



Altern Energy Limited

**Annual Report
2015**

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COMPANY INFORMATION

BOARD OF DIRECTORS

| | |
|------------------------------|-------------------|
| Mr. Abdul Razak Dawood | (Chairman) |
| Mr. Taimur Dawood | (Chief Executive) |
| Mr. Farooq Nazir | |
| Mr. Fazal Hussain Asim | |
| Syed Ali Nazir Kazmi | |
| Mr. Shah Muhammad Chaudhry | |
| Syed Rizwan Ali Shah | |
| Mr. Mohammad Saleh Al Shaikh | |

AUDIT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

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

CFO AND COMPANY SECRETARY

Mr. Umer Shehzad

AUDITORS

A.F. Ferguson & Co.
Chartered Accountants

BANKERS

MCB Bank Limited
The Bank of Punjab
Habib Bank Limited
Habib Metropolitan Bank Limited

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, 2015.

GENERAL

The principal activities of the Company are ownership, operation and maintenance of a 32 MWs gas based thermal power plant located near Fateh Jang, district Attock, Punjab, and sale of electrical energy produced to Water and Power Development Authority (WAPDA) under long term Power Purchase Agreement. The Company's shares are listed on Karachi Stock Exchange.

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 an independent power producer having a gross ISO capacity of 450 MWs from its gas-fired combined cycle thermal power plant, located near Sidhnai Barrage, Abdul Hakeem, District Khanewal, Punjab.

FINANCE

During the year under review, the Company's turnover was Rs. 1,435.40 million (2013-14: Rs. 1,756.95 million) and operating costs were Rs. 1,263.38 million (2013-14: Rs. 1,459.09 million), resulting in gross profit of Rs. 172.03 million as against a gross profit of Rs. 297.86 million of last year. The Company posted net profit of Rs. 115.08 million showing earnings per share (EPS) of Rs. 0.32 as compared to corresponding year's net profit of Rs. 1,868.20 million and earnings per share (EPS) of Rs. 5.14. The corresponding year's profit included an amount received as dividend from the subsidiary company amounting to Rs. 1,666 million. Without this dividend, the last year profit would have been Rs. 202 million.

WAPDA, the sole power purchaser of the Company, continues to face acute financial crunch which has continued to affect the liquidity position of your Company. Despite the ongoing circular debt issue, the Company had been able to manage the cashflows to meet all its obligations including debt-servicing and operational payments.

The Company duly discharged its obligation to lenders against the outstanding foreign currency loan. During the period, the Company paid Rs. 23.99 million as the repayment against the foreign currency loan.

Your Company's consolidated earnings for the year was Rs. 2,091.30 million resulting in earnings per share (EPS) of Rs. 5.76 per share, as compared to consolidated earnings of Rs. 1,627.89 million and earnings per share (EPS) of Rs. 4.48 in the year ended June 30, 2014. 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.

OPERATIONS

The Company's operations were adversely affected due to partial disconnections of gas by the gas supplier, Sui Northern Gas Pipelines Limited (SNGPL), due to various factors such as gas scarcity in winter months, and periodic gas fields' maintenance. Despite reduced gas availability, the Company continues to provide support to both WAPDA and the Government of Pakistan through supply of energy to minimize the effects of nation-wide power crisis. During the year under view, the Company successfully dispatched 173,306 MWh (2013-14: 205,398 MWh) to WAPDA.

During the year, seven engines reaching 38,000 operating hours were overhauled whereas the last genset will be overhauled during the fiscal year 2015-16. All other scheduled and preventive maintenance activities were carried out in accordance with the Original Equipment Manufacturer (OEM) recommendations. We are confident that all the engines and their auxilliary equipment are in sound health for smooth and reliable operations.

SUBSIDIARY'S REVIEW

During the year under review, RPPL operated smoothly posting profit of Rs. 3,544.41 million showing earnings per share (EPS) of Rs. 4.11 as compared to Rs. 3,672.27 million and earnings per share (EPS) of Rs. 4.26 during the corresponding period last year. RPPL continues to discharge its liabilities as and when they become due. During the year, RPPL repaid its debt obligations amounting to Rs. 2,883 million due in September 2014 and March 2015 to the senior and subordinated debt lenders.

The Rousch power station generated 2,465 GWh of electricity during the year under review as compared to 2,760 GWh during the previous financial year. RPPL's generation would have been much higher, had its plant not remained out of operation (60 days at full load) due to suspension / curtailment of gas supply as a result of government's decision to divert the RPPL's gas to textile sector, and forced outage on GT-12 compressor in February 2015 which forced the company to run half complex for 53 days. The net impact of forced outage on GT-12 compressor was Rs. 102 million after insurance deductibles.

During the financial year, RPPL has paid Rs. 349 million to WAPDA as its share of gas efficiency due to efficient plant operations.

FUTURE OUTLOOK

Ever increasing demand for power in our country has created a huge challenge for the Government as well as private power sector companies. Ever depleting gas resources in Pakistan have put gas fired IPPs in a difficult situation; however, the inclusion of RLNG has provided much needed breathing space to the power sector specifically and industrial sector as a whole.

HEALTH, SAFETY & ENVIRONMENT

During the year under review, your Company continued to maintain satisfactory level of health and safety at the power plant. The HSE training of the staff was carried out regularly and the results thoroughly assessed and were found satisfactory. As of 30th June 2015, the total number of days till Lost Time Incident (LTI) are as follows:

| | |
|--------------------------|----------|
| AEL staff | 208 days |
| O & M contractor's staff | 344 days |
| Sub-contractor's staff | 412 days |

CORPORATE GOVERNANCE

The Company's Directors and management are fully cognizant of their responsibility as recognized by the Companies Ordinance 1984 provisions and Code of Corporate Governance incorporated in listing regulations of stock exchange. The Company has adopted best practices of Corporate Governance by ensuring a strong sense of business principles and high ethical standards for conduct of business.

Composition of the Board of Directors

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

Meetings of the Board

The Board is legally required to meet at least once every quarter to monitor the Company's performance aimed at effective and timely accountability of its management. The Board held five (5) such meetings during

the year, agendas of which were circulated in a timely manner. The decisions made by the Board during the meetings were minuted, and were duly circulated to all the Directors for endorsement and were approved in the following Board meetings. All meetings of the Board had minimum quorum attendance prescribed by the Code of Corporate Governance. The Chief Financial Officer & Secretary of the Company also attended all Board meetings.

During the year, five (05) Meetings of the Board of Directors were held. Attendance of these Meetings is as follows:

| Name of Director | Meetings Attended | Remarks |
|------------------------------|--------------------------|---|
| Mr. Abdul Razak Dawood | 5/5 | |
| Mr. Taimur dawood | 4/5 | Leave for absence was granted in 1 meeting |
| Mr. Fazal Hussain Asim | 5/5 | |
| Mr. Farooq Nazir | 4/5 | Leave for absence was granted in 1 meeting |
| Mr. Shah Muhammad Chaudhry | 5/5 | |
| Mr. Khalid Salman Khan | 1/2 | Leave for absence was granted in 1 meeting |
| Syed Ali Nazir Kazmi | 3/5 | Leave for absence was granted in 2 meetings |
| Syed Rizwan Ali Shah | 4/5 | Leave for absence was granted in 1 meeting |
| Mr. Mohammad Saleh Al Shaikh | 0/3 | Leave for absence was granted in 3 meetings |

Changes to the Board

During the year, Mr. Khalid Salman Khan (a nominee of M/S Saudi Arabian Construction & Repair Company) has relinquished the office of Director, and in his place Mr. Mohammad Saleh AlShaikh has joined the Board of Directors, as a nominee Director of M/S Saudi Arabian Construction & Repair Company.

