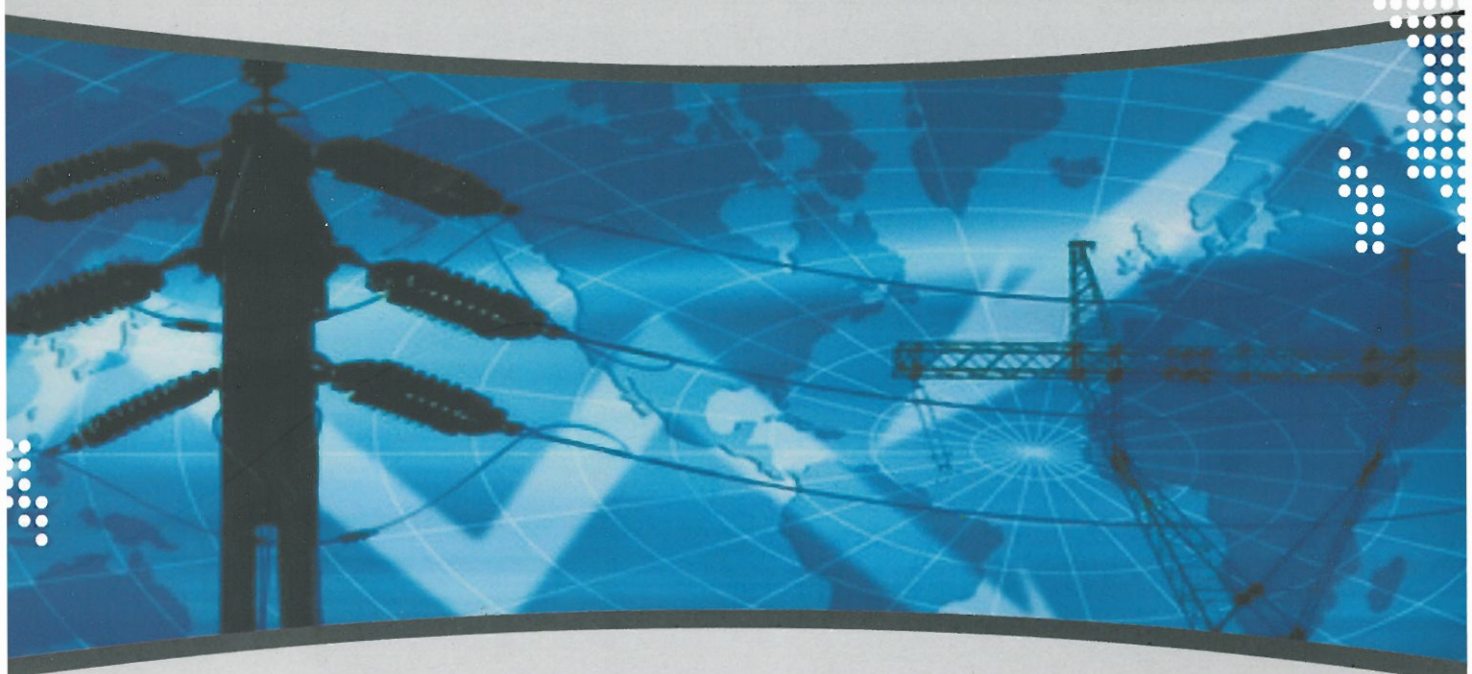


ANNUAL
REPORT
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ALTERN ENERGY LIMITED





ALTERN ENERGY LIMITED

**ANNUAL REPORT
2012**

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COMPANY INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

CFO AND COMPANY SECRETARY

Mr. Umer Shehzad

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

BANKERS

MCB Bank Ltd.
The Bank of Punjab

REGISTERED OFFICE

DESCON HEADQUARTERS
18-km Ferozpur Road, Lahore.

REGISTRAR SHARES

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

VISION STATEMENT

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

MISSION STATEMENT

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

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

DIRECTOR'S REPORT

The Directors are pleased to present the Annual Report together with the audited financial statements of Altern Energy Limited for the financial year ended June 30, 2012.

General

The principal activities of your Company are to own, operate and maintain power generation assets and to sell electricity to WAPDA under long term Power Purchase Agreement. Altern Energy Limited owns a 32 MW gas based thermal power plant located near Fateh Jang, district Attock, Punjab.

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

Operations

Our relationships with WAPDA, our sole customer, continue to remain excellent during the period and the Company has been successfully contributing towards minimizing the effects of nation-wide power shortage. During the period under view, the Company successfully dispatched 182,067 MWh (2010-11: 179,323 MWh) to WAPDA.

During the year, all scheduled and preventive maintenance activities were carried out in accordance with the plans. We are confident that all the engines and allied equipment are in sound health for smooth and reliable operations.

Financial Results

During the year under review, the Company's turnover was Rs. 1,154 million (2010-11: 990.8 million) and operating costs were Rs. 1,001.3 million (2010-11: 796.8 million), resulting in gross profit of Rs. 152.8 million as against a gross profit of Rs. 194 million of last year. The Company suffered a net loss of Rs. 36.9 million resulting in loss per share of Rs. 0.11 as compared to corresponding period net loss of Rs. 8 million and loss per share of Rs. 0.02.

Your Company's consolidated earning for the year was Rs. 1,079.4 million resulting in earning per share of Rs. 3.15 per share, as compared to consolidated earning of Rs. 792.9 million and earning per share of Rs. 2.31 in the year ended June 30, 2011. 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.

Subsidiary's Review

During the year under review, Rousch (Pakistan) Power Limited operated smoothly posting profit of Rs. 1,852 million (earning per share of Rs. 2.14) as compared to Rs. 1,326 million (earning per share of Rs. 1.54) earned during the corresponding period of the last year. The Company continues to discharge its liabilities as and when they become due. During the period under review, the Company has repaid its debt obligations due in September' 11 and March' 12 to the senior and subordinated lenders

The Rousch power station generated 2,731 GWh of electricity during the year under review as compared to 3,039 GWh during the previous financial year. The plant net output was lesser as compared to corresponding period as the entire plant was under the scheduled major outage including Life Time Extension measures for two months. During last quarter, Life Time Extension activities carried out by Siemens during the major

overhauls, have not only improved the life of the gas turbines but have also resulted in improvement in output as well as efficiency. During the year, the Company has paid Rs 211 million to WAPDA as its share of gas efficiency due to efficient plant operations.

Future Outlook

Currently, our country is facing the worst ever power crises where average shortfall during the year has been consistently hovering around 5,000 MW. Majority of the energy demand is being met through private sector with thermal resources and it appears that the country may have to carry on relying on private thermal energy in the absence of any substantial inclusion of any Government owned resources in near future. But private sector itself is going through its worst liquidity crises due to circular debt issue faced by WAPDA. WAPDA's liquidity problems have caused severe damages to the private power sector. Your Company is also not exception to this situation but is trying to keep afoot with the support of its gas supplier and contractors.

The Company subsequent to its fiscal year has issued 20,830,000 shares under Section 86(1) of Companies Ordinance, 1984 after taking approval of SECP at Rs.12/- per share to Descon Engineering Limited. This equity injection is likely to provide some breathing space to the Company under current difficult environment.

Health, Safety & Environment

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

Corporate and Financial Reporting Framework

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

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cashflows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no 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.
- Due to cashflow constraints and increased receivables, the Board has decided not to declare any dividend or Bonuses Shares for the year.
- The key operating and financial data of last six years is attached to the report.

Board of Directors

During the year, Mr. Sabah T. Barakat resigned from the position of Alternate Director to Mr. Khalid Salman Khan, and Mr. Zahid Mohammad Khawaja has been appointed as Alternate Director to Mr. Khalid Salman Khan.

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

Name of Director	No. of Meetings attended
Mr. Abdul Razak Dawood	5
Syed Zamanat Abbas	3
Mr. Salman Zakaria	1
Mr. Fazal Hussain Asim	5
Mr. Khalid Salman Khan	2
Syed Ali Nazir Kazmi	5
Mr. Shah Muhammad Chaudhry	5

Pattern of Shareholding

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

Auditors

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

Acknowledgement

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

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

For and on behalf the Board

Lahore
September 18, 2012

Syed Zamanat Abbas
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 “CCG”) contained in 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	Company will have an independent director on the next election of board of directors.
Executive Directors	Nil
Non-Executive Directors	Mr. Abdul Razak Dawood Mr. Salman Zakaria Syed Zamanat Abbas 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. Any casual vacancies occurring in the board were filled by the directors within 30 days thereof.
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 for its directors during the year. One director has been certified while two other directors are at different levels of CGLS.

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 CCG 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 CCG.
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.
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 CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Company is in process of formulating Human Resource and Remuneration Committee, which will include majority of non-executive directors as its members pursuant to the requirements of the Code.
18. The Company has set up an effective internal audit function through internal audit 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. All related party transactions entered during the year were at arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by Audit Committee and Board of Directors.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

For and behalf of the Board of Directors

Lahore:
September 18, 2012

Syed Zamanat Abbas
Chief Executive

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

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

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

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company the year ended 30 June 2012.

Lahore:
September 18, 2012

KPMG Taseer Hadi &
Co
Chartered Accountants
(Bilal Ali)

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Altern Energy Limited** (“the Company”) as at 30 June 2012 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 2012 and of the loss, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Lahore:
September 18, 2012

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

BALANCE SHEET

	<i>Note</i>	2012 (Rupees in thousand)	2011
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
400,000,000 (2011: 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	4	3,425,500	3,425,500
Accumulated loss		<u>(664,658)</u>	<u>(627,673)</u>
		2,760,842	2,797,827
Non-current liabilities			
Sponsors' loan - unsecured	5	569,583	511,646
Long term loans	6	652,001	773,356
Deferred liabilities	7	1,072	940
		1,222,656	1,285,942
Current liabilities			
Trade and other payables	8	511,570	275,809
Mark up accrued	9	73,823	23,922
Current portion of long term loan	6	189,638	138,912
Provision for taxation		1,601	1,660
		776,632	440,303
Contingencies and commitments	10		
		<u>4,760,130</u>	<u>4,524,072</u>

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

Chief Executive

ALTERN ENERGY LIMITED

AS AT 30 JUNE 2012

	<i>Note</i>	2012 (Rupees in thousand)	2011
ASSETS			
Non-current assets			
Property, plant and equipment			
- Operating fixed assets	<i>11</i>	1,027,714	1,051,137
- Capital work in progress	<i>12</i>	-	1,538
Long term investment	<i>13</i>	3,204,510	3,204,510
Long term deposits		38	38
		<u>4,232,262</u>	<u>4,257,223</u>
Current assets			
Stores and spares	<i>14</i>	53,695	46,489
Trade debts -secured, considered good		448,777	208,982
Advances, prepayments and other receivables	<i>15</i>	13,461	5,444
Cash and bank balances	<i>16</i>	11,935	5,934
		527,868	266,849
		<u>4,760,130</u>	<u>4,524,072</u>

