



ALTERN ENERGY LIMITED



Annual Report 2011



ALTERN ENERGY LIMITED

**ANNUAL REPORT
2011**

CONTENTS

ANY INFORMATION	
AND MISSION STATEMENT	
TORS' REPORT	5
MENT OF COMPLIANCE	8
W REPORT TO MEMBERS	10
OR'S REPORT TO MEMBERS	11
NCE SHEET	12
IT AND LOSS ACCOUNT	14
EMENT OF COMPREHENSIVE INCOME	15
FLOW STATEMENT	16
EMENT OF CHANGES IN EQUITY	17
S TO THE FINANCIAL STATEMENTS	18
OLIDATED FINANCIAL STATEMENTS	39
NCE SHEET	40
IT AND LOSS ACCOUNT	42
EMENT OF COMPREHENSIVE INCOME	43
FLOW STATEMENT	44
EMENT OF CHANGES IN EQUITY	45
S TO THE FINANCIAL STATEMENTS	46
EARS FINANCIAL HIGHLIGHTS	77
ERN OF SHARE HOLDING	78
GORIES OF SHAREHOLDERS	79
CE OF ANNUAL GENERAL MEETING	
Y FORM	

COMPANY INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

CFO AND COMPANY SECRETARY

Umer Shehzad

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

BANKERS

MCB Bank Ltd.
The Bank of Punjab

REGISTERED OFFICE

DESCON HEADQUARTERS
18-km Ferozpur Road, Lahore.

REGISTRAR SHARES

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

Vision Statement

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

Mission Statement

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

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

DIRECTOR'S REPORT

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

General

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

Operations

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

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

Financial Results

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

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

Outlook

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

safety & Environment

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

ate and Financial Reporting Framework

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

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

Proper books of account of the Company have been maintained.

Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

The system of internal control is sound in design and has been effectively implemented and monitored.

There are no significant doubts upon the Company's ability to continue as a going concern.

There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

The key operating and financial data of last six years is attached to the report.

of Directors

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

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

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

ern of Shareholding

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

Auditors

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

Acknowledgement

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

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

For and on behalf the Board

Lahore
September 07, 2011

Syed Zamanat Abbas
Chief Executive

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Statement is being presented to comply with the code of Corporate Governance (the “Code”) contained fully in the Listing Regulations of the Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the practices of Corporate Governance.

Company has applied the principles contained in the code in the following manner:

The Board of Directors of the Company (the “Board”) comprises of six Non –Executive Directors and one Executive Director.

The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company.

All the resident Directors are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a Stock Exchange has been declared as a defaulter by that Stock Exchange.

Casual vacancies occurring in the Board were filled up by the directors within 30 days thereof.

The Company has prepared a “Statement of Ethics and Business Practices”, which has been signed by all the Directors and employees of the Company.

The Board has developed a Vision and Mission Statement, overall corporate strategy and significant policies of the Company. A complete record and particulars of significant Policies along with the dates on which they were approved has been maintained.

All powers of the Board have been duly exercised and decisions on material transaction including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive have been taken by the Board.

The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of Board meetings, along with agenda and working papers were dispatched at least seven days prior to the Meetings. The Minutes of the meeting were appropriately recorded and circulated.

The Directors were communicated the orientation material and all the directors are well aware of their duties and responsibilities.

During the period there is no replacement of CFO & Company Secretary of the Company.

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

The Financial Statements of the Company were duly endorsed by the Chief Executive and the Chief Financial Officer before approval of the Board.

The Directors, Chief Executive and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of share holding.

The Company has complied with all the corporate and financial requirements of the Code

The Board has formed an Audit Committee, It comprises of three members. All members of the Audit Committee are Non- Executive directors.

The Meetings of the Audit Committee were held at least once every quarter prior to the approval of the interim and final results of the Company and as required by the code. The Terms of Reference of the Audit Committee have been formed and advised to the Audit Committee for compliance.

The Board has set up an effective Group Internal Audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Group and they are involved in the Internal Audit function of the Group on a full time basis.

18. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
19. The Statutory Auditors of the Company have confirmed that they have given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse and minor children do not hold shares of the Company and that the Firm and all its partners are in compliance with International Federation of Accountants ("IFAC") guidelines on the Code as adopted by Institute of Chartered Accountants of Pakistan.
20. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the Auditors have confirmed that they have observed IFAC guidelines in this regard.
21. All material principles contained in the Code have been complied with.

For and behalf of the Board of Directors

Lahore: September 07, 2011

**Syed Zamanat Abbas
Chief Executive**

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

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 Listing Regulations of Karachi Stock Exchange where the Company is listed.

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, 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's 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 conducted any special review of the internal control system to enable us to express an opinion as to whether the Company's statement on internal control covers all controls and the effectiveness of such internal controls.

Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Securities and Exchange Commission (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 placed before the audit committee.

The Company has 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 entered into at arm's length price.

In 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 for the year ended 30 September 2011.

