity scheme was carried out as at 30 June 2014 under the Projected Unit Credit Method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:	
	2014 (Rupees in thousand)	2013 <i>Restated</i>
9.2 Funding status		
The amounts recognized in balance sheet are as follows:		
Present value of defined benefit obligation	10,068	21,984
Fair value of plan assets	(1,423)	(17,859)
(Asset)/liability in balance sheet	<u>8,645</u>	<u>4,125</u>
9.3 Changes in present value of defined benefit obligation		
Present value of defined benefit obligation - beginning of the year	21,984	22,247
Current service cost	3,525	3,431
Interest cost	1,467	2,272
Past service cost	-	-
Remeasurement losses on obligation	3,594	2,171
Benefits paid	(20,502)	(8,137)
Present value of defined benefit obligation - end of the year	<u>10,068</u>	<u>21,984</u>
9.4 Changes in fair value of plan assets		
Fair value of plan assets - beginning of the year	17,859	17,738
Expected return on plan assets	1,123	2,317
Remeasurement gains/(losses) on plan assets	191	(592)
Benefits paid	(20,502)	(8,137)
Contribution to fund	2,752	6,533
Fair value of plan assets - end of the year	<u>1,423</u>	<u>17,859</u>
9.5 Amounts recognized in the profit and loss account		
Current service cost	3,525	3,431
Interest cost	1,467	2,272
Expected return on plan assets	(1,123)	(2,317)
	<u>3,869</u>	<u>3,386</u>
9.6 Actuarial assumptions	2014	2013
Valuation discount rate	13.50%	12.50%
Expected rate of increase in salaries	13.50%	12.50%
Expected rate of return on plan assets	13.50%	12.50%

9.7 Composition / fair value of plan assets	2014	2013
Certificates of investment / term deposit receipts	20%	97%
Others	80%	3%

9.8 Available historical information	2014	2013	2012	2011	2010
	(Rupees in thousand)				
	<i>Restated</i>				
Present value of defined benefit obligation	10,068	21,984	22,247	14,461	9,850
Fair value of plan assets	(1,423)	(17,859)	(17,738)	(12,666)	(6,528)
Deficit / (surplus) in plan	8,645	4,125	4,509	1,795	3,322
Experience adjustment arising on plan liabilities loss / (gain)	3,594	2,171	1,512	1,543	(194)
Experience adjustment arising on plan liabilities (loss) / gain	191	(592)	(109)	(137)	(248)

9.9 This includes accrual for compensated absences, amounting to Rs. 2.1 million (2013: Rs. 4.7 million).

9.10 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumptions	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	1%	(1,002)	1,166
Salary growth rate	1%	1,155	(1,010)

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

9.12 The Company has set up provident fund for its permanent employees and the contributions were made by the Company to the Trust in accordance with the requirement of Section 227 of the Companies Ordinance, 1984. The following information is based on the un - audited financial statements of the provident fund as at 30 June 2014:

	2014	2013
	(Rupees in thousand)	
Size of the fund	17,479	28,338
Cost of Investments made	14,500	19,516
Percentage of Investments made	82.96%	68.87%
Fair Value of Investments	15,508	20,199

9.12.1 The break-up of investments is as follows:

	2014		2013	
	(Rupees in thousands)	%	(Rupees in thousands)	%
Investment in mutual funds	14,500	82.96%	6,000	21.2%
Islamic Investment Certificates	-	-	13,516	47.7%

10 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, the Company 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 the Company. These arrangements are effective up to 30 September 2014. The net fair value of swap at 30 June 2014 was a liability of Rs. 211.760 million (2013: Rs. 683.452 million). The hedge accounting was discontinued during the year ended 30 June 2011.

As per exercise the hedge had 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 was discontinued. Resultantly, Rs. 842.608 million which represents ineffective portion of hedge and loss due to changes in fair values was reclassified from previous year revaluation reserve for interest rate swap to profit and loss account. The remaining balances (loss) was reclassified / transferred to profit and loss account.

	Note	2014 (Rupees in thousand)	2013
11 Deferred taxation			
Deferred taxation	11.1	<u>644,773</u>	-

11.1 As disclosed in note 8, RPPL has availed financing from a consortium of lenders. Under the financing agreements there are certain conditions for dividend distribution. RPPL could not pay dividend in the past due to these conditions. However, during the year ended 30 June 2014, RPPL has paid two interim dividends after obtaining one-off waivers of conditions from lenders for dividend distribution. The Parent Company expects to receive dividend from RPPL in the foreseeable future, subject to waiver being granted by the lenders. Accordingly a deferred tax liability on undistributed profits of RPPL has been recognized in these consolidated financial statements.