Director

PROFIT AND LOSS STATEMENT

For the year ended 30 June 2012

	<i>Note</i>	2012 (Rupees in thousand)	2011
Revenue - net	17	1,154,020	990,832
Direct costs	18	<u>(1,001,251)</u>	<u>(796,787)</u>
Gross profit		152,769	194,045
Administrative expenses	19	(10,147)	(12,933)
Other operating income	20	4,644	2,558
Profit from operations		<u>147,266</u>	<u>183,670</u>
Finance cost	21	(183,924)	(191,290)
Loss before taxation		<u>(36,658)</u>	<u>(7,620)</u>
Taxation		(327)	(434)
Loss after taxation		<u><u>(36,985)</u></u>	<u><u>(8,054)</u></u>
Loss per share - basic and diluted	<i>(Rupee)</i> 27	<u><u>(0.11)</u></u>	<u><u>(0.02)</u></u>

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

 Chief Executive

 Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	2012	2011
	(Rupees in thousand)	
Loss after taxation	(36,985)	(8,054)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(36,985)</u>	<u>(8,054)</u>

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

Chief Executive

Director

CASH FLOW STATEMENT

For the year ended 30 June 2012

	2012	2011
	(Rupees in thousand)	
	<i>Note</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss after taxation	(36,658)	(7,620)
<i>Adjustments for:</i>		
Depreciation	77,353	58,422
Provision for staff retirement benefits	457	606
Provision for obsolete stock	3,636	-
Finance cost	183,924	191,290
	<u>265,370</u>	<u>250,318</u>
Operating profit before working capital changes	228,712	242,698
(Increase)/ decrease in current assets		
Advances, prepayments and other receivables	(6,904)	7,300
Stores and spares	(10,842)	(17,058)
Trade debts	(239,795)	(8,547)
	<u>(257,541)</u>	<u>(18,305)</u>
Increase in current liabilities		
Trade and other payables	217,409	63,476
Cash generated from operations	188,580	287,869
Finance cost paid	(82,742)	(176,842)
Income tax paid	(386)	(576)
Staff retirement benefits paid	(325)	(801)
	<u>(83,453)</u>	<u>(178,219)</u>
Net cash flows from operating activities	105,127	109,650
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(34,040)	(10,512)
Net cash used in investing activities	(34,040)	(10,512)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long term loans	(81,086)	(148,956)
Proceeds from Loans obtained from sponsors	16,000	-
Net cash used in financing activities	(65,086)	(148,956)
Net increase / (decrease) in cash and cash equivalents	6,001	(49,818)
Cash and cash equivalents at the beginning of the year	5,934	55,752
Cash and cash equivalents at the end of the year	11,935	5,934

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

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	<u>Share capital</u>	<u>Accumulated loss</u>	<u>Total</u>
	(Rupees in thousand)		
Balance as at 01 July 2010	3,425,500	(619,619)	2,805,881
Total comprehensive loss for the year	-	(8,054)	(8,054)
Balance as at 30 June 2011	<u>3,425,500</u>	<u>(627,673)</u>	<u>2,797,827</u>
Total comprehensive loss for the year	-	(36,985)	(36,985)
Balance as at 30 June 2012	<u><u>3,425,500</u></u>	<u><u>(664,658)</u></u>	<u><u>2,760,842</u></u>

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

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

1 Legal status and nature of business

Altern Energy Limited ("the Company") was incorporated in Pakistan on 17 January 1995 and is listed on Karachi Stock Exchange. The principal objective of the Company is to generate and supply electric power to Water and Power Development Authority of Pakistan (WAPDA) from its thermal power plant having a gross capacity of 32 Mega Watts (2011 : 32 Mega Watts). The Company commenced commercial operations with effect from 06 June 2001. The registered office of the Company is situated at Descon Headquarters, 18 km, Ferozepur Road, Lahore.

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

- a) accrued liabilities
- b) provision and contingencies
- c) residual values and useful lives of property, plant and equipment

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2012:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 01 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset’s economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.
- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 01 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company’s policy was to account for actuarial gains and losses using the corridor method and with the change unrecognized actuarial gains / losses would need to be recognized in other comprehensive ncome. /The Company’s policy for recognition of actuarial gains and losses is already in compliance with the amendment.
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 01 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- 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.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations:

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.
- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

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

IFRIC 4 - "Determining whether an Arrangement contains a Lease" (effective for annual periods beginning on or after 1 January 2006) and IFRIC 12 – "Service Concession Arrangements" (effective for annual periods beginning on or after 1 January 2008). However, the application of these interpretations have been deferred by the Securities and Exchange Commission of Pakistan (SECP), through circular 21 of 2009 dated 22 June 2009, 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 / (lower) by approximately Rs. 12.903 million (2011: (Rs. 9.63 million)) and the operating assets would have been lower by approximately Rs. 1,008.947 million (2011: Rs. 986.41 million) with a corresponding increase of approximately Rs. 999.313 million (2011: Rs. 976.776 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 implementation costs.

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

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

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

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

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

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

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 11.2, the Company has changed its accounting policy for treatment of exchange difference on foreign currency loans. Exchange differences arising on translation of foreign currency loans utilised for the acquisition of operating assets are capitalized and incorporated in the cost of such assets. All other exchange differences are charged to profit and loss account.

3.15 Borrowing costs

Mark-up, interest and other charges on borrowings are capitalized upto the date of commissioning of the related property, plant and equipment acquired out of the proceeds of such borrowings. All other mark-up, interest and other charges are charged to profit in 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 Power Purchase Agreement (PPA) as amended from time to time.

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

3.17 Dividend

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

4 Issued, subscribed and paid up capital

2012		2011		2012		2011	
(Number of shares)				(Rupees in thousand)			
338,650,000	338,650,000	Ordinary shares of Rs. 10 each fully paid in cash		3,386,500		3,386,500	
3,900,000	3,900,000	Ordinary shares of Rs. 10 each issued for consideration other than cash		39,000		39,000	
<u>342,550,000</u>	<u>342,550,000</u>			<u>3,425,500</u>		<u>3,425,500</u>	

As at 30 June 2012, 190,567,063 (2011: 190,567,063) ordinary shares of the Company are held by Descon Engineering Limited (DEL), the holding company. Moreover, DEL has agreed to invest further in the Company by acquiring additional 20,830,000 fully paid ordinary shares of Rs. 10 each. However, the issuance of such additional shares is subject to approval from Securities and Exchange commission of Pakistan (SECP).

5 Sponsors' loans - unsecured		Note	2012	2011
These are composed of loans from associated undertakings:			(Rupees in thousand)	
Descon Engineering Limited		5.1	331,218	315,218
Crescent Standard Business Management (Private) Limited		5.2	23,152	23,152
			354,370	338,370
Interest on long term finance		5.3	215,213	173,276
			<u>569,583</u>	<u>511,646</u>

- 5.1 This includes funds amounting to Rs. 315.218 million (2011: Rs. 315.218 million) received from Descon Engineering Limited for investment in Rousch (Pakistan) Power Limited through its subsidiary company, Power Management Company (Private) Limited. The loan amount includes Rs. 69.455 million as interest free loan as per terms of acquisition arrangement.

During the year, Descon Engineering Limited have disbursed further loan amounting to Rs. 16 million. All 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 Barik 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 (2011: six months KIBOR plus 300 basis points).

- 5.2 It represents funds amounting to Rs. 23.152 million (2011: Rs. 23.152 million) paid by ex-sponsors previously. This loan is payable to Crescent Standard Business Management (Private) Limited and is unsecured and interest free.
- 5.3 It represent mark-up payable to Descon Engineering Limited of Rs. 215.21 million (2011: Rs. 173.27 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>	2012 (Rupees in thousand)	2011
6 Long term loans			
Long term loans - secured			
Syndicate finance - local currency	6.1	693,877	747,253
Syndicate finance - foreign currency	6.2	81,225	106,358
Power Management Company (Private) Limited (PMCL)	6.3	50,000	50,000
		825,102	903,611
Interest on loan from PMCL	6.4	16,537	8,657
		841,639	912,268
Less: Current maturity of secured loan		(189,638)	(138,912)
		652,001	773,356

- 6.1 The Company had obtained a long term syndicate facility of Rs.1,100 million (2011: Rs. 1,100 million), which includes foreign currency loan limit of US Dollars 3.6 million (2011: US Dollars 3.6 million), from consortium of banks under the lead of MCB Bank Limited. The outstanding loan amount is repayable in 13 equal six monthly installments ending on 25 January 2018.

Installment due on 30 April 2012 had not been paid till 30 June 2012 however, as a result of negotiations with the bank, the due date for the installment was mutually extended till 29 July 2012. The Company has subsequently paid the overdue installment on 27 July 2012.

The loan carries mark-up at six month KIBOR plus 275 basis points (2011: 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.

- 6.2 The limit of foreign currency portion of loan is of US Dollars 3.6 million (2011: US Dollars 3.6 million). The outstanding loan amount is repayable in fourteen un-equal quarterly installments payable upto 31 December 2015. It is secured by way of first ranking pari passu charge on existing property, plant and equipment of Company at the Fateh Jang site. It carries mark-up at three month LIBOR plus 295 basis points (2011 : three month LIBOR plus 295 basis) payable quarterly in arrears.

6.3 This represents long term loan obtained by the Company from its wholly owned subsidiary, Power Management Company (Private) Limited. As per agreement between the Company, MCB Bank Limited and Power Management Company (Private) Limited all amounts (including mark-up) due under the loan shall be subordinated to the loan facility from MCB Bank Limited. These are unsecured and carry mark up at six months KIBOR plus 300 basis points (2011: six months KIBOR plus 300 basis points).

6.4 It represent mark-up payable to Power Management Company (Private) Limited of Rs. 16.537 million (2011: Rs. 8.657 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.

	<i>Note</i>	2012	2011
		(Rupees in thousand)	
7 Deferred liabilities			
Provision for:			
Staff gratuity		822	487
Compensated absences		250	453
		<u>1,072</u>	<u>940</u>
8 Trade and other payables			
Trade creditors	8.1 & 8.2	172,158	100,823
Natural gas charges to SNGPL		323,390	157,027
Due to Power Management Company (Private) Limited	8.3	15,599	17,527
Accrued liabilities		423	432
		<u>511,570</u>	<u>275,809</u>

8.1 It includes the amount of Rs. 6.50 million (2011: Rs. 7.15 million) payable to Descon Engineering Limited, the holding company and amount of Rs. 123.60 million (2011: Rs. 61.43 million) payable to Descon Power Solutions (Private) Limited, an associated company, against engineering services provided by these companies.

8.2 It includes the amount of Rs. 30.917 million (2011: Rs. 18.713 million) payable to MWM GmbH against stores and spares purchased.