September 07, 2011

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

Auditors' Report to the Members

We have audited the annexed balance sheet of **Altern Energy Limited** (“the Company”) as at 30 June 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes referred to in note 2.5 to the financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2010 and of the loss, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date: September 07, 2011

KPMG Taseer Ha di & Co.
Chartered Accountants
(Bilal Ali)

ANCE SHEET

	<i>Note</i>	2011 (Rupees in thousand)	2010
Y AND LIABILITIES			
Capital and reserves			
Authorized capital			
400,000 (2010: 400,000,000) ordinary shares of Rs 10 each		<u>4,000,000</u>	<u>4,000,000</u>
Subscribed and paid up capital	4	3,425,500	3,425,500
Unrealized loss		<u>(627,673)</u>	<u>(619,619)</u>
		2,797,827	2,805,881
Current liabilities			
Bank loan - unsecured	5	511,646	472,662
Term loans	6	773,356	903,683
Other liabilities	7	940	1,135
		1,285,942	1,377,480
Long term liabilities			
Provision for other payables	8	275,809	212,333
Provision for accrued	9	23,922	55,365
Provision for long term loan	6	138,912	149,512
Provision for taxation		1,660	1,802
		440,303	419,012
Contingencies and commitments	10		
		<u>4,524,072</u>	<u>4,602,373</u>

Notes 1 to 29 form an integral part of these financial statements.

AS AT 30 JUNE 2011

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

Director

INCOME STATEMENT

for the year ended 30 June 2011

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

Notes 1 to 29 form an integral part of these financial statements.

Executive

Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

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

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

Chief Executive

Director

CASH FLOW STATEMENT

for the year ended 30 June 2011

	<i>Note</i>	2011 (Rupees in thousand)	2010
Flow from operating activities			
profit before taxation		(7,620)	8,642
Adjustments for:			
depreciation		58,422	57,295
gain on sale of property, plant and equipment		-	(4,913)
provision for staff retirement benefits		606	673
net finance cost		191,290	178,964
		<u>250,318</u>	<u>232,019</u>
Operating profit before working capital changes		242,698	240,661
Changes in working capital (increase)/ decrease in current assets			
receivables, prepayments and other receivables		7,300	(9,011)
inventory and spares		(17,058)	(26,748)
payables and debts		(8,547)	(83,316)
		<u>(18,305)</u>	<u>(119,075)</u>
Change in current liabilities			
tax and other payables		63,476	82,776
Net cash generated from operations		287,869	204,362
Changes in non-current assets and liabilities			
net finance cost paid		(176,842)	(152,003)
income tax paid		(576)	(139)
retirement benefits paid		(801)	(472)
		<u>(178,219)</u>	<u>(152,614)</u>
Net cash generated from operating activities		109,650	51,748
Flow from investing activities			
capital expenditure		(10,512)	(27,175)
proceeds from sale of property, plant and equipment		-	11,913
Net cash used in investing activities		(10,512)	(15,262)
Flow from financing activities			
receipts from borrowings of long term loans		(148,956)	(65,650)
Net cash used in financing activities		(148,956)	(65,650)
Net increase in cash and cash equivalents		(49,818)	(29,164)
Net cash equivalents at the beginning of the year		55,752	84,916
Net cash equivalents at the end of the year	16	5,934	55,752

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

Executive

Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	Share capital	Accumulated loss	Total
	----- (R u p e e s i n t h o u s a n d) -----		
Balance as at 01 July 2009	3,425,500	(626,662)	2,798,838
Total comprehensive income for the year	-	7,043	7,043
Balance as at 30 June 2010	3,425,500	(619,619)	2,805,881
Total comprehensive loss for the year	-	(8,054)	(8,054)
Balance as at 30 June 2011	3,425,500	(627,673)	2,797,827

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

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Business status and nature of business

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 electricity to Water and Power Development Authority of Pakistan (WAPDA) from its thermal power plant having a gross capacity of 32 Mega Watts (2010 : 32 Mega Watts). The Company commenced commercial operations with effect from 06 June 2001. The registered office of the Company is situated at Escon Headquarters, 18 km, Ferozepur Road, Lahore.

Methods of preparation

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.

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.

Functional and presentation currency

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

Use of estimates and judgments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Significant accounting policies

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.

Taxation

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

Property, plant and equipment

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

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

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

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

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

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

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

3.4 Capital work in progress

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

3.5 Long term investments

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

3.6 Stores and spares

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

3.7 Financial instruments

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

3.8 Offsetting

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

3.9 Trade debts

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

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.

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.

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.

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.

Foreign currencies

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

3.15 Borrowing costs

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

3.16 Revenue recognition

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

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

3.17 Dividend

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

4 Issued, subscribed and paid up capital

2011 (Number of shares)	2010		2011 (Rupees in thousand)	2010
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 2011, 190,567,063 (2010:190,567,063) ordinary shares of the Company are held by Descon Engineering Limited, the holding company.