	Note	2014 (Rupees in thousand)	2013 <i>Restated</i>
12 Trade and other payables			
Creditors	12.1	79,712	215,302
Payable to WAPDA for gas efficiency and import of energy		175,915	47,593
Accrued liabilities			
-Lenders' related costs		17,370	11,220
-Operation and maintenance contractors		294,313	383,653
-Natural Gas charges to SNGPL	12.2	3,811,091	1,409,426
-Others	12.3	26,600	19,246
Payable to Descon Engineering Ltd		2,478	3,132
Provision of guarantee issued	12.4	6,842	6,842
Provision for workers' funds	12.5	-	-
		<u>4,414,321</u>	<u>2,096,414</u>

12.1 (a) It includes the amount of Rs. 6.50 million (30 June 2013: Rs. 6.50 million) payable by the Parent Company to Descon Engineering Limited, and amount of Rs. 25.51 million (30 June 2013: Rs. 131.16 million) payable by the Parent Company to Descon Power Solution (Private) Limited, an associated company, against engineering services provided by these companies.

(b) This includes Rs. 28.45 million (2013: Rs. 55.94 million) payable to a related party.

- 12.2** Supreme Court of Pakistan in its order dated 27 December 2013 had suspended the decision of Peshawar High Court and reinstated the Gas Infrastructure Development Cess (GIDC) Act, 2011 imposing cess on gas consumers. Accordingly, Ministry of Petroleum & Natural Resources through its notification DGO(AC)-8(49)/12 dated 31 December 2013 imposed GIDC under the Gas Infrastructure Development Cess Act 2011 on specified consumers including the Group.

Consequently, Sui Northern Gas Pipelines Limited (SNGPL) in its sui gas bill for the month of December 2013 charged the Group Rs. 2,199.63 million as 'GIDC arrears' for the period ranging from 1st January, 2013 to 31 December 2013. In February 2014, the Group filed a writ petition in the Lahore High Court against the levy of GIDC on retrospective basis. The honorable court granted stay against recovery to the Group till the time similar petitions filed in the Supreme Court were decided.

Subsequent to the year end on 22 August 2014, Supreme Court upheld the decision of Peshawar High Court and declared GIDC ultra vires and directed SNGPL to refund the amount. However the Government has passed Gas Infrastructure Development Cess Ordinance, 2014 on 25 September 2014 and declared the cess levied and collected under GIDC Act, 2011 as valid.

The Group has accordingly recorded a payable of Rs. 2,199.63 million to SNGPL and receivable from WAPDA of Rs. 2186.37 million on account of GIDC arrears based on the GIDC Ordinance 2014.

- 12.3** This includes Rs. 0.733 million (2013: Rs. 0.591 million) payable to a related party by RPPL.
- 12.4** 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, and 26 March 2001, 11 November 2003 granted the stay on levy of this fee / cess on the condition that the Company 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 favor 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. The Company 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 the Company has made provision of Rs.6.842 million (2013: Rs. 6.842 million) being 50% of disputed amount i.e. Rs. 13.684 million.

	2014	2013
	(Rupees in thousand)	
12.5 Provision for workers' funds		
Provision for Workers' Profit Participation Fund	277,202	149,102
Provision for Workers' Welfare Fund	109,440	58,472
	<u>386,642</u>	<u>207,574</u>
Recoverable from WAPDA as pass through item	<u>(386,642)</u>	<u>(207,574)</u>
	<u>-</u>	<u>-</u>

13 Short term loans

The Company has entered into an agreement with a consortium of local banks, [Faysal Bank Limited, Bank Alfalah Limited, Soneri Bank Limited and Silk Bank Limited] led by Faysal Bank Limited, to avail working capital facility of Rs. 900 million (2013: Rs. 900 million). The facility carries mark-up at 3 months KIBOR plus 3% per annum (2013: 3 months KIBOR plus 3% per annum). The facility has been obtained against pari passu charge of Rs. 3,766 million over all present and future fixed assets and current assets of the Company in favor of the security trustee. This facility will expire on 08th December 2014.

14 Dividend payable

This represents second interim dividend of Rs. 1/- per share declared and approved by AEL's Board of Directors on 27 June 2014 amounting to Rs. 363.380 million.

This represents second interim dividend of Rs. 1.3/- per share declared and approved by RPPL's Board of Directors on 27 June 2014 amounting to Rs. 448.501 million.

15 Contingencies and commitments

Contingencies

Altern Energy Limited - the Parent Company

15.1 There are no material contingencies as at 30 June 2014

Rousch (Pakistan) Power Limited - the Subsidiary Company

15.2 Bank guarantees have been issued to the excise and taxation department aggregating Rs.26.842 million (2013: Rs. 26.842 million).

15.3 The taxation authorities have raised tax demand of Rs. 2,806.67 million along with additional tax of Rs. 1,485.38 million and penalty of Rs. 101.32 million; on account of input sales tax for the period July 2007 to June 2013. The department is of the view that the Company had claimed input tax in excess of what was allowed under the Law. The Company had filed an appeal which was decided against the Company by Appellate Tribunal and the matter is now pending adjudication before the Islamabad High Court on reference application filed by the Company. The management is confident that it has reasonable grounds to defend the Company's position and the matter will ultimately be resolved in the Company's favor. Accordingly, no provision has been recognized in these financial statements.