Directors Statement

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

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

Proper books of account of the Company have been maintained.

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

International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.

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

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

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

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

Pattern of Shareholding

The pattern of shareholding and related additional information is attached herewith. No trading in Company's share was 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 A. F. Ferguson & Co. Chartered Accountants have retired, and being eligible have offered themselves for re-appointment. The Audit Committee has recommended the appointment of M/S A. F. Ferguson & Co. Chartered Accountants as auditors of the Company for the year ending June 30, 2016.

Acknowledgement

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

The Board also appreciates the contribution made by the executives, staff and workers for efficient operations of the Company.

For and on behalf the Board

**Lahore
September 16, 2015**

**Taimur Dawood
Chief Executive**

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Altern Energy Limited
For year ended June 30, 2015

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

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

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

| Category | Names |
|-------------------------|--|
| Independent Director | Syed Rizwan Ali Shah |
| Executive Director | Mr. Taimur Dawood |
| Non-Executive Directors | Mr. Abdul Razak Dawood Mr. Farooq Nazir Mr. Fazal Hussain Asim Syed Ali Nazir Kazmi Mr. Shah Muhammad Chaudhary Mr. Mohammad Saleh AlShaikh |

The independent director meets the criteria of independence under clause i (b) of the CCG.

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. Casual vacancies occurred on the Board and were filled up by the Directors within 90 days.
5. The Company has prepared a “Statement of Ethics and Business Practices” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

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

For and behalf of the Board of Directors

**Lahore:
September 16, 2015**

**Taimur Dawood
Chief Executive**

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the 'Code') prepared by the Board of Directors of Altern Energy Limited (the 'company') for the year ended June 30, 2015 to comply with the requirements of Listing Regulation No. 35 of the Karachi Stock Exchange, where the company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code as applicable to the company for the year ended June 30, 2015.

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

Reference Description

- i Note 15 As per the requirement of clause xxviii of the Code, the Chairman of the audit committee shall be an independent director. This requirement has not been complied with as of June 30, 2015

**Lahore:
September 16, 2015**

A.F. Ferguson & Co.

**Chartered Accountants
(Amer Raza Mir)**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Altern Energy Limited (the 'company') as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement 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 June 30, 2015 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended;
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance; and

The financial statements of the company for the year ended June 30, 2014 were audited by another firm of accountants, M/s KPMG Taseer Hadi and Company, Chartered Accountants, whose report dated September 29, 2014 expressed an unmodified opinion thereon.

A.F. Ferguson & Co.

**Chartered Accountants
(Amer Raza Mir)**

**Lahore:
September 16, 2015**

BALANCE SHEET

| | Note | 2015 (Rupees in thousand) | 2014 |
|---|-------|------------------------------|------------------|
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorised share capital 400,000,000 (2014: 400,000,000) ordinary shares of Rs 10 each | | <u>4,000,000</u> | <u>4,000,000</u> |
| Issued, subscribed and paid up share capital 363,380,000 (2014: 363,380,000) ordinary shares of Rs 10 each | 5 | 3,633,800 | 3,633,800 |
| Share premium | | 41,660 | 41,660 |
| Equity portion of sponsors' loan | 6 | - | 15,899 |
| Revenue reserve: Accumulated profit | | <u>649,677</u> | <u>534,600</u> |
| | | 4,325,137 | 4,225,959 |
| NON-CURRENT LIABILITIES | | | |
| Sponsors' loan - unsecured | 7 | 261,763 | 622,597 |
| Long term financing | 8 | 86,078 | 86,664 |
| Deferred liabilities | 9 | <u>1,898</u> | <u>1,450</u> |
| | | 349,739 | 710,711 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 10 | 559,978 | 553,666 |
| Unclaimed dividend | | 1,381 | 786 |
| Dividend payable | | - | 363,380 |
| Markup accrued | 11 | 9,710 | 8,888 |
| Current portion of long term financing | 7 & 8 | 32,754 | 23,271 |
| Provision for taxation | | - | 3,481 |
| | | 603,823 | 953,472 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 12 | | |
| | | <u>5,278,699</u> | <u>5,890,142</u> |

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive

AS AT JUNE 30, 2015

| | Note | 2015 (Rupees in thousand) | 2014 |
|---|------|------------------------------|------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 13 | 839,812 | 895,241 |
| Intangible assets | 14 | 5,816 | - |
| Long term investment | 15 | 3,204,510 | 3,204,510 |
| Long term deposits | 16 | 38 | 38 |
| | | <u>4,050,176</u> | <u>4,099,789</u> |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | 17 | 51,406 | 52,735 |
| Trade debts- secured, considered good | 18 | 796,723 | 731,925 |
| Advances, deposits, prepayments and other receivables | 19 | 80,060 | 160,484 |
| Dividend receivable | | - | 617,880 |
| Income tax recoverable | | 31,231 | - |
| Cash and bank balances | 20 | 269,103 | 227,329 |
| | | <u>1,228,523</u> | <u>1,790,353</u> |
| | | <u>5,278,699</u> | <u>5,890,142</u> |

Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015**

| | Note | 2015 (Rupees in thousand) | 2014 |
|---|------------|------------------------------|-------------------------|
| Revenue-net | 21 | 1,435,404 | 1,756,949 |
| Direct costs | 22 | <u>(1,263,377)</u> | <u>(1,459,092)</u> |
| Gross profit | | 172,027 | 297,857 |
| Administrative expenses | 23 | (18,420) | (11,947) |
| Other income | 24 | <u>10,578</u> | <u>1,676,745</u> |
| Profit from operations | | 164,185 | 1,962,655 |
| Finance cost | 25 | <u>(47,110)</u> | <u>(90,887)</u> |
| Profit before taxation | | 117,075 | 1,871,768 |
| Taxation | 26 | (1,998) | (3,575) |
| Profit after taxation | | <u><u>115,077</u></u> | <u><u>1,868,193</u></u> |
| Earnings per share - basic and diluted | (Rupee) 34 | <u><u>0.32</u></u> | <u><u>5.14</u></u> |

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2015

| | 2015 | 2014 |
|---|----------------------|------------------|
| | (Rupees in thousand) | |
| Profit for the year | 115,077 | 1,868,193 |
| Other comprehensive income: | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | - | - |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | - | - |
| | <u>-</u> | <u>-</u> |
| | <u>-</u> | <u>-</u> |
| Total comprehensive income for the year | <u>115,077</u> | <u>1,868,193</u> |