	Note	2011 (Rupees in thousand)	2010
--	------	------------------------------	------

5 Sponsors' Loans - Unsecured

These are composed of loans from associated undertakings:

Descon Engineering Limited	5.1	315,218	315,218
Crescent Standard Business Management (Private) Limited	5.2	23,152	23,152
		338,370	338,370
Interest on long term finance	5.3	173,276	134,292
		<u>511,646</u>	<u>472,662</u>

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

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

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

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

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

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

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

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

	<i>Note</i>	2011 (Rupees in thousand)	2010
7			
Deferred liabilities			
Provision for:			
Staff gratuity		487	300
Compensated absences		453	835
		940	1,135

8 Trade and other payables

Trade creditors	8.1 & 8.2	100,823	63,337
Natural gas charges to SNGPL		157,027	128,098
Due to Power Management Company (Private) Limited	8.3	17,527	19,888
Provision for worker's funds	8.4	-	-
Accrued liabilities		432	1,010
		275,809	212,333

- 8.1** It includes the amount of Rs. 7.15 million (2010: Rs. 4.42 million) payable to Descon Engineering Limited, the holding company, against engineering services provided and amount of Rs. 61.43 million (2010: Rs. 29.66 million) payable to Descon Power Solution (Private) Limited, an associated company.
- 8.2** It includes the amount of Rs.18.713 million (2010: Rs. 15.675 million) payable to MWM GmbH against stores and spares purchased.
- 8.3** This represents amount payable to wholly owned subsidiary, Power Management Company (Private) Limited. This is unsecured and carry mark up at six months KIBOR plus 300 basis points.

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

2011 2010
(Rupees in thousand)

Provision for depreciation

Provision for depreciation on long term loan - local currency	20,606	55,115
Provision for depreciation on short term loan from		
Power Management Company (Private) Limited	3,316	250
	23,922	55,365

Contingencies and commitments

1 Contingencies

There are no material contingencies as at 30 June 2011.

2 Commitments

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

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

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

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

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

11 Operating fixed assets

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

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

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

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

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

	<i>Note</i>	2011 (Rupees in thousand)	2010
12 Capital work in progress			
Advances to suppliers and contractors		<u>1,538</u>	<u>-</u>
13 Long term investment			
Investment in subsidiary company	<i>13.1 & 13.2</i>	<u>3,204,510</u>	<u>3,204,510</u>
13.1 This represents 100% shares held in Power Management Company (Private) Limited, which in turn held 59.98% shares of Rousch (Pakistan) Power Limited.			
13.2 As per terms of agreement for acquisition of shares of Rousch (Pakistan) Power Limited (RPPL), the Company has deposited these shares with the trustees of RPPL lenders.			
		2011 (Rupees in thousand)	2010
14 Stores and spares			
Stores		<u>21,049</u>	<u>24,396</u>
Spares		<u>25,440</u>	<u>5,035</u>
		<u>46,489</u>	<u>29,431</u>
15 Advances, prepayments and other receivables			
Advance against expenses		<u>430</u>	<u>674</u>
Advance to Descon Power Solution (Private) Limited		<u>-</u>	<u>5,000</u>
Bank guarantee cost		<u>1,379</u>	<u>2,466</u>
Prepaid insurance		<u>651</u>	<u>1,089</u>
Sales tax receivable		<u>2,456</u>	<u>128</u>
Other receivables		<u>528</u>	<u>2,265</u>
		<u>5,444</u>	<u>11,622</u>

	<i>Note</i>	2011 (Rupees in thousand)	2010
Cash and bank balances			
Cash at banks in:			
- Current accounts		433	1,123
- PLS accounts	16.1	5,313	54,612
		<u>5,746</u>	<u>55,735</u>
Cash in hand		188	17
		<u>5,934</u>	<u>55,752</u>

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

Revenue - net

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

Direct costs

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

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

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

19.2 Auditor's remuneration

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

20 Other operating income

Income from financial assets

Profit on bank accounts	1,240	818
-------------------------	-------	-----

Income from non-financial assets

Gain on disposal of property, plant and equipment	-	4,913
Scrap sales	1,318	246
	1,318	5,159
	2,558	5,977

2011 2010

(Rupees in thousand)

Finance cost

Mark-up on			
long term loans	21.1	178,407	173,116
short term loan - Power Management Company (Private) Limited		3,066	250
bank charges		1,573	2,457
amortization of bank guarantee cost		1,122	1,143
Mark-up on late payments to SNGPL		4,084	1,998
exchange loss		3,038	-
		<u>191,290</u>	<u>178,964</u>

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

Remuneration of Chief Executive, Directors and Executives

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

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

2. In addition to above, actual medical expenses incurred by the ex-Chief Executive of Rs. 0.01 million (2010: Rs. 0.04 million) were reimbursed by the Company. Further ex-Chief Executive was also provided with Company's maintained car.
3. During the year, a new CEO amongst the existing Directors of the Company was appointed in place of the outgoing CEO. However, no remuneration or any other benefits were paid to the new CEO.
4. No fee, remuneration, house rent and utilities were provided to Directors of the Company.