15.4 WAPDA has raised invoices for liquidated damages to the Company for the year 2012-13 (after taking into account forced outage allowance stipulated under the terms of Power Purchase Agreement) on account of short supply of electricity by the Company, which was due to cash flow constraints of the Company as a result of default by WAPDA in making timely payments. The Liquidated Damages invoiced to the Company upto 30 June 2014 are in the amount of Rs.1.587.73 million.

The Company disputes and rejects any claim on account of liquidated damages that may be raised by WAPDA on the premise that its failure to dispatch electricity was due to WAPDA's non-payment of dues on timely basis to the Company and consequential inability of the Company to make timely payments to its gas supplier (SNGPL) that resulted in inadequate level of electricity production owing to shortage of fuel. In this regard, the Company has initiated the dispute resolution procedures specified in the Power Purchase Agreement and the Company is presently at expert mediation stage. The Company and its legal counsel are of the opinion that there are adequate grounds to defend the claim. The ultimate outcome of the matter cannot presently be determined and accordingly no provision has been recognized in the financial statements.

- 15.5 Tax returns filed by the Company up to and including Assessment Year 2002-2003 (year ended 30th June 2002) and Tax Years 2003 and 2004 were assessed by the tax authorities by charging tax on interest and other income; however the Company was allowed set-off of business losses by the appellate authorities against taxable income.
- 15.6 Tax returns for Tax Years 2005 to 2010 were amended by the tax authorities in July 2011 by disallowing tax depreciation on fixed assets used to derive income exempt from tax; thereby also disallowing set-off of loss represented by unabsorbed tax depreciation against interest income. The appeals filed by the Company were accepted by the Commissioner Inland Revenue (Appeals) [CIR(A)] and the demand deleted in entirety.
- 15.7 For Tax Years 2005 to 2009, the Commissioner of Income Tax directed the Company to withhold and deposit tax on certain payments to the Company's foreign lenders under the loan finance agreements. Tax demand of Rs. 11.05 million was raised against the Company in the matter of non-withholding for Tax Years 2005, 2008 and 2009. However, on appeal filed by the Company to the Commissioner (Appeals), the matter was decided in the Company's favor. The appellate Order of the Commissioner (Appeals) was also upheld by the Appellate Tribunal on Departmental appeal.
- 15.8 For the Tax Year 2011 and 2012, the tax authorities raised aggregate demand of Rs. 63.56 million on account of Workers Welfare Fund [WWF] which was upheld by the CIR(A). The Company's appeals against the Order of the CIR(A) are pending decision by the Appellate Tribunal; though the tax demand has been paid by the Company.
- 15.9 For the Tax Year 2012, the tax authorities also imposed minimum tax of Rs. 66.34 million on capacity price payments. The CIR(A) deleted the demand, however the tax authorities have filed appeal to the Appellate Tribunal on this matter which is pending decision.

Commitments

Altern Energy Limited - the Parent Company

- MCB Bank Limited has issued bank guarantee for Rs. 200 million (30 June 2013 : Rs. 156.213 million) in favor 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 31 January 2015, which is renewable.

Rousch (Pakistan) Power Limited - the Subsidiary Company

- Commitments under letters of credit for raw materials as at 30 June 2014 are Rs. Nil (2013: Rs. 12.992 million)
- Letter of credit facility of Rs. 1,925 million (2013: Rs. 1,925 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 for which payments are made in arrears.

16 Property, plant and equipment

	Annual rate of depreciation %	Cost as at 01 July 2013	Additions/ (disposals)/ adjustments	Cost as at 30 June 2014	Accumulated depreciation as at 01 July 2013	charge/ (on disposals)/	Accumulated depreciation as at 30 June 2014	Book value as at 30 June 2014
----- (R u p e e s i n t h o u s a n d) -----								
Freehold land	3.33	59,413	-	59,413	24,889	1,820	26,709	32,704
Building on freehold land	3-5	1,918,047	-	1,918,047	871,254	64,076	935,330	982,717
Plant and machinery (note 16.2 & 16.3)	3-17	39,930,346	6,900 93,960	40,031,206	15,282,027	1,556,455	16,838,482	23,192,724
Leasehold improvements	10	1,255	197	1,452	297	158	455	997
Electric equipment	10	2,109	-	2,109	953	189	1,142	967
Furniture and fixtures	20	2,943	-	2,943	2,438	177	2,615	328
Office equipment	10-33	23,216	1,891	25,107	18,434	1,795	20,229	4,878
Vehicles	20	38,386	10,698 (4,240)	44,844	27,123	2,651 (3,004)	26,770	18,074
Capital spares	3-5	523,590	28,775 (2,021)	550,344	147,396	20,521 (820)	167,097	383,247
2014		42,499,305	142,421 (6,261)	42,635,465	16,374,811	1,647,842 (3,824)	18,018,829	24,616,636