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive

Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015**

| | Note | 2015 (Rupees in thousand) | 2014 |
|---|------|------------------------------|------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 27 | 252,137 | 38,689 |
| Finance cost paid | | (7,170) | (50,705) |
| Income tax paid | | (36,710) | (1,755) |
| Retirement benefits paid | | - | (355) |
| Net cash inflow/ (outflow) from operating activities | | 208,257 | (14,126) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (13,078) | (1,735) |
| Purchase of intangible asset | | (6,413) | - |
| Dividend received | | 617,880 | 1,048,343 |
| Profit on bank deposits received | | 5,931 | - |
| Net cash inflow from investing activities | | 604,320 | 1,046,608 |
| Cash flows from financing activities | | | |
| Repayment of sponsor's loan | | (384,028) | - |
| Repayment of long term financing | | (23,990) | (557,816) |
| Dividend paid | | (362,785) | (362,594) |
| Net cash outflow from financing activities | | (770,803) | (920,410) |
| Net increase in cash and cash equivalents | | 41,774 | 112,072 |
| Cash and cash equivalents at the beginning of the year | | 227,329 | 115,257 |
| Cash and cash equivalents at the end of the year | 28 | 269,103 | 227,329 |

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2015

| | Share capital | Share premium | Equity portion of sponsor loan | Revenue reserve: Accumulated profit/(loss) | Total |
|--|----------------------|------------------|---|--|-----------|
| | (Rupees in thousand) | | | | |
| Balance as on July 1, 2013 | 3,633,800 | 41,660 | 43,179 | (606,833) | 3,111,806 |
| Imputed interest on sponsors' loan | - | - | (27,280) | - | (27,280) |
| Profit for the year | - | - | - | 1,868,193 | 1,868,193 |
| Other comprehensive income for the year | - | - | - | - | - |
| Total comprehensive income for the year ended June 30, 2014 | - | - | - | 1,868,193 | 1,868,193 |
| Dividend to equity holders of the Company: | | | | | |
| 1st Interim dividend @ Rupee 1 per ordinary share for six months ended December 31, 2013 | - | - | - | (363,380) | (363,380) |
| 2nd Interim dividend @ Rupee 1 per ordinary share for year ended June 30, 2014 | - | - | - | (363,380) | (363,380) |
| Total contributions by and distributions to owners of the Company recognised directly in equity | - | - | - | (726,760) | (726,760) |
| Balance as on June 30, 2014 | 3,633,800 | 41,660 | 15,899 | 534,600 | 4,225,959 |
| Imputed interest on sponsors' loan | - | - | (15,899) | - | (15,899) |
| Profit for the year | - | - | - | 115,077 | 115,077 |
| Other comprehensive income for the year | - | - | - | - | - |
| Total comprehensive income for the year ended ended June 30, 2015 | - | - | - | 115,077 | 115,077 |
| Total contributions by and distributions to owners of the Company recognised directly in equity | - | - | - | - | - |
| Balance as on June 30, 2015 | 3,633,800 | 41,660 | - | 649,677 | 4,325,137 |

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive

Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

1 Legal status and nature of business

- 1.1** Altern Energy Limited (the 'Company') is a public limited Company incorporated in Pakistan on January 17, 1995 under the Companies Ordinance, 1984. The Company is a subsidiary of Descon Engineering Limited. The Company's ordinary shares are listed on the Karachi Stock Exchange Limited.

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 (2014 : 32 Mega Watts) in Fateh Jang, Attock. The Company commenced commercial operations with effect from June 06, 2001. The registered office of the Company is situated at Descon Headquarters, 18 km, Ferozepur Road, Lahore. The Company has a Power Purchase Agreement ('PPA') with its sole customer, WAPDA for thirty years which commenced from June 06, 2001.

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

2 Basis of preparation

- 2.1** 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 and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments to published standards and interpretations that are effective in the current year

Certain standards, amendments and interpretations to approved accounting standards are effective in the current year but are considered not to be relevant or to have any significant effect on the company's operations and are, therefore, not detailed in these financial statements.

2.2.2 Exemption from applicability of certain interpretations to standards

SECP through SRO 24(I)/2012 dated January 16, 2012, has exempted the application of International Financial Reporting Interpretations Committee (IFRIC) 4 'Determining whether an Arrangement contains a Lease' to all companies. However, the SECP made it mandatory to disclose the impact of the application of IFRIC 4 on the results of the companies. This interpretation provides guidance on determining whether arrangements that do not take the legal form of a lease should, nonetheless, be accounted for as a lease in accordance with IAS 17, 'Leases'.

Consequently, the Company is not required to account for a portion of its PPA with WAPDA as a lease under IAS - 17. If the Company were to follow IFRIC - 4 and IAS - 17, the effect on the financial statements would be as follows:

| | 2015 (Rupees in thousand) | 2014 |
|---|------------------------------|-----------|
| De-recognition of property, plant and equipment | 1,053,307 | 1,041,023 |
| Recognition of lease debtor | 1,120,204 | 1,095,636 |
| Increase in un-appropriated profit at the beginning of the year | 54,613 | 34,439 |
| Increase in profit for the year | 12,284 | 20,174 |
| Increase in un-appropriated profit at the end of the year | 66,897 | 54,613 |

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.

2.2.3. Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company .

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 1, 2015 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

3. Basis of measurement

3.1. These financial statements have been prepared on the basis of historical cost convention except exchange differences capitalized as part of the cost of relevant assets referred to in note 13.1.3.

3.2. The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of the complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Employee benefits (note 4.1)
- b) Provision for taxation (note 4.2)
- c) Useful lives and residual values of property, plant and equipment (note 4.3)

4. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1. 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.

4.2. Taxation**Current**

The profits and gains of the Company derived from electric power generation are exempt from tax in terms of clause 132 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the conditions and limitations provided therein.

Under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, the Company is also exempt from levy of minimum tax on 'turnover' under section 113 of the Income Tax Ordinance, 2001. However, full provision is made in the profit and loss account on income from sources not covered under the above clauses at current rates of taxation after taking into account, tax credits and rebates available, if any.

4.3. Property, plant and equipment**4.3.1. Operating fixed assets**

Operating fixed assets 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 13.1.3).

Depreciation on all property, plant and equipment is charged to income by using the straight line method so as to write off the depreciable amounts of an asset over its estimated useful life at annual rates mentioned in note 13 after taking into account their residual values.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its operating fixed assets as at June 30, 2015 has not required any adjustment as its impact is considered insignificant.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.4).

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.

4.3.2. Capital work in progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

4.3.3. Major spare parts and standby equipment

Major spare parts and stand-by equipment qualify as property, plant and equipment when an entity expects to use them for more than one year. Transfers are made to relevant operating fixed assets category as and when such items are available for use.

4.4. Impairment of non-financial assets

Assets that have an indefinite useful life - for example, goodwill or intangible assets not ready to use - are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

4.5. Intangible assets

Expenditure incurred to acquire computer software is capitalised as intangible asset and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the straight line method over a period of three years.

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which the asset is disposed off.

The Company assesses at each reporting date whether there is any indication that intangible may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the amortisation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.6. 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.

4.7. Stores, spares and loose tools

Stores and spares 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. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. 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.

4.8. Financial assets

4.8.1. Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise, they are classified as non-current.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise advances, deposits and other receivables and cash and cash equivalents in the balance sheet.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortised cost.

4.8.2. Recognition and measurement

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Company's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 4.11.