8.3 This represents amount payable to wholly owned subsidiary, Power Management Company (Private) Limited. This is unsecured and carry mark up at six months KIBOR plus 300 basis points (2011: six months KIBOR plus 300 basis points).

	2012	2011
(Rupees in thousand)		
9 Markup accrued		
Mark up on long term loan - local currency	67,930	20,606
Mark up on short term loan from Power Management Company (Private) Limited	5,893	3,316
	<u>73,823</u>	<u>23,922</u>

10 Contingencies and commitments

10.1 Contingencies

There are no material contingencies as at 30 June 2012.

10.2 Commitments

MCB Bank Limited has issued bank guarantee for Rs. 156.213 million (2011 : Rs. 156.213 million) in favour of Sui Northern Gas Pipelines Limited as a security to cover gas supply for which payments are made in arrears. The guarantee has expired on 10 June 2012, which is renewable.

11 Operating fixed assets

Annual rate of depreciation %	Cost as at 01 July 2011	Additions	Cost as at 30 June 2012	Accumulated depreciation as at		Depreciation charge for the year 2012	Accumulated depreciation as at 30 June 2012	Written down value as at 30 June 2012
				01 July 2011	30 June 2012			
				----- (R u p e e s i n t h o u s a n d) -----				
-	4,647	-	4,647	-	-	-	-	4,647
5	121,293	142	121,435	34,799	5,464	40,263	81,172	
4-17	1,139,435	53,693	1,193,128	181,039	71,662	252,701	940,427	
10	2,109	-	2,109	575	189	764	1,345	
10-33	951	95	1,046	886	38	924	122	
20	372	-	372	371	-	371	1	
	1,268,807	53,930	1,322,737	217,670	77,353	295,023	1,027,714	

Operating fixed assets	Annual rate of depreciation %	Cost as at 01 July 2010	Additions	Cost as at 30 June 2011	Accumulated depreciation as		Depreciation charge for the year 2011	Accumulated depreciation as at 30 June 2011	Written down value as at 30 June 2011
					at 01 July 2010	at 30 June 2011			
(Rupees in thousand)									
Freehold land	-	4,647	-	4,647	-	-	-	-	4,647
Building on freehold land	5	118,005	3,288	121,293	29,499	5,300	34,799	86,494	
Plant and machinery	4-17	1,134,044	5,391	1,139,435	128,258	52,781	181,039	958,396	
Electric equipment	10	1,849	260	2,109	412	163	575	1,534	
Office equipment	10-33	916	35	951	708	178	886	65	
Vehicles	20	372	-	372	371	-	371	1	
		1,259,833	8,974	1,268,807	159,248	58,422	217,670	1,051,137	

2012 2011
(Rupees in thousand)

Note

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

Direct costs	18	77,315	58,398
Administrative expenses	19	38	24
		<u>77,353</u>	<u>58,422</u>

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11.2 According to the letter No. EMD/233/390/2002-914 dated 06 May 2010 issued by the Securities and Exchange Commission of Pakistan (SECP), the Company is allowed to capitalize exchange gains / losses arising on outstanding amounts of foreign currency loans contracted under the Implementation Agreement with Government of Pakistan until the date of expiry of such Implementation Agreement. Therefore, the net exchange losses of Rs. 8.90 million (2011: Rs. 0.710 million) arising on revaluation and repayments of foreign currency loans at year end and during the year have been capitalized.

	<i>Note</i>	2012	2011
		(Rupees in thousand)	
12 Capital work in progress			
Advances to suppliers and contractors		-	1,538
13 Long term investment			
Investment in subsidiary company	<i>13.1 & 13.2</i>	3,204,510	3,204,510
<p>13.1 This represents 100% shares (2011: 100% shares) held in Power Management Company (Private) Limited, which in turn holds 59.98% shares (2011: 59.98% shares) of Rousch (Pakistan) Power Limited.</p> <p>13.2 As per terms of agreement for acquisition of shares of Rousch (Pakistan) Power Limited (RPPL), the Company has deposited these shares with the trustees of RPPL lenders.</p>			
		2012	2011
		(Rupees in thousand)	
14 Stores and spares	<i>Note</i>		
Stores		15,979	21,049
Spares		41,352	25,440
		57,331	46,489
Provision for slow moving and obsolete stores		(3,636)	-
		53,695	46,489
15 Advances, prepayments and other receivables			
Advance against expenses		740	430
Bank guarantee cost		266	1,379
Prepaid insurance		484	651
Sales tax receivable		11,198	2,456
Other receivables		773	528
		13,461	5,444
16 Cash and bank balances			
Cash at bank - local currency			
Current accounts		1,529	433
Saving accounts	<i>16.1</i>	10,160	5,313
		11,689	5,746
Cash in hand		246	188
		11,935	5,934

16.1 These carry mark-up at the rates ranging from 5 to 9 percent per annum (2011: 6 to 12 percent per annum).

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		2012	2011
		(Rupees in thousand)	
17 Revenue - net	<i>Note</i>		
Energy revenue - gross		953,799	753,085
Sales tax		(131,559)	(109,423)
Energy revenue - net		<u>822,240</u>	<u>643,662</u>
Capacity revenue		316,421	341,851
Other supplemental charges		15,359	5,319
		<u>1,154,020</u>	<u>990,832</u>
18 Direct costs			
Gas cost		788,097	607,292
Energy import		1,798	3,295
Lube oil consumed		15,366	13,906
Provision for stores & spares		3,636	-
Depreciation	<i>11.1</i>	77,315	58,398
Repair and maintenance		84,354	84,168
Operation and maintenance contractor's fee		26,400	24,000
Salaries, wages and other benefits		153	152
Insurance costs		3,527	4,823
Traveling and conveyance		291	215
Generation license fee		96	85
Miscellaneous		218	453
		<u>1,001,251</u>	<u>796,787</u>
19 Administrative expenses			
Salaries, wages and other benefits	<i>19.1</i>	2,838	4,965
Traveling and conveyance		1,291	2,274
Depreciation	<i>11.1</i>	38	24
Postage and telephone		342	355
Publicity, printing and stationery		615	613
Auditors' remuneration	<i>19.2</i>	1,210	910
Legal and professional charges		747	1,423
Fees and subscription		430	271
Entertainment expenses		189	155
Security expenses		1,755	1,708
Miscellaneous		692	235
		<u>10,147</u>	<u>12,933</u>

19.1 Salaries, wages and other benefits include Rs. 0.33 million (2011: Rs. 0.44 million) and Rs. 0.12 million (2011: Rs. 0.16 million) on account of staff gratuity and staff compensated absences respectively.

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	<i>Note</i>	2012 (Rupees in thousand)	2011
19.2 Auditors' remuneration			
Annual audit fee		400	400
Half year review fee		150	150
Tax consultancy		610	310
Out of pocket expenses		50	50
		<u>1,210</u>	<u>910</u>
20 Other operating income			
<i>Income from financial assets</i>			
Profit on bank accounts		935	1,240
<i>Income from non-financial assets</i>			
Scrap sales		2,374	1,318
Exchange Gain		1,335	-
		<u>3,709</u>	<u>1,318</u>
		<u>4,644</u>	<u>2,558</u>
21 Finance cost			
Mark-up on			
long term loans	21.1	162,637	178,407
short term loan - Power Management Company (Private) Limited		2,578	3,066
Bank charges		2,281	1,573
Amortization of bank guarantee cost		1,113	1,122
Mark-up on late payments to SNGPL		15,315	4,084
Exchange loss		-	3,038
		<u>183,924</u>	<u>191,290</u>

21.1 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. 41.94 million (2011: Rs. 38.99 million) and Rs. 7.90 million (2011 : Rs. 8.03 million) respectively.

22 Remuneration of Chief Executive, Directors and Executives

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

	Chief Executive		Executives	
	2012 (Rupees in thousand)	2011	2012 (Rupees in thousand)	2011
Remuneration	-	1,109	1,350	1,188
Contributions to provident fund	-	116	-	-
Provision for staff gratuity	-	801	-	110
House rent allowance	-	663	-	132
Utility allowance	-	121	150	-
Leave fair assistance	-	109	-	-
	<u>-</u>	<u>2,919</u>	<u>1,500</u>	<u>1,430</u>
Number of persons	<u>1</u>	<u>2</u>	<u>1</u>	<u>1</u>

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

22.2 No fee, remuneration or any other benefits were provided to the seven (7) directors of the Company.

23 Financial instruments

Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

23.1 Credit risk

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

23.1.1 Exposure to credit risk and concentration of credit risk

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

	2012	2011
	(Rupees in thousand)	
Long term deposits	38	38
Trade debts	448,777	208,982
Other receivables	1,513	2,988
Bank balances	11,935	5,934
	462,263	217,942

The age of trade debts and related impairment loss at balance sheet date is as follows:

Not past due	153,180	110,660
Past due 0-30 days	163,146	96,883
Past due 31-120 days	131,701	939
More than 120 days	750	750
	448,777	209,232

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.

23.1.2 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	2012	2011
	Short term	Long term			
(Rupees in thousand)					
MCB Bank Limited	A1+	AA+	PACRA	1,471	4,276
Bank of Punjab	A1+	AA-	PACRA	10,218	1,470
				11,689	5,746

23.2 Liquidity risk

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

	2012					
	Carrying amount	Maturities				
		Contractual cash flows	Less than six months	Up to one year	Two years to five years	After five years
----- (Rupees in thousand) -----						
Sponsors' loan	569,583	(569,583)	-	-	-	(569,583)
Long term loans	841,639	(1,280,186)	(235,401)	(125,347)	(666,270)	(253,168)
Trade and other payables	511,570	(511,570)	(511,570)	-	-	-
Accrued mark up	73,823	(73,823)	(73,823)	-	-	-
	1,996,615	(2,435,162)	(820,794)	(125,347)	(666,270)	(822,751)
	2011					
	Carrying amount	Maturities				
		Contractual cash flows	Less than six months	Up to one year	Two years to five years	After five years

----- (Rupees in thousand) -----						
Sponsors' loan	511,646	(511,646)	-	-	-	(511,646)
Long term loans	912,268	(1,044,598)	(73,565)	(74,768)	(528,601)	(367,664)
Trade and other payables	275,809	(275,809)	(275,809)	-	-	-
Accrued mark up	23,922	(23,922)	(23,922)	-	-	-
	1,723,645	(1,855,975)	(373,296)	(74,768)	(528,601)	(879,310)

23.3 Market risk

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

23.3.1 Interest rate risk

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

	<u>Carrying amounts</u>	
	2012	2011
	(Rupees in thousand)	
Financial assets	10,160	5,313
Financial liabilities	(1,102,469)	(1,260,209)
	<u>(1,092,309)</u>	<u>(1,254,896)</u>

Cash flow sensitivity analysis for variable rate instruments

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

	2012	2011
	(Rupees in thousand)	
Variable rate financial instruments	<u>(11,447)</u>	<u>(4,074)</u>

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 2012.