	Annual rate of depreciation %	Cost as at 01 July 2012	Additions/ (disposals)/ adjustments	Cost as at 30 June 2013	Accumulated depreciation as at 01 July 2012	charge/ (on disposals)/	Accumulated depreciation as at 30 June 2013	Book value as at 30 June 2013
-----R u p e e s i n t h o u s a n d -----								
Freehold land	3.33	59,413	-	59,413	23,069	1,820	24,889	34,524
Building on freehold land	3-5	1,918,035	12	1,918,047	807,179	64,075	871,254	1,046,793
Plant and machinery (note 16.2)	3-17	39,280,095	24,377 625,874	39,930,346	13,732,482	1,549,545	15,282,027	24,648,319
Leasehold improvements	10	1,255	-	1,255	171	126	297	958
Electric equipment	10	2,109	-	2,109	764	189	953	1,156
Furniture and fixtures	20	2,673	270	2,943	2,252	186	2,438	505
Office equipment	10-33	21,871	1,699 (354)	23,216	16,811	1,911 (288)	18,434	4,782
Vehicles	20	40,014	970 (2,598)	38,386	26,600	2,631 (2,108)	27,123	11,263
Capital spares	3-5	525,677	- (2,087)	523,590	143,870	5,420 (1,894)	147,396	376,194
2013		41,851,142	653,202 (5,039)	42,499,305	14,753,198	1,625,903 (4,290)	16,374,811	26,124,494

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16.1 The depreciation/ amortization charge for the year has been allocated as follows:

	Note	2014 (Rupees in thousand)	2013
Direct costs	23	1,643,061	1,621,049
Administrative expenses	24	4,781	4,854
		<u>1,647,842</u>	<u>1,625,903</u>

16.2 According to the letter No. EMD/233/390/2002-914 dated 06 May 2010 issued by the Securities and Exchange Commission of Pakistan (SECP), power sector companies are 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 exchange losses of Rs. 93.962 million (30 June 2013: Rs. 629.525 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 capitalization of Rs. 11,745.440 million (30 June 2013: Rs. 11,651.478 million) in the cost of plant and equipment up to 30 June 2014, with book value of Rs. 8,103.300 million (30 June 2013: Rs. 8,527.860 million) as at the year end.

16.3 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 '000) -----					
Suzuki Cultus	662	662	-	132	Company policy	Ex-employee
Toyota Premio	1,669	1,669	-	334	Company policy	Ex-employee
Toyota Vitz	939	414	525	526	Company policy	Ex-employee
Toyota Vitz	970	259	711	711	Company policy	Ex-employee
	<u>4,240</u>	<u>3,004</u>	<u>1,236</u>	<u>1,703</u>		

17 Long term loan to employees - secured

This represents interest free transport loan facility to employees. The Company contributes 80% of the cost of the vehicle which is recoverable in 60 equal monthly instalments from the employee. These vehicles are in the name of the Company for security purposes.

	Note	2014 (Rupees in thousand)	2013
Outstanding advance as on 30 June		355	765
Amount received during the year		(236)	
Current portion of long term loan to employees - secured	20	(84)	(410)
		<u>35</u>	<u>355</u>

18 Stores, spares and loose tools

Stores	467,549	423,592
Spares	49,007	19,528
	<u>516,556</u>	<u>443,120</u>
Provision for slow moving and obsolete items	(3,636)	(3,636)
	<u>512,920</u>	<u>439,484</u>

18.1 All the stores, spares and loose tools of RPPL are held and managed by ESB Engineering and Facility Management Limited and Descon Power Solutions (Private) Limited the Operation and Maintenance contractor of the Company.

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		2014 (Rupees in thousand)	2013
19 Trade debts - secured, considered good	<i>Note</i>		
Considered good	12.2	9,348,064	5,402,850
Considered doubtful	19.1	40,347	40,437
		<u>9,388,411</u>	<u>5,443,287</u>
Provision for doubtful debts	19.1	(40,347)	(40,437)
		<u>9,348,064</u>	<u>5,402,850</u>

19.1 This represents receivable from WPPO (A division of WAPDA) against energy, capacity and supplemental charges. The Company is entitled to claim supplemental charges from WPPO in case of delayed payment at the discount rate of State Bank of Pakistan (SBP) plus 2 percent per annum. In previous year, the Company raised invoices of default interest of Rs. 40,347 million on account of delayed payment of default interest invoices. WPPO is not accepting such invoices therefore provision against them has been made.

The Company considered that amount receivable from WPPO as good as performance of WPPO is guaranteed by Government of Pakistan under Implementation Agreement signed between the Company and Government of Pakistan.

		2014 (Rupees in thousand)	2013 <i>Restated</i>
20 Advances, prepayments and other receivables	<i>Note</i>		
Advances-Considered good			
-Suppliers	20.1	49,652	43,397
-Employees	17	1,751	899
		<u>51,403</u>	<u>44,296</u>
Interest accrued		-	4,344
Prepayments		72,436	74,149
Bank Guarantee Cost MCB		2,098	814
Recoverable from Government			
-Advance tax, net		60,715	7,856
-Sales Tax		89,005	79,109
-Others	20.2	4,801	5,240
		<u>154,521</u>	<u>92,205</u>
Current portion of long term loan to employees - secured	17	192	410
		<u>280,650</u>	<u>216,218</u>