4.9. Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

4.10. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.11. Trade debts and other receivables

Trade debts and other receivables are recognised initially at invoice value, which approximates fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment, if any. A provision for impairment of other receivables is established when there is objective evidence that the company will not be able to collect all the amount due according to the original terms of the receivable. The provision is recognised in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

4.12. 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.

4.13. Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method. Finance costs are accounted for on an accrual basis and are reported under accrued finance cost to the extent of the amount remaining unpaid.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

4.14. 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.

4.15. Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.16 Foreign currency transactions and translation**a) Functional and presentation currency**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. As explained in note 13.1.3, 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.

4.17. Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of the asset up to the date of commissioning of the related asset.

4.18. Revenue recognition

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

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

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

4.19. Dividend

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

4.20. Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

5 Issued, subscribed and paid up share capital

| 2015 (Number of shares) | 2014 (Number of shares) | | 2015 (Rupees in thousand) | 2014 (Rupees in thousand) |
|----------------------------|----------------------------|--|------------------------------|------------------------------|
| 359,480,000 | 359,480,000 | Ordinary shares of Rs. 10 each fully paid in cash | 3,594,800 | 3,594,800 |
| 3,900,000 | 3,900,000 | Ordinary shares of Rs. 10 each issued for consideration other than cash | 39,000 | 39,000 |
| <u>363,380,000</u> | <u>363,380,000</u> | | <u>3,633,800</u> | <u>3,633,800</u> |

5.1 The holding company, Descon Engineering Limited (DEL), holds 211,397,063 (2014: 211,397,063) ordinary shares of Rs 10 each at the year end.

| | 2015 (Rupees in thousand) | 2014 (Rupees in thousand) |
|---|------------------------------|------------------------------|
| 6. Equity portion of sponsors' loan - unsecured | | |
| Descon Engineering Limited- holding company - note 6.1 | - | 11,924 |
| Crescent Standard Business Management (Private) Limited- associated undertaking - note 6.2 | - | 3,975 |
| | <u>-</u> | <u>15,899</u> |

6.1. This represents equity portion relating to interest free loan from Descon Engineering Limited amounting to Nil (2014: Rs 69.455 million), which has been repaid by the Company during the current year.

6.2. This represents equity portion of funds amounting to Nil (2014: Rs 23.152 million) from Crescent Standard Business Management (Private) Limited, which has been repaid by the Company during the current year.

6.3. In the previous year, interest free loans received from Descon Engineering Limited and Crescent Standard Business Management (Private) Limited were discounted using effective rate of interest and classified separately in equity portion and long term loan.

| | 2015 (Rupees in thousand) | 2014 (Rupees in thousand) |
|--|------------------------------|------------------------------|
| 7. Sponsors' loans - unsecured | | |
| These are composed of loans from associated undertakings: | | |
| Descon Engineering Limited | | |
| Interest free loan - note 7.1 | - | 69,455 |
| Present value adjustment | - | (11,924) |
| | - | 57,531 |
| Crescent Standard Business Management (Private) Limited | | |
| Interest free loan - note 7.2 | - | 23,152 |
| Present value adjustment | - | (3,975) |
| | - | 19,177 |
| Present value of interest free loan from sponsors - note 7.3 | - | 76,708 |
| Other long term finances - note 7.4 | 261,763 | 261,763 |
| Interest on long term finances - note 7.5 | 25,508 | 284,126 |
| | <u>287,271</u> | <u>622,597</u> |
| Less: Current portion shown under current liabilities | (25,508) | - |
| | <u>261,763</u> | <u>622,597</u> |

- 7.1. It represented long term loan portion relating to unsecured and interest free loan from Descon Engineering Limited amounting to Nil (2014: Rs 69.455 million). The loan has been fully repaid during the year.
- 7.2. It represented long term loan portion of funds amounting to Nil (2014: Rs 23.152 million) payable to Crescent Standard Business Management (Private) Limited. This was unsecured and interest free loan. The loan has been fully repaid during the year.
- 7.3. In the previous years these have been recognized at amortized cost using discount rate of 13.38%. The resulting change had been charged to equity portion of sponsors' loan as referred to in note 6.
- 7.4. This represents funds amounting to Rs 261.763 million (2014: 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 (2014 : six months KIBOR plus 300 basis points). The mark-up rate charged during the year on the outstanding balance ranged from 11.62% to 13.15% (2014: 12.43% to 13.08%) per annum.

- 7.5. It represents mark-up payable to Descon Engineering Limited of Rs 25.508 million (2014: Rs 284.126 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.

8. Long term financing

| | | 2015 (Rupees in thousand) | 2014 |
|---|------------|------------------------------|---------------|
| Long term loan from banking company - secured | | | |
| Syndicate finance - foreign currency | - note 8.1 | 7,246 | 30,173 |
| Long term loan from subsidiary - unsecured | | | |
| Power Management Company (Private) Limited (PMCL) | - note 8.2 | 50,000 | 50,000 |
| | | 57,246 | 80,173 |
| Interest on loan from PMCL | - note 8.3 | 36,078 | 29,762 |
| | | 93,324 | 109,935 |
| Less: Current portion of long term loan | | (7,246) | (23,271) |
| | | <u>86,078</u> | <u>86,664</u> |

- 8.1. The Company had obtained a long term syndicate facility of Rs 1,100 million (2014: Rs 1,100 million), which includes foreign currency loan limit of US Dollars 3.6 million (2014: US Dollars 3.6 million), from consortium of banks under the lead of MCB Bank Limited. The outstanding loan amount is repayable in two un-equal quarterly installments payable up to December 31, 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 the rate of three month London Inter-Bank Offered Rate (LIBOR) plus 295 basis points (2014 : three month LIBOR plus 295 basis) payable quarterly in arrears. The mark-up rate charged during the year on the outstanding balance ranged from 3.18% to 3.22% (2014: 3.18% to 3.22%) per annum.

8.2. 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 carries mark-up at the rate of six months Karachi Inter-Bank Offered Rate (KIBOR) plus 300 basis points (2014: six months KIBOR plus 300 basis points). The mark-up rate charged during the year on the outstanding balance ranged from 9.76% to 13.18% (2014: 12.31% to 14.99%) per annum.