23 Financial instruments

Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

23.1 Credit risk

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

23.1.1 Exposure to credit risk and concentration of credit risk

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

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

23.1.2 Impairment losses

The aging of trade debt at balance sheet date was:

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

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

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

2 Liquidity risk

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

	2011					
	Carrying amount	Contractual cash flows	Maturities			
			Less than six months	Up to one year	Two years to five years	After five years
	----- (Rupees in thousand) -----					
Short-term loan	511,646	(511,646)	-	-	-	(511,646)
Medium-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)	-	-	-
Prepaid mark up	23,922	(23,922)	(23,922)	-	-	-
	<u>1,723,645</u>	<u>(1,855,975)</u>	<u>(373,296)</u>	<u>(74,768)</u>	<u>(528,601)</u>	<u>(879,310)</u>
	2010					
	Carrying amount	Contractual cash flows	Maturities			
			Less than six months	Up to one year	Two years to five years	After five years
	----- (Rupees in thousand) -----					
Short-term loan	472,662	(472,662)	-	-	-	(472,662)
Medium-term loans	1,052,567	(1,052,900)	(74,150)	(75,362)	(532,802)	(370,586)
Trade and other payables	212,333	(212,333)	(212,333)	-	-	-
Prepaid mark up	55,993	(55,993)	(55,993)	-	-	-
	<u>1,793,555</u>	<u>(1,793,888)</u>	<u>(342,476)</u>	<u>(75,362)</u>	<u>(532,802)</u>	<u>(843,248)</u>

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

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.

3.1 Interest rate risk

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

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

	2011	2010
	(Rupees in thousand)	
Variable rate financial instruments	<u>(4,074)</u>	<u>(4,520)</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 2011.

23.3.2 Currency risk

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

Exposure to currency risk

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

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

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

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

The following significant exchange rates were applied during the year:

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

Sensitivity analysis

A ten percent strengthening of the Pakistani Rupee against the Euros at the reporting date would have had a positive impact on equity and would have increased profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for the previous year.

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

A ten percent weakening of the Pakistani Rupee against the Euros at the reporting date would have had an 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. 11.2 million (2010: Rs. 14.9 million). The effect has not been considered either in equity or profit and loss account.

24 Capital risk management

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

The Company's objectives when managing capital are:

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

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

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

25 Transactions with related parties

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

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

Plant capacity and actual generation

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

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

(Loss)/ earnings per share - basic and diluted

5.1 (Loss)/ earnings per share - basic

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

5.2 (Loss)/ earnings per share - diluted

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

Authorization

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

General

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

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

Description	Rupees in thousands	Reclassified	
		From	To
Long term			
in PMCL	628	Trade and other payable	Long term loans
Short term			
in PMCL	250	Trade and other payable	Mark up accrued
from DEL	9063	Trade and other payable	Sponsors' loan - unsecured
on late payment			
PL	1,998	Direct cost	Finance cost
Supplemental	3,504	Other operating income	Revenue

**CONSOLIDATED
FINANCIAL STATEMENT
JUNE 30, 2011**

ERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES

SOLIDATED BALANCE SHEET

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

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

As at 30 June 2011

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

ERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES
SOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30 June 2011

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

Notes annexed to these financial statements form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	2011 (Rupees in thousand)	2010
Profit after tax	1,323,761	2,064,857
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	166,992
Net amount reclassified/ transferred to profit and loss account (note 7)	842,608	-
	1,089,781	166,992
Total comprehensive income	2,413,542	2,231,849
Equity holders of the parent	1,446,658	1,341,278
Non-controlling interest	966,884	890,571
	2,413,542	2,231,849

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

Chief Executive

Director

NRN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES **CONSOLIDATED CASH FLOW STATEMENT**

for the year ended 30 June 2011

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

Notes 1 to 32 form an integral part of these financial statements.

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

For the year ended 30 June 2011

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

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

Chief Executive

Director

ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES STATEMENTS TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

Legal status and nature of business

- The group comprises of:
Altern Energy Limited (AEL); and

Subsidiary companies

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

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

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

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

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

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.

Method of preparation

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

5 Standards, Interpretations and Amendments not yet effective

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

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

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

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

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

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

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

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

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

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

3 Significant accounting policies

3.1 Staff retirement benefits

Defined benefit plan

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

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

Defined contribution plan

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

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

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

3.2 Taxation

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

3.3 Property, plant and equipment

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

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

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

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

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

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

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

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.

5 Stores, spares and loose tools

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

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

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

5 Inventory of fuel oil

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

7 Foreign currencies

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

3.8 Revenue recognition

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

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

3.9 Financial instruments

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

3.10 Offsetting of financial instruments

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

3.11 Derivative financial instruments

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

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

3.12 Borrowing costs

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

3.13 Trade and other payables

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

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

3.14 Cash and cash equivalents

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

3.15 Trade debts

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

16 Impairment

Financial assets

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

Non-Financial assets

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

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

17 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

18 Dividend

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

Issued, subscribed and paid up capital

2011 (Number of shares)	2010		2011 (Rupees in thousand)	2010
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 2011, 190,567,063 (2010: 190,567,063) ordinary shares of the Parent Company are held by Descon Engineering Limited ("the ultimate parent").

