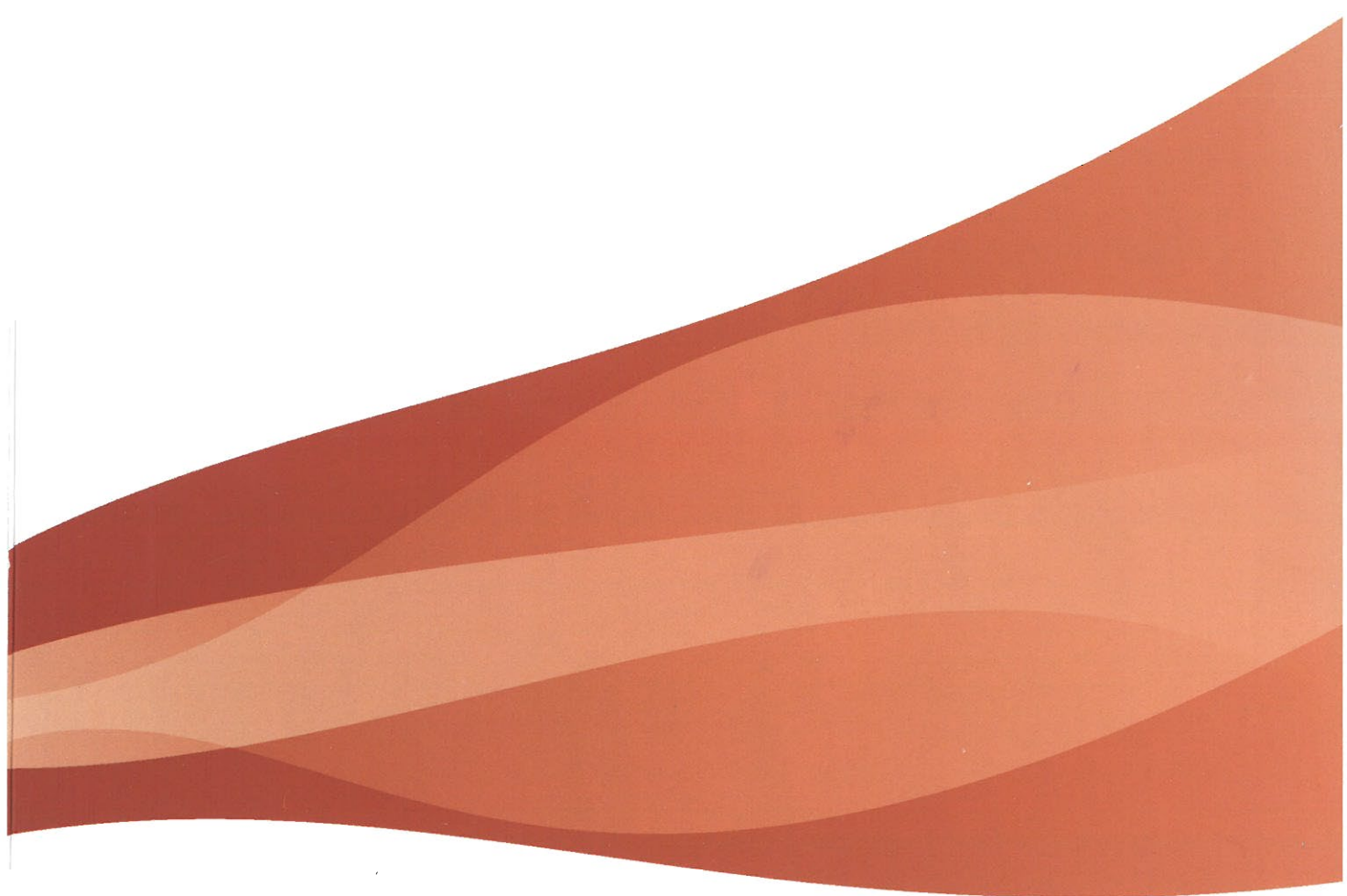




**ALTERN ENERGY LIMITED**



**Annual Report**  
**2013**

## **COMPANY INFORMATION**

### **BOARD OF DIRECTORS**

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

### **AUDIT COMMITTEE**

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

### **HUMAN RESOURCE & REMUNERATION COMMITTEE**

Mr. Abdul Razak Dawood	(Chairman)
Syed Zamanat Abbas	
Mr. Fazal Hussain Asim	

### **CFO AND COMPANY SECRETARY**

Mr. Umer Shehzad

### **AUDITORS**

KPMG Taseer Hadi & Co.  
Chartered Accountants

### **BANKERS**

MCB Bank Ltd.  
The Bank of Punjab

### **REGISTERED OFFICE**

DESCON HEADQUARTERS  
18-km Ferozpur Road, Lahore.

### **REGISTRAR SHARES**

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

## VISION STATEMENT

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

## MISSION STATEMENT

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

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

## DIRECTOR'S REPORT

We are pleased to present the annual report together with the audited financial statements of Altern Energy Limited ("the Company") for the financial year ended June 30, 2013.

### General

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

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

### Operations

The Company continues to provide support both WAPDA and the Government of Pakistan through supply of energy to minimize the effects of nation-wide power shortage. During the period under review, the Company successfully dispatched 193,794 MWh (2011-12: 182,067 MWh) to WAPDA.

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

### Finance

During the year under review, the Company's turnover is Rs. 1,471.6 million (2011-12: Rs. 1,154.02 million) and operating costs were Rs. 1,228.9 million (2011-12: Rs. 1,001.3 million), resulting in gross profit of Rs. 242.7 million as against a gross profit of Rs. 152.8 million of last year. The Company posted net profit of Rs. 57.8 million showing an earning per share of Rs. 0.16 as compared to corresponding period net loss of Rs. (36.9) million and loss per share of Rs. (0.11).

The Company duly discharged its obligations to lenders against local and foreign currency loans as and when these became due.

During the year under review, the Company has issued 20,830,000 shares of Rs. 10/- each under Section 86(1) of Companies Ordinance, 1984 after taking approval of SECP at Rs.12/- per share to Descon Engineering Limited.

Your Company's consolidated earning for the year was Rs. 1,815.8 million resulting in earning per share of Rs. 5.00 per share, as compared to consolidated earning of Rs. 1,079.4 million and earning per share of Rs. 3.15 in the year ended June 30, 2012. We expect that both Altern Energy Limited and its subsidiary Rousch (Pakistan) Power Limited will continue to achieve highest levels of operational efficiency and performance in future.

### Subsidiary's Review

During the year under review, RPPL operated smoothly posting profit of Rs. 2,924 million (earning per share of Rs. 3.39) as compared to Rs. 1,852 million (earning per share of Rs. 2.15) earned during the corresponding period of the last year. RPPL continues to discharge its liabilities as and when they become due. During the

year, RPPL has repaid its debt obligations amounting to Rs. 3,700.52 million due in September 2012 and March 2013 to the senior and subordinated lenders.

The Rousch power station generated 2,535 GWh of electricity during the year under review as compared to 2,731 GWh during the previous financial year. RPPL's generation would have been much higher had its plant not remained out of operation (91 days at full load) due to suspension / curtailment of gas supply as a result of accumulation of its overdue towards gas supplier as a consequence of piling up of substantial overdue amount with WAPDA.

During the year, RPPL has paid Rs 576.54 million to WAPDA as its share of gas efficiency due to efficient plant operations.

### **Future Outlook**

Altern's Gas Supply Agreement with firm supply for nine months expired on 30 June, 2013. The Company is following up with Government for allocation of gas on firm supply basis till remaining tenure of the PPA on the pretext that its engine can only operate on natural gas. Ministry of Petroleum and Natural Resources has shown its inability to allocate gas to the Company on firm supply basis but assured gas supply under "as and when available" arrangement. The Board is drawing comfort from that since allocation of gas to power sector after domestic customers, its request for firm allocation will be entertained or alternatively consistent gas supply under "As and when available arrangement" will remain continue as witnessed since 1st July, 2013. We hope that with the reforms being introduced in power sector through new Power Policy, circular debt issue which was substantially resolved at end June, 2013 and re-emerging thereafter will ultimately be resolved.

### **Health, safety & Environment**

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

### **Corporate and Financial Reporting Framework**

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

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

**Board of Directors**

During the year, Mr. Salman Zakaria resigned from the position of Director of the Company, and Mr. Farooq Nazir has been appointed as Director of the Company in his place for the balance unexpired term.

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

<b>Name of Director</b>	<b>No. of Meetings attended</b>
Mr. Abdul Razak Dawood	4
Syed Zamanat Abbas	3
Mr. Salman Zakaria	1
Mr. Fazal Hussain Asim	3
Mr. Khalid Salman Khan	2
Mr. Ali Nazir Kazmi	3
Mr. Shah Muhammad Chaudhry	3
Mr. Farooq Nazir	2

**Pattern of Shareholding**

The pattern of shareholding and related additional information is attached herewith.

No trading in Company's share were carried out by the Directors, CEO, CFO, Company Secretary and their spouses including minor children, except of those that have been duly reported as per law.

**Auditors**

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

**Acknowledgement**

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

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

**For and on behalf the Board**

**Lahore**  
**September 18, 2013**

**Syed Zamanat Abbas**  
**Chief Executive**

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the “Code”) contained in the Listing Regulation No. 35 of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Names
Independent Director	Company will have an independent director on the upcoming election of board of directors.
Executive Directors	Syed Zamanat Abbas
Non-Executive Directors	Mr. Abdul Razak Dawood Mr. Farooq Nazir Mr. Fazal Hussain Asim Mr. Khalid Salman Khan Mr. Shah Muhammad Chaudhary Syed Ali Nazir Kazmi

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding company where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI, or being a member of a stock exchange, has been declared as defaulter by that stock exchange.
4. A casual vacancy occurring on the board on 01 January 2013 was filled by the directors on same date.
5. The Company has prepared a “Statement of Ethics and Business Practices” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The board has arranged Corporate Governance Leadership Skills (CGLS) training program from Pakistan Institute of Corporate Governance for its directors during the year. One director has been certified.

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

**For and behalf of the Board of Directors**

**Lahore:**  
**September 18, 2013**

**Syed Zamanat Abbas**  
**Chief Executive**

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

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

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

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

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

As at 30 June 2013, the Company had not constituted Human Resource and Remuneration Committee pursuant to the requirements of the Code. However, subsequently to the year end, the Board has constituted the aforementioned committee.

Based on our review, except for the matter disclosed in above paragraph, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company the year ended 30 June 2013.

Lahore:  
September 18, 2013

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**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 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2013 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Lahore:  
September 18, 2013

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

# BALANCE SHEET

	Note	2013	2012 (Rupees in thousand) Restated	2011 Restated
<b>EQUITY AND LIABILITIES</b>				
<b>Share capital and reserves</b>				
Authorized capital				
400,000,000 (2012: 400,000,000) ordinary shares of Rs. 10 each		<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>
Issued, subscribed and paid up capital				
363,380,000 (30 June 2012: 342,550,000) ordinary shares of Rs. 10/- each	4	3,633,800	3,425,500	3,425,500
Share premium		41,660	-	-
Equity portion of sponsors' loan	5	43,179	49,012	54,156
Accumulated loss		<u>(606,833)</u>	<u>(664,658)</u>	<u>(627,673)</u>
		<u>3,111,806</u>	<u>2,809,854</u>	<u>2,851,983</u>
<b>Non-current liabilities</b>				
Sponsors' loan - unsecured	6	562,331	520,571	457,490
Long term loans	7	530,553	652,001	773,356
Deferred liabilities	8	1,372	1,072	940
		<u>1,094,256</u>	<u>1,173,644</u>	<u>1,231,786</u>
<b>Current liabilities</b>				
Trade and other payables	9	265,992	511,570	275,809
Mark up accrued	10	18,641	73,823	23,922
Current portion of long term loan	7	130,754	189,638	138,912
Provision for taxation		1,661	1,601	1,660
		<u>417,048</u>	<u>776,632</u>	<u>440,303</u>
<b>Contingencies and commitments</b>	11			
		<u>4,623,110</u>	<u>4,760,130</u>	<u>4,524,072</u>

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

Chief Executive

AS AT 30 JUNE 2013

		2013	2012	2011
	Note	(Rupees in thousand)		
			Restated	Restated
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment				
- Operating fixed assets	12	968,219	1,027,714	1,051,137
- Capital work in progress		-	-	1,538
Long term investment	13	3,204,510	3,204,510	3,204,510
Long term deposits		38	38	38
		<u>4,172,767</u>	<u>4,232,262</u>	<u>4,257,223</u>
<b>Current assets</b>				
Stores and spares	14	24,677	53,695	46,489
Trade debts -secured, considered good		291,303	448,777	208,982
Advances, prepayments and other receivables	15	19,106	13,461	5,444
Cash and bank balances	16	115,257	11,935	5,934
		<u>450,343</u>	<u>527,868</u>	<u>266,849</u>
		<u><u>4,623,110</u></u>	<u><u>4,760,130</u></u>	<u><u>4,524,072</u></u>