23.3.2 Currency risk

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

Exposure to currency risk

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

	2012		
	Rupees	US Dollars	Euros
	----- (Amounts in thousand) -----		
Long term loans	(81,225)	(862)	-
Trade and other payables	(19,862)	-	(168)
Net balance sheet exposure	<u>(101,087)</u>	<u>(862)</u>	<u>(168)</u>
	2011		
	Rupees	US Dollars	Euros
	----- (Amounts in thousand) -----		
Long term loans	(106,358)	(1,236)	-
Trade and other payables	(18,713)	-	(150)
Net balance sheet exposure	<u>(125,071)</u>	<u>(1,236)</u>	<u>(150)</u>

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

The following significant exchange rates were applied during the year:

	Balance sheet date rate		Average rate	
	2012	2011	2012	2011
US Dollars	94.20	86.02	89.92	85.65
Euros	118.50	124.75	120.43	117.62

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.

	2012	2011
	(Rupees in thousand)	
US Dollars	8,122	11,148
Euros	<u>1,986</u>	<u>1,871</u>

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.

As stated in note 11.2, the exchange loss / gain on foreign currency loan is capitalised as part of cost of plant and equipment in case of a ten percent change in US dollar rate. The net effect which would have increased/ decreased to the cost of plant and equipment is Rs. 8.1 million (2011: Rs. 11.2 million). The effect has not been considered either in equity or profit and loss account.

24 Capital risk management

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

The Company's objectives when managing capital are:

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

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

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

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 2012 and 2011 were as follows:

	2012	2011
	(Rupees in thousand)	
Total debt	1,426,821	1,441,441
Total equity	2,760,842	2,797,827
Total capital	4,187,663	4,239,268
Gearing ratio	34.07%	34.00%

25 Transactions with related parties

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

	2012	2011
	(Rupees in Thousand)	
Holding company		
Descon Engineering Limited		
<i>On account of:</i>		
Long term loan - received during the year	16,000	-
Mark up accrued during the year	41,936	38,984
Engineering services	-	2,386
Reimbursable expenses	646	624
Subsidiary company		
Power Management Company (Private) Limited		
<i>On account of:</i>		
Mark up accrued during the year:		
- Long term loan	7,879	8,028
- Short term loan	2,578	3,066
Funds paid during the year	1,928	2,360
Associated companies		
Descon Power Solutions (Private) Limited		
<i>On account of:</i>		
- Operation and maintenance agreement	24,000	21,600
- Service agreement of generators	2,400	2,400
- Spare parts purchased	102,972	94,856

26 Plant capacity and actual generation

	Capacity		Actual generation	
	2012	2011	2012	2011
- MWh	206,131	206,131	191,918	189,294
- percentage	100%	100%	93%	92%

26.1 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, the plant availability and mean-site conditions.

27 Loss per share - basic and diluted

		2012	2011
27.1 Loss per share - basic			
Loss for the year	<i>Rupees in thousand</i>	<u>(36,985)</u>	<u>(8,054)</u>
Weighted average number of ordinary shares	<i>Number</i>	<u>342,550,000</u>	<u>342,550,000</u>
Basic loss per share	<i>Rupee</i>	<u>(0.11)</u>	<u>(0.02)</u>

27.2 Loss per share - diluted

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

28 Date of authorization

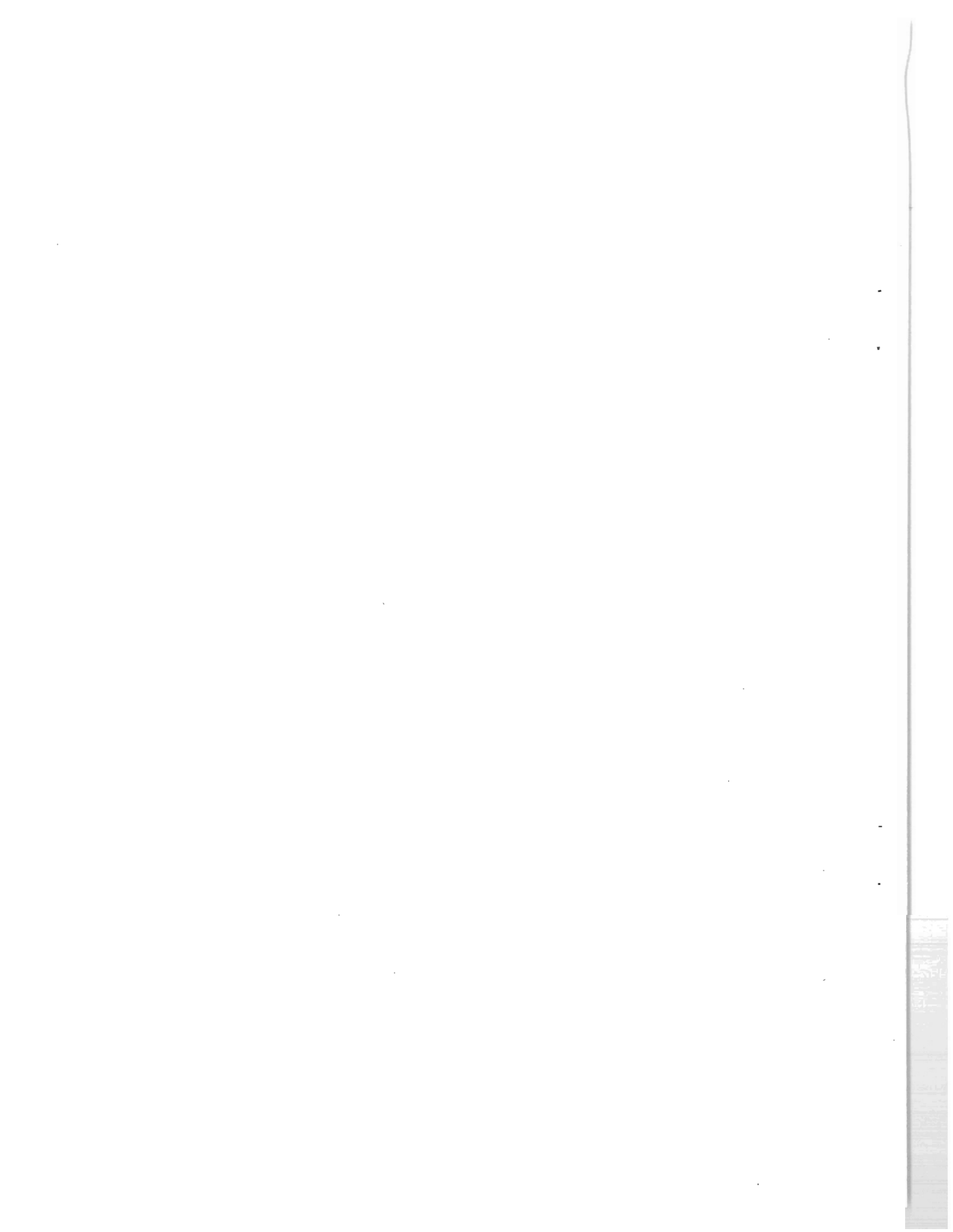
These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on September 18, 2012.

29 General

Figures have been rounded off to the nearest thousand of Rupee.

Chief Executive

Director



**CONSOLIDATED
FINANCIAL STATEMENT
JUNE 30, 2012**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Altern Energy Limited** (“the Parent Company”) and its subsidiary Companies Power management Company (Private Limited) and Rousch (Pakistan) Power Limited as at 30 June 2012 and the related Consolidated profit and loss statement, 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 Parent Company’s management. Our responsibility is to express an opinion on these financial 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.

In our Opinion, consolidated financial statements present fairly the financial position of the Altern Energy Limited and its subsidiary companies as at 30 June 2012 and the results of their operations, their cash flow, their comprehensive income, and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Lahore:
September 18, 2012

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

**ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET**

	<i>Note</i>	2012 (Rupees in thousand)	2011
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital 400,000,000 (2011: 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	4	3,425,500	3,425,500
Accumulated profit		5,795,938	4,716,532
Non-controlling interest		<u>6,393,505</u>	<u>5,652,276</u>
		15,614,943	13,794,308
Non current liabilities			
Sponsors' loan -unsecured	5	569,583	511,646
Long term loans - secured and unsecured	6	14,153,605	14,416,014
Interest rate swap liabilities	7	1,169,105	1,293,890
Deferred liabilities	8	1,072	940
		15,893,365	16,222,490
Current liabilities			
Trade and other payables	9	5,326,440	1,925,464
Short term loan	10	636,000	5,000
Mark up accrued		67,929	315,933
Current portion of long term loans	6	2,143,187	2,150,993
Provision for taxation		<u>5,465</u>	<u>5,254</u>
		8,179,021	4,402,644
Contingencies and commitments	11	<u>39,687,329</u>	<u>34,419,442</u>

The annexed notes 1 to 33 form an integral part of these financial statements.

Chief Executive

As at 30 June 2012

	<i>Note</i>	2012 (Rupees in thousand)	2011
ASSETS			
Non-current assets			
Property, plant and equipment			
-Operating fixed assets	12	27,097,944	25,672,937
-Capital work-in-progress	13	-	1,538
Long term deposits		1,069	938
Long term loan to employees	14	9,971	1,694
		<u>27,108,984</u>	<u>25,677,107</u>
Current assets			
Stores, spares and loose tools	15	423,744	396,850
Inventory of fuel oil		491,285	497,117
Trade debts - secured, considered good	16	10,756,568	6,161,625
Advances, prepayments and other receivables	17	339,494	195,258
Cash and bank balances	18	567,254	1,491,485
		12,578,345	8,742,335
		<u><u>39,687,329</u></u>	<u><u>34,419,442</u></u>

Director

ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED PROFIT AND LOSS STATEMENT

For the year ended 30 June 2012

	<i>Note</i>	2012 (Rupees in thousand)	2011
Revenue - net	19	17,915,755	16,127,550
Direct cost	20	<u>(13,649,189)</u>	<u>(11,595,978)</u>
Gross profit		4,266,566	4,531,572
Administrative expenses	21	(127,716)	(89,573)
Other operating expenses		-	-
Other operating income	22	82,938	59,333
Profit from operations		<u>4,221,788</u>	<u>4,501,332</u>
Finance cost	23	(2,397,166)	(3,173,254)
Profit before taxation		<u>1,824,622</u>	<u>1,328,078</u>
Taxation		(3,987)	(4,317)
Profit for the year		<u><u>1,820,635</u></u>	<u><u>1,323,761</u></u>
Attributable to:			
Equity holders of the parent		1,079,406	792,964
Non-controlling interest		<u>741,229</u>	<u>530,797</u>
		<u><u>1,820,635</u></u>	<u><u>1,323,761</u></u>
Earnings per share - basic and diluted	<i>(Rupees)</i> 31	<u><u>3.15</u></u>	<u><u>2.31</u></u>

The annexed notes 1 to 33 form an integral part of these financial statements.