5 Sponsors' loan-unsecured

2011
(Rupees in thousand)

2010

Note

These are composed of loans from associated undertakings:

Descon Engineering Limited - the ultimate parent	5.1	315,218	315,218
Crescent Standard Business Management (Private) Limited	5.2	23,152	23,152
		338,370	338,370
Interest on long term finance	5.3	173,276	134,292
		<u>511,646</u>	<u>472,662</u>

- 5.1 It represents funds amounting to Rs. 315.218 million (2010: Rs. 315.218 million) received by AEL from Descon Engineering Limited for investment in Rousch (Pakistan) Power Limited through its subsidiary company, Power Management Company (Private) Limited. As per agreement between the Company, MCB Bank Limited and Descon Engineering Limited, all amounts (including mark-up) due under the sponsors' loan shall be subordinated to the loan facility from MCB Bank Limited. These are unsecured and carry mark up at six months KIBOR plus 300 basis points. It includes interest free loan amounting to Rs. 69.455 million.
- 5.2 It represents funds amounting to Rs. 23.152 million (2010: Rs. 23.152 million) paid by ex-sponsors previously. This loan is payable by AEL to Crescent Standard Business Management (Private) Limited and is unsecured and interest free and will be repaid on available liquidity basis.
- 5.3 It represent mark-up payable by AEL to Descon Engineering Limited of Rs. 173.27 million (2010: Rs. 134.29 million). As per terms of agreement the mark up payment is subordinated to loan facility from MCB Bank Limited and additional mark up is not due on this amount.

2011
(Rupees in thousand)

2010

Note

6 Long term loans - secured and unsecured

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

	2011	2010
(Rupees in thousand)		
	1,398,389	1,742,794
	10,683,131	11,877,530
	395,868	486,246
	747,253	854,003
	106,358	148,564
	1,704,954	1,597,386
	15,035,953	16,706,523

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

	Hermes facility	Supplier loan	Backstop facility	LTCF loan	Syndicate finance - LCY	Syndicate finance - FCY
Arranger / underwriter	ANZ	ANZ	ANZ	NBP	MCB	MCB
Facility amount	US\$ 34.8 million	US\$ 17 million	US\$ 11 million	US\$ 219.08 million	PKR 1,100 million (including FCY portion)	US\$ 3.6 million
Facility utilized	US\$ 34.8 million	US\$ 12.6 million	US\$ 11 million	US\$ 219.08 million	PKR 854,003 million	US\$ 3.6 million
Term in years (post commercial operation date)	15	Note 6.1.5 (b)	11	20	10	7
Interest per annum and repayment terms	LIBOR + 0.75% Payable semi-annually	6% accretion semi-annually	LIBOR + 0.75% Payable semi-annually	Note 6.1.4	6 m KIBOR + 2.75% semi-annually	3 m LIBOR+2.95% quarterly
Swap rate with Royal Bank of Scotland (formerly ABN Amro Bank N.V.), effective from 29 September 2006 (note 7)	4.76%	-	4.68%	3.68% effective upto 28 September 2007 & 5.21% from 29	-	-
Notional amounts under the interest rates swap	US\$ 16,357 million	-	US\$ 2,090 million	US\$ 124,150 million	-	-

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

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

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

6.1.4 Long Term Credit Facility (LTCF) loan has been co-financed by the World Bank (US\$ 119.7 million) and The Export and Import Bank of Japan (US\$ 49.6 million). Further, this facility includes capitalized mark-up / interest amounting to US\$ 49.7 million. This facility carries mark-up at the rate of 1 year US 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 AG and RPPL whereby it has been agreed that instead of cash sweep arrangement, loan from Backstop, Supplier loan and Long term liability would be paid in fixed installments. The MOU is subject to lenders' approval which is pending at reporting date. However, the management confident that the same would be approved by lenders. As per agreed MOU:

- Loan under Backstop facility will be paid after adjustments of prepayments with New Hermes for new loan. Accordingly, loan payments have been started and last installment will be due on 30 September 2011.
- Initially, the supplier loan repayment was agreed to be made on the basis of fund available on repayment date after fulfilling the funding requirements as per the provisions of Master Agreement before distribution of dividend. However, as per MOU, repayment of installment has been agreed which are to be due on 31 March 2014, 30 September 2014 and 31 March 2015. Subsequent to the year end, these repayments have been further rescheduled and now will due in two installments on 30 September 2014 and 31 March 2015.
- Initially, it was anticipated that this liability was to be settled between 2010 and 2013 and accordingly such liability has been re-measured at fair value by using discount rate of 8% per annum. However, during the year ended 30 June 2010, RPPL after reviewing its future cash flows considered that such liability is to be settled between 2015 and 2016 and accordingly liability has been re-measured at fair value by using discount rate of 8 per cent per annum. However, as per MOU Long term liability would be repaid in five unequal semi-annual installment starting from September, 2015. It has also been agreed that the long term liability would be subject to 8% interest from the period starting 1 April 2015. Subsequent to year end, it was agreed with Siemens AG that the interest will start from 1 July 2015. RPPL has remeasured the fair value of the long term liability assuming discount rate of 8 percent and has recorded accretion on discount and fair value adjustment amounting to Rs. 169.947 million in the profit and loss account.