Director

**PROFIT AND LOSS STATEMENT**  
FOR THE YEAR ENDED 30 JUNE 2013

	<i>Note</i>	<b>2013</b> <b>(Rupees in thousand)</b>	<b>2012</b>
Revenue - net	17	1,471,563	1,154,020
Direct costs	18	<u>(1,228,881)</u>	<u>(1,001,251)</u>
<b>Gross profit</b>		<b>242,682</b>	<b>152,769</b>
Administrative expenses	19	(11,303)	(10,147)
Other income	20	1,815	4,644
<b>Profit from operations</b>		<b>233,194</b>	<b>147,266</b>
Finance cost	21	<u>(175,068)</u>	<u>(183,924)</u>
<b>Profit / (loss) before taxation</b>		<b>58,126</b>	<b>(36,658)</b>
Taxation		(301)	(327)
<b>Profit / (Loss) after taxation</b>		<b>57,825</b>	<b>(36,985)</b>
Earning / (Loss) per share - basic and diluted	<i>(Rupee)</i> 27	<u><b>0.16</b></u>	<u><b>(0.11)</b></u>

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

**STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	(Rupees in thousand)	
Profit / (Loss) after taxation	57,825	(36,985)
Other comprehensive income for the year	-	-
<b>Total comprehensive income / (loss) for the year</b>	<b>57,825</b>	<b>(36,985)</b>

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 2013

	Note	2013 (Rupees in thousand)	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit / (Loss) before taxation		58,126	(36,658)
<i>Adjustments for:</i>			
Depreciation		79,476	77,353
Provision for staff retirement benefits		333	457
Amortization of bank guarantee cost		1,351	-
Provision for obsolete stock		-	3,636
Exchange loss		606	-
Finance cost		173,111	183,924
		<b>254,877</b>	<b>265,370</b>
<b>Operating profit before working capital changes</b>		<b>313,003</b>	<b>228,712</b>
<b>(Increase)/ decrease in current assets</b>			
Advances, prepayments and other receivables		(5,645)	(6,904)
Stores and spares		12,781	(10,842)
Trade debts		157,474	(239,795)
		<b>164,610</b>	<b>(257,541)</b>
<b>Increase/(Decrease) in current liabilities</b>			
Trade and other payables		(290,532)	217,409
<b>Cash generated from operations</b>		<b>187,081</b>	<b>188,580</b>
Finance cost paid		(142,587)	(82,742)
Income tax paid		(241)	(386)
Staff retirement benefits paid		(32)	(325)
		<b>(142,860)</b>	<b>(83,453)</b>
<b>Net cash flows generated from operating activities</b>		<b>44,221</b>	<b>105,127</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(3,744)	(34,040)
<b>Net cash used in investing activities</b>		<b>(3,744)</b>	<b>(34,040)</b>
<b>CASH FLOWS GENERATED FROM FINANCING ACTIVITIES</b>			
Repayments of long term loans		(187,114)	(81,086)
Proceeds from sponsor's loan		-	16,000
Proceeds from issuance of share capital		208,300	-
Share premium received		41,660	-
<b>Net cash used in financing activities</b>		<b>62,846</b>	<b>(65,086)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>103,322</b>	<b>6,001</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>11,935</b>	<b>5,934</b>
<b>Cash and cash equivalents at the end of the year</b>	16	<b>115,257</b>	<b>11,935</b>

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

Chief Executive

Director

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Share capital	Share premium	Equity portion of sponsor loan	Accumulated loss	Total
	Rupees in thousand				
<b>Balance as at 30 June 2011</b>					
- as previously reported	3,425,500	-	-	(627,673)	2,797,827
Effect of adjustment as referred to note 5.3	-	-	54,156	-	54,156
<b>Balance as at 30 June 2011 - restated</b>	3,425,500	-	54,156	(627,673)	2,851,983
Imputed interest on sponsors' loan	-	-	(5,144)	-	(5,144)
Total comprehensive loss for the year	-	-	-	(36,985)	(36,985)
<b>Balance as at 30 June 2012 - restated</b>	3,425,500	-	49,012	(664,658)	2,809,854
Imputed interest on sponsors' loan	-	-	(5,833)	-	(5,833)
Total comprehensive income for the year	-	-	-	57,825	57,825
<b>Transaction with owners recorded in equity</b>					
Issuance of Share capital	208,300	-	-	-	208,300
Share premium	-	41,660	-	-	41,660
<b>Balance as at 30 June 2013</b>	<b>3,633,800</b>	<b>41,660</b>	<b>43,179</b>	<b>(606,833)</b>	<b>3,111,806</b>

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 2013

### 1 Legal status and nature of business

- 1.1** Altern Energy Limited ("the Company") was incorporated in Pakistan on 17 January 1995 and is listed on Karachi Stock Exchange. The principal objective of the Company is to generate and supply electric power to Water and Power Development Authority of Pakistan (WAPDA) from its thermal power plant having a gross capacity of 32 Mega Watts (2012: 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.
- 1.2** Company's Gas Supply Agreement (GSA) with Sui Northern Gas Pipelines Limited (SNGPL) has expired on 30 June 2013. The Company is in the process of negotiation with Government of Pakistan for extension of the agreement. As per section 2.2 of the GSA dated 3rd August 2007, the term of the GSA may be extended by SNGPL subject to Government of Pakistan's approval and availability of gas. Gas allocation letter no. BG(1)-7(158)/2003-PP(AEL) dated 29th September 2004 provides that a comfort letter will be issued to the Company regarding supply of gas on as and when available basis beyond the agreement term.

The Company has received a letter from Ministry of Petroleum and Natural Resources reference No. 1(102) PP1B-9396/13/PRJ dated 28 June, 2013 whereby the ministry has informed that SNGPL will provide gas to the company on "As and When Available" basis without any commitment in line with GSA's of other IPP's.

### 2 Basis of preparation

#### 2.1 Statement of compliance

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

#### 2.2 Basis of measurement

These accounts have been prepared under the historical cost convention except exchange differences capitalized as part of the cost of relevant assets referred to in note 12.2.

#### 2.3 Functional and presentation currency

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

#### 2.4 Use of estimates and judgments

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

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

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

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Company.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement. The amendment would not have significant impact on financial statement of the company.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendment would not have significant impact on financial statement of the company.

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

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.
- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.
- IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).
- Amendment to IAS 36 “Impairment of Assets” Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

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

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

- a) The relaxation is available to companies till the conclusion of their agreements entered on or before 30 June 2010 with the Government or other authority.
- b) The relaxation from IFRIC 4 and IFRIC 12 is applicable to all companies and is not restricted to power sector. In case of power sector companies, the relaxation is available only in case where letter of intent or approval was issued by the Government on or before 30 June 2010. In other cases, the date of agreement with the Government or the other authority would determine the entitlement to the deferment and the same would be available till the conclusion of the existing agreement.
- c) The requirement of IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors" is mandatory so that the investors / users of financial statements have knowledge about the results with and without the exemption.

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

The Company has decided to avail the relaxation given by SECP. Had the Company complied with requirements of the IFRIC 12, the equity would have been higher by approximately Rs. 34.439 million (2012: Rs. 12.903 million) and the operating assets would have been lower by approximately Rs. 1,020.849 million (2012: Rs. 999.313 million) with a corresponding increase of approximately Rs. 1,055.288 million (2012: Rs. 1,012.216 million) in receivables.

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

## 3 Significant accounting policies

### 3.1 Retirement benefits

#### Staff gratuity scheme

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

#### Compensated absences

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

### 3.2 Taxation

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

### **3.3 Property, plant and equipment**

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

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

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 12 after taking into account their residual values.

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

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

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

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

### **3.4 Capital work in progress**

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

### **3.5 Long term investments**

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

### **3.6 Stores and spares**

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

### 3.7 Financial instruments

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

### 3.8 Offsetting

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

### 3.9 Trade debts

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

### 3.10 Cash and cash equivalents

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

### 3.11 Trade and other payables

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

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

### 3.12 Impairment

#### Financial assets

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

#### Non-Financial assets

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

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

### 3.13 Provisions

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

### 3.14 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Rupees at exchange rates prevailing at the date of transaction. As explained in note 12.2, exchange differences arising on translation of foreign currency loans utilized for the acquisition of operating assets are capitalized and incorporated in the cost of such assets. All other exchange differences are charged to profit and loss account.

### 3.15 Borrowing costs

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

### 3.16 Revenue recognition

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

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

### 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

2013 (Number of shares)	2012		2013 (Rupees in thousand)	2012
359,480,000	338,650,000	Ordinary shares of Rs. 10 each fully paid in cash	3,594,800	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>363,380,000</u>	<u>342,550,000</u>		<u>3,633,800</u>	<u>3,425,500</u>

During the period Descon Engineering Limited (DEL), the holding company, invested further in the Company under section 86 of the Companies Ordinance, 1984 by acquiring additional 20,830,000 fully paid ordinary shares of Rs. 10 each at a premium of Rs. 2 per share. As at 30 June 2013, ordinary shares of the company held by DEL were 211,397,063 (2012: 190,567,063).

		2013 (Rupees in thousand)	2012 Restated
<b>5</b>	<b>Equity portion of sponsors' loan</b>		
	Descon Engineering Limited	32,384	36,759
	Crescent Standard Business Management (Private) Limited	10,795	12,253
		<u>43,179</u>	<u>49,012</u>

**5.1** It represents equity portion relating to interest free loan from Descon Engineering Limited amounting to Rs. 69.455 million (2012: Rs. 69.455 million).

**5.2** It represents equity portion of funds amounting to Rs. 23.152 million (2012: Rs. 23.152 million) from Crescent Management Business Management (Private) Limited.

**5.3** Interest free loans received from Descon Engineering Limited and Crescent Standard Business Management (Private) Limited has been discounted at using effective rate of interest and classified separately in equity portion and long term loan in the current year. The interest free loan has been adjusted retrospectively and as per International Accounting Standard 8 (IAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors" the adjustments of such classification have been made retrospectively for in the said years. Consequently, sponsors' loan as at 30 June 2012 have been increased / (decreased) by Rs. 5.144 million [2011: (Rs. 54.156 million)] with a corresponding (decrease) / increase in equity portion of sponsors' loan of (Rs 5.144 million) [2011: Rs. 54.156 million]. Such classification has no impact on basic and diluted loss per share of the company for the year ended 30 June 2012 and 2011.

## **6 Sponsors' loans - unsecured**

These are composed of loans from associated undertakings:

Descon Engineering Limited

Interest free loan	6.1	69,455	69,455
Present value adjustment		(32,384)	(36,759)
		<u>37,071</u>	<u>32,696</u>

Crescent Standard Business Management (Private) Limited

Interest free loan	6.2	23,152	23,152
Present value adjustment		(10,795)	(12,253)
		<u>12,357</u>	<u>10,899</u>

Present value of interest free loan from sponsors	6.3	<u>49,428</u>	<u>43,595</u>
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Other long term finances	6.4	261,763	261,763
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Interest on long term finance	6.5	251,140	215,213
		<u>562,331</u>	<u>520,571</u>

**6.1** It represents long term loan portion relating to unsecured and interest free loan from Descon Engineering Limited amounting to Rs. 69.455 million (2012: Rs. 69.455 million).

**6.2** It represents long term loan portion of funds amounting to Rs. 23.152 million (2012: Rs. 23.152 million) payable to Crescent Standard Business Management (Private) Limited. This is unsecured and interest free loan.

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

- 6.4 This includes funds amounting to Rs. 261.763 million (2012: Rs. 261.763 million) received from Descon Engineering Limited for investment in Rousch (Pakistan) Power Limited through its subsidiary company, Power Management Company (Private) Limited.

The loan amount shall be payable within a period of five (5) years from the Execution Date (the "term") in one or more installments. The term is extendable with mutual consent of the parties. As per agreement between the Company, MCB Bank Limited and Descon Engineering Limited, all amounts (including mark-up) due under the Sponsors' Loans shall be subordinated to the loan facility from MCB Bank Limited. These loans are unsecured and carry mark up at six months KIBOR plus 300 basis points (2012 : six months KIBOR plus 300 basis points) .

- 6.5 It represents mark-up payable to Descon Engineering Limited of Rs. 251.140 million (2012: Rs. 215.213 million). As per terms of agreement the mark up payment is subordinated to loan facility from MCB Bank Limited and additional mark up is not due on this amount till repayment of loan from MCB Bank Limited.

		2013	2012
	Note	(Rupees in thousand)	
<b>7 Long term loans</b>			
Long term loans - secured			
Syndicate finance - local currency	7.1	533,752	693,877
Syndicate finance - foreign currency	7.2	54,237	81,225
Power Management Company (Private) Limited (PMCL)	7.3	50,000	50,000
		637,989	825,102
Interest on loan from PMCL	7.4	23,318	16,537
		661,307	841,639
Less: Current maturity of long term loan		(130,754)	(189,638)
		530,553	652,001

- 7.1 The Company had obtained a long term syndicate facility of Rs.1,100 million ( 2012: Rs. 1,100 million), which includes foreign currency loan limit of US Dollars 3.6 million (2012: US Dollars 3.6 million), from consortium of banks under the lead of MCB Bank Limited. The outstanding loan amount is repayable in 10 equal six monthly installments ending on 25 January 2018.