Chief Executive

Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	2012	2011
	(Rupees in thousand)	
Profit after tax	1,820,635	1,323,761
Other comprehensive Income		
Attributable to:		
<i>Equity holders of the parent</i>		
Net adjustment on account of effective portion of hedging and changes in fair value of interest rate swap liabilities (note 7)	-	247,173
Net amount reclassified/ transferred to profit and loss statement (note 7)	-	842,608
	-	1,089,781
Total comprehensive income	1,820,635	2,413,542
Equity holders of the parent	1,079,406	1,446,658
Non-controlling interest	741,229	966,884
	1,820,635	2,413,542

The annexed notes 1 to 33 form an integral part of these financial statements.

 Chief Executive

 Director

ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2012

	2012 (Rupees in thousand)	2011 (Rupees in thousand)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,824,622	1,328,078
Adjustment for non-cash items:		
Depreciation	1,813,251	1,368,912
Gain on sale of property, plant & equipment	(218)	(2,433)
Provision for staff retirement benefits	457	606
Provision for obsolete stock	3,636	-
Provision for doubtful debts	40,347	-
Provision for guarantee reserved	-	55,166
Capital spares consumed	25,866	4,017
Finance cost	2,405,045	3,173,254
	<u>4,288,384</u>	<u>4,599,522</u>
Operating profit before working capital changes	6,113,006	5,927,600
(Increase)/decrease in current assets		
Stores, spares and loose tools	(30,530)	(38,030)
Inventory of fuel oil	5,832	(179,060)
Trade debts	(4,635,290)	(178,203)
Advances, prepayments and other receivables	(125,121)	58,233
	<u>(4,785,109)</u>	<u>(337,060)</u>
Increase in current liabilities		
Trade and other payables	3,356,858	61,565
Cash generated from operations	4,684,755	5,652,105
Finance cost paid	(2,294,200)	(2,128,363)
Long term advances	(8,277)	(385)
Retirement and other benefits paid	(325)	(801)
Taxes adjusted	(19,861)	6,326
	<u>(2,322,663)</u>	<u>(2,123,223)</u>
Net cash flows from operating activities	2,362,092	3,528,882
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(2,003,950)	(518,137)
Proceeds from sale of property, plant and equipment	1,075	4,740
Long term deposits	(131)	136
Net cash used in investing activities	(2,003,006)	(513,261)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term finances	(1,930,317)	(1,851,237)
Proceeds from Loans obtained from sponsors	16,000	-
Net cash used in financing activities	(1,914,317)	(1,851,237)
Net increase/ (decrease) in cash and cash equivalents	(1,555,231)	1,164,384
Cash and cash equivalents at the beginning of the year	1,486,485	322,101
Cash and cash equivalents at the end of the year	(68,746)	1,486,485

Note

30

The annexed notes 1 to 33 form an integral part of these financial statements.

Chief Executive

Director

**ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 June 2012

Attributable to equity holders of Parent Company

	Share capital	Revaluation reserve for interest rate swap	Accumulated profit	Non-controlling interest	Total
-----Rupees in thousand)-----					
Balance as at 30 June 2010	3,425,500	(653,694)	3,923,568	4,685,392	11,380,766
Profit after tax for the period	-	-	792,964	530,797	1,323,761
Net adjustment on account of effective portion of hedging and changes in fair value of interest rate swap liabilities		148,264		98,909	247,173
Net amount reclassified / transferred to profit and loss statement (note 7)	-	505,430	-	337,178	842,608
Total comprehensive income for the year	-	653,694	792,964	966,884	2,413,542
Balance as at 30 June 2011	3,425,500	-	4,716,532	5,652,276	13,794,308
Profit after tax for the period	-	-	1,079,406	741,229	1,820,635
Net adjustment on account of effective portion of hedging and changes in fair value of interest rate swap liabilities	-	-	-	-	-
Net amount reclassified / transferred to profit and loss statement (note 7)	-	-	-	-	-
Total comprehensive income for the year	-	-	1,079,406	741,229	1,820,635
Balance as at 30 June 2012	3,425,500	-	5,795,938	6,393,505	15,614,943

The annexed notes 1 to 33 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 2012

1 Legal status and nature of business

1.1 The group comprises of:

Altern Energy Limited (AEL); and	2012	2011
	(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") 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 (2011 : 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.

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 Ferozpur 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 having a gross ISO capacity of 450 MW (2011 : 450 MW), located near Sidhnai Barrage, Abdul Hakim, District Khanewal, in Punjab. RPPL started commercial operations from 11 December 1999. The registered office of RPPL is situated at 68 - Studio Apartments, Park Towers, F10 Markaz, Jinnah Avenue, Islamabad.

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

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Basis of consolidation

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

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

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

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

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

Material intra-group balances and transactions are eliminated.

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

2.4 Functional and presentation currency

These 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, Interpretations and Amendments not yet effective

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

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 01 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the group.
- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 01 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Amendments have no impact on financial statements of the group.
Unrecognized actuarial losses as at 30 June 2012 is amounting to Rs. 3.3 million which would be recorded in other comprehensive income with revised actuarial estimate in 2012.
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 01 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 01 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.
- 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.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 01 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations:
- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.
- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the group.
- IFRS 10 Consolidated Financial Statements - establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The IFRS defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. The IFRS also sets out the accounting requirements for the preparation of consolidated financial statements. This IFRS supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities and is effective for annual periods beginning on or after 1 January 2013. The requirements would have no significant effect on the financial statements of the group.
- IFRS 11 Joint Arrangements - establishes principles for financial reporting by parties to a joint arrangement. This IFRS requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. This IFRS supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities—Non-Monetary Contributions by Venturers and is effective for annual periods beginning on or after 1 January 2013. The requirements would have no significant effect on the financial statements of the group.
- IFRS 12 Disclosure of Interests in Other Entities - This standards applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The IFRS requires an entity to disclose information that enables users of financial statements to evaluate: the nature of, and risks associated with, its interests in other entities; and the effects of those interests on its financial position, financial performance and cash flows. The IFRS is effective for annual periods beginning on or after 1 January 2013. The requirements would have no significant effect on the 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. 6,132.90 million (2011: Rs. 5,563.63 million) and the operating assets would have been lower by approximately Rs. 23,637.95 million (2011: Rs. 24,181.41 million) with a corresponding increase of approximately Rs. 17,508.313 million (2011: Rs. 18,617.78 million) in receivables.

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

3 Significant accounting policies

3.1 Staff retirement benefits

Defined benefit plan

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

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

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.

3.3 Property, plant and equipment

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

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

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

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 use.

3.5 Stores, spares and loose tools

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

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

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated 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.

As at 30 June 2012, 190,567,063 (2011: 190,567,063) ordinary shares of the Parent Company are held by Descon Engineering Limited (DEL), the holding company. Moreover, DEL has agreed to invest further in the Parent Company by acquiring additional 20,830,000 fully paid ordinary shares of Rs. 10 each. However, the issuance of such additional shares is subject to approval from Securities and Exchange Commission of Pakistan (SECP).

	<i>Note</i>	2012 (Rupees in thousand)	2011
5 Sponsors' loan -unsecured			
These are composed of loans from associated undertakings:			
Descon Engineering Limited - the ultimate parent	5.1	331,218	315,218
Crescent Standard Business Management (Private) Limited	5.2	23,152	23,152
		354,370	338,370
Interest on long term finance	5.3	215,213	173,276
		<u>569,583</u>	<u>511,646</u>

5.1 This includes funds amounting to Rs. 315.219 million (2011: Rs. 315.218 million) received from Descon Engineering Limited for investment in Rousch (Pakistan) Power Limited through its subsidiary company, Power Management Company (Private) Limited. The loan amount includes Rs. 69.455 million as interest free loan as per terms of acquisition arrangement.

During the year, Descon Engineering Limited have disbursed further loan amounting to Rs. 16 million. 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 (2011: six months KIBOR plus 300 basis points).

5.2 It represents funds amounting to Rs. 23.152 million (2011: Rs. 23.152 million) paid by ex-sponsors previously. This loan is payable to Crescent Standard Business Management (Private) Limited and is unsecured and interest free.

5.3 It represent mark-up payable to Descon Engineering Limited of Rs. 215.21 million (2011: Rs. 173.27 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>	2012 (Rupees in thousand)	2011
6 Long term loans - secured and unsecured			
Loans from financial institutions	6.1	14,486,261	15,035,953
Loans from related parties	6.1.5(b)	1,810,531	1,531,054
		16,296,792	16,567,007
Current portion of long term loans		(2,143,187)	(2,150,993)
		<u>14,153,605</u>	<u>14,416,014</u>

6.1 Loans from financial institutions:

Secured	Facility	Note	2012 (Rupees in thousand)	2011 (Rupees in thousand)
Standard Chartered Bank, London (SCB)	Hermes facility	6.1.3	1,142,721	1,398,389
National Bank of Pakistan (NBP)	LTCF loan	6.1.4	10,319,079	10,683,131
Australia and New Zealand Banking Group Limited (ANZ)	Backstop facility		267,335	395,868
MCB Bank Limited	Syndicate finance - local currency	6.1.6	693,877	747,253
MCB Bank Limited	Syndicate finance - foreign currency	6.1.7	81,226	106,358
Unsecured				
Australia and New Zealand Banking Group Limited (ANZ)	Supplier's loan	6.1.5.a	1,982,023	1,704,954
			<u>14,486,261</u>	<u>15,035,953</u>

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

Arranger / underwriter	Hermes facility	Supplier loan	Backstop facility	LTCF loan	Syndicate finance - LCY	Syndicate finance - FCY
	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	US\$ 3.6 million
Facility utilized	US\$ 34.8 million	US\$ 12.6 million	US\$ 11 million	US\$ 219.08 million (including FCY portion)	PKR 854,003 million	US\$ 3.6 million
Term in years (post commercial operation date)	15	Note 6.1.5 (a)	11	20	10	7
Interest per annum and repayment terms	LIBOR + 0.75% Payable semi-annually	6% accretion semi-annually	LIBOR + 0.75% Payable semi-annually	Note 6.1.4	6 m KIBOR + 2.75% semi-annually	3 m LIBOR+2.95% quarterly
Swap rate with Faisal Bank Limited effective from 29 September 2006 (note 7)	4.76%	-	4.68%	3.68% effective upto 28 September 2007 & 5.21% from 29 September 2007	-	-
Notional amounts under the interest rates swap	US\$ 12.18 million	-	-	US\$ 109.54 million	-	-

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

	Note	2012 (Rupees in thousand)	2011
6.1.3 Hermes loan facility			
Outstanding amount of loan facility		1,147,450	1,407,550
Basic and time premium	6.1.3.1	<u>(112,240)</u>	<u>(112,240)</u>
		1,035,210	1,295,310
Basic and time premium amortized		<u>107,511</u>	<u>103,079</u>
		<u>1,142,721</u>	<u>1,398,389</u>

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

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

6.1.4 Long Term Credit Facility (LTCF) loan has been co-financed by the World Bank (US\$ 119.7 million) and The Export and Import Bank of Japan (US\$ 49.6 million). Further, this facility includes capitalized mark-up / interest amounting to US\$ 49.7 million. This facility carries mark-up at the rate of 1 year US 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.