20.1 This includes advance to a related party amounting to Rs. 2.339 million (2013: Rs. 42.356 million) by RPPL.

20.2 This includes receivable from related parties amounting to Rs. 1.929 million (2013: Rs.6.494 million) by RPPL.

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21	Cash and bank balances	Note	2014 (Rupees in thousand)	2013
	Cash at banks:			
	Saving accounts			
	- Foreign currency		241,830	251,165
	- Local currency		3,748,785	4,705,367
		21.1	3,990,615	4,956,532
	Current accounts		7,085	2,875
			3,997,700	4,959,407
	Cash in hand		58	646
			3,997,758	4,960,053
			<u>3,997,758</u>	<u>4,960,053</u>
21.1	These carry mark-up at the rates ranging from 0.5% to 9% per annum (2013: 0.5% to 9.5% per annum).			
22	Revenue - net			
	Energy revenue - gross		18,747,841	15,069,677
	Sales tax		(2,379,233)	(2,085,283)
	Energy revenue - net		16,368,608	12,984,394
	Capacity revenue		6,865,419	6,475,542
	Other supplemental charges		432,168	1,165,877
	Gas efficiency passed to WAPDA		(318,656)	(288,301)
			23,347,539	20,337,512
			<u>23,347,539</u>	<u>20,337,512</u>
23	Direct costs			
	Fuel consumed		14,961,367	11,777,016
	Stores and spares consumed		148,467	83,212
	Operating maintenance costs		1,057,374	930,920
	Depreciation	16.1	1,643,061	1,621,049
	Repairs and maintenance		13,206	37,820
	Insurance		138,105	136,440
	Energy import		30,396	23,677
	Salaries, wages and other benefits	23.1	21,387	32,116
	Generation license fee		5,181	4,707
	Electricity duty		6,001	3,859
	Miscellaneous expenses		25,343	31,002
			18,049,888	14,681,818
			<u>18,049,888</u>	<u>14,681,818</u>

23.1 This includes contributions to provident fund trust amounting to Rs. 0.946 million (2013: Rs. 1.741 million).

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	<i>Note</i>	2014 (Rupees in thousand)	2013 <i>Restated</i>
24 Administrative expenses			
Salaries, wages and other benefits	<i>24.1</i>	69,155	47,650
Legal and professional		30,037	14,550
Depreciation	<i>16.1</i>	4,781	4,854
Traveling, conveyance and hoteling		6,488	2,908
Rent, rates and taxes		2,188	2,454
Utilities		656	664
Repair and maintenance		1,118	1,110
Postage and telephone		411	1,187
Publicity, printing and stationery		786	576
Auditors remuneration	<i>24.2</i>	3,542	2,613
Fee and subscription		592	665
Donation		-	228
Entertainment		806	380
Security expenses		2,012	1,755
Miscellaneous		5,350	4,552
		127,922	86,146
24.1 (a) Salaries, wages and other benefits include Rs. 0.399 million (2013: Rs. 0.303 million) and Rs. 0.034 million (2013: Rs. 0.295 million) on account of staff gratuity and staff compensated absences respectively.			
(b) This includes contributions to provident fund trust amounting to Rs. 3,671 million (2013: Rs. 2.305 million).			
24.2 Auditor's remuneration			
Annual audit fee		2,130	1,900
Half year review fee		165	150
Tax consultancy		360	513
Out of pocket expenses		887	50
		3,542	2,613
25 Other income			
<u>Income from financial assets</u>			
Income on bank deposit		268,802	26,691
<u>Income from non-financial assets</u>			
Gain on sale of property, plant & equipment		466	644
Scrap sales		1,150	1,531
Other income		-	5,523
		1,616	7,698
		270,418	34,389

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26 Finance cost	<i>Note</i>	2014	2013
		(Rupees in thousand)	
Interest and mark-up on:			
- Long term loans and swap payments	26.1 & 26.2	1,185,869	1,525,165
- Short term loan		24,048	47,536
Amortization of bank guarantee cost - MCB		3,037	1,351
Foreign exchange difference		-	606
Accretion of discount on long term liability	8.1.6	163,986	151,915
Lender fees and charges		60,172	57,838
Lender related costs-others		102,302	23,357
Mark up on late payments to SNGPL		6,530	805,314
Mark-up on late payments to DPSL		7,468	
Bank charges		2,637	1,619
		<u>1,556,049</u>	<u>2,614,701</u>

26.1 It includes mark up accrued on loans from Descon Engineering Limited, the holding company, and Power Management Company (Private) Limited, the wholly owned subsidiary company, amounting to Rs. 32.985 million (2013: Rs. 35.927 million) and Rs. 6.44 million (2013: Rs. 6.78 million) respectively.

26.2 This includes net swap expense of Rs. 42.041 million (2013: Rs. 82.561 million) and net exchange loss of Rs. 57.357 million (2013 exchange loss: Rs. 106.457 million).