- 6 AEL had obtained a long term syndicate facility of Rs.1,100 million, which includes foreign currency loan limit of US Dollars 3.6 million, from consortium of banks under the lead of MCB Bank Limited. The outstanding loan amount is repayable in 14 equal six monthly installments ending on 25 January 2018. The loan carries mark-up at six month KIBOR plus 275 basis points, payable half yearly in arrears. The loan is secured by way of first ranking pari-passu charge on existing property, plant and equipment of the AEL at Fateh Jang site.
- 7 The limit of foreign currency portion of loan is of US dollars 3.6 million. The outstanding loan amount is repayable in eighteen un-equal quarterly installments payable upto 31 December 2015. It is secured by way of first ranking pari passu charge on existing property, plant and equipment of AEL at the Fateh Jang site. It carries mark-up at three month LIBOR plus 295 basis points payable quarterly in arrears.

Interest rate swap liabilities

PL 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 /.) with effect from 29 September 2006. In case the floating rate is less than the fixed (hedged) rates, RPPL liable to pay the difference during the respective period and vice versa. The swap arrangement has been secured by a first pari passu charge of US\$ 25 million on all the assets of RPPL. These arrangements are effective up to 30 September 2014.

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

	Note	2011 (Rupees in thousand)	2010
Deferred liabilities			
Gratuity - AEL		487	300
Compensated absences - AEL		453	835
		<u>940</u>	<u>1,135</u>

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

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

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

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

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

9.4 This represents amount payable to a related party.

- .5 This represents 5% retention money payable to the contractor, a related party on account of replacement of STG 10 rotor.
- .6 The RPPL has filed an appeal against the judgment of a single judge to challenge the levy and collection of infrastructure fee / cess imposed through the Sindh Finance (Amendment) Ordinance, 2001 on the movement of goods entering or leaving the province from or for outside the country.

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

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

2011 2010
(Rupees in thousand)

.8 Provision for workers' funds

Provision for Workers' Profit Participation Fund	66,323	103,359
Provision for Workers' Welfare Fund	26,529	41,344
	<u>92,852</u>	<u>144,703</u>
Less: Recoverable from WAPDA as pass through item	<u>(92,852)</u>	<u>(144,703)</u>
	<u>-</u>	<u>-</u>

Short term loans

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

11 Contingencies and commitments

Contingencies

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

Commitments

- Commitments for LTE cost under new LTMSA (refer to note 30.6) as at 30 June 2011 amounted approximately to Rs. 1792.657 million (Euro 14.37 million) (2010: Rs. Nil).
- Commitment under letters of credit for raw materials as at 30 June 2011 amounted to Rs. 1.370 million (2010: Rs. 1.368 million).
- Letter of credit facility of Rs. 1425 million (2010: Rs. 1425 million) is available from a consortium of local banks led by Bank Alfalah Limited in favor of Sui Northern Gas Pipelines Limited (SNGPL) as a security to cover gas supply to RPPL for payments are made in arrears.
- MCB Bank Limited has issued bank guarantee for Rs. 156.213 million (2010 : 156.213 million) in favour of Sui Northern Gas Pipelines Limited as a security to cover gas supply to AEL for which payments are made in arrears. The guarantee will expire on 10 June 2012, which is renewable.
- MCB Bank Limited has also issued bank guarantee on behalf of AEL for Rs. 2.5 million each in favour of Shell Pakistan Limited, expiring on 23 March 2012 and Rs. 2.5 million in favour of MAL Pakistan Limited, expiring on 20 March 2012.
- During the year ended 30 June 2010, AEL had lodged warranty claim of Euro 300,000 on account of failure of mixer cooler cores. In order to support the AEL, MWM, the engine supplier, though supplied the cores but later on did not accept the claim on account of high Sulphur content in the intake air. The AEL believed that the warranty claim can be settled at one half of the claim amount and accordingly restricted its provision on account of rejected warranty claim to Euro 150,000 as against the total rejected claim of Euro 300,000.
- During the year, the AEL and MWM have entered into a settlement transaction by way of which MWM will provide 5 mixer cooler cores free of cost to the AEL having a fair value Euro 195,000 against the payment of full amount of warranty claim (Euro 300,000). AEL has issued the purchase order for these cores during the year and the delivery is expected in third quarter of 2011.
- Keeping in view the above, AEL has maintained the provision of Euro 150,000 and the final adjustment will be made on receipt of spares.