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

- 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 the Master agreement before distribution of the dividend with the repayment date of March 2015. However, as per MOU, repayment of installment has been agreed which are to be due on 30 September 2014 and 31 March 2015.
- As per MOU Long term liability would be repaid in six unequal semi-annual installment starting from September, 2015. It has also been agreed that the long term liability would be subject to 8% interest from the period starting 1 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. 134.467 million (2011: Rs.169.947 million) in the profit and loss account.

6.1.6 The Parent Company had obtained a long term syndicate facility of Rs.1,100 million (2011: Rs. 1,100 million), which includes foreign currency loan limit of US Dollars 3.6 million (2011: US Dollars 3.6 million), from consortium of banks under the lead of MCB Bank Limited. The outstanding loan amount is repayable in 13 equal six monthly installments ending on 25 January 2018.

Installment due on 30 April 2012 had not been paid till 30 June 2012. However, as a result of negotiations with the bank, the due date for the installment was mutually extended till 29 July 2012. The Company has subsequently paid the overdue installment on 27 July 2012.

The loan carries mark-up at six month KIBOR plus 275 basis points (2011: 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.

The limit of foreign currency portion of loan is of US Dollars 3.6 million (2011: US Dollars 3.6 million). The outstanding loan amount is repayable in fourteen un-equal quarterly installments payable upto 31 December 2015. It is secured by way of first ranking pari passu charge on existing property, plant and equipment of Parent Company at the Fateh Jang site. It carries mark-up at three month LIBOR plus 295 basis points (2011 : three month LIBOR plus 295 basis) payable quarterly in arrears.

7 Interest rate swap liabilities

RPPL has novated interest rate swap agreement initially entered with Standard Chartered Bank, to hedge applicable floating interest rates on certain loan facilities to Faysal Bank Limited (formerly ABN Amro Bank N.V.) with effect from 29 September 2006. In case the floating rate is less than the fixed (hedged) rates, 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 RPPL. These arrangements are effective up to 30 September 2014. The net fair value of swap at 30 June 2012 was a liability of Rs. 1,169.105 million (2011: Rs. 1,293.890 million). The hedge accounting was discontinued from last year.

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 last 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	2012 (Rupees in thousand)	2011
8 Deferred liabilities			
Staff gratuity - AEL		822	487
Compensated absences - AEL		250	453
		1,072	940
9 Trade and other payables			
Trade Creditors	9.1	1,177,962	111,412
Payable to WAPDA for gas efficiency and import of energy		18,016	23,008
Accrued liabilities			
- Accrued Interest on long term loans		282,488	-
- Accrued Interest others		28,909	-
- Interest rate swap payments		-	290,059
- Lender related costs		10,329	7,818
- Operation and maintenance charges		435,004	586,777
- Natural gas charges to SNGPL		3,325,859	841,524
- Others	9.2	27,340	12,889
Income tax payable		-	744
Payable to staff		-	4,401
Payable in respect of gas turbine casing, repair of generators and steam turbine	9.3	8,468	17,850
Provision for repair / replacement of STG 10		-	21,071
Provision for guarantee issued	9.4	6,842	6,842
Payable to Descon Engineering Ltd		3,400	-
Liquidated Damages payable		-	49
Payable for plant improvement related works	9.5	637	959
Provision for worker's funds	9.6	-	-
Payable to defined benefit plan - staff gratuity - RPPL	24	1,186	61
		5,326,440	1,925,464

9.1 It includes the amount of Rs. 6.50 million (2011: Rs. 7.15 million) payable by AEL to Descon Engineering Limited, the ultimate parent, against engineering services provided and amount of Rs. 123.60 million (2011: Rs. 61.43 million) payable to Descon Power Solutions (Private) Limited, an associated company. It also includes Rs. 325.56 million (2011: Rs. 2.710 million) payable by RPPL to Siemens.

It also includes the amount of Rs. 30.917 million (2011: Rs. 18.713 million) payable to MWM GmbH against stores and spares purchased by AEL.

9.2 This includes Rs. 0.0835 million (2011: Rs. 0.097 million) payable to a related party.

9.3 This represents 5% retention money payable to the contractor, a related party on account of STG 10 rotor. Rs. Nil (2011: Rs. 21.071 million).

9.4 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, 26 March 2001 and 11 November 2003 granted the stay on levy of this fee / cess on the condition that RPPL will furnish bank guarantee of equivalent amount till the final decision is made by the Court. Accordingly, the RPPL had arranged bank guarantees of Rs. 64.95 million in favour of Director Excise and Taxation, Karachi and made full provision in the financial statements up to 30 June 2010. During the year 2008, the Honorable High Court of Sindh in its decision dated 17 September 2008 declared the imposition of levy of infrastructure fee / cess on import of material before 28 December 2006 as void and invalid, and ordered the guarantees to be returned and encashed. However, the levy imposed w.e.f. 28 December 2006 was declared to be legal and valid. The Government of Sindh has filed the appeal before Supreme Court of Pakistan against the order of High Court of Sindh. RPPL has also filed an appeal before Supreme Court of Pakistan against the High Court's decision of imposition of levy after 28 December 2006. During the year 30 June 2011, the Supreme Court of Pakistan ordered to agitate this matter before High Court of Sindh. The High Court by consent of the excise and taxation department has passed an order whereby it has mainly ordered to discharge any bank guarantee furnished for consignments cleared up to 27 December 2006 and any guarantee for consignment cleared after 27 December 2006 shall be encashed to the extent of 50% and a bank guarantee for remaining amount will be kept alive till the future disposal of litigations. For future consignments goods will be cleared after 50% of payment of the disputed amount would be paid by the respondents and furnishment of bank guarantee of balance of 50%. Accordingly RPPL has made provision of Rs.6.842 million (2011: Rs. 6.842 million) being 50% of disputed amount i.e Rs. 13.684 million.

9.5 This includes Rs. 0.603 million (2011: Rs. 0.603 million) payable to a related party.

	2012	2011
	(Rupees in thousand)	
9.6 Provision for workers' funds		
Provision for Workers' Profit Participation Fund	92,617	66,323
Provision for Workers' Welfare Fund	37,047	26,529
	<u>129,664</u>	<u>92,852</u>
Less: Recoverable from WAPDA as pass through item	<u>(129,664)</u>	<u>(92,852)</u>
	<u>-</u>	<u>-</u>

10 Short term loans

RPPL has entered into an agreement with a consortium of local banks, [Faysal Bank Limited, Bank Alfalah Limited, Soneri Bank Limited and Silk Bank Limited] led by Faysal Bank Limited, to avail working capital facility of Rs. 900 million (2011: Rs. 900 million). The facility carries mark-up at KIBOR plus 3% (2011: KIBOR plus 3%).

11 Contingencies and commitments

Contingencies

- Bank guarantees have been issued to Collector of Customs by RPPL aggregating Rs. 321.925 million (2011: Rs. 6.842 million).

Commitments

- Commitment under letters of credit for raw materials by RPPL as at 30 June 2012 amounted to Rs. Nil (2011: Rs. 1.370 million).
- Letter of credit facility of Rs. 1,925 million (2011: Rs. 1,425 million) to RPPL is available from a consortium of local banks led by Bank Alfalah Limited, in favour of Sui Northern Gas Pipelines Limited (SNGPL) as a security to cover gas supply for which payments are made in arrears.
- MCB Bank Limited has issued bank guarantee to AEL for Rs. 156.213 million (2011: Rs. 156.213 million) in favour of Sui Northern Gas Pipelines Limited as a security to cover gas supply for which payments are made in arrears. The guarantee has expired on 10 June 2012, which is renewable.

12 Operating fixed assets

	Annual rate of depreciation %	Cost as at 01 July 2011	Additions/ (disposals)/ adjustments	Cost as at 30 June 2012	Accumulated depreciation as at 01 July 2011	charge/ (on disposals)/	Accumulated depreciation as at 30 June 2012	Book value as at 30 June 2012
		(R u p e e s i n t h o u s a n d)						
Freehold land	3.33	59,413	-	59,413	21,248	1,821	23,069	36,344
Building on freehold land	3-5	1,912,495	5,540	1,918,035	743,302	63,877	807,179	1,110,856
Plant and machinery (note 12.2)	3-17	36,756,087	3,121,400 (597,392)	39,280,095	12,602,576	1,727,298 (597,392)	13,732,482	25,547,613
Leasehold improvements	10	972	283	1,255	55	116	171	1,084
Electric equipment	10	2,109	-	2,109	575	189	764	1,345
Furniture and fixtures	20	3,076	204 (607)	2,673	2,720	139 (607)	2,252	421
Office equipment	10-33	21,949	2,203 (2,281)	21,871	16,982	1,944 (2,115)	16,811	5,060
Vehicles	20	40,968	1,007 (1,961)	40,014	24,335	3,535 (1,270)	26,600	13,414
Capital spares	3-5	431,565	134,344 (40,232)	525,677	143,904	14,332 (14,366)	143,870	381,807
		39,228,634	3,264,981 (642,473)	41,851,142	13,555,697	1,813,251 (615,750)	14,753,198	27,097,944

Annual rate of depreciation %	Cost as at 01 July 2010	Additions/ (disposals)/ adjustments	Cost as at 30 June 2011	Accumulated depreciation as 01 July 2010	charge/ (on disposals)/	Accumulated depreciation as at 30 June 2011	Book value as at 30 June 2011
Freehold land	59,413	-	59,413	19,428	1,820	21,248	38,165
Building on freehold land	1,909,207	3,288	1,912,495	679,681	63,621	743,302	1,169,193
Plant and machinery (note 12.2)	36,244,371	576,666 (64,950)	36,756,087	11,330,353	1,282,007 (9,784)	12,602,576	24,153,511
Leasehold improvements	1,321	973 (1,322)	972	93	112 (150)	55	917
Electric equipment	1,849	260	2,109	412	163	575	1,534
Furniture and fixtures	3,014	253 (191)	3,076	2,769	116 (165)	2,720	356
Office equipment	20,818	2,371 (1,240)	21,949	15,719	2,420 (1,157)	16,982	4,967
Vehicles	38,261	8,806 (6,099)	40,968	26,835	2,571 (5,071)	24,335	16,633
Capital spares	435,624	- (4,059)	431,565	127,864	16,082 (42)	143,904	287,661
	38,713,878	592,617 (77,861)	39,228,634	12,203,154	1,368,912 (16,369)	13,555,697	25,672,937

	Note	2012 (Rupees in thousand)	2011
12.1 The depreciation/ amortization charge for the year has been allocated as follows:			
Direct costs	20	1,807,517	1,363,847
Administrative expenses	21	5,734	5,065
		1,813,251	1,368,912

12.2 According to the circular 11 of 2008 dated 13 June 2008 and letter No. EMD/233/390/2002-914 dated 06 May 2010 issued by the Securities and Exchange Commission of Pakistan (SECP), power sector companies are allowed to 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. 1,250.041 million (2011: Rs. 76.728 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. 11,021.953 million (2011: Rs. 9,771.906 million) in the cost of plant and equipment up to 30 June 2012, with book value of Rs. 8,397.714 million (2011: Rs. 7,611.928 million) as at the year end.