27 Taxation			
<i>Current Taxation</i>			
- for the year		(141,941)	(3,290)
<i>Deferred Taxation</i>			
- for the year	11.1	(644,773)	-
		<u>(786,714)</u>	<u>(3,290)</u>

28 Remuneration of Chief Executive, Directors and Executives

28.1 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		Executive Director	
	2014	2013	2014	2013
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	14,117	19,023	-	-
Retirement benefits	2,200	2,911	-	-
House rent , utilities and others	1,098	2,791	-	-
	<u>17,415</u>	<u>24,725</u>	<u>-</u>	<u>-</u>
Number of persons	<u>4</u>	<u>4</u>	<u>3</u>	<u>2</u>
	Non Executive Director		Executives	
	2014	2013	2014	2013
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	-	-	40,514	34,153
Retirement benefits	-	-	5,884	7,776
House rent , utilities and others	-	-	4,116	3,935
	<u>-</u>	<u>-</u>	<u>50,514</u>	<u>45,864</u>
Number of persons	<u>18</u>	<u>17</u>	<u>16</u>	<u>14</u>

- 28.2** During the year the Chief Executive of the parent Company retired and new Chief Executive has been appointed.
- 28.3** In addition to the above, the Chief Executive and certain Executives of RPPL are provided with free use of company maintained cars. The Chief Executive and other Executives are also provided with medical facilities in accordance with their entitlements.
- 28.4** No fee, remuneration, house rent and utilities and other benefits were provided to CEO / directors of the parent Company.
- 28.5** No fee, remuneration, house rent and utilities and other benefits were provided to CEO / directors of the PMCL.
- 28.6** No fee, remuneration, house rent and utilities and other benefits were provided to the Executive of the PMCL.
- 28.7** The Group has employed following number of persons including permanent and contractual staff:

	2014	2013
	(Number of persons)	
- As at 30 June	35	38
- Average number of employees	37	39

29 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 .

30 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

30.1 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.

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30.1.1 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 by geographic region and concentration of credit risk was as follows:

	2014			
	Domestic	Euro	USD	Total
	----- (Rupees in thousand) -----			
Long term deposits	539	-	-	539
Trade debts	9,348,064	-	-	9,348,064
Other receivables	100,817	-	-	100,817
Bank balances	3,755,879	-	241,830	3,997,709
	<u>13,205,299</u>	<u>-</u>	<u>241,830</u>	<u>13,447,129</u>

	2013			
	Domestic	Euro	USD	Total
	----- (Rupees in thousand) -----			
Long term deposits	730	-	-	730
Trade debts	5,402,850	-	-	5,402,850
Other receivables	103,736	-	-	103,736
Bank balances	4,708,241	4,955	246,210	4,959,406
	<u>10,215,557</u>	<u>4,955</u>	<u>246,210</u>	<u>10,466,722</u>

30.1.2 Impairment losses

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

	2014		2013	
	Gross	Impairment	Gross	Impairment
	----- (Rupees in thousand) -----			
Not past due	2,367,346	-	2,068,193	-
Past due 0-30 days	1,654,272	-	1,903,398	-
Past due 31-120 days	1,941,407	-	1,215,231	(40,347)
More than 120 days	3,385,040	(40,347)	256,375	-
	<u>9,348,065</u>	<u>(40,347)</u>	<u>5,443,197</u>	<u>(40,347)</u>

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, if required.

30.2 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:

	2014					
	Carrying amount	Contractual cash flows	Maturities			
			Less than six months	Upto one year	Two years to five years	After five years
----- (Rupees in thousand) -----						
<i>Non-derivative financial liabilities:</i>						
Sponsors' loan	622,597	622,597	-	-	622,597	-
Long term loans	12,195,671	12,372,775	1,877,952	1,606,640	8,190,370	697,813
Trade and other payables	4,621,345	4,621,345	4,621,345	-	-	-
	<u>17,439,613</u>	<u>17,616,717</u>	<u>6,499,297</u>	<u>1,606,640</u>	<u>8,812,967</u>	<u>697,813</u>
<i>Derivative financial liabilities:</i>						
Interest rate swap liabilities	211,760	211,760	211,760	-	-	-
	<u>17,651,373</u>	<u>17,828,477</u>	<u>6,711,057</u>	<u>1,606,640</u>	<u>8,812,967</u>	<u>697,813</u>
	2013					
	Carrying amount	Contractual cash flows	Maturities			
			Less than six months	Upto one year	Two years to five years	After five years
----- (Rupees in thousand) -----						

<i>Non-derivative financial liabilities:</i>						
Sponsors' loan	562,331	562,331	-	-	-	562,331
Long term loans	15,175,568	19,543,910	1,603,117	1,557,659	13,912,373	2,470,761
Trade and other payables	2,377,750	2,377,750	2,377,750	-	-	-
	<u>18,115,649</u>	<u>22,483,991</u>	<u>3,980,867</u>	<u>1,557,659</u>	<u>13,912,373</u>	<u>3,033,092</u>
<i>Derivative financial liabilities:</i>						
Interest rate swap liabilities	683,452	701,627	257,468	233,876	210,283	-
	<u>18,799,101</u>	<u>23,185,618</u>	<u>4,238,335</u>	<u>1,791,535</u>	<u>14,122,656</u>	<u>3,033,092</u>

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.

30.3 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.