12 Operating fixed assets

	Annual rate of depreciation	Cost as at 01 July 2010	Additions/ (disposals)/ adjustments	Cost as at 30 June 2011	Accumulated depreciation as at 01 July 2011	charge/ (on disposals)/	Accumulated depreciation as at 30 June 2011	Book value as at 30 June 2011
	%							
(Rupees in thousands)								
Freehold land	3.33	59,413	-	59,413	19,428	1,820	21,248	38,165
Building on freehold land	3-5	1,909,207	3,288	1,912,495	679,681	63,621	743,302	1,169,193
Plant and machinery (note 12.2)	3-17	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	10	1,321	973 (1,322)	972	93	112 (150)	55	917
Electric equipment	10	1,849	260	2,109	412	163	575	1,534
Furniture and fixtures	20	3,014	253 (191)	3,076	2,769	116 (165)	2,720	356
Office equipment	10-33	20,818	2,371 (1,240)	21,949	15,719	2,420 (1,157)	16,982	4,967
Vehicles	20	38,261	8,806 (6,099)	40,968	26,835	2,571 (5,071)	24,335	16,633
Capital spares	3-5	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

Annual rate of depreciation	Cost as at 01 July 2009	Additions/ (disposals)/ *adjustments	Cost as at 30 June 2010	Accumulated depreciation as 01 July 2009	charge/ (disposals)/ *adjustments for the year	Accumulated depreciation as at 30 June 2010	Book value as at 30 June 2010
10%	(R u p e e s i n t h o u s a n d)						
Freehold land							
3.33	59,413	-	59,413	17,456	1,972	19,428	39,985
3-5	1,903,236	5,971	1,909,207	616,290	63,391	679,681	1,229,526
3-17	35,767,391	23,189	36,244,371	10,487,502	1,277,464	11,330,353	24,914,018
Plant and machinery (note 12.2)		895,404			(267,320)		
		(441,613)			(167,293)		
Leasehold improvements							
10	3,877	1,322	1,321	3,585	148	93	1,228
		(3,878)			(3,640)		
Electric equipment							
10	1,849	-	1,849	237	175	412	1,437
20	2,917	155	3,014	2,741	86	2,769	245
		(58)			(58)		
Office equipment							
10-33	20,539	1,550	20,818	14,564	2,344	15,719	5,099
		(1,271)			(1,189)		
Vehicles							
20	36,761	4,347	38,261	26,245	2,384	26,835	11,426
		(2,847)			(1,794)		
Capital spares							
3-5	439,465	-	435,624	111,815	16,095	127,864	307,760
		(3,841)			(46)		
	38,235,448	931,938	38,713,878	11,280,435	1,364,059	12,203,154	26,510,724
		(453,508)			(441,340)		

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

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

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-----')					
Corolla	1,199	348	851	815	RPPL policy	Ex-employee
i Terracan	2,550	2,072	478	1,650	Negotiation	Employee
Items of written down less than Rs. 50,000 each	3,782	3,672	110	1,775	Negotiation/ RPPL Policy/ write off	Various
	<u>7,531</u>	<u>6,092</u>	<u>1,439</u>	<u>4,240</u>		

	2011 (Rupees in thousand)	2010
Capital work in progress		
Advances to suppliers and contractors	<u>1,538</u>	<u>-</u>

Long term loan to employees

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

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

15 Stores, spares and loose tools

Stores	371,410	353,785
Spares	25,440	5,035
	<u>396,850</u>	<u>358,820</u>

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

16 Trade debts - secured, considered good

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

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

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

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

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

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

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

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

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

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

	Note	2011 (Rupees in thousand)	2010
1.2 Auditor's remuneration			
Annual audit fee		1,941	1,696
Half year review fee		150	150
Tax consultancy		100	250
Out of pocket expenses		50	50
		<u>2,241</u>	<u>2,146</u>
Other operating income			
Income from financial assets			
Income on bank deposits		44,466	14,235
Interest on late payment from WAPDA		-	3,504
		<u>44,466</u>	<u>17,739</u>
Income from non-financial assets			
Gain on sale of property, plant & equipment		2,433	5,539
Scrap sales		2,564	1,329
Exchange gain		26	-
Liability written back		9,784	-
Other income		60	366
		<u>14,867</u>	<u>7,234</u>
		<u>59,333</u>	<u>24,973</u>
Finance cost			
Interest and mark-up on:			
Long term loans	23.1 & 23.2	2,045,833	2,226,484
Short term borrowings		21,709	30,060
Amortization of bank guarantee cost		1,122	1,143
Foreign exchange difference		3,038	13
Provision of discount on long term liability	23.3	169,947	(385,310)
Effective portion of changes in fair value of cash flow hedges		-	451,282
Amount reclassified / transferred from hedging reserve	7	842,608	-
Broker fees and charges		59,734	64,527
Other related costs-others		23,606	14,846
Mark-up on late payments to SNGPL		4,084	-
Bank charges		1,573	2,459
		<u>3,173,254</u>	<u>2,405,504</u>

- 23.1 It includes mark up accrued to Descon Engineering Limited, the holding company amounting to Rs. 38.99 million (2010: Rs. 36.19 million).
- 23.2 This includes net swap payments of Rs. 666.558 million (2010: Rs. 626.007 million) and net exchange gain of Rs. 27.187 million (2010 exchange loss : Rs. 48.680 million)
- 23.3 This represents reversal of liability due to change in repayment schedule as explained in note 6.1.5(c) to these financial statements.