8.3. It represent mark-up payable to Power Management Company (Private) Limited of Rs 36.078 million (2014: Rs 29.762 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.

| | | 2015 | 2014 |
|--|-------------|-----------------------|----------------|
| | | (Rupees in thousands) | |
| 9. Deffered liabilities | | | |
| Provision for: | | | |
| Staff gratuity | - note 9.1 | 1,656 | 1,260 |
| Compensated absences | - note 9.2 | 242 | 190 |
| | | <u>1,898</u> | <u>1,450</u> |
| 9.1. Staff Gratuity | | | |
| Opening liability | | 1,260 | 1,125 |
| Provision for the year | | 396 | 399 |
| | | <u>1,656</u> | <u>1,524</u> |
| Less: amount paid | | - | (264) |
| Closing liability | | <u>1,656</u> | <u>1,260</u> |
| 9.2. Compensated absences | | | |
| Opening Liability | | 190 | 247 |
| Provision for the year | | 52 | 34 |
| | | <u>242</u> | <u>281</u> |
| Less: amount paid | | - | (91) |
| Closing liability | | <u>242</u> | <u>190</u> |
| 10. Trade and other payables | | | |
| Creditors | - note 10.1 | 27,432 | 45,429 |
| Natural gas to SNGPL | | 517,403 | 369,182 |
| Due to Power Management Company (Private) Limited | - note 10.2 | 5,722 | 7,570 |
| Workers' Profit Participation Fund | - note 10.3 | 5,854 | 93,588 |
| Workers' Welfare Fund | - note 10.4 | 2,342 | 37,435 |
| Accrued liabilities | | 1,226 | 462 |
| | | <u>559,978</u> | <u>553,666</u> |
| 10.1 Includes the following amounts due to related parties: | | | |
| Due to holding company | | | |
| Descon Engineering Limited | | 3,306 | 6,500 |
| Due to associated companies | | | |
| Descon Power Solution (Private) Limited | | 9,097 | 25,510 |
| Descon Chemicals Limited | | 107 | - |
| Rousch (Pakistan) Power Limited | | 18 | - |
| | | <u>12,528</u> | <u>32,010</u> |

10.2. This represents amount payable to wholly owned subsidiary, Power Management Company (Private) Limited. This is unsecured and carries mark up at six months KIBOR plus 300 basis points (2014: six months KIBOR plus 300 basis points). The mark-up rate charged during the year on the outstanding balance ranged from 9.76% to 13.18% (2014: 12.31% to 14.99%) per annum.

| | | 2015 | 2014 |
|---|---|-----------------------|----------------|
| | | (Rupees in thousands) | |
| 10.3. Workers' Profit Participation Fund | | | |
| Opening balance | | 93,588 | 2,906 |
| Provision for the year | - note 19.3 | 5,854 | 93,588 |
| | | <u>99,442</u> | <u>96,494</u> |
| Less: Payments made during the year | | 10,277 | 2,906 |
| Less: Reversal of provision | | 83,311 | - |
| Closing balance | | <u>5,854</u> | <u>93,588</u> |
| 10.4. Workers' Welfare Fund | | | |
| Opening balance | | 37,435 | 1,140 |
| Provision for the year | - note 19.4 | 2,342 | 37,435 |
| | | <u>39,777</u> | <u>38,575</u> |
| Less: Payments made during the year | | 4,111 | 1,140 |
| Less: Reversal of provision | | 33,324 | - |
| Closing balance | | <u>2,342</u> | <u>37,435</u> |
| 11. Markup accrued | | | |
| Mark up on short term loan from subsidiary-unsecured Power Management Company (Private) Limited | | <u>9,710</u> | <u>8,888</u> |
| 12. Contingencies and commitments | | | |
| 12.1. Contingencies | | | |
| (i) | In August 2014, the taxation authorities issued a Show cause notice amounting to Rs 157 million on account of input sales tax alleged to be wrongly claimed for the period July 2009 to June 2013. The department is of the view that input tax paid by the Company should be splitted among taxable and non-taxable supplies. The Company 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 that the ultimate product is electrical energy, which is taxable. The Company submitted reply for the Show Cause Notice which was rejected by the Authorities and a demand for this amount was created by the Tax Authorities. The Company filed an appeal with ATIR against the demand which was rejected. The Company lodged appeal with Honorable Lahore High Court who granted stay to the Company after payments of Rs 10.12 million against the total demand of Rs 157 million. The case is now pending adjudication and based on the advice of the Company's legal counsel, management believes that there are meritorious grounds to defend the Company's stance in respect of the abovementioned input sales tax claimed by the Company. Consequently, no provision has been made in these financial statements. | | |
| 12.2. Commitments in respect of | | | |
| (i) | MCB Bank Limited had issued bank guarantee for Nil (2014: Rs 200 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 was due to expire on January 31, 2015, which has been replaced by bank guarantee issued by Habib Metropolitan Bank Limited. | | |
| (ii) | Standard Chartered Bank (Pakistan) Limited had issued bank guarantee for Rs 126.32 million (2014: Nil) in favour of Sui Northern Gas Pipelines Limited as a security to cover gas supply for which payments are made in arrears. The guarantee was due to expire on January 31, 2015, which has been replaced by bank guarantee issued by Habib Metropolitan Bank Limited. | | |
| (iii) | Habib Metropolitan Bank Limited has issued bank guarantee for Rs 326.32 million (2014 : Nil) 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 September 14, 2015, which is renewable. | | |
| 13. Property, plant and equipment | | 2015 | 2014 |
| | | (Rupees in thousands) | |
| Operating fixed assets | - note 13.1 | 833,768 | 895,241 |
| Major spare parts and standby equipment | - note 13.2 | 6,044 | - |
| | | <u>839,812</u> | <u>895,241</u> |

13.1. Property, plant and equipment

| Annual rate of depreciation % | Cost as at July 1, 2014 | Additions | Transfers | Cost as at June 30, 2015 | Accumulated Depreciation | | | Written down Value as at June 30, 2015 | | | |
|--------------------------------------|-------------------------|-----------|-----------|--------------------------|--------------------------|----------------------------------|---------------------|--|--------|---------|---------|
| | | | | | as at July 1, 2014 | Depreciation Charge for the year | as at June 30, 2015 | | | | |
| (Rupees in thousand) | | | | | | | | | | | |
| Freehold land | - | 4,647 | - | 4,647 | - | - | - | 4,647 | | | |
| Building on freehold land | 5 | 121,447 | - | 121,447 | 51,195 | 5,467 | 56,662 | 64,785 | | | |
| Plant and machinery (note 13.1.3) | 3-24 | 1,220,684 | - | 1,228,155 | 401,491 | 63,671 | 465,162 | 762,994 | | | |
| Electric equipment | 10 | 2,109 | - | 2,109 | 1,142 | 199 | 1,341 | 768 | | | |
| Office equipment | 10-33 | 1,242 | 625 | 1,867 | 1,061 | 232 | 1,293 | 574 | | | |
| Vehicles | 20 | 372 | - | 372 | 371 | 1 | 372 | - | | | |
| 1,350,501 | | | | | 1,688 | 6,408 | 1,358,597 | 455,260 | 69,570 | 524,830 | 833,768 |

| | | Cost as at July 1, 2013 | Additions | Transfers | Cost as at June 30, 2014 (Rupees in thousand) | Accumulated Depreciation as at July 1, 2013 | Depreciation Charge for the year | Accumulated Depreciation as at June 30, 2014 | Written down Value as at June 30, 2014 |
|--------------------------------------|-------|-------------------------------|------------|--------------|--|--|--|---|--|
| Freehold land | - | 4,647 | - | - | 4,647 | - | - | - | 4,647 |
| Building on freehold land | 5 | 121,447 | - | - | 121,447 | 45,729 | 5,466 | 51,195 | 70,252 |
| Plant and machinery (note 13.1.3) | 4-17 | 1,213,016 | - | 6,900 | 1,220,684 | 326,466 | 75,025 | 401,491 | 819,193 |
| Electric equipment | 10 | 2,109 | - | - | 2,109 | 953 | 189 | 1,142 | 967 |
| Office equipment | 10-33 | 1,127 | 115 | - | 1,242 | 980 | 81 | 1,061 | 181 |
| Vehicles | 20 | 372 | - | - | 372 | 371 | - | 371 | 1 |
| | | 1,342,718 | 883 | 6,900 | 1,350,501 | 374,499 | 80,761 | 455,260 | 895,241 |