30.3.1 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:

	<u>Carrying amounts</u>	
	2014	2013
	(Rupees in thousand)	
Fixed rate instruments:		
Financial liabilities	<u>(3,960,876)</u>	<u>(4,258,053)</u>
Variable rate instruments:		
Financial assets	4,048,185	5,017,111
Financial liabilities	<u>(8,484,673)</u>	<u>(11,780,536)</u>
	<u>(4,436,488)</u>	<u>(6,763,425)</u>

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.

	<u>Equity</u>		<u>Profit and loss</u>	
	2014	2013	2014	2013
	----- (Rupees in thousand) -----			
Variable rate instruments	-	-	<u>(47,483)</u>	<u>315,213</u>

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 2014.

30.3.2 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:

	2014		
	Rupees	US Dollars	Euro
	----- (Amounts in thousand) -----		
Cash and cash equivalents	241,830	2,454	-
Long term loans	(12,195,671)	(123,751)	-
Interest rate swap	(211,760)	(2,149)	-
Trade and other payables	(92,385)	-	(684)
Net balance sheet exposure	(12,257,986)	(123,446)	(684)

	2013		
	Rupees	US Dollars	Euro
	----- (Amounts in thousand) -----		
Cash and cash equivalents	251,165	2,492	42
Long term loans	(14,568,498)	(147,472)	-
Interest rate swap	(683,452)	(6,917)	-
Trade and other payables	55,941	-	(433)
Net balance sheet exposure	(14,944,844)	(151,897)	(391)

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	
	2014	2013	2014	2013
US Dollars	98.55	98.80	102.89	97.56
Euro	134.46	129.11	139.59	126.25

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, remain constant. The analysis is performed on the same basis as for the previous year.

	Equity		Profit and loss	
	2014	2013	2014	2013
	----- (Rupees in thousand) -----			
US Dollars	-	-	19,948	6,467
Euro	-	-	-	(3,533)

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.

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31 Transaction with related parties

The related parties comprise of ultimate parent 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:

Ultimate parent	2014	2013
<i>On account of:</i>		
Mark up accrued during the year	<u>32,985</u>	<u>35,927</u>
Reimbursable expenses	<u>305</u>	<u>249</u>
Associated companies		
Rousch (Pakistan) Power Limited		
<i>On account of:</i>		
Operation and maintenance agreement	<u>28,600</u>	<u>26,400</u>
Service agreement of generators	<u>2,860</u>	<u>2,640</u>
Spare parts purchased	<u>98,610</u>	<u>50,697</u>
Descon Power Solutions (Private) limited		
<i>On account of:</i>		
Operator's fee paid to ESB International Contracting Limited	<u>350,981</u>	<u>321,419</u>
Payments to Siemens AG as maintenance contractor	<u>50,294</u>	<u>73,376</u>
Payments to Siemens AG for supply of spares and services	<u>8,644</u>	<u>78,715</u>
Payments to Siemens Pakistan Limited for supply of spares and services	<u>4,833</u>	<u>68,836</u>
Payments to Siemens AG on repair agreements	<u>11,378</u>	<u>9,104</u>
Payments to Descon Engineering Limited for services	<u>1,187</u>	<u>8,039</u>
Payments to Descon Power Solutions (Pvt) Ltd.	<u>293,784</u>	<u>270,658</u>
Payments to Siemens AG against LTMSA Contract	<u>119,537</u>	<u>873,214</u>
Payments to Siemens Pakistan against LTMSA Contract	<u>184,134</u>	<u>189,911</u>
Staff retirement contribution fund		
Payment to staff gratuity fund	<u>4,618</u>	<u>6,533</u>
Payment to staff provident fund	<u>2,752</u>	<u>5,831</u>

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32 Plant capacity and actual production		2014	2013
Theoretical maximum output at dependable capacity of 395 GWh (2013: 395 GWh)	<i>GWh</i>	<u>3,688.82</u>	<u>3,688.82</u>
Practical maximum output	<i>GWh</i>	<u>3,416.93</u>	<u>2,891.40</u>
Actual output	<i>GWh</i>	<u>219,397.27</u>	<u>2,739.82</u>
Load factor	<i>Percentage</i>	<u>5,947.63</u>	<u>74.27</u>

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.

		2014	2013
		(Rupees in thousand)	
33 Cash and cash equivalents			
Cash and bank balances		3,997,758	4,960,053
Short term loan		-	-
		<u>3,997,758</u>	<u>4,960,053</u>

34 Earnings per share - basic and diluted

34.1 Earnings per share - Basic

		2014	2013
Profit/(Loss) for the year	<i>Rupees '000</i>	1,627,888	1,815,910
Weighted average number of ordinary shares	<i>Number</i>	363,380,000	363,380,000
Earnings per share	<i>Rupee</i>	<u>4.48</u>	<u>5.00</u>

34.2 Earnings per share - Diluted

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

35 Date of authorization

These consolidated financial statements were authorized for issue by the Board of Directors in their meeting held on September 29, 2014.