The loan carries mark-up at six month KIBOR plus 275 basis points (2012: six month KIBOR plus 275 basis points), payable in half yearly installments in arrears. The loan is secured by way of first ranking pari-passu charge on existing property, plant and equipment of the Company at Fateh Jang site.

- 7.2 The limit of foreign currency portion of loan is of US Dollars 3.6 million (2012: US Dollars 3.6 million). The outstanding loan amount is repayable in ten un-equal quarterly installments payable up to 31 December 2015. It is secured by way of first ranking pari passu charge on existing property, plant and equipment of Company at the Fateh Jang site. It carries mark-up at three month LIBOR plus 295 basis points (2012 : three month LIBOR plus 295 basis) payable quarterly in arrears.

- 7.3 This represents long term loan obtained by the Company from its wholly owned subsidiary, Power Management Company (Private) Limited. As per agreement between the Company, MCB Bank Limited and Power Management Company (Private) Limited all amounts (including mark-up) due under the loan shall be subordinated to the loan facility from MCB Bank Limited. These are unsecured and carry mark up at six months KIBOR plus 300 basis points (2012: six months KIBOR plus 300 basis points).

- 7.4 It represent mark-up payable to Power Management Company (Private) Limited of Rs. 23.318 million (2012: Rs. 16.537 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.

		2013	2012
	<i>Note</i>	(Rupees in thousand)	
<b>8 Deferred liabilities</b>			
Provision for:			
Staff gratuity		1,125	822
Compensated absences		247	250
		<u>1,372</u>	<u>1,072</u>
<b>9 Trade and other payables</b>			
Trade creditors	9.1 & 9.2	149,952	172,158
Natural gas charges to SNGPL		105,036	323,390
Due to Power Management Company (Private) Limited	9.3	10,579	15,599
Provision for workers' funds	9.4	-	-
Accrued liabilities		425	423
		<u>265,992</u>	<u>511,570</u>
<b>9.1</b> It includes the amount of Rs. 6.50 million (2012: Rs. 6.50 million) payable to Descon Engineering Limited, the holding company and amount of Rs. 131.161 million (2012: Rs. 123.60 million) payable to Descon Power Solution (Private) Limited, an associated company, against engineering services provided by these companies.			
<b>9.2</b> It includes the amount of Rs. Nil (2012: Rs. 30.917 million) payable to MWM GmbH against stores and spares purchased.			
<b>9.3</b> 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 (2012: six months KIBOR plus 300 basis points).			
<b>9.4 Provision for workers' funds</b>			
Provision for Workers' Profit Participation Fund		2,906	-
Provision for Workers' Welfare Fund		1,140	-
		<u>4,046</u>	<u>-</u>
Recoverable from WAPDA as pass through item		(4,046)	-
		<u>-</u>	<u>-</u>
<b>10 Markup accrued</b>			
Mark up on long term loan - local currency		10,990	67,930
Mark up on short term loan from			
Power Management Company (Private) Limited		7,651	5,893
		<u>18,641</u>	<u>73,823</u>
<b>11 Contingencies and commitments</b>			
<b>11.1 Contingencies</b>			
There are no material contingencies as at 30 June 2013.			
<b>11.2 Commitments</b>			
MCB Bank Limited has issued bank guarantee for Rs. 156.213 million (30 June 2012 : Rs. 156.213 million) in favour of Sui Northern Gas Pipelines Limited as a security to cover gas supply for which payments are made in arrears. The guarantee will expire on 30 September 2013, which is renewable.			

12 Operating fixed assets

	Annual rate of depreciation	Cost as at 01 July 2012	Additions	Cost as at 30 June 2013	Accumulated depreciation as at 01 July 2012	Depreciation charge for the year	Accumulated depreciation as at 30 June 2013	Written down value as at 30 June 2013
	%	(R u p e e s i n t h o u s a n d)						
Freehold land	-	4,647	-	4,647	-	-	-	4,647
Building on freehold land	5	121,435	12	121,447	40,263	5,466	45,729	75,718
Plant and machinery	4-17	1,193,128	19,888	1,213,016	252,701	73,765	326,466	886,550
Electric equipment	10	2,109	-	2,109	764	189	953	1,156
Office equipment	10-33	1,046	81	1,127	924	56	980	147
Vehicles	20	372	-	372	371	-	371	1
		1,322,737	19,981	1,342,718	295,023	79,476	374,499	968,219

Operating fixed assets

Annual rate of depreciation	Cost as at 01 July 2011	Additions	Cost as at 30 June 2012	Accumulated depreciation as at 01 July 2011	Depreciation charge for the year 2012	Accumulated depreciation as at 30 June 2012	Written down value as at 30 June 2012
%	(Rupees in thousand)						
-	4,647	-	4,647	-	-	-	4,647
Freehold land							
5	121,293	142	121,435	34,799	5,464	40,263	81,172
Building on freehold land							
4-17	1,139,435	53,693	1,193,128	181,039	71,662	252,701	940,427
Plant and machinery							
10	2,109	-	2,109	575	189	764	1,345
Electric equipment							
10-33	951	95	1,046	886	38	924	122
Office equipment							
20	372	-	372	371	-	371	1
Vehicles							
	1,268,807	53,930	1,322,737	217,670	77,353	295,023	1,027,714

2013 2012  
(Rupees in thousand)

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

Direct costs	18	79,420	77,315
Administrative expenses	19	56	38
		79,476	77,353

12.2 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. 3.651 million (2012: Rs. 8.90 million) arising on revaluation and repayments of foreign currency loans at year end and during the year have been capitalized. This has resulted in accumulated capitalization of Rs. 86.157 million (2012: Rs. 82.507 million) in the cost of plant and equipment upto 30th June 2013, with net book value of Rs. 82.369 million (2012: Rs. 79.654 million).

	Note	2013 (Rupees in thousand)	2012
<b>13 Long term investment</b>			
Investment in subsidiary company	13.1 & 13.2	<u>3,204,510</u>	<u>3,204,510</u>
13.1 This represents 100 % shares (2012: 100 % shares) held in Power Management Company (Private) Limited, which in turn holds 59.98% shares (2012: 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.			
<b>14 Stores and spares</b>			
Stores		8,785	15,979
Spares		19,528	41,352
		<u>28,313</u>	<u>57,331</u>
Provision for slow moving and obsolete stores		(3,636)	(3,636)
		<u>24,677</u>	<u>53,695</u>
<b>15 Advances, prepayments and other receivables</b>			
Advance against expenses		134	740
Bank guarantee cost		814	266
Prepaid insurance		1,500	484
Sales tax receivable		16,452	11,198
Other receivables		206	773
		<u>19,106</u>	<u>13,461</u>
<b>16 Cash and bank balances</b>			
Cash at bank - local currency			
Current accounts		1,728	1,529
Saving accounts	16.1	<u>113,471</u>	<u>10,160</u>
		<u>115,199</u>	<u>11,689</u>
Cash in hand		58	246
		<u>115,257</u>	<u>11,935</u>

16.1 These carry mark-up at the rates ranging from 5 to 9 percent per annum (2012: 5 to 9 percent per annum).

# ALTERN ENERGY LIMITED

		2013 (Rupees in thousand)	2012
<b>17 Revenue - net</b>	<i>Note</i>		
Energy revenue - gross		1,237,528	953,799
Sales tax		(171,180)	(131,559)
Energy revenue - net		1,066,348	822,240
Capacity revenue		357,165	316,421
Other supplemental charges		48,050	15,359
		<u>1,471,563</u>	<u>1,154,020</u>
<b>18 Direct costs</b>			
Gas cost		1,035,001	788,097
Energy import		2,314	1,798
Lube oil consumed		12,493	15,366
Provision for stores & spares		-	3,636
Depreciation	12.1	79,420	77,315
Repair and maintenance		66,164	84,354
Operation and maintenance contractor's fee		29,040	26,400
Salaries, wages and other benefits		205	153
Insurance costs		3,234	3,527
Traveling and conveyance		341	291
Generation license fee		107	96
Miscellaneous		562	218
		<u>1,228,881</u>	<u>1,001,251</u>
<b>19 Administrative expenses</b>			
Salaries, wages and other benefits	19.1	3,207	2,838
Traveling and conveyance		895	1,291
Depreciation	12.1	56	38
Postage and telephone		371	342
Publicity, printing and stationery		416	615
Auditors' remuneration	19.2	960	1,210
Legal and professional charges		2,055	747
Fees and subscription		665	430
Entertainment expenses		230	189
Security expenses		1,755	1,755
Miscellaneous		693	692
		<u>11,303</u>	<u>10,147</u>
<b>19.1 Salaries, wages and other benefits include Rs. 0.303 million (2012: Rs. 0.33 million) and Rs. 0.295 million (2012: Rs. 0.12 million) on account of staff gratuity and staff compensated absences respectively.</b>			
<b>19.2 Auditors' remuneration</b>			
Annual audit fee		400	400
Half year review fee		150	150
Tax consultancy		360	610
Out of pocket expenses		50	50
		<u>960</u>	<u>1,210</u>

20	Other income	Note	2013 (Rupees in thousand)	2012
	<i>Income from financial assets</i>			
	Profit on bank accounts		861	935
	<i>Income from non-financial assets</i>			
	Scrap sales		954	2,374
	Exchange Gain		-	1,335
			954	3,709
			1,815	4,644
21	<b>Finance cost</b>			
	Mark-up on			
	long term loans	21.1	125,386	162,637
	short term loan - Power Management Company (Private) Limited		1,758	2,578
	Bank charges		1,619	2,281
	Amortization of bank guarantee cost		1,351	1,113
	Mark-up on late payments to SNGPL		44,348	15,315
	Exchange loss		606	-
			175,068	183,924

21.1 It includes mark up accrued on loans from Descon Engineering Limited, the holding company, and Power Management Company (Private) Limited, the wholly owned subsidiary company, amounting to Rs. 35.927 million (2012: Rs. 41.94 million) and Rs. 6.78 million (2012 : Rs. 7.90 million) respectively.

## 22 Remuneration of Chief Executive, Directors and Executives

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

	Chief Executive		Executive Director	
	2013	2012	2013	2012
	(Rupees in thousand)		(Rupees in thousand)	
Remuneration	-	-	-	-
Retirement benefits	-	-	-	-
House rent, utilities and allowances	-	-	-	-
	-	-	-	-
Number of persons	1	1	1	1
	Non Executive Director		Executives	
	2013	2012	2013	2012
	(Rupees in thousand)		(Rupees in thousand)	
Remuneration	-	-	1,512	1,350
Retirement benefits	-	-	160	145
House rent, utilities and allowances	-	-	168	150
	-	-	1,840	1,645
Number of persons	6	6	1	1

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

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

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

	2013 (Number of Person)	2012
- As at 30 June	6	6
- Average number of employees	6	6

## 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:

	2013	2012
	(Rupees in thousand)	
Long term deposits	38	38
Trade debts	291,303	448,777
Other receivables	134	740
Bank balances	115,199	11,689
	<u>406,674</u>	<u>461,244</u>
The age of trade debts at balance sheet date is as follows:		
Not past due	151,035	153,180
Past due 0-30 days	118,837	163,146
Past due 31-120 days	17,330	131,701
More than 120 days	4,101	750
	<u>291,303</u>	<u>448,777</u>

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

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

### 23.1.2 Credit quality of major financial assets

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

Banks	Rating		Rating Agency	2013	2012
	Short term	Long term			
(Rupees in thousand)					
MCB Bank Limited	A1+	AAA	PACRA	113,529	1,471
Bank of Punjab	A1+	AA-	PACRA	1,670	10,218
				115,199	11,689

### 23.2 Liquidity risk

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

2013						
	Carrying amount	Contractual cash flows	Maturities			
			Less than six months	Up to one year	Two years to five years	
------(Rupees in thousand)-----						
Sponsors' loan	562,331	(562,331)	-	-	-	(562,331)
Long term loans	661,307	(661,307)	(65,037)	(65,717)	(457,235)	(73,318)
Trade and other payables	265,992	(265,992)	(265,992)	-	-	-
Accrued mark up	18,641	(18,641)	(18,641)	-	-	-
Deferred liabilities	1,372	(1,372)	-	-	(1,372)	-
	<u>1,508,271</u>	<u>(1,508,271)</u>	<u>(349,670)</u>	<u>(65,717)</u>	<u>(457,235)</u>	<u>(635,649)</u>
2012						
	Carrying amount	Contractual cash flows	Maturities			
			Less than six months	Up to one year	Two years to five years	
------(Rupees in thousand)-----						
Restated						
Sponsors' loan	520,571	(520,571)	-	-	-	(520,571)
Long term loans	841,639	(841,639)	(121,089)	(68,550)	(478,714)	(173,286)
Trade and other payables	511,570	(511,570)	(511,570)	-	-	-
Accrued mark up	73,823	(73,823)	(73,823)	-	-	-
Deferred liabilities	1,072	(1,072)	-	-	(1,072)	-
	<u>1,947,603</u>	<u>(1,947,603)</u>	<u>(706,482)</u>	<u>(68,550)</u>	<u>(478,714)</u>	<u>(693,857)</u>

### 23.3 Market risk

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

#### 23.3.1 Interest rate risk

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

	Carrying amounts	
	2013	2012
	(Rupees in thousand)	
Financial assets	113,471	10,160
Financial liabilities	(840,876)	(1,102,469)
	<u>(727,405)</u>	<u>(1,092,309)</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.