2015
2014
(Rupees in thousand)

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

| | | | |
|-------------------------|-----------|---------------|---------------|
| Direct cost | - note 22 | 69,504 | 80,680 |
| Administrative expenses | - note 23 | 66 | 81 |
| | | 69,570 | 80,761 |

13.1.2 The cost of fully depreciated assets still in use is Rs. 25,113 million (2014: Rs 11,067 million).

13.1.3 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 1,063 million (2014: Rs 0,769 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 87,989 million (2014: Rs 86,926 million) in the cost of plant and equipment up to 30 June 2015, with net book value of Rs 65,452 million (2014: Rs 64,446 million).

| | 2015 | 2014 |
|---|-----------------------------|------------------|
| | (Rupees in thousand) | |
| 13.2. Major spare parts and standby equipment | | |
| Opening balance | - | - |
| Additions during the year | 12,075 | - |
| | <u>12,075</u> | - |
| Transfers during the year | (6,031) | - |
| Closing balance | <u>6,044</u> | - |
| 14. Intangible assets | | |
| Cost | | |
| Cost as at July 01 | - | - |
| Additions during the year | 6,414 | - |
| Cost as at June 30 | <u>6,414</u> | - |
| Amortisation | | |
| Accumulated amortisation as at July 01 | - | - |
| Amortisation charge for the year | 597 | - |
| Accumulated amortisation as at June 30 | <u>597</u> | - |
| Net book value as at June 30 | <u>5,816</u> | - |
| 14.1. The amortisation charge for the year has been allocated to administrative expenses. | | |
| 14.2. Enterprise Resource Planning (ERP) system has been implemented by Descon Chemicals Limited (DCL), an associated undertaking under service level agreement between the Company and DCL. | | |
| 15. Long term investments | | |
| Investment in subsidiary Company - at cost - note 15.1 & 15.2 | <u>3,204,510</u> | <u>3,204,510</u> |
| 15.1. This represents 100% shares held in Power Management Company (Private) Limited (PMCL), which in turn holds 59.98%(2014 : 59.98%) shares of Rousch (Pakistan) Power Limited (RPPL). | | |
| 15.2. As per terms of agreement for acquisition of shares of RPPL, the Company has deposited these shares with the trustees of RPPL lenders. | | |
| 16. Long term deposits | | |
| This represents the securities that have been deposited into CDC at the inception of the Company and since then have been carried forward. | | |
| 17. Stores, spares and loose tools | | |
| Stores | 9,668 | 6,978 |
| Spares | 41,738 | 49,393 |
| | <u>51,406</u> | <u>56,371</u> |
| Provision for slow moving and obsolete stores | - | (3,636) |
| | <u>51,406</u> | <u>52,735</u> |
| 17.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable. | | |
| 17.2 Provision for slow moving and obsolete stores | | |
| Opening balance | 3,636 | 3,636 |
| Provision for the year | - | - |
| | <u>3,636</u> | <u>3,636</u> |
| Stores written off against provision | (3,636) | - |
| Closing balance | <u>-</u> | <u>3,636</u> |

18. Trade debts secured, considered good

18.1. These represent trade receivables from WAPDA and are considered good. These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and are in the normal course of business and interest free, however, a delayed payment mark-up at reverse repo plus 2% per annum is charged in case the amounts are not paid within due dates. The rate of delayed payment mark-up charged during the year on outstanding amounts ranges from 9% to 12% (2014: 11% to 12%) per annum.

| | | 2015 | 2014 |
|--|-------------|-----------------------------|----------------|
| | | (Rupees in thousand) | |
| 19. Advances, deposits, prepayments and other receivables | | | |
| Advances - considered good: | | | |
| - To employees | - note 19.1 | 30 | 100 |
| - To suppliers | | 22 | 376 |
| Advance against expense | | 110 | 72 |
| Balances with statutory authorities: | | | |
| - Sales tax | | 43,242 | 25,434 |
| Claims recoverable from WAPDA for pass through items: | | | |
| - Workers' Profit Participation Fund | - note 19.3 | 16,131 | 93,588 |
| - Workers' Welfare Fund | - note 19.4 | 6,452 | 37,435 |
| Interest receivable | | 123 | - |
| Prepayments | | 2,091 | 3,479 |
| Insurance claim receivable | | 1,742 | - |
| Other receivables | - note 19.2 | 10,117 | - |
| | | <u>80,060</u> | <u>160,484</u> |

19.1. Included in advances to employees is amount due from executive aggregating to Rs Nil (2014: Rs 0.100 million).

19.2. This represents amount deposited with the Appellate Tribunal Inland Revenue (ATIR) to obtain stay against the sales tax apportionment case as mentioned in note 12.1.

19.3. Workers' Profit Participation Fund

| | | | |
|--|-------------|---------------|---------------|
| Opening balance | | 93,588 | - |
| Provision for the year | - note 10.3 | 5,854 | 93,588 |
| | | <u>99,442</u> | <u>93,588</u> |
| Less: Amounts received during the year | | 2,096 | - |
| Less: Reversal of provision | | 81,215 | - |
| Closing balance | | <u>16,131</u> | <u>93,588</u> |

19.4. Workers' Welfare Fund

| | | | |
|--|-------------|---------------|---------------|
| Opening balance | | 37,435 | - |
| Provision for the year | - note 10.4 | 2,342 | 37,435 |
| | | <u>39,777</u> | <u>37,435</u> |
| Less: Amounts received during the year | | - | - |
| Less: Reversal of provision | | 33,324 | - |
| Closing balance | | <u>6,452</u> | <u>37,435</u> |

Under section 14.2(a) of the PPA with WAPDA, payments to Workers' Profit Participation Fund and Workers' Welfare Fund are recoverable from WAPDA as a pass through item.