24 Payable to defined benefit plan

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

24.1	Actuarial assumptions	2011	2010
	Valuation discount rate	14%	14%
	Expected rate of increase in salaries	14%	14%
	Expected rate of return on plan assets	14%	14%
24.2	Funding status	2011	2010
		(Rupees in thousand)	
	The amounts recognised in balance sheet are as follows:		
	Present value of defined benefit obligation	14,461	9,850
	Fair value of plan assets	(12,666)	(6,528)
	(Losses) not recognised	(1,734)	(54)
	Liability in balance sheet	61	3,268

24.3 Changes in present value of defined benefit obligation

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

1.4 Changes in fair value of plan assets

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

1.5 Amounts recognised in the profit and loss account

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

1.6 Composition / fair value of plan assets

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

Remuneration of Chief Executive, Directors and Executives

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

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

- 25.2 In addition to above, actual medical expenses incurred by the ex-Chief Executive of AEL of Rs. 0.01 million (2010: Rs. 0.04 million) were reimbursed by the Company. Further ex-Chief Executive was also provided with Company's maintained car.
- 25.3 During the year CEO of AEL left the Company and new CEO was appointed from amongst the existing Directors of the Company. However, no remuneration or any other benefits were paid to new CEO.
- 25.4 No fee, remuneration, house rent and utilities were provided to Directors of the Group.

26 Capital risk management

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

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

27 Financial instruments

Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

27.1 Credit risk

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

7.1.1 Exposure to credit risk

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

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

7.1.2 Impairment losses

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

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

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

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

7.3 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.

7.3.1 Interest rate risk

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

	Carrying amounts	
	2011	2010
	(Rupees in thousand)	
Fixed rate instruments:		
Financial liabilities	<u>(3,236,008)</u>	<u>(1,597,386)</u>
Variable rate instruments:		
Financial assets	1,489,913	320,082
Financial liabilities	<u>(15,031,487)</u>	<u>(17,192,748)</u>
	<u>(13,541,574)</u>	<u>(16,872,666)</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	
	2011	2010	2011	2010
	(Rupees in thousand)			
Variable rate instruments	<u>-</u>	<u>443,942</u>	<u>318,382</u>	<u>40,579</u>

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

Fair value of financial assets and liabilities

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

27.3.2 Currency risk

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

Exposure to currency risk

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

	2011		
	Rupees	US Dollars	Euro
	(Amounts in thousand)		
Cash and cash equivalents	232,005	2,702	268
Long term loans	(15,819,754)	(184,147)	-
Interest rate swap	(1,293,890)	(15,036)	-
Trade and other payables	(1,188,086)	(12,097)	(1,078)
Gross balance sheet exposure	(18,069,725)	(208,578)	(810)
	2010		
	Rupees	US Dollars	Euro
	(Amounts in thousand)		
Cash and cash equivalents	231,705	2,386	268
Long term loans	(17,206,509)	(185,367)	-
Interest rate swap	(1,541,061)	(20,244)	-
Trade and other payables	(851,756)	(9,143)	(661)
Gross balance sheet exposure	(19,367,621)	(212,368)	(393)

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

The following significant exchange rates were applied during the year:

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

Sensitivity analysis

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

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

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

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

Transaction with related parties

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

2011 2010
(Rupees in thousand)

Descon Engineering Limited - the ultimate parent
On account of:

Short term loan - received during the year	-	5,063
Mark up accrued during the year	38,984	36,186
Engineering services	2,386	-
Reimbursement of expenses	624	381
Payments for services	16,066	10,601

Associated companies
Descon Power Solutions (Private) Limited
On account of:

- Operation and maintenance agreement	21,600	21,600
- Service agreement of generators	2,400	2,400
- Spare parts purchased	94,856	27,648
Operator's fee paid to ESB International Contracting Limited	511,863	651,397
Payments to Siemens AG as maintenance contractor	243,421	385,474
Payments to Siemens AG for supply of spares and services	-	16,000
Payments to Siemens Pakistan Engineering Company Limited for supply of spares and services	2,217	854
Payments to Siemens AG on repair agreements	18,538	299,285
Payments to Presson Descon Engineering (Private) Limited for supply of spares and services	3,131	384
Payments to Siemens AG against LTMSA contract	502,456	-
Payments to Siemens Pakistan Engineering Company Limited against LTMSA contract	85,982	-
Sale proceeds from Descon Chemical Limited for the sale of leasehold improvements	500	-
Staff retirement contribution fund		
Payment to staff gratuity fund	3,572	11,866
Payment to staff provident fund	5,361	3,224

PATTERN OF SHAREHOLDING

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

30-06-2011

-----Shareholding-----

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

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

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

SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL

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

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

NIL

NOTICE OF ANNUAL GENERAL MEETING

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

ORDINARY BUSINESS

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

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

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

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

By Order of the Board

(Umer Shehzad)
Company Secretary

October 22, 2011

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

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

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

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

PROXY FORM

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

As witness may hand this _____ day of _____ 2011.

Member's Signature

Please affix
here Revenue
Stamp

Witness's Signature

Place: _____

Date: _____

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

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