	2013	2012
	(Rupees in thousand)	
Variable rate financial instruments	<u>(9,840)</u>	<u>(11,447)</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 2013

#### 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:

	2013		
	Rupees	US Dollars	Euros
	(Amounts in thousand)		
Long term loans	(54,237)	(549)	-
Trade and other payables	-	-	-
Net balance sheet exposure	(54,237)	(549)	-

	2012		
	Rupees	US Dollars	Euros
	(Amounts in thousand)		
Long term loans	(81,225)	(862)	-
Trade and other payables	(19,862)	-	(168)
Net balance sheet exposure	(101,087)	(862)	(168)

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

The following significant exchange rates were applied during the year:

	Balance sheet date rate		Average rate	
	2013	2012	2013	2012
US Dollars	98.80	94.20	97.56	89.92
Euros	129.11	118.50	126.25	120.43

Sensitivity analysis

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

	2013	2012
	(Rupees in thousand)	
US Dollars	5,420	8,122
Euros	-	1,986

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

As stated in note 12.2, 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. 0.36 million (2012: Rs. 0.82 million). The effect has not been considered either in equity or profit and loss account.

## 24 Capital risk management

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

The Company's objectives when managing capital are:

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

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

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

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

The gearing ratios as at 30 June 2013 and 2012 were as follows:

	2013 (Rupees in thousand)	2012 Restated
Total debt	1,234,217	1,377,809
Total equity	3,111,806	2,809,854
Total capital	4,346,023	4,187,663
Gearing ratio	28.40%	32.90%

## 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:

### Holding company

Descon Engineering Limited

On account of:

Long term loan - received during the year

Mark up accrued during the year

Reimbursable expenses

-	16,000
35,927	41,936
249	646

### Subsidiary company

Power Management Company (Private) Limited

On account of:

Mark up accrued during the year:

- Long term loan

- Short term loan

Funds paid during the year

6,781	7,879
1,758	2,578
5,020	1,928

### Associated companies

Descon Power Solutions (Private) Limited

On account of:

- Operation and maintenance agreement

- Service agreement of generators

- Sparc parts purchased

26,400	24,000
2,640	2,400
50,697	102,972

## 26 Plant capacity and actual generation

	Theoretical Capacity		Actual Generation	
	2013	2012	2013	2012
- MWh	228,618	228,618	204,380	191,918
- percentage	100%	100%	89%	84%

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

## 27 Earning/(Loss) per share - basic and diluted

		2013	2012
27.1 Earning/(Loss) per share - basic			
Earning/(Loss) for the year	<i>Rupees in thousand</i>	57,825	(36,985)
Weighted average number of ordinary shares	<i>Number</i>	362,338,500	342,550,000
Basic Earning/(Loss) per share	<i>Rupee</i>	0.16	(0.11)

### 27.2 Earning / (loss) Loss per share - diluted

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

## 28 Date of authorization

These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on September 18, 2013.

## 29 General

- Figures have been rounded off to the nearest thousand of Rupee.
- Comparative figures have been reclassified and re-arranged where necessary in order to facilitate comparison.

Chief Executive

Director

**Consolidated  
Financial Statement  
June 30, 2013**



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Altern Energy Limited ("the Holding Company")** and its subsidiary Companies as at 30 June 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Altern Energy Limited and its subsidiary Companies. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our Opinion, consolidated financial statements present fairly the financial position of the Altern Energy Limited and its subsidiary companies as at 30 June 2013 and the results of their operations, for the year then ended.

Lahore:  
September 18, 2013

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

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

<b>EQUITY AND LIABILITIES</b>	<i>Note</i>	<b>2013</b>	<b>2012</b>	<b>2011</b>
		<b>(Rupees in thousand)</b>		
			Restated	Restated
<b>Share capital</b>				
Authorized capital				
400,000,000 (2012: 400,000,000) ordinary shares of Rs.10/- each		<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>
Issued, subscribed and paid up capital	4	3,633,800	3,425,500	3,425,500
Share premium		41,660	-	-
Equity portion of sponsor's loan	5	43,179	49,012	54,156
Accumulated profit		<u>7,611,726</u>	<u>5,795,938</u>	<u>4,716,532</u>
		<u>11,330,365</u>	<u>9,270,450</u>	<u>8,196,188</u>
Non-controlling interest		<u>7,563,541</u>	<u>6,393,505</u>	<u>5,652,276</u>
		<u>18,893,906</u>	<u>15,663,955</u>	<u>13,848,464</u>
<b>Non-current liabilities</b>				
Sponsors' loan -unsecured	6	562,331	520,571	457,490
Long term loans - secured and unsecured	7	12,922,551	14,153,605	14,416,014
Interest rate swap liabilities	8	683,452	1,169,105	1,293,890
Deferred liabilities	9	1,372	1,072	940
		<u>14,169,706</u>	<u>15,844,353</u>	<u>16,168,334</u>
<b>Current liabilities</b>				
Trade and other payables	10	2,096,414	5,326,440	1,925,464
Short term loans	11	-	636,000	5,000
Mark up accrued		288,599	67,929	315,933
Current portion of long term loans	7	2,179,699	2,143,187	2,150,993
Provision for taxation		<u>5,383</u>	<u>5,465</u>	<u>5,254</u>
		<u>4,570,095</u>	<u>8,179,021</u>	<u>4,402,644</u>
<b>Contingencies and Commitments</b>	12			
		<u>37,633,707</u>	<u>39,687,329</u>	<u>34,419,442</u>

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

Chief Executive

# ALTERN ENERGY LIMITED

## AS AT 30 JUNE 2013

ASSETS		2013	2012	2011
	<i>Note</i>	<b>(Rupees in thousand)</b>		
<b>Non-current assets</b>			Restated	Restated
Property, plant and equipment				
- Operating fixed assets	13	26,124,494	27,097,944	25,672,937
- Capital work-in-progress		-	-	1,538
Long term deposits		730	1,069	938
Long term loan to employees	14	355	9,971	1,694
		<u>26,125,579</u>	<u>27,108,984</u>	<u>25,677,107</u>

### Current assets

Store, spares and loose tools	15	439,484	423,744	396,850
Inventory of fuel oil		487,684	491,285	497,117
Trade debts - secured, considered good	16	5,402,850	10,756,568	6,161,625
Advances, prepayments and other receivables	17	218,057	339,494	195,258
Cash and bank balances	18	4,960,053	567,254	1,491,485
		<u>11,508,128</u>	<u>12,578,345</u>	<u>8,742,335</u>

<u>37,633,707</u>	<u>39,687,329</u>	<u>34,419,442</u>
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Director

**ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES**  
**CONSOLIDATED PROFIT AND LOSS STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2013**

		2013	2012
	Note	(Rupees in thousand)	
Revenue - net	19	20,337,512	17,915,755
Direct costs	20	(14,681,818)	(13,649,189)
<b>Gross profit</b>		<b>5,655,694</b>	<b>4,266,566</b>
Administrative expenses	21	(86,268)	(127,716)
Other operating expenses		-	-
Other income	22	34,389	82,938
<b>Profit from operations</b>		<b>5,603,815</b>	<b>4,221,788</b>
Finance cost	23	(2,614,701)	(2,397,166)
<b>Profit before taxation</b>		<b>2,989,114</b>	<b>1,824,622</b>
Taxation		(3,290)	(3,987)
<b>Profit after taxation</b>		<b>2,985,824</b>	<b>1,820,635</b>
Attributable to:			
Equity holders of the parent		1,815,788	1,079,406
Non-controlling interest		1,170,036	741,229
		<b>2,985,824</b>	<b>1,820,635</b>
Earnings per share - basic and diluted (Rupee)	31	<b>5.00</b>	<b>3.15</b>

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

Chief Executive

Director

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	(Rupees in thousand)	
Profit after taxation	2,985,824	1,820,635
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>2,985,824</u>	<u>1,820,635</u>
Attributable to:		
Equity holders of the parent	1,815,788	1,079,406
Non-controlling interest	<u>1,170,036</u>	<u>741,229</u>
	<u>2,985,824</u>	<u>1,820,635</u>

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

**ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2013**

	Note	2013 (Rupees in thousand)	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		2,989,114	1,824,622
Adjustment for non-cash items:			
Depreciation		1,625,903	1,813,251
Gain on sale of property, plant & equipment		(644)	(218)
Provision for staff retirement benefits		333	457
Provision for stores & spares		-	3,636
Provision for doubtful debts		-	40,347
Capital spares consumed		193	25,866
Amortization of bank guarantee cost		1,351	-
Exchange loss		606	-
Finance cost		2,612,744	2,405,045
		<u>4,240,486</u>	<u>4,288,384</u>
Operating profit before working capital changes		7,229,600	6,113,006
(Increase)/decrease in current assets:			
Stores, spares and loose tools		(31,977)	(30,530)
Inventory of fuel oil		3,601	5,832
Trade debts		5,353,718	(4,635,290)
Advances, prepayments, and other receivables		112,409	(125,121)
		<u>5,437,751</u>	<u>(4,785,109)</u>
Increase/(decrease) in current liabilities			
Trade and other payables		(2,969,494)	3,356,858
Cash generated from operations		<u>9,697,857</u>	<u>4,684,755</u>
Long term advances		9,616	(8,277)
Finance cost paid		(2,739,039)	(2,294,200)
Income tax paid		10,675	(19,861)
Staff retirement benefits paid		(32)	(325)
		<u>(2,718,780)</u>	<u>(2,322,663)</u>
Net cash generated from operating activities	(A)	6,979,077	2,362,092
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(11,091)	(2,003,950)
Proceeds from sale of property, plant & equipment		1,200	1,075
Long term deposits		339	(131)
Net cash used in investing activities	(B)	(9,552)	(2,003,006)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayments of long term loans		(2,190,686)	(1,930,317)
Proceeds from sponsor's loan		-	16,000
Proceeds from issuance of share capital		208,300	-
Share premium received		41,660	-
Net cash used in financing activities	(C)	(1,940,726)	(1,914,317)
Net increase / (decrease) in cash and cash equivalents	(A+B+C)	5,028,799	(1,555,231)
Cash and cash equivalents at beginning of the period		(68,746)	1,486,485
Cash and cash equivalents at the end of the period	30	<u>4,960,053</u>	<u>(68,746)</u>

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

Chief Executive

Director

**ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2013**

Attributable to equity holders of Parent Company

	Share capital	Share premium	Equity portion of sponsor loan	Accumulated profit	Non-controlling Interest	Total
	(Rupees in thousand)					
Balance as at 30 June 2011 - as previously reported	3,425,500	-	-	4,716,532	5,652,276	13,794,308
Effect of adjustment as referred to note 5.3	-	-	54,156	-	-	54,156
<b>Balance as at 30 June 2011 - restated</b>	<b>3,425,500</b>	<b>-</b>	<b>54,156</b>	<b>4,716,532</b>	<b>5,652,276</b>	<b>13,848,464</b>
Imputed interest on sponsors' loan	-	-	(5,144)	-	-	(5,144)
Total comprehensive income for the year	-	-	-	1,079,406	741,229	1,820,635
<b>Balance as at 30 June 2012 - restated</b>	<b>3,425,500</b>	<b>-</b>	<b>49,012</b>	<b>5,795,938</b>	<b>6,393,505</b>	<b>15,663,955</b>
Imputed interest on sponsors' loan	-	-	(5,833)	-	-	(5,833)
Total comprehensive income for the year	-	-	-	1,815,788	1,170,036	2,985,824
Transactions with owners recorded in equity						
Issuance of Share capital	208,300	-	-	-	-	208,300
Share premium	-	41,660	-	-	-	41,660
<b>Balance as at 30 June 2013</b>	<b>3,633,800</b>	<b>41,660</b>	<b>43,179</b>	<b>7,611,726</b>	<b>7,563,541</b>	<b>18,893,906</b>

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

**Chief Executive**

**Director**

# ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2013

#### 1 Legal status and nature of business

##### 1.1 The group comprises of:

Altern Energy Limited (AEL); and	2013	2012
	(Holding percentage)	
<b>Subsidiary companies</b>		
- Power Management Company (Private) Limited (PMCL)	100.00%	100.00%
- Rousch (Pakistan) Power Limited (RPPL)	59.98%	59.98%

Altern Energy Limited ("the Parent Company") was incorporated in Pakistan on 17 January 1995 and is listed on Karachi Stock Exchange. The principal objective of the Company is to generate and supply electric power to Water and Power Development Authority of Pakistan (WAPDA) from its thermal power plant having a gross capacity of 32 Mega Watts (30 June 2012 : 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 PMCL is to invest, manage, operate, run, own and build power projects. The registered office of PMCL is situated at 18 km Ferozepur Road, Lahore.