| | | 2015 | 2014 |
|-------------|--|-----------------------------|-------------|
| | | (Rupees in thousand) | |
| 20. | Cash and bank balances | | |
| | Cash at bank | | |
| | - On saving accounts | -note 20.1 | |
| | - On current accounts | | |
| | | 26,350 | 223,831 |
| | | 242,751 | 3,496 |
| | | 269,101 | 227,327 |
| | Cash in hand | 2 | 2 |
| | | 269,103 | 227,329 |
| 20.1 | Profit on balances in saving accounts ranges from 7% to 10 %(2014: 5% to 9 %) per annum. | | |
| 21. | Revenue | | |
| | Energy revenue - gross | 1,246,225 | 1,521,142 |
| | Sales tax | (181,075) | (193,452) |
| | Energy revenue - net | 1,065,150 | 1,327,690 |
| | Capacity revenue - gross | 346,472 | 404,428 |
| | Other supplemental charges | 23,782 | 24,831 |
| | | 1,435,404 | 1,756,949 |
| 22. | Direct costs | | |
| | Gas cost | 1,026,192 | 1,267,032 |
| | Salaries, wages and other benefits | 427 | 229 |
| | Operation and maintenance contractor's fee | 34,291 | 31,460 |
| | Stores, spares and loose tools consumed | 102,708 | 54,307 |
| | Energy import | 3,598 | 2,571 |
| | Insurance costs | 2,072 | 2,190 |
| | Lube oil consumed | 11,903 | 15,443 |
| | Repairs and maintenance | 11,579 | 4,249 |
| | Travelling and conveyance | 502 | 323 |
| | Depreciation | -note 13.1.1 | |
| | Generation license fee | 160 | 119 |
| | Miscellaneous | 441 | 489 |
| | | 1,263,377 | 1,459,092 |
| 23. | Administrative Expense | | |
| | Salaries, wages and other benefits | -note 23.1 | |
| | Directors' meeting fee | -note 30.4 | |
| | ERP running cost | -note 23.2 | |
| | Traveling, conveyance and hoteling | | |
| | Utilities | | |
| | Postage and telephone | | |
| | Publicity, printing and stationery | | |
| | Auditors' remuneration | -note 23.3 | |
| | Legal and professional expenses | | |
| | Fees and subscription | | |
| | Entertainment | | |
| | Security expenses | | |
| | Amortization of intangible assets | -note 14.1 | |
| | Depreciation | -note 13.1.1 | |
| | Miscellaneous | | |
| | | 4,998 | 3,646 |
| | | 512 | - |
| | | 1,044 | - |
| | | 1,369 | 881 |
| | | 268 | 188 |
| | | 624 | 411 |
| | | 783 | 625 |
| | | 950 | 715 |
| | | 3,560 | 2,451 |
| | | 707 | 492 |
| | | 183 | 169 |
| | | 2,035 | 2,012 |
| | | 597 | - |
| | | 66 | 81 |
| | | 724 | 276 |
| | | 18,420 | 11,947 |

23.1 Salaries, wages and other benefits include Rs 0.396 million (2014: Rs 0.399 million) and Rs 0.052 million (2014: Rs 0.034 million on account of staff gratuity and staff compensated absences respectively.

23.2 This represents ERP running cost paid to Descon Chemical Limited, an associated undertaking for implementation of new ERP system.

| | 2015 (Rupees in thousand) | 2014 |
|------------------------------------|--|-------------|
| 23.3 Auditors' remuneration | | |
| Annual audit fee | 650 | 500 |
| Half yearly review fee | 200 | 165 |
| Other assurance services | 50 | - |
| Out of pocket expenses | 50 | 50 |
| | <u>950</u> | <u>715</u> |

| | | |
|---|-------------------|------------------|
| 24. Other income | | |
| <i>Income from financial assets</i> | | |
| Profit on bank deposits | 6,054 | 10,513 |
| Dividend income | - | 1,666,223 |
| | 6,054 | 1,676,736 |
| <i>Income from non-financial assets</i> | | |
| Scrap sales | 3,103 | 9 |
| Liabilities written back | 1,421 | - |
| | 4,524 | 9 |
| | <u>10,578</u> | <u>1,676,745</u> |
| 25. Finance cost | | |
| <i>Mark-up on:</i> | | |
| Long term loans | -note 25.1 40,247 | 73,898 |
| Short term loans- PMCL (subsidiary) | 821 | 1,237 |
| Bank charges | 1,739 | 2,636 |
| Amortization of bank guarantee Cost | 4,303 | 3,037 |
| Mark up on late payments to SNGPL | - | 2,611 |
| Mark up on late payments to Descon Power Solution Power Limited | - | 7,468 |
| | <u>47,110</u> | <u>90,887</u> |

25.1 It includes mark up accrued on loans from Descon Engineering Limited, the holding company, and Power Management Company (Private) Limited, the wholly owned subsidiary company, amounting to Rs 32.997 million (2014: Rs 32.985 million) and Rs 6.438 million (2014: Rs 6.444 million) respectively.

| | 2015 (Rupees in thousand) | 2014 |
|---|--|------------------|
| 26. Taxation | | |
| Current | <u>1,998</u> | <u>3,575</u> |
| 26.1 Relationship between tax income and accounting profit | | |
| Profit before taxation | <u>117,075</u> | <u>1,871,768</u> |
| Tax at the applicable rate of 33% (2014: 34%) | 38,635 | 636,401 |
| Tax effect of amounts that are: | | |
| Exempt as referred to in note 4.2 | (36,637) | (632,826) |
| | <u>1,998</u> | <u>3,575</u> |

| | 2015 | 2014 |
|--|-----------------------------|------------------|
| | (Rupees in thousand) | |
| 27. Cash generated from operations | | |
| Profit before taxation | 117,075 | 1,871,768 |
| Adjustment for non cash charges and other items: | | |
| - Depreciation on operating fixed assets | 69,570 | 80,761 |
| - Amortization of intangible assets | 597 | - |
| - Amortization of bank guarantee cost | 4,303 | 3,037 |
| - Liabilities written back | (1,421) | - |
| - Profit on bank deposits | (6,054) | - |
| - Dividend income | - | (1,666,223) |
| - Finance cost | 42,807 | 87,850 |
| - Provision for employee retirement benefits | 449 | 433 |
| Profit before working capital changes | <u>227,326</u> | <u>377,626</u> |
| Effect on cash flow due to working capital changes: | | |
| (Increase) / decrease in current assets | | |
| -Stores, spares and loose tools | 1,329 | (34,106) |
| - Trade debts-secured | (64,798) | (440,622) |
| -Advances, deposits, prepayments and other receivables | 80,547 | (13,392) |
| | 17,078 | (488,120) |
| (Decrease) / increase in current liabilities | | |
| - Trade and other payables | 7,733 | 149,183 |
| | <u>24,811</u> | <u>(338,937)</u> |
| | <u>252,137</u> | <u>38,689</u> |
| 28. Cash and cash equivalents | | |
| Cash and bank balances | - note 20 | 269,103 |
| | | <u>227,329</u> |

29. Transactions with related parties

The related parties comprise the holding company, subsidiaries and associates of holding company, associated undertakings, directors and key management personnel of the Company and its holding company and post employment benefit plan. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of directors and key management personnel is disclosed in note 30. Significant related party transactions have been disclosed in respective notes in these financial statements other than the following:

| Relationship with the Company | Nature of transactions | 2015 | 2014 |
|-------------------------------|-----------------------------------|-----------------------------|-------------|
| | | (Rupees in thousand) | |
| i. Holding Company | | | |
| Descon Engineering Limited : | | | |
| | Mark up accrued on sponsors' loan | 32,803 | 32,985 |
| | Dividend paid | 211,397 | 211,397 |
| | Sponsors' loan repaid | 69,455 | - |
| | Markup paid on sponsors' loan | 291,421 | - |
| | Reimbursable expense | 6,339 | 305 |

| Relationship with the Company | Nature of transactions | 2015 | 2014 |
|---|--|-----------------------------|---------|
| ii. Subsidiary Company | | (Rupees in thousand) | |
| Power Management Company (Private) Limited : | | | |
| | Dividend received | 617,880 | - |
| | Funds paid during the year | 1,848 | 3,009 |
| | Mark up accrued on long term loan | 6,316 | 6,444 |
| | Mark up accrued on short term loan | 821 | 1,237 |
| iii. Associated undertakings | | | |
| Descon Power Solutions (Private) Limited : | | | |
| | O&M contractor's fee | 31,174 | 28,600 |
| | Service agreement of generators | 3,117 | 2,860 |
| | Spare parts purchased | 124,189 | 98,610 |
| | Major maintenance fee | 3,500 | - |
| | Markup on late payments | - | 7,468 |
| | Funds paid during the year | 179,375 | 240,519 |
| Descon Chemicals Limited : | | | |
| | ERP Implementation fees and running cost | 1,544 | - |
| | Funds paid during the year | 1,633 | - |
| Rousch (Pakistan) Power Limited: | | | |
| | Reimbursable expenses | 18 | - |
| iv. Post employment benefit plans | | | |
| | Expense charged in respect of retirement benefit plans | 449 | 433 |