12.3 During the year ended 30 June 2012, costs for life time extension (LTE) under the new Long Term Maintenance Service Agreement (LTMSA) amounting to Rs.1,826.566 (2011: Rs.495.257 million) has been capitalized based on management's assessment that such services would significantly extend the life/efficiency of the project (refer note 30.6). This LTE is carried out at regular intervals i.e. 12 years. Therefore, the asset has been capitalized and will be depreciated over the interval period. The cost already capitalized and depreciated in this respect has been estimated. According to management's estimate Rs. 597.392 million of LTE expense has been de-recognized during the year and corresponding depreciation of Rs. 248.914 million has been adjusted. The net effect amounting to Rs. 348.478 million has been charged through depreciation.

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

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Mode of disposal	Purchaser
	-----Rupees in thousand-----					
Suzuki Cultus	662	593	69	291	RPPL policy	Ex-employee
Toyota corolla	1,299	680	619	727	RPPL policy	Ex-employee
Various items of written down value less than Rs. 50,000 each	2,888	2,722	166	56	Negotiation / RPPL Policy / write off	Various
	4,849	3,995	854	1,074		

	2012	2011
	(Rupees in thousand)	
13 Capital work in progress		
Advances to suppliers and contractors	-	1,538
14 Long term loan to employees		
This represents interest free transport loan facility to employees. The Group contributes 80% of cost which are recoverable in 60 equal monthly installments from the employee. These vehicles are in the name of the Group for security purpose.		
	2012	2011
	(Rupees in thousand)	
Outstanding advance as on 30 June	13,356	2,513
Less: Current maturity	(3,385)	(819)
	<u>9,971</u>	<u>1,694</u>
15 Stores, spares and loose tools		
Stores	386,028	371,410
Spares	41,352	25,440
	<u>427,380</u>	<u>396,850</u>
Provision for slow moving and obsolete items	(3,636)	-
	<u>423,744</u>	<u>396,850</u>

15.1 Stores and spares include Rs. Nil (2011: Rs. 2.397 million) in transit. All the stores, spares and loose tools of RPPL are held by ESB International Contracting Limited (ESBI), the Operation and Maintenance contractor of RPPL.

16 Trade debts - secured, considered good

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

	Note	2012	2011
		(Rupees in thousand)	
17 Advances, prepayments and other receivables			
Advances-Considered good			
-Suppliers	17.1	22,498	20,425
-Employees	14	3,385	1,249
		<u>25,883</u>	<u>21,674</u>
Prepayments		63,492	130,036
Bank guarantee cost MCB		266	1,379
Recoverable from Government			
-Advance income tax - net		21,904	5,830
-Sales tax		158,189	11,388
		<u>180,093</u>	<u>17,218</u>
Others	17.2	69,760	24,951
		<u>339,494</u>	<u>195,258</u>

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17.1 This includes advances to related party amounting to Rs. 10.893 million (2011: Rs. 10.413 million).

17.2 This includes receivable from related parties amounting to Rs. 1.269 million (2011: Rs. 2.171 million).

	Note	2012	2011
		(Rupees in thousand)	
18 Cash and bank balances			
Cash at bank:			
Saving accounts			
- Local currency		320,368	1,257,908
- Foreign currency		243,616	232,005
	18.1	563,984	1,489,913
Current accounts - Local currency		2,436	809
		566,420	1,490,722
Cash in hand		834	763
		567,254	1,491,485

18.1 These carry mark-up at the rates ranging from 0.5% to 13.53% (2011: 0.5% to 13.54%).

19 Revenue - net

Energy Revenue - gross		12,945,903	11,582,133
Sales tax		(1,785,642)	(1,682,874)
Energy Revenue - net		11,160,261	9,899,259
Capacity Revenue		5,897,101	5,723,621
Other supplemental charges		1,068,953	669,489
Gas efficiency passed to WAPDA		(210,560)	(164,819)
		17,915,755	16,127,550

20 Cost of sales

Energy import		30,027	13,200
Salaries, wages and other benefits		35,771	33,005
Travelling and conveyance		291	215
Fuel consumed		10,126,752	8,782,610
Provision for stores & Spares		3,636	-
Chemicals, stores and spares consumed		214,664	175,837
Depreciation	12.1	1,807,517	1,363,738
Operating maintenance costs		883,427	988,591
Insurance		137,716	181,143
Generation license fee		4,209	3,721
Electricity duty		3,258	3,659
Repairs and maintenance		366,982	23,432
WAPDA liquidated damages		-	69
Miscellaneous expenses		34,939	26,758
		13,649,189	11,595,978

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		2012	2011
		(Rupees in thousand)	
21 Administrative expenses	<i>Note</i>		
Salaries, wages and other benefits	<i>21.1</i>	51,138	45,516
Provision for doubtful debts		40,347	-
Depreciation	<i>12.1</i>	5,734	5,174
Travelling and conveyance		8,238	8,094
Rent, rates and taxes		2,193	1,780
Utilities		242	296
Repair and maintenance		643	5,869
Postage and telephone		1,411	1,204
Publicity, printing and stationery		806	777
Donation		112	3,048
Legal and professional		7,402	11,097
Fee and subscription		430	271
Auditor's remuneration	<i>21.2</i>	2,755	2,221
Entertainment		473	483
Security expenses		1,755	1,708
Miscellaneous		4,037	2,035
		127,716	89,573

21.1 This includes provision for staff gratuity amounting to Rs. 10.277 million (2011: Rs. 2.386 million) and contributions to provident fund trust amounting to Rs. 3.723 million (2011: Rs. 3.527 million).

21.2 Auditor's remuneration

Annual audit fee	1,945	1,941
Half year review fee	150	150
Tax consultancy	610	100
Out of pocket expenses	50	50
	2,755	2,241

22 Other operating income

Income from financial assets

Income on bank deposits	77,838	44,466
	77,838	44,466

Income from non-financial assets

Gain on sale of property, plant & equipment	218	2,433
Scrap sales	3,480	2,564
Exchange gain	1,335	26
Liability written back	-	9,784
Other income	67	60
	5,100	14,867
	82,938	59,333

23 Finance cost	<i>Note</i>	2012	2011
		(Rupees in thousand)	
Interest and mark-up on:			
- Long term loans	23.1 & 23.2	1,789,481	2,045,833
- Short term borrowings		109,845	21,709
Amortization of bank guarantee cost		1,113	1,122
Foreign exchange difference		-	3,038
Accretion of discount on long term liability	23.3	134,467	169,947
Net amount reclassified / transferred from hedging reserve	7	-	842,608
Lender fees and charges		56,161	59,734
Lender related costs-others		47,269	23,606
Mark-up on late payments to SNGPL		256,549	4,084
Bank charges		2,281	1,573
		<u>2,397,166</u>	<u>3,173,254</u>

23.1 It includes mark up accrued to Descon Engineering Limited, the holding company amounting to Rs. 41.94 million (2011: Rs. 38.99 million).

23.2 This includes net swap payments of Rs. 609.259 million (2011: Rs. 666.558 million) and net exchange gain of Rs. 130.458 million (2011 exchange loss : Rs. 27.187 million)

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

24 Payable to defined benefit plan

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

24.1 Actuarial assumptions	2012	2011
Valuation discount rate	12.50%	14%
Expected rate of increase in salaries	12.50%	14%
Expected rate of return on plan assets	12.50%	14%

24.2 Funding status	2012	2011
	(Rupees in thousand)	
The amounts recognized in balance sheet are as follows:		
Present value of defined benefit obligation	22,247	14,461
Fair value of plan assets	(17,738)	(12,666)
(Losses) not recognized	(3,323)	(1,734)
Liability in balance sheet.	<u>1,186</u>	<u>61</u>

	2012	2011
24.3 Changes in present value of defined benefit obligation	(Rupees in thousand)	
Present value of defined benefit obligation - beginning of the year	14,461	9,850
Current service cost	2,037	1,689
Interest cost	1,850	1,379
Past service cost	4,879	-
Actuarial losses/(gains)	1,512	1,543
Benefits paid	(2,492)	-
Present value of defined benefit obligation - end of the year	22,247	14,461
24.4 Changes in fair value of plan assets		
Fair value of plan assets - beginning of the year	12,666	6,528
Expected return on plan assets	1,517	914
Actuarial (losses)	(109)	(137)
Benefits paid	(2,492)	-
Contribution to fund	6,156	5,361
Fair value of plan assets - end of the year	17,738	12,666
24.5 Amounts recognized in the profit and loss account		
Current service cost	2,037	1,689
Interest cost	1,850	1,379
Transitional liability	-	-
Expected return on plan assets	(1,517)	(914)
	2,370	2,154
24.6 Composition / fair value of plan assets		
Certificates of investment / term deposit receipts	97%	97%
Others	3%	3%

25 Remuneration of Chief Executive, Directors and Executives

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

	Chief Executive		Executives	
	2012	2011	2012	2011
	(Rupees in thousand)		(Rupees in thousand)	
Remuneration including performance bonus	18,275	16,660	41,126	32,153
Contributions to provident and gratuity funds	5,554	1,644	2,539	7,299
House rent allowance	-	1,850	-	3,945
Utility allowance	-	121	150	-
Leave fair assistance	-	109	-	-
Medical expenses	-	-	-	-
	23,829	20,384	43,815	43,397
Number of persons	2	3	16	16

25.2 No remuneration or any other benefits are being paid to the CEO of AEL.

25.3 No fee, remuneration, house rent and utilities were provided to seven (7) directors of AEL.

26 Capital risk management

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

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

27 Financial instruments

Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

27.1 Credit risk

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

27.1.1 Exposure to credit risk

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

	2012			2011		
	Domestic	United Kingdom	Total	Domestic	United Kingdom	Total
	----- (Rupees in thousand) -----					
Long term deposits	1,069	-	1,069	938	-	938
Trade debts	10,756,568		10,756,568	6,161,625	-	6,161,625
Other receivables	158,529		158,529	106,911	-	106,911
Bank balances	323,059	243,616	566,675	1,238,914	232,005	1,490,919
	<u>11,239,225</u>	<u>243,616</u>	<u>11,482,841</u>	<u>7,528,388</u>	<u>232,005</u>	<u>7,760,393</u>

27.1.2 Impairment losses

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

	2012		2011	
	Gross	Impairment	Gross	Impairment
	----- (Rupees in thousand) -----			
Not past due	2,024,984	-	1,718,857	-
Past due 0-30 days	708,999	-	1,582,765	-
Past due 31-120 days	5,023,296	(40,347)	2,859,503	-
More than 120 days	3,039,635	-	750	-
	<u>10,796,914</u>	<u>(40,347)</u>	<u>6,161,875</u>	<u>-</u>

The group'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 credit risk on foreign currency deposits is limited because the same is secured and used for debt repayment. The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade debts.