Rousch (Pakistan) Power Limited (RPPL) is a public unlisted company, incorporated in Pakistan on 04 August 1994. The principal activity of RPPL is to generate and supply electricity to Water and Power Development Authority (WAPDA) from its combined cycle thermal power plant ("the Complex") having a gross ISO capacity of 450 MW (30 June 2012 : 450 MW), located near Sidhnai Barrage, Abdul Hakim, District Khanewal, in Punjab. RPPL started commercial operations from 11 December 1999. The registered office of RPPL is situated at 68 - Studio Apartments, Park Towers, F 10 Markaz, Jinnah Avenue, Islamabad.

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

1.3 Altern Energy Limited's Gas Supply Agreement (GSA) with Sui Northern Gas Pipelines Limited (SNGPL) has expired on 30 June 2013. The Company is in the process of negotiation with Government of Pakistan for extension of the agreement. As per section 2.2 of the GSA dated 3rd August 2007, the term of the GSA may be extended by SNGPL subject to Government of Pakistan's approval and availability of gas. Gas allocation letter no. BG(1)-7(158)/2003-PP(AEL) dated 29th September 2004 provides that a comfort letter will be issued to the Company regarding supply of gas on as and when available basis beyond the agreement term.

The Company has received a letter from Ministry of Petroleum and Natural Resources reference No. 1(102) PPIB-9396/13/PRJ dated 28 June, 2013 whereby the ministry has informed that SNGPL will provide gas to the Company on "As and When Available" basis without any commitment in line with GSA's of other IPP's.

## 2 Basis of preparation

### 2.1 Statement of compliance

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

### 2.2 Basis of measurement

These consolidated financial statements have been prepared under historical cost convention except that Group has capitalised exchange difference (note 13) as part of the cost of relevant assets and interest rate swap derivatives (note 8) have been stated at their fair values.

### 2.3 Basis of consolidation

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

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

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

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

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

Material intra-group balances and transactions are eliminated.

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

### 2.4 Functional and presentation currency

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

## 2.5 Use of estimates and judgments

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

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

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

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendment have no impact on financial statements of the Company.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective from 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

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

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.
- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met.
- IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novat on indicates that parties to a contract agree to replace their original counterparty with a new one).

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Apart from above certain other standards, amendments to published standards and interpretations of accounting standards that became effective for accounting periods beginning on or after 1 January 2013, they have no significant impact on Group's financial statements.

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

- IFRIC 4 – "Determining whether an Arrangement contains a Lease" (effective for annual periods beginning on or after 1 January 2006) and IFRIC 12 – "Service Concession Arrangements" (effective for annual periods beginning on or after 1 January 2008). However, the application of these interpretations have been deferred by the Securities and Exchange Commission of Pakistan (SECP), through circular 21 of 2009 dated 22 June 2009, for all companies till 30 June 2010, subject to the following:
  - a) The relaxation is available to companies till the conclusion of their agreements entered on or before 30 June 2010 with the government or other authority.
  - b) The relaxation from IFRIC 4 and IFRIC 12 is applicable to all companies and is not restricted to power sector. In case of power sector companies, the relaxation is available only in case where letter of intent or approval was issued by the government on or before 30 June 2010. In other cases, the date of agreement with the government or the other authority would determine the entitlement to the deferment and the same would be available till the conclusion of the existing agreement.
  - c) The requirement of IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors" is mandatory so that the investors / users of financial statements have knowledge about the results with and without the exemption.
- However, the companies are encouraged to comply with the said interpretations but the fact of compliance shall be disclosed in their financial statements.
- The Group has decided to avail the relaxation given by SECP. Had the Group complied with requirements of the IFRIC 12, the equity would have been lower by approximately Rs. 6,932.56 million (2012: Rs. 6,132.90 million) and the operating assets would have been lower by approximately Rs. 22,802.85 million (2012: Rs. 23,637.95 million) with a corresponding increase of approximately Rs.15,870.29 million (2012: Rs. 17,508.313 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 13.2).

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 13 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.

Gain and losses on disposal are included in income currently.

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

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

### 3.4 Capital work-in-progress

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

### 3.5 Stores, spares and loose tools

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

Cost of Stores, spares and loose tools other than chemicals and lubricants is determined under weighted average basis whereas the cost of chemicals and lubricants is determined on first-in-first out basis. Items in transit are valued at cost comprising invoice values plus other charges incurred thereon.

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

### 3.6 Inventory of fuel oil

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

### 3.7 Foreign currencies

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

### 3.8 Revenue recognition

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

### 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 including hedge accounting - cash flow hedges

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

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

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

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

### 3.12 Non - derivative financial instruments

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

### 3.13 Mark-up bearing borrowings and borrowing cost

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

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

### 3.14 Trade debts, loans and other receivables

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

### 3.15 Cash and cash equivalents

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

### 3.16 Trade debts

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

### 3.17 Impairment

#### Financial assets

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

#### Non-Financial assets

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

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

### 3.18 Provisions

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

### 3.19 Dividend and appropriation to / from reserves

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

**4 Issued, subscribed and paid up capital**

2013	2012		2013	2012
(Number of shares)			(Rupees in thousand)	
359,480,000	338,650,000	Ordinary shares of Rs. 10 each fully paid in cash	3,594,800	3,386,500
		Ordinary shares of Rs. 10 each issued for consideration other than cash	39,000	39,000
<u>3,900,000</u>	<u>3,900,000</u>		<u>3,633,800</u>	<u>3,425,500</u>
<u>363,380,000</u>	<u>342,550,000</u>			

- 4.1 During the year, Descon Engineering Limited ("the ultimate parent") invested further in the Parent Company under Section 86 of the Companies Ordinance, 1984 by acquiring additional 20,830,000 fully paid ordinary shares of Rs. 10/- each at a premium of Rs. 2/- per share. Subsequent to this acquisition, Descon Engineering Limited holds 211,397,063 (30 June 2012: 190,567,063) ordinary shares of Rs. 10/- each in the Parent Company.

	Note	2013	2012
		(Rupees in thousand)	Restated
<b>5 Equity Portion of sponsor loan</b>			
These are composed of loans from associated undertakings:			
Descon Engineering Limited	5.1	32,384	36,759
Crescent Standard Business Management (Private) Limited	5.2	10,795	12,253
		<u>43,179</u>	<u>49,012</u>

- 5.1 It represents equity portion relating to interest free loan from Descon Engineering Limited amounting to Rs. 69.455 million (2012: Rs. 69.455 million) as per terms of acquisition arrangement.
- 5.2 It represents equity portion of funds amounting to Rs. 23.152 million (2012: Rs. 23.152 million) from Crescent Standard Business Management (Private) Limited as per terms of acquisition arrangement.
- 5.3 Interest free loans received from Descon Engineering Limited and Crescent Standard Business Management (Private) Limited has been discounted at using effective rate of interest and classified separately in equity portion and long term loan in the current year. The interest free loan has been adjusted retrospectively and as per International Accounting Standard 8 (IAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors" the adjustments of such classification have been made retrospectively in the said years. Consequently, sponsors' loan as at 30 June 2012 have been increased / (decreased) by Rs. 5.144 million [2011: (Rs. 54.156 million)] with a corresponding (decrease) / increase in equity portion of sponsors' loan of (Rs 5.144 million) [2011: Rs. 54.156 million]. Such classification has no impact on basic and diluted loss per share of the company for the year ended 30 June 2012 and 2011.

**6 Sponsors' loan -unsecured**

These are composed of loans from associated undertakings to the Parent Company:

Descon Engineering Limited			
Interest free loan - gross	6.1	69,455	69,455
Effect of discounting		(32,384)	(36,759)
		<u>37,071</u>	<u>32,696</u>
Crescent Standard Business Management (Pvt) Limited			
Interest free loan - gross	6.2	23,152	23,152
Effect of discounting		(10,795)	(12,253)
		<u>12,357</u>	<u>10,899</u>
Present value of interest free loan from sponsors	6.3	49,428	43,595
Other long term finance - DEL	6.4	261,763	261,763
Interest on long term finance	6.5	251,140	215,213
		<u>562,331</u>	<u>520,571</u>

- 6.1 It represents long term loan portion relating to unsecured and interest free loan from Descon Engineering Limited amounting to Rs. 69.455 million (2012: Rs. 69.455 million).
- 6.2 It represents long term loan portion of funds amounting to Rs. 23.152 million (2012: Rs. 23.152 million) payable to Crescent Standard Business Management (Private) Limited. This is unsecured and interest free loan.
- 6.3 These have been recognized at amortized cost using discount rate of 13.38%. The resulting change has been charged to equity portion of sponsors' loan as referred to in note 5.
- 6.4 This includes funds amounting to Rs. 261.763 million (2012: Rs. 261.763 million) received from Descon Engineering Limited for investment in Rousch (Pakistan) Power Limited through its subsidiary company, Power Management Company (Private) Limited.

The loan amount shall be payable within a period of five (5) years from the Execution Date (the "term") in one or more installments. The term is extendable with mutual consent of the parties. As per agreement between the Company, MCB Bank Limited and Descon Engineering Limited, all amounts (including mark-up) due under the Sponsors' Loans shall be subordinated to the loan facility from MCB Bank Limited. These loans are unsecured and carry mark up at six months KIBOR plus 300 basis points (2012 : six months KIBOR plus 300 basis points) .

- 6.5 It represents mark-up payable to Descon Engineering Limited of Rs. 251.140 million (2012: Rs. 215.213 million). As per terms of agreement the mark up payment is subordinated to loan facility from MCB Bank Limited and additional mark up is not due on this amount till repayment of loan from MCB Bank Limited.

	Note	2013 (Rupees in thousand)	2012
<b>7 Long term loans - secured and unsecured</b>			
Loans from financial institutions	7.1	13,051,391	14,486,261
Loans from related parties	7.1.6	2,050,859	1,810,531
		<u>15,102,250</u>	<u>16,296,792</u>
Current portion of long term loans		<u>(2,179,699)</u>	<u>(2,143,187)</u>
		<u>12,922,551</u>	<u>14,153,605</u>

7.1 Loans from financial institutions:

	Facility	Note	2013 (Rupees in thousand)	2012 (Rupees in thousand)
<b>Secured</b>				
Standard Chartered Bank, London (SCB)	Hermes facility	7.1.3	720,387	1,142,721
National Bank of Pakistan (NBP)	LTCF loan	7.1.4	9,379,919	10,319,079
Australia and New Zealand Banking Group Limited (ANZ)	Backstop facility		155,902	267,335
MCB Bank Limited (MCB)	Syndicate finance - LCY	7.1.7	533,752	693,877
MCB Bank Limited (MCB)	Syndicate finance - FCY	7.1.8	54,237	81,226
<b>Unsecured</b>				
Australia and New Zealand Banking Group Limited (ANZ)	Supplier's loan	7.1.5	2,207,194	1,810,531
			13,051,391	14,314,769
Loan from an associated Company	EPC Deferral and AMSA	7.1.6	2,050,859	1,982,023

7.1.1 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	SCB	ANZ	ANZ	NBP	MCB	MCB
Facility amount	US\$ 34.8 million	US\$ 17 million	US\$ 11 million	US\$ 219.08 million	PKR 1,100 million	US\$ 3.6 million
Facility utilized	US\$ 34.8 million	US\$ 17 million	US\$ 11 million	US\$ 219.08 million	(including FCY portion) PKR 854,003 million	US\$ 3.6 million
Term in years (post commercial operation date)	15	Note 7.1.5	11	20	10	7
Interest per annum and repayment terms	LIBOR + 0.75% Payable semi-annually	6% accretion semi-annually	LIBOR + 0.75% Payable semi-annually	Note 7.1.4	KIBOR + 2.75% semi-annually	LIBOR+2.95% quarterly
Swap rate with Faysal Bank Limited effective from 29 September 2006	4.76%	-	-	3.68% effective upto 28 September 2007 & 5.21% from 29 September 2007	-	-
Notional amounts under the interest rates swap	US\$ 7.31 million	-	-	US\$ 94.94 million	-	-

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

		2013	2012
	Note	(Rupees in thousand)	
7.1.3	<b>Hermes loan facility</b>		
	Outstanding amount of loan facility	722,089	1,147,450
	Basic and time premium	(112,240)	(112,240)
		<u>609,849</u>	<u>1,035,210</u>
	Basic and time premium amortised	110,538	107,511
		<u>720,387</u>	<u>1,142,721</u>

7.1.3.1 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.

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

7.1.4 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.

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

7.1.6 As per revised MOU Long term liability would be repaid in six unequal semi-annual installment starting from September 2015. It has also been agreed that the long term liability would be subject to 8% per annum interest from the period starting 1 July 2015. The Company has remeasured the fair value of the long term liability assuming discount rate of 8% and has recorded accretion on discount and fair value adjustment amounting to Rs. 151.915 million (30 June 2012: Rs. 134.467 million) in the profit and loss account.