36 General

36.1 Figures have been rounded off to the nearest thousand of Rupees, unless otherwise stated.

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

Chief Executive

Director

SIX YEAR PERFORMANCE

Financial Year ending June 30	2014	2013	2012	2011	2010	2009
	(Rupees in thousand)					
Despatch (MWH)	205,398	193,794	182,067	179,323	157,376	112,714
Revenue	1,756,949	1,471,563	1,154,020	990,832	804,459	659,713
Direct Costs	1,459,092	1,228,881	1,001,251	796,787	607,852	511,349
Gross Profit/ (Loss)	297,857	242,682	152,769	194,045	196,607	148,364
Net Profit/ (Loss)	1,868,193	57,825	(36,985)	(8,054)	7,043	(197,291)
Total Assets	5,759,119	4,623,110	4,760,130	4,524,072	4,602,373	4,549,582

PATTERN OF SHAREHOLDING

Pattern of holding of the shares held by the shareholders as at

30-06-2014

-----Shareholding-----

No. of Shareholders	From	To	Total Shares Held
48	1	100	599
25	101	500	11,366
19	501	1,000	19,000
25	1,001	5,000	76,550
8	5,001	10,000	61,993
6	10,001	15,000	77,884
6	15,001	20,000	116,500
5	20,001	25,000	121,000
3	25,001	30,000	86,500
2	30,001	35,000	65,000
3	35,001	40,000	117,606
1	45,001	50,000	50,000
1	70,001	75,000	75,000
1	100,001	105,000	100,277
1	115,001	120,000	118,000
1	225,001	230,000	230,000
1	245,001	250,000	250,000
1	260,001	265,000	263,500
1	300,001	305,000	300,500
1	325,001	330,000	330,000
1	395,001	400,000	400,000
1	495,001	500,000	499,000
2	595,001	600,000	1,200,000
1	805,001	810,000	810,000
1	2,925,001	2,930,000	2,927,725
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	211,395,001	211,400,000	211,397,063
	170		363,380,000

ALTERN ENERGY LIMITED

CATEGORIES OF SHAREHOLDINGS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE C.C.G. AS ON 30TH JUNE, 2014

SR. NO.	NAME	NO. OF SHARES HELD	%
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES (NAME WISE DETAIL):			
1	DESCON ENGINEERING LIMITED (CDC)	211,397,063	58.1752
MUTUAL FUNDS (NAME WISE DETAIL)			
		-	-
DIRECTORS AND THEIR SPOUSE AND MINOR CHILDREN (NAME WISE DETAIL):			
1	MR. ABDUL RAZAK DAWOOD (CDC)	500	0.0001
2	MR. TAIMUR DAWOOD	-	0.0000
3	MR. FAROOQ NAZIR	-	0.0000
4	MR. KHALID SALMAN KHAN	-	0.0000
5	SYED ALI NAZIR KAZMI	-	0.0000
6	MR. SHAH MUHAMMAD CH.	-	0.0000
7	SYED RIZWAN ALI SHAH (CDC)	500	0.0001
8	MR. FAZAL HUSSAIN ASIM (CDC)	500	0.0001
EXECUTIVES:			
		-	-
PUBLIC SECTOR COMPANIES & CORPORATIONS:			
		-	-
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE			
		-	0.0000
COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS:			
SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTREST IN THE LISTED COMPANY (NAME WISE DETAIL)			
1	DESCON ENGINEERING LIMITED (CDC)	211,397,063	58.1752
2	SAUDI ARABIAN CONSTRUCTION & REPAIR CO. LTD.	61,968,939	17.0535
3	CRESCENT STEEL AND ALLIED PRODUCTS LTD. (CDC)	60,475,416	16.6425
ALL TRADES IN THE SHARES OF THE LISTED COMPANY, CARRIED OUT BY ITS DIRECTORS, EXECUTIVES AND THEIR SPOUSES AND MINOR CHILDREN SHALL ALSO BE DISCLOSED:			

NIL

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 20th Annual General Meeting of Altern Energy Limited, will be held on Wednesday, October 29, 2014, at 10.00 am, at Descon Headquarters, 18 – KM, Ferozepur Road, Lahore, to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the last Extra Ordinary General Meeting of the Company held on Wednesday, December 18, 2013.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2014 together with the Directors' and Auditor's Report's thereon.
3. To appoint Auditors for the year ending June 30, 2015 and fix their remuneration.
(The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants have retired. The Board upon recommendation of the Audit Committee has advised the appointment of M/s. A. F. Ferguson & Co., Chartered Accountants as auditors of the Company).
4. To transact any other business with the permission of the Chair

By Order of the Board

Lahore
October 04, 2014

(Umer Shehzad)
Company Secretary

Notes:-

1. The share transfer books of the Company shall remain closed from 22-10-2014 to 29-10-2014 (both days inclusive).
2. Members are requested to attend in person along with Computerized National Identity Card ("CNIC") 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 CNIC 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 CNIC 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 CNIC 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 Wednesday, October 29, 2014 at 10:00 am at DESCON HEAD
QUARTERS 18-km Ferozpur Road, Lahore and at any adjournment thereof.

As witness may hand this _____ day of _____ 2014.

Member's Signature

Witness's Signature

Place: _____

Date: _____

Please affix
here Revenue
Stamp

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.