27.2 Liquidity risk

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

	2012					
	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	569,583	(569,583)	-	-	-	(569,583)
Long term loans	16,363,328	(21,876,059)	(1,957,472)	(1,509,099)	(13,642,293)	(4,767,195)
Trade and other payables	5,335,197	(5,335,197)	(4,346,903)	(988,294)	-	-
Mark up accrued	73,823	(73,823)	(73,823)	-	-	-
	<u>22,341,931</u>	<u>(27,854,662)</u>	<u>(6,378,198)</u>	<u>(2,497,393)</u>	<u>(13,642,293)</u>	<u>(5,336,778)</u>
<i>Derivative financial liabilities:</i>						
Interest rate swap liabilities	<u>1,169,105</u>	<u>(1,197,777)</u>	<u>(284,732)</u>	<u>(260,972)</u>	<u>(652,073)</u>	<u>-</u>
	<u>23,511,036</u>	<u>(29,052,439)</u>	<u>(6,662,930)</u>	<u>(2,758,365)</u>	<u>(14,294,366)</u>	<u>(5,336,778)</u>

2011

	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	511,646	(511,646)	-	-	-	(511,646)
Long term loans	16,625,664	(21,792,162)	(1,401,252)	(1,371,314)	(11,963,366)	(7,056,230)
Trade and other payables	2,237,574	(2,237,574)	(2,053,102)	(184,472)	-	-
Mark up accrued	23,922	(23,922)	(23,922)	-	-	-
	<u>19,398,806</u>	<u>(24,565,304)</u>	<u>(3,478,276)</u>	<u>(1,555,786)</u>	<u>(11,963,366)</u>	<u>(7,567,876)</u>
<i>Derivative financial liabilities:</i>						
Interest rate swap liabilities	1,293,889	(1,677,423)	(303,436)	(279,838)	(1,094,149)	-
	<u>20,692,695</u>	<u>(26,242,727)</u>	<u>(3,781,712)</u>	<u>(1,835,624)</u>	<u>(13,057,515)</u>	<u>(7,567,876)</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.

27.3 Market risk

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

27.3.1 Interest rate risk

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

	Carrying amounts	
	2012	2011
(Rupees in thousand)		
Fixed rate instruments:		
Financial liabilities	<u>(3,792,554)</u>	<u>(3,236,008)</u>
Variable rate instruments:		
Financial assets	629,583	1,557,440
Financial liabilities	<u>(14,000,709)</u>	<u>(15,031,487)</u>
	<u>(13,371,126)</u>	<u>(13,474,047)</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.

	Equity		Profit and loss	
	2012	2011	2012	2011
	----- (Rupees in thousand) -----			
Variable rate instruments	-	-	286,290	318,983

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 2012.

27.3.2 Currency risk

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

Exposure to currency risk

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

	2012		
	Rupees	US Dollars	Euro
	----- (Rupees in thousand) -----		
Cash and cash equivalents	243,616	2,592	42
Long term loans	(15,602,915)	(165,604)	-
Interest rate swap	(1,169,105)	(11,384)	-
Trade and other payables	(83,352)	-	(8,113)
Gross balance sheet exposure	<u>(16,611,756)</u>	<u>(174,396)</u>	<u>(8,071)</u>
	2011		
	Rupees	US Dollars	Euro
	----- (Rupees in thousand) -----		
Cash and cash equivalents	232,005	2,702	268
Long term loans	(15,819,754)	(184,147)	-
Interest rate swap	(1,293,890)	(15,036)	-
Trade and other payables	(1,188,086)	(12,097)	(1,078)
Gross balance sheet exposure	<u>(18,069,725)</u>	<u>(208,578)</u>	<u>(810)</u>

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).

2012 2011

29 Plant capacity and actual production

Theoretical maximum output at dependable capacity of 422 MW (2011: 422 MW)	<i>MWh</i>	<u>3,666,330</u>	<u>3,666,330</u>
Practical maximum output	<i>MWh</i>	<u>3,083,318</u>	<u>3,307,644</u>
Actual output	<i>MWh</i>	<u>2,631,980</u>	<u>3,228,380</u>
Load factor	<i>Percentage</i>	<u>72</u>	<u>88</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.

30 Cash and cash equivalents

Cash and Bank balances	567,254	1,491,485
Short term loan	(636,000)	(5,000)
	<u>(68,746)</u>	<u>1,486,485</u>

31 Earnings per share - basic and diluted

2012 2011

31.1 Earnings per share - Basic

Profit for the year attributable to equity holders of Parent Company	<i>Rupees in thousand</i>	<u>1,079,406</u>	<u>792,964</u>
Weighted average number of ordinary shares	<i>Number</i>	<u>342,550,000</u>	<u>342,550,000</u>
Earnings per share - basic	<i>Rupees</i>	<u>3.15</u>	<u>2.31</u>

31.2 Earnings per share - Diluted

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

32 Date of authorization

These consolidated financial statements were authorized for issue by the Board of Directors in their meeting held on September 18, 2012.

33 General

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

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

Chief Executive

Director

Financial Year ending June 30	2012	2011	2010	2009	2008	2007	2006	2005
	----- (Rupees in thousand) -----							
Despatch (%)	88%	87%	76%	55%	0%	0%	0%	12%
Despatch (MWH)	182,067	179,323	157,376	112,714	-	-	-	9,382
Revenue	1,154,020	990,832	804,459	659,713	-	-	-	24,847
Direct Costs	1,001,251	796,787	607,582	511,349	38,411	37,174	38,141	77,139
Gross Profit/ (Loss)	152,769	194,045	196,877	148,364	(38,411)	(37,174)	(38,141)	(52,292)
Net Profit/(Loss)	(36,985)	(8,054)	7,043	(197,291)	(97,524)	(73,537)	(114,963)	(101,482)
Total Assets	4,760,130	4,524,072	4,602,373	4,549,582	4,538,017	3,612,740	621,629	454,288

PATTERN OF SHAREHOLDING

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

30-06-2012

-----Shareholding-----

4. No. of Shareholders	From	To	Total Shares Held
42	1	100	419
26	101	500	11,915
12	501	1,000	12,000
24	1,001	5,000	91,397
6	5,001	10,000	47,425
4	10,001	15,000	56,885
4	15,001	20,000	74,099
2	20,001	25,000	46,000
3	25,001	30,000	87,800
1	30,001	35,000	32,500
2	35,001	40,000	79,000
1	45,001	50,000	48,500
1	55,001	60,000	57,106
1	60,001	65,000	60,207
1	75,001	80,000	77,500
1	95,001	100,000	100,000
1	100,001	105,000	100,277
1	120,001	125,000	121,000
1	210,001	215,000	215,000
1	225,001	230,000	230,000
1	245,001	250,000	250,000
2	300,001	305,000	602,056
1	595,001	600,000	600,000
1	755,001	760,000	759,687
1	805,001	810,000	810,000
1	1,680,001	1,685,000	1,680,404
1	2,055,001	2,060,000	2,056,821
1	8,695,001	8,700,000	8,700,000
1	12,530,001	12,535,000	12,530,582
1	60,475,001	60,480,000	60,475,416
1	61,965,001	61,970,000	61,968,939
1	190,565,001	190,570,000	190,567,063
148			342,550,000

ALTERN ENERGY LIMITED**CATEGORIES OF SHAREHOLDINGS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE C.C.G.
As on 30th June, 2012**

SR. NO.	NAME	NO. OF SHARES HELD	%
ASSOCIATED COMPANIES, UNDERTAKING & RELATED PARTIES (NAME WISE DETAIL):			
1	DESCON ENGINEERING LIMITED (CDC)	190,567,063	55.6319
MUTUAL FUNDS (NAME WISE DETAIL)			
1	ASIAN STOCK FUND LIMITED (CDC)	2,056,821	2,056,821
2	SAFEWAY MUTUAL FUND LIMITED (CDC)	1,680,404	1,680,404
DIRECTORS AND THEIR SPOUSE AND MINOR CHILDREN (NAME WISE DETAIL):			
1	MR. ABDUL RAZZAK DAWOOD (CDC)	500	0.0001
2	MR. FAZAL HUSSAIN ASIM	-	0.0000
3	MR. SALMAN ZAKARIA	-	0.0000
4	SYED ZAMANAT ABBAS (CDC)	500	0.0001
5	MR. KHALID SALMAN KHAN	-	0.0000
6	SYED ALI NAZIR KAZMI	-	0.0000
7	MR. SHAH MUHAMMAD CH.	-	0.0000
EXECUTIVES:			
PUBLIC SECTOR COMPANIES & CORPORATIONS:			
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE			
		1,025,000	0.2992
COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PANSION FUNDS:			
SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTREST IN THE LISTED COMPANY (NAME WISE DETAIL)			
1	DESCON ENGINEERING LIMITED (CDC)	190,567,063	55.6319
2	SAUDI ARABIAN CONSTRUCTION & REPAIR CO. LTD.	61,968,939	18.0905
3	CRESCENT STEEL AND ALLIED PRODUCTS LTD. (CDC)	60,475,416	17.6545

**ALL TRADES IN THE SHARES OF THE LISTED COMPANY, CARRIED OUT BY ITS DIRECTORS,
EXECUTIVES AND THEIR SPOUSES AND MINOR CHILDREN SHALL ALSO BE BE DISCLOSED:**

NIL

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 18th Annual General Meeting of Altern Energy Limited, will be held on Wednesday, October 24, 2012 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 Extraordinary General Meeting of the Company held on Wednesday, July 18, 2012.
2. To receive, consider and adopt the audited accounts of the Company for the year ended 30th June 2012 together with the Directors' and Auditor's Reports thereon.
3. To appoint Auditors for the year ending June 30, 2013 and fix their remuneration. (The present auditors M/S KPMG Taseer Hadi & Co. have retired and being eligible have offered themselves for re-appointment).
4. To transact any other business with the permission of the Chair.

By Order of the Board

Lahore
October 02, 2012

(Umer Shehzad)
Company Secretary

Notes:-

1. The share transfer books of the Company shall remain closed from 17-10-2012 to 24-10-2012 (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 24, 2012 at 10:00 am at DESCONE HEAD QUARTERS 18-km Ferozpur Road, Lahore and at any adjournment thereof.

As witness may hand this _____ day of _____ 2012.

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.