7.1.7 AEL had obtained a long term syndicate facility of Rs.1,100 million ( 30 June 2012: Rs. 1,100 million), which includes foreign currency loan limit of US Dollars 3.6 million (30 June 2012: US Dollars 3.6 million), from consortium of banks under the lead of MCB Bank Limited. The outstanding loan amount is repayable in 10 equal six monthly installments ending on 25 January 2018.

The loan carries mark-up at six month KIBOR plus 275 basis points (30 June 2012: six month KIBOR plus 275 basis points), payable in half yearly installments in arrears. The loan is secured by way of first ranking pari-passu charge on existing property, plant and equipment of the Company at Fateh Jang site.

7.1.8 The limit of foreign currency portion of loan is of US Dollars 3.6 million (30 June 2012: US Dollars 3.6 million). The outstanding loan amount is repayable in ten 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 (30 June 2012 : three month LIBOR plus 295 basis) payable quarterly in arrears.

## 8 Interest rate swap liabilities

The Company has novated interest rate swap agreement initially entered with Standard Chartered Bank, to hedge applicable floating interest rates on certain loan facilities to Faysal Bank Limited (formerly ABN Amro Bank N.V.) with effect from 29 September 2006. In case the floating rate is less than the fixed (hedged) rates, the Company is liable to pay the difference during the respective period and vice versa. The swap arrangement has been secured by a first pari passu charge of US\$ 25 million on all the assets of the Company. These arrangements are effective up to 30 September 2014. The net fair value of swap at 30 June 2013 was a liability of Rs. 683.452 million (30 June 2012: Rs. 1,169.105 million). The hedge accounting was discontinued during the year ended 30 June 2011.

As per exercise the hedge had become ineffective due to fluctuation in fair values of the hedging instrument i.e., interest rate swap liabilities as hedging instrument did not meet criteria for hedge accounting. Accordingly, hedge accounting was discontinued. Resultantly, Rs. 842.608 million which represents ineffective portion of hedge and loss due to changes in fair values was reclassified from previous year revaluation reserve for interest rate swap to profit and loss account. The remaining balances (loss) was reclassified / transferred to profit and loss account.

		2013	2012
9	Deferred liabilities	Note	(Rupees in thousand)
	Staff gratuity - AEL	1,125	822
	Compensated absences - AEL	247	250
		<u>1,372</u>	<u>1,072</u>

## 10 Trade and other payables

Creditors	10.1 & 10.2	215,302	1,177,962
Payable to WAPDA for gas efficiency and import of energy		47,593	18,016
Accrued liabilities			
-Accrued Interest on long term loans		-	282,488
-Accrued Interest others		-	28,909
-Lenders' related costs		11,220	10,329
-Operation and maintenance contractors		383,653	435,004
-Natural Gas charges to SNGPL		1,409,426	3,325,859
-Others	10.3	19,246	27,340
Payable in respect of gas turbine casing, repair of generators and steam turbine		-	8,468
Payable to Descon Engineering Ltd		3,132	3,400
Provision of guarantee issued	10.4	6,842	6,842
Plant improvement related costs	10.5	-	637
Provision for workers' funds	10.6	-	-
Payable to defined benefit plan - staff gratuity		-	1,186
		<u>2,096,414</u>	<u>5,326,440</u>

10.1 (a) It includes the amount of Rs. 6.50 million (30 June 2012: Rs. 6.50 million) payable by the Parent Company to Descon Engineering Limited, and amount of Rs. 131.161 million (30 June 2012: Rs. 123.60 million) payable by the Parent Company to Descon Power Solution (Private) Limited, an associated company, against engineering services provided by these companies.

(b) It includes the amount of Rs. Nil (30 June 2012: Rs. 30.917 million) payable by the Parent Company to MWM GmbH against stores and spares purchased.

- (c) This represents amount payable by the Parent Company to wholly owned subsidiary, Power Management Company (Private) Limited. This is unsecured and carry mark up at six months KIBOR plus 300 basis points (30 June 2012: six months KIBOR plus 300 basis points).

10.2 It includes the amount of Rs. 55.94 million (30 June 2012: Rs. 325.56 million) payable to a related party by RPPL.

10.3 This includes Rs. 0.591 million (30 June 2012: Rs. 0.0835 million) payable to a related party by RPPL.

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

The Court by its orders dated 20 February 1997, and 26 March 2001, 11 November 2003 granted the stay on levy of this fee / cess on the condition that RPPL will furnish bank guarantee of equivalent amount till the final decision is made by the Court. Accordingly, RPPL had arranged bank guarantees of Rs. 64.95 million in favour of Director Excise and Taxation, Karachi and made full provision in the financial statements up to 30 June 2010. During the year 2008, the Honourable High Court of Sindh in its decision dated 17 September 2008 declared the imposition of levy of infrastructure fee / cess on import of material before 28 December 2006 as void and invalid, and ordered the guarantees to be returned and encashed. However, the levy imposed w.e.f. 28 December 2006 was declared to be legal and valid. The Government of Sindh has filed the appeal before Supreme Court of Pakistan against the order of High Court of Sindh. RPPL has also filed an appeal before Supreme Court of Pakistan against the High Court's decision of imposition of levy after 28 December 2006. During the year 30 June 2011, the Supreme Court of Pakistan ordered to agitate this matter before High Court of Sindh. The High Court by consent of the Excise and Taxation department has passed an order whereby it has mainly ordered to discharge any bank guarantee furnished for consignments cleared up to 27 December 2006 and any guarantee for consignment cleared after 27 December 2006 shall be encashed to the extent of 50% and a bank guarantee for remaining amount will be kept alive till the future disposal of litigations. For future consignments goods will be cleared after 50% of payment of the disputed amount would be paid by the respondents and furnishment of bank guarantee of balance of 50%. Accordingly, RPPL has made provision of Rs.6.842 million (2012: Rs. 6.842 million) being 50% of disputed amount i.e. Rs. 13.684 million.

10.5 This includes Rs. Nil (30 June 2012: Rs. 0.603 million) payable by RPPL to a related party.

	2013	2012
	(Rupees in thousand)	
<b>10.6 Provision for workers' funds</b>		
Provision for Workers' Profit Participation Fund	149,102	92,617
Provision for Workers' Welfare Fund	58,472	37,047
	<u>207,574</u>	<u>129,664</u>
Recoverable from WAPDA as pass through item	<u>(207,574)</u>	<u>(129,664)</u>
	<u>-</u>	<u>-</u>

## 11 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 (30 June 2012: Rs. 900 million). The facility carries mark-up at 3 months KIBOR plus 3% per annum (30 June 2012: 3 months KIBOR plus 3% per annum). The facility has been obtained against parri passu charge of PKR 3,766 million over all present and future fixed assets and current assets of the Company in favour of the security trustee. This facility will expire on 30th October 2013.

## 12 Contingencies and commitments

### Contingencies

#### Altern Energy Limited - the Parent Company

- There are no material contingencies as at 30 June 2013

#### Rousch (Pakistan) Power Limited - the Subsidiary Company

- Bank guarantees have been issued to the excise and taxation department aggregating Rs. 26.842 million (30 June 2012: Rs. 321.925 million).
- In November 2012, the taxation authorities raised tax demand of Rs. 2,026.48 million along with additional tax of Rs. 1,236.92 million and penalty of Rs. 101.32 million; on account of input sales tax alleged to be wrongly claimed for the period July 2007 to June 2011. The department is of the view that input tax paid by RPPL should be splitted among taxable and non-taxable supplies. RPPL based on the legal advice received is of the view that component of Capacity revenue is not considered value of supply and rule of apportionment is not applicable in case of IPPs for the reason considered value of supply and rule of apportionment is not applicable in case of IPPs for the reason that the ultimate product is electrical energy, which is taxable. The demand was upheld by the CIR(A) and the matter is now pending before the Appellate Tribunal on appeal filed by RPPL. The Tribunal has also granted stay against recovery proceedings by the Department. The management is confident of a positive resolution of this matter on strength of a favourable judgment of the Tribunal in a parallel case. Accordingly, no provision has been recognized in the financial statements.
- Wapda has raised invoices for liquidated damages to RPPL for the operating year started from 11th December 2012 (after taking into account forced outage allowance stipulated under the Power Purchase Agreement) on account of failure to dispatch electricity in part or in full for certain period of time (91 plant days in full) during December 2012 to April 2013 as a result of curtailment / suspension in gas supply by Sui Northern Gas Pipelines Limited (SNGPL). SNGPL restored to curtailment / suspension in gas supply due to accumulation of outstanding gas bills. During the period of non payment, SNGPL has been restoring gas suspension in full or in part, upon receipt of partial payment or persuasion by the Government of Pakistan / WAPDA. The Liquidated Damages invoices received by RPPL are of Rs.1.426 billion Liquidated damages invoiced to RPPL whereas estimated liquidated damages are not expected to exceed Rs. 1.6 billion as at 30 June 2013 based on the best estimate of the management of RPPL.
- RPPL disputes and rejects the claim on account of liquidated damages on the premise that its failure to dispatch electricity was due to WAPDA's non- payment of dues on timely basis to RPPL impacting RPPL's ability to make timely payments to its gas supplier (SNGPL) in turn in curtailment / suspension in gas supply. The disruption in gas supply impacted plant operation and short supply of electricity by RPPL. According to the legal advice available with RPPL, there are adequate grounds to defend the claim by WAPDA for such liquidity damages since these conditions were imposed on RPPL by WAPDA due to circumstances beyond its control. In this regard, RPPL has initiated the dispute resolution procedures specified in the Power Purchase Agreement. RPPL and its legal council are of the opinion that the outcome of the matter would be in RPPL's favour. Accordingly no provision has been recognised in the financial statements.
- Tax returns filed by RPPL up to and including Assessment Year 2002-2003 (year ended 30th June 2002) and Tax Years 2003 and 2004 were assessed by the tax authorities by charging tax on interest and other income; however RPPL was allowed set-off of business losses by the appellate authorities against taxable income.

- Tax returns for Tax Years 2005 to 2010 were amended by the tax authorities in July 2011 by disallowing tax depreciation on fixed assets used to derive income exempt from tax; thereby also disallowing set-off of loss represented by unabsorbed tax depreciation against interest income. The appeals filed by RPPL were accepted by the Commissioner Inland Revenue (Appeals) [CIR(A)] and the demand deleted in entirety.
- For Tax Years 2005 to 2009, the Commissioner of Income Tax directed RPPL to withhold and deposit tax on certain payments to RPPL's foreign lenders under the loan finance agreements. Tax demand of Rs. 11.05 million was raised against RPPL in the matter of non-withholding for Tax Years 2005, 2008 and 2009. However, on appeal filed by RPPL to the Commissioner (Appeals), the matter was decided in RPPL's favour. The appellate Order of the Commissioner (Appeals) was also upheld by the Appellate Tribunal on Departmental appeal.
- For the Tax Year 2011, the tax authorities raised demand of Rs. 26.52 million on account of Workers Welfare Fund [WWF] which was upheld by the CIR(A). RPPL has filed appeal to the Appellate Tribunal against decision of the CIR(A). Similar proceedings for imposition of WWF of Rs. 37.04 million for the Tax Year 2012 were initiated in May 2013 which are in progress. RPPL and its tax advisor are of the opinion that RPPL has a reasonable chance of success in this case.
- For the Tax Year 2012, the tax authorities also initiated proceedings for levy of minimum tax of Rs. 66.34 million on capacity price payments. The matter is currently in progress before the taxation officer. RPPL and its tax advisor are of the opinion that RPPL has a reasonable chance of success in this case.

#### **Committements**

##### **Altern Energy Limited - the Parent Company**

- MCB Bank Limited has issued bank guarantee for Rs. 156.213 million (30 June 2012 : 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 30 September 2013, which is renewable.

##### **Rousch (Pakistan) Power Limited - the Subsidiary Company**

- Commitments under letters of credit for raw materials as at 30 June 2013 amounted to Rs. 12.992 million (30 June 2012: Rs. Nil).
- Letter of credit facility of Rs. 1,925 million (30 June 2012: Rs. 1,925 million) is available from a consortium of local banks led by Bank Alfalah Limited, in favour of Sui Northern Gas Pipelines Limited (SNGPL) as a security to cover gas supply for which payments are made in arrears.

13 Operating fixed assets

	Annual rate of depreciation %	Cost as at 01 July 2012	Additions/ (disposals)/ adjustments	Cost as at 30 June 2013	Accumulated depreciation as 01 July 2012	charge/ (on disposals) (on disposals)	Accumulated depreciation as at 30 June 2013	Book value as at 30 June 2013
(Rupees in thousand)								
Freehold land	3.33	59,413	-	59,413	23,069	1,820	24,889	34,524
Building on freehold land	3-5	1,918,035	12	1,918,047	807,179	64,075	871,254	1,046,793
Plant and machinery (note 12.2 & 12.3)	3-17	39,280,095	24,377 625,874	39,930,346	13,732,482	1,549,545	15,282,027	24,648,319
Leasehold improvements	10	1,255	-	1,255	171	126	297	958
Electric equipment	10	2,109	-	2,109	764	189	953	1,156
Furniture and fixtures	20	2,673	270	2,943	2,252	186	2,438	505
Office equipment	10-33	21,871	1,699 (354)	23,216	16,811	1,911 (288)	18,434	4,782
Vehicles	20	40,014	970 (2,598)	38,386	26,600	2,631 (2,108)	27,123	11,263
Capital spares	3-5	525,677	(2,087)	523,590	143,870	5,420 (1,894)	147,396	376,194
2013		41,851,142	653,202 (5,039)	42,499,305	14,753,198	1,625,903 (4,290)	16,374,811	26,124,494

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

	Note	2013 (Rupees in thousand)	2012
13.1 The depreciation/ amortization charge for the year has been allocated as follows:			
Direct costs	20	1,621,049	1,807,517
Administrative expenses	21	4,854	5,734
		<u>1,625,903</u>	<u>1,813,251</u>

13.2 According to the circular 11 of 2008 dated 13 June 2008 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. 629.525 million (30 June 2012: Rs. 1,250.041 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. 11,651.478 million (30 June 2012: Rs. 11,021.953 million) in the cost of plant and equipment up to 30 June 2013, with book value of Rs. 8,527.860 million (30 June 2012: Rs. 8,397.714 million) as at the year end.

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

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Mode of disposal	Purchaser
	----- (Rupees in thousand) -----					
Suzuki Cultus	662	662	-	185	Company policy	Ex-employee
Honda CD - 70	67	5	62	63	Insurance claim	Adamjee Insurance
Toyota Corolla (Altis - 1.8)	1,869	1,441	428	947	Company policy	C.E.O
Various items of written down value less than Rs. 50,000 each	354	288	66	5	Negotiation / Company policy / write off	Various
	<u>2,952</u>	<u>2,396</u>	<u>556</u>	<u>1,200</u>		

**14 Long term loan to employees - secured**

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.

Outstanding advance as on 30 June		765	13,356
Current portion of long term loan to employees - secured	17	(410)	(3,385)
		<u>355</u>	<u>9,971</u>
15 Stores, spares and loose tools			
Stores		423,592	386,028
Spares		19,528	41,352
		<u>443,120</u>	<u>427,380</u>
Provision for slow moving and obsolete items		(3,636)	(3,636)
		<u>439,484</u>	<u>423,744</u>

15.1 All the stores, spares and loose tools of RPPL are held and managed by ESB International Contracting Limited (ESBI), the Operation and Maintenance contractor of the RPPL.

		2013 (Rupees in thousand)	2012
<b>16 Trade debts - secured, considered good</b>	<i>Note</i>		
Considered good	16.1	5,402,850	10,756,568
Considered doubtful		40,347	40,437
Provision for doubtful debts		(40,347)	(40,437)
		<u>5,402,850</u>	<u>10,756,568</u>

16.1 It represents receivable from WAPDA against energy, capacity and supplemental charges. 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. In the previous year, the Group charged supplemental charges of Rs. 40,347 million on delayed payment of default interest invoices. WAPDA is not accepting such amount therefore prudently a provision thereof has been made. The remaining balance of receivables invoices issued with in twelve months. The delay in recovery is because of settlement of debts by Government through circular debts.

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

#### 17 Advances, prepayments and other receivables

Advances-Considered good			
-Suppliers	17.1	43,397	22,498
-Employees	14	899	13,356
		<u>44,296</u>	<u>35,854</u>
Interest accrued		4,344	7,934
Prepayments		74,149	63,492
Bank Guarantee Cost MCB		814	266
Recoverable from Government			
-Advance tax, net		7,856	21,904
-Sales Tax		79,109	158,189
-Receivables from WAPDA		-	-
-Others	17.2	7,079	4,470
		<u>94,044</u>	<u>22,563</u>
Current portion of long term loan to employees - secured	14	410	3,385
		<u>218,057</u>	<u>339,494</u>

17.1 It includes advance to a related party amounting to Rs. 42.356 million (30 June 2012: Rs.10.893 million).

17.2 It includes receivable from related parties amounting to Rs. 6.494 million (30 June 2012: Rs. 1.269 million).

#### 18 Cash and bank balances

Cash at banks:			
Saving accounts			
- Foreign currency		251,165	320,368
- Local currency		4,705,367	243,616
	18.1	<u>4,956,532</u>	<u>563,984</u>
Current accounts		2,875	2,436
		<u>4,959,407</u>	<u>566,420</u>
Cash in hand		646	834
		<u>4,960,053</u>	<u>567,254</u>

18.1 These carry mark-up at the rates ranging from 0.5% to 9.5% per annum (2012: 0.5% to 13.53% per annum).

		2013	2012
		(Rupees in thousand)	
<b>19 Revenue - net</b>	<i>Note</i>		
Energy revenue - gross		15,069,677	12,945,903
Sales tax		(2,085,283)	(1,785,642)
Energy revenue - net		12,984,394	11,160,261
Capacity revenue		6,475,542	5,897,101
Other supplemental charges		1,165,877	1,068,953
Gas efficiency passed to WAPDA		(288,301)	(210,560)
		20,337,512	17,915,755
<b>20 Direct costs</b>			
Fuel consumed		11,777,016	10,126,752
Operating maintenance costs		930,920	883,427
Depreciation	13.1	1,621,049	1,807,517
Repairs and maintenance	20.1	121,032	581,646
Provision for stores & spares		-	3,636
Insurance		136,440	137,716
Energy import		23,677	30,027
Salaries, wages and other benefits		32,116	35,771
Generation licence fee		4,707	4,209
Electricity duty		3,859	3,258
Miscellaneous expenses		31,002	35,230
		14,681,818	13,649,189
<b>20.1</b> This includes an amount of Rs. Nil (30 June 2012: Rs. 219.037 million) representing repair and maintenance of steam turbine on account of erosion.			
<b>21 Administrative expenses</b>			
Salaries, wages and other benefits	21.1	47,772	51,138
Provision for bad debts		-	40,347
Legal and professional		14,550	7,402
Consultancy and advisory services		-	
Depreciation		4,854	5,734
Traveling, conveyance and hotelling		2,908	8,238
Rent, rates and taxes		2,454	2,193
Utilities		664	242
Repair and maintenance		1,110	643
Postage and telephone		1,187	1,411
Publicity, printing and stationery		576	806
Auditors remuneration	21.2	2,613	2,755
Fee and subscription		665	430
Donation		228	112
Entertainment		380	473
Security expenses		1,755	1,755
Miscellaneous		4,552	4,037
		86,268	127,716

21.1 It includes provision for staff gratuity amounting to Rs. 0.511 million (30 June 2012: Rs. 10.277 million), contributions to provident fund trust amounting to Rs. 4.046 million (30 June 2012: Rs. 3.723 million).

	Note	2013 (Rupees in thousand)	2012
<b>21.2 Auditor's remuneration</b>			
Annual audit fee		1,900	1,945
Half year review fee		150	150
Tax consultancy		513	610
Out of pocket expenses		50	50
		<u>2,613</u>	<u>2,755</u>

**22 Other income**

*Income from financial assets*

Income on bank deposit	26,691	77,838
------------------------	--------	--------

*Income from non-financial assets*

Gain on sale of property, plant & equipment	644	218
Scrap sales	1,531	3,480
Exchange gain	-	1,335
Other income	5,523	67
	<u>7,698</u>	<u>5,100</u>
	<u>34,389</u>	<u>82,938</u>

**23 Finance cost**

Interest and mark-up on:

- Long term loans and swap payments	23.1 & 23.2	1,525,165	1,789,481
- Short term loan		47,536	109,845
Amortization of bank guarantee cost		1,351	1,113
Foreign exchange difference		606	-
Accretion of discount on long term liability	7.1.6	151,915	134,467
Lender fees and charges		57,838	56,161
Lender related costs-others		23,357	47,269
Mark up on late payments to SNGPL		805,314	256,549
Bank charges		1,619	2,281
		<u>2,614,701</u>	<u>2,397,166</u>

23.1 It includes mark up accrued on loans from Descon Engineering Limited, the holding company amounting to Rs. 35.93 million (30 June 2012: Rs. 41.94 million) .

23.2 This includes net swap expense of Rs. 82.561 million (30 June 2012: Rs. 194.415 million) and net exchange loss of Rs. 106.457 million (30 June 2012 : Rs. 130.458 million).

**24 Payable to defined benefit plan**

The latest actuarial valuation of gratuity scheme was carried out as at 30 June 2013 under the Projected Unit Credit Method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:

	2013	2012
<b>24.1 Actuarial assumptions</b>		
Valuation discount rate	12.50%	12.50%
Expected rate of increase in salaries	12.50%	12.50%
Expected rate of return on plan assets	12.50%	12.50%
<b>24.2 Funding status</b>	<b>2013</b>	<b>2012</b>
	<b>(Rupees in thousand)</b>	
The amounts recognised in balance sheet are as follows:		
Present value of defined benefit obligation	21,983	22,247
Fair value of plan assets	(17,858)	(17,738)
(losses) not recognised	(5,964)	(3,323)
<b>(Asset)/liability in balance sheet</b>	<b>(1,839)</b>	<b>1,186</b>
<b>24.3 Changes in present value of defined benefit obligation</b>		
Present value of defined benefit obligation - beginning of the year	22,247	14,461
Current service cost	3,430	2,037
Interest cost	2,272	1,850
Past service cost	-	4,879
Actuarial losses/(gains)	2,171	1,512
Benefits paid	(8,137)	(2,492)
<b>Present value of defined benefit obligation - end of the year</b>	<b>21,983</b>	<b>22,247</b>
<b>24.4 Changes in fair value of plan assets</b>		
Fair value of plan assets - beginning of the year	17,738	12,666
Expected return on plan assets	2,317	1,517
Actuarial (losses)	(592)	(109)
Benefits paid	(8,137)	(2,492)
Contribution to fund	6,532	6,156
<b>Fair value of plan assets - end of the year</b>	<b>17,858</b>	<b>17,738</b>
<b>24.5 Amounts recognised in the profit and loss account</b>		
Current service cost	3,430	2,037
Interest cost	2,272	1,850
Transitional liability	122	-
Expected return on plan assets	(2,317)	(1,517)
	<b>3,507</b>	<b>2,370</b>
<b>24.6 Composition / fair value of plan assets</b>		
Certificates of investment / term deposit receipts	97%	97%
Others	3%	3%

24.7 Available historical information	2013	2012	2011	2010	2009
	----- (Rupees in thousand) -----				
Present value of defined benefit obligation	21,983	22,247	14,461	9,850	13,874
Fair value of plan assets	(17,858)	(17,738)	(12,666)	(6,528)	-
Deficit / (surplus) in plan	4,125	4,509	1,795	3,322	13,874
Losses not recognised	(5,964)	(3,323)	(1,734)	(54)	(71)
(Asset) / liability on balance sheet	(1,839)	1,186	61	3,268	13,803

The expected charge to gratuity scheme for 2013 amounts to Rs. 3.1 million.

24.8 This includes accrual for compensated absences, amounting to Rs. 4.7 million (2012: Rs. 5.6 million).

## 25 Remuneration of Chief Executive, Directors and Executives

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

	Chief Executive		Executives	
	2013	2012	2013	2012
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	19,023	18,275	34,153	41,126
Retirement benefits	2,911	5,554	7,776	2,684
House rent , utilities and others	2,791	-	3,935	150
	24,725	23,829	45,864	43,960
Number of persons	3	2	13	16

25.2 In addition to the above, the Chief Executive and certain Executives of RPPL are provided with free use of company maintained cars. The Chief Executive and other Executives are also provided with medical facilities in accordance with their entitlements.

25.3 No fee, remuneration, house rent and utilities were provided to CEO/Directors of the parent Company

## 26 CAPITAL RISK MANAGEMENT

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

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

## 27 Financial instruments

### Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

#### 27.1 Credit risk

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

##### 27.1.1 Exposure to credit risk and concentration of credit risk

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

	2013			
	Domestic	Euro	USD	Total
	(Rupees in thousand)			
Long term deposits	730	-	-	730
Trade debts	5,402,850	-	-	5,402,850
Other receivables	103,736	-	-	103,736
Bank balances	4,708,251	4,955	246,210	4,959,406
	<u>10,215,567</u>	<u>4,955</u>	<u>246,210</u>	<u>10,466,722</u>

	2012			
	Domestic	Euro	USD	Total
	(Rupees in thousand)			
Long term deposits	1,069	-	-	1,069
Trade debts	10,756,568	-	-	10,756,568
Other receivables	158,529	-	-	158,529
Bank balances	323,059	5,302	238,314	566,675
	<u>11,239,225</u>	<u>5,302</u>	<u>238,314</u>	<u>11,482,841</u>

##### 27.1.2 Impairment losses

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

	2013		2012	
	Gross	Impairment	Gross	Impairment
	(Rupees in thousand)			
Not past due	2,068,193	-	2,024,984	-
Past due 0-30 days	1,903,398	-	708,999	-
Past due 31-120 days	1,215,231	(40,347)	5,023,296	(40,347)
More than 120 days	256,375	-	3,039,635	-
	<u>5,443,197</u>	<u>(40,347)</u>	<u>10,796,914</u>	<u>(40,347)</u>

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

## 27.2 Liquidity risk

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

2013						
Carrying amount	Maturities					
	Contractual cash flows	Less than six months	Upto one year	Two years to five years	After five years	
----- (Rupees in thousand) -----						
<i>Non-derivative financial liabilities:</i>						
Sponsors' loan	562,331	(562,331)	-	-	-	(562,331)
Long term loans	15,175,568	(19,543,910)	(1,603,117)	(1,557,659)	(13,912,373)	(2,470,761)
Trade and other payables	2,377,750	(2,377,750)	(2,377,750)	-	-	-
Mark up accrued	18,641	(18,641)	(18,641)	-	-	-
	<u>18,134,290</u>	<u>(22,502,632)</u>	<u>(3,999,508)</u>	<u>(1,557,659)</u>	<u>(13,912,373)</u>	<u>(3,033,092)</u>
<i>Derivative financial liabilities:</i>						
Interest rate swap liabilities	683,452	(701,627)	(257,468)	(233,876)	(210,283)	-
	<u>18,817,742</u>	<u>(23,204,259)</u>	<u>(4,256,976)</u>	<u>(1,791,535)</u>	<u>(14,122,656)</u>	<u>(3,033,092)</u>
2012						
Carrying amount	Maturities					
	Contractual cash flows	Less than six months	Upto one year	Two years to five years	After five years	
----- (Rupees in thousand) -----						
Restated						
<i>Non-derivative financial liabilities:</i>						
Sponsors' loan	520,571	(520,571)	-	-	-	(520,571)
Long term loans	16,363,328	(21,876,059)	(1,957,472)	(1,509,099)	(13,454,736)	(4,767,195)
Trade and other payables	5,335,197	(5,335,197)	(4,346,903)	(988,294)	-	-
Mark up accrued	73,823	(73,823)	(73,823)	-	-	-
	<u>22,292,919</u>	<u>(27,367,103)</u>	<u>(6,256,615)</u>	<u>(2,447,866)</u>	<u>(13,454,736)</u>	<u>(5,207,886)</u>
<i>Derivative financial liabilities:</i>						
Interest rate swap liabilities	1,169,105	(1,197,777)	(284,732)	(260,972)	(652,073)	-
	<u>23,462,024</u>	<u>(28,564,880)</u>	<u>(6,541,347)</u>	<u>(2,708,838)</u>	<u>(14,106,809)</u>	<u>(5,207,886)</u>

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

### 27.3 Market risk

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

#### 27.3.1 Interest rate risk

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

	Carrying amounts	
	2013	2012
	(Rupees in thousand)	
<b>Fixed rate instruments:</b>		
Financial liabilities	<u>(4,258,053)</u>	<u>(3,792,554)</u>
<b>Variable rate instruments:</b>		
Financial assets	5,017,111	629,583
Financial liabilities	<u>(11,780,536)</u>	<u>(14,000,709)</u>
	<u>(6,763,425)</u>	<u>(13,371,126)</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	
	2013	2012	2013	2012
	(Rupees in thousand)			
Variable rate instruments	<u>-</u>	<u>-</u>	<u>315,213</u>	<u>286,290</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 2013.

### 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:

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

	2012		
	Rupees	US Dollars	Euro
	(Amounts in thousand)		
Cash and cash equivalents	243,616	2,592	42
Long term loans	(15,602,914)	(165,604)	-
Interest rate swap	(1,169,105)	(11,384)	-
Trade and other payables	(83,352)	-	(8,113)
Gross balance sheet exposure	(16,611,755)	(174,396)	(8,071)

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	
	2013	2012	2013	2012
US Dollars	98.80	94.20	97.56	89.92
Euro	129.11	118.50	126.25	120.43

#### 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	
	2013	2012	2013	2012
	(Rupees in thousand)			
US Dollars	-	-	6,467	100,280
Euro	-	-	(3,533)	(63,569)

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 13.2, 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. 1,240.360 million (2012: Rs. 2,209.473 million). Therefore, the effect has not been considered either in equity or profit and loss account as stated above.

**28 Transaction with related parties**

The related parties comprise of ultimate parent 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:

	2013	2012
	(Rupees in thousand)	
<b>Ultimate parent</b>		
<i>On account of:</i>		
Short term loan - received during the year	-	16,000
Mark up accrued during the year	35,927	41,936
Reimbursable expenses	249	646
<b>Associated companies</b>		
Descon Power Solutions (Private) limited		
<i>On account of:</i>		
Operation and maintenance agreement	26,400	24,000
Service agreement of generators	2,640	2,400
Spare parts purchased	50,697	102,972
Descon Power Solutions (Private) limited		
<i>On account of:</i>		
Operator's fee paid to ESB International Contracting Limited	321,419	546,201
Payments to Siemens AG as maintenance contractor	73,376	141,304
Payments to Siemens AG for supply of spares and services	78,715	26,482
Payments to Siemens Pakistan Limited for supply of spares and services	68,836	29,870
Payments to Siemens AG on repair agreements	9,104	19,991
Payments to Descon Engineering Limited for services	8,039	5,573
Payments to Descon Power Solutions (Pvt) Ltd.	270,658	129,968
Payments to Siemens AG against LTMSA Contract	873,214	797,815
Payments to Siemens Pakistan against LTMSA Contract	189,911	521,898
<b>Staff retirement contribution fund</b>		
Payment to staff gratuity fund	6,533	6,156
Payment to staff provident fund	5,831	3,693

		2013	2012
<b>29 Plant capacity and actual production</b>			
Theoretical maximum output at dependable capacity of 395 GWh (2012: 395 Gwh)	<i>GWh</i>	<u>3,688.82</u>	<u>3,688.82</u>
Practical maximum output	<i>GWh</i>	<u>2,891.40</u>	<u>2,891.40</u>
Actual output	<i>GWh</i>	<u>2,739.82</u>	<u>2,631.98</u>
Load factor	<i>Percentage</i>	<u>74.27</u>	<u>71.35</u>

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

	2013	2012
<b>30 Cash and cash equivalents</b>	(Rupees in thousand)	
Cash and bank balances	4,960,053	567,254
Short term loan	-	(636,000)
	<u>4,960,053</u>	<u>(68,746)</u>

		2013	2012
<b>31 Earnings per share - basic and diluted</b>			
<b>31.1 Earnings per share - Basic</b>			
Profit/(Loss) for the year	Rupees '000	1,815,788	1,079,406
Weighted average number of ordinary shares	Number	362,338,500	342,550,000
Earnings per share	Rupees	<u>5.00</u>	<u>3.15</u>

#### 31.2 Earnings per share - Diluted

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

#### 32 Date of authorisation

These consolidated financial statements were authorised for issue by the Board of Directors in their meeting held on September 18, 2013.

#### 33 General

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

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

Chief Executive

Director

Financial Year ending June 30	2013	2012	2011	2010	2009	2008
	(Rupees in thousand)					
Despatch (MWH)	193,794	182,067	179,323	157,376	112,714	-
Revenue	1,471,563	1,154,020	990,832	804,459	659,713	-
Direct Costs	1,228,881	1,001,251	796,787	607,852	511,349	38,411
Gross Profit/(Loss)	242,682	152,769	194,045	196,877	148,364	(38,411)
Net Profit/(Loss)	57,825	(36,985)	(8,054)	7,043	(197,291)	(97,524)
Total Assets	4,623,110	4,760,130	4,524,072	4,602,373	4,549,582	4,538,017

## PATTERN OF SHAREHOLDING

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

30-06-2013

-----Shareholding-----

4. No. of Shareholders	From	To	Total Shares Held
45	1	100	408
27	101	500	12,362
15	501	1,000	14,688
23	1,001	5,000	75,595
10	5,001	10,000	80,299
3	10,001	15,000	41,985
6	15,001	20,000	114,099
3	20,001	25,000	71,000
5	25,001	30,000	142,900
2	30,001	35,000	65,500
2	35,001	40,000	79,000
1	45,001	50,000	50,000
1	60,001	65,000	64,106
2	70,001	75,000	150,000
3	95,001	100,000	300,000
1	100,001	105,000	100,277
1	225,001	230,000	230,000
1	245,001	250,000	250,000
1	250,001	255,000	254,056
1	260,001	265,000	263,500
1	300,001	305,000	300,500
1	495,001	500,000	500,000
1	595,001	600,000	600,000
1	805,001	810,000	810,000
1	1,680,001	1,685,000	1,680,404
1	2,055,001	2,060,000	2,057,321
1	8,695,001	8,700,000	8,700,000
1	12,530,001	12,535,000	12,530,582
1	60,475,001	60,480,000	60,475,416
1	61,965,001	61,970,000	61,968,939
1	211,395,001	211,400,000	211,397,063
164			363,380,000

**CATEGORIES OF SHAREHOLDINGS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE C.C.G.  
AS ON 30TH JUNE, 2013**

<b>SR. NO.</b>	<b>NAME</b>	<b>NO. OF SHARES HELD</b>	<b>%</b>
<b>ASSOCIATED COMPANIES, UNDERTAKING &amp; RELATED PARTIES (NAME WISE DETAIL):</b>			
1	DESCON ENGINEERING LIMITED (CDC)	211,397,063	58.1752
<b>MUTUAL FUNDS (NAME WISE DETAIL)</b>			
1	ASIAN STOCK FUND LIMITED (CDC)	2,057,321	0.5662
2	SAFeway MUTUAL FUND LIMITED (CDC)	1,680,404	0.4624
<b>DIRECTORS AND THEIR SPOUSE AND MINOR CHILDREN (NAME WISE DETAIL):</b>			
1	MR. ABDUL RAZZAK DAWOOD (CDC)	500	0.0001
2	MR. FAZAL HUSSAIN ASIM	-	0.0000
3	MR. FAROOQ NAZIR	-	0.0000
4	SYED ZAMANAT ABBAS (CDC)	500	0.0001
5	MR. KHALID SALMAN KHAN	-	0.0000
6	SYED ALI NAZIR KAZMI	-	0.0000
7	MR. SHAH MUHAMMAD CH.	-	0.0000
<b>EXECUTIVES:</b>			
<b>PUBLIC SECTOR COMPANIES &amp; CORPORATIONS:</b>			
<b>BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE</b>			
		810,000	0.0009
<b>COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PANSION FUNDS:</b>			
<b>SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTREST IN THE LISTED COMPANY (NAME WISE DETAIL)</b>			
1	DESCON ENGINEERING LIMITED (CDC)	211,397,063	58.1752
2	SAUDI ARABIAN CONSTRUCTION & REPAIR CO. LTD.	61,968,939	17.0535
3	CRESCENT STEEL AND ALLIED PRODUCTS LTD. (CDC)	60,475,416	16.6425

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

NIL

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 19<sup>th</sup> Annual General Meeting of Altern Energy Limited, will be held on Wednesday, October 23, 2013, at 09.30 am, at Descon Headquarters, 18 – KM, Ferozepur Road, Lahore, to transact the following business:

### **ORDINARY BUSINESS**

1. To confirm the minutes of the last Annual General Meeting of the Company held on Wednesday, October 24, 2012.
2. To receive, consider and adopt the audited accounts of the Company for the year ended 30<sup>th</sup> June 2013 together with the Director's and Auditors Report's thereon.
3. To appoint Auditors for the year ending June 30, 2014 and fix their remuneration.  
(The present auditors M/S KPMG Taseer Hadi & Co. retire and being eligible have offered themselves for re-appointment).
4. To transact any other business with the permission of the Chair.

By Order of the Board

Lahore  
October 1, 2013

(Umer Shehzad)  
Company Secretary

### **Notes:-**

1. The share transfer books of the Company shall remain closed from 16-10-2013 to 23-10-2013 (both days inclusive).
2. Members are requested to attend in person along with Computerized National Identity Card ("CNIC") or appoint some other member as proxy and send their proxy duly witnessed so as to reach the registered office of the Company not later than 48 hours before the time of holding the meeting.
3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his / her original CNIC or passport, Account and participants, I.D. Numbers to prove his / her identity, and in case of proxy must enclose an attested copy of his / her CNIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.
4. Shareholders are requested to immediately notify change in address, if any, to the Company's Share Registrar, M/s. Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore and also furnish attested photocopy of their CNIC as per Listing Regulations, if not provided earlier.

## PROXY FORM

I/We \_\_\_\_\_  
of \_\_\_\_\_, a member/members of ALTERN ENERGY LIMITED  
and holder of \_\_\_\_\_ shares as per registered Folio #/CDC Participant ID #/Sub A/C #/Investor  
A/C # \_\_\_\_\_ do hereby appoint \_\_\_\_\_, a member of the Company  
vide Registered Folio #/CDC Participant ID #/Sub A/C #/Investor A/C # \_\_\_\_\_ as my/our Proxy  
to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the shareholders of  
ALTERN ENERGY LIMITED will be held on Wednesday, October 23, 2013 at 09:30 am at DESCON HEAD  
QUARTERS 18-km Ferozpur Road, Lahore and at any adjournment thereof.

As witness may hand this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

**Member's Signature**

**Witness's Signature**

Place: \_\_\_\_\_

Date: \_\_\_\_\_

Please affix  
here Revenue  
Stamp

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

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