30. Remuneration of Chief Executive, Directors and Executives

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

| | Chief Executive | | Executive Directors | |
|--------------------------------------|-------------------------|------|----------------------|-------|
| | 2015 | 2014 | 2015 | 2014 |
| | (Rupees in thousand) | | (Rupees in thousand) | |
| Remuneration | - | - | - | - |
| Retirement benefits | - | - | - | - |
| House rent, utilities and allowances | - | - | - | - |
| | - | - | - | - |
| Number of persons | 1 | 2 | 1 | 2 |
| | Non Executive Directors | | Executives | |
| | 2015 | 2014 | 2015 | 2014 |
| | (Rupees in thousand) | | (Rupees in thousand) | |
| Remuneration | - | - | 1,925 | 1,728 |
| Retirement benefits | - | - | 190 | 180 |
| House rent, utilities and allowances | - | - | 360 | 192 |
| | - | - | 2,475 | 2,100 |
| Number of persons | 6 | 7 | 1 | 1 |

- 30.2.** Last year the Chief Executive of the Company retired and new Chief Executive was appointed.
- 30.3.** No remuneration or any other benefits are being paid to the CEO of the Company.
- 30.4.** During the year the Company paid meeting fee amounting to Rs 0.512 million (2014: Nil) to one of its non-executive directors. No fee, remuneration or any other benefits were provided to the seven (7) remaining directors of the Company.

31. Number of employees

| | 2015 | 2014 |
|---|------|------|
| Total number of employees as at June 30 | 7 | 6 |
| Average number of employees during the year | 7 | 6 |

32. Financial risk management
32. Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings and financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk is further divided into the following three components:

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to long term loan.

Exposure to currency risk

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

| | 2015 | |
|-----------------|-----------------------|------------|
| | Rupees | US Dollars |
| | (Amounts in thousand) | |
| Long term loans | (7,246) | (71) |
| Long term loans | (30,173) | (306) |

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 | |
|------------|--------------------------------|-------------|---------------------|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| US Dollars | 101.7 | 98.55 | 101.51 | 102.89 |

At June 30, 2015, if the Rupee had weakened / strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been Rs 0.72 million (2014: Rs 3.031 million) lower / higher, mainly as a result of foreign exchange losses / gains on translation of US dollar-denominated financial assets and liabilities.

(ii) Cash flow and fair value interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Company has no significant floating interest rate assets, the Company's income is substantially independent of changes in market interest rates.

The Company's interest rate risk arises from bank deposit accounts, short term and long-term borrowings. These borrowings issued at variable rates expose the Company to cash flow interest rate risk.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

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 | |
|-----------------------|-----------------------------|------------------|
| | 2015 | 2014 |
| | (Rupees in thousand) | |
| Financial assets | 26,350 | 223,831 |
| Financial liabilities | (324,731) | (349,506) |
| | <u>(298,381)</u> | <u>(125,675)</u> |

Cash flow sensitivity analysis for variable rate instruments

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on bank deposit accounts and long term loans. The Company does not have any fixed rate financial instrument. A 100 basis points increase in interest rate at the reporting date would have had the following effect in profit and loss account.

| | | |
|-------------------------------------|----------------|----------------|
| Variable rate financial instruments | <u>(3,598)</u> | <u>(3,696)</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.

(iii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk since there are no investments in equity instruments traded in the market at the reporting date. The Company is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

(b) 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.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The maximum exposure to credit risk at the reporting date was as follows:

| | | 2015 | 2014 |
|---|-----------|-----------------------------|----------------|
| | | (Rupees in thousand) | |
| Long term deposits | - note 16 | 38 | 38 |
| Trade debts - secured | - note 18 | 796,723 | 731,925 |
| Advances, deposits, prepayments and other receivables | - note 19 | 1,904 | 548 |
| Bank balances | - note 20 | 269,101 | 227,327 |
| | | <u>1,067,766</u> | <u>959,838</u> |

The Company's exposure to credit risk is limited to the carrying amount of unsecured trade receivables and bank balances. The age analysis of trade receivable balances is as follows:

The ageing analysis of trade receivables - secured is as follows:

| | | |
|-------------------------------|----------------|----------------|
| Neither past due nor impaired | 295,388 | 186,646 |
| Past due 0-30 days | 73,108 | 183,263 |
| Past due 31-120 days | 122,982 | 88,633 |
| Past due more than 120 days | 305,245 | 273,383 |
| | <u>796,723</u> | <u>731,925</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.

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.

(ii) Credit quality of major financial assets

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

| Rating | | | Rating Agency | 2015 | 2014 |
|---------------------------------|------------|-----------|---------------|-----------------------|----------------|
| | Short term | Long term | | (Rupees in thousands) | |
| MCB Bank Limited | A1+ | AAA | PACRA | 29,234 | 225,618 |
| The Bank of Punjab | A1+ | AA- | PACRA | 1,985 | 1,671 |
| Habib Bank Limited | A1+ | AAA | JCR-VIS | - | 38 |
| Habib Metropolitan Bank Limited | A1+ | AA+ | PACRA | 237,882 | - |
| | | | | <u>269,101</u> | <u>227,327</u> |

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

(c) 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:

| 2015 | | | | | | |
|---------------------------|-----------------|------------------------|----------------------|----------------|-------------------------|------------------|
| Maturities | | | | | | |
| | Carrying amount | Contractual cash flows | Less than six months | Up to one year | Two years to five years | After five years |
| (Rupees in thousand) | | | | | | |
| Sponsors' loan- unsecured | 287,271 | 287,271 | 12,754 | 12,754 | 261,763 | - |
| Long term financing | 118,832 | 118,832 | 7,246 | - | 111,586 | - |
| Trade and other payables | 559,978 | 559,978 | 559,978 | - | - | - |
| Markup accrued | 9,710 | 9,710 | 9,710 | - | - | - |
| | <u>975,791</u> | <u>975,791</u> | <u>589,688</u> | <u>12,754</u> | <u>373,349</u> | <u>-</u> |

| 2014 | | | | | | |
|---------------------------|------------------|------------------------|----------------------|----------------|-------------------------|------------------|
| Maturities | | | | | | |
| | Carrying amount | Contractual cash flows | Less than six months | Up to one year | Two years to five years | After five years |
| (Rupees in thousand) | | | | | | |
| Sponsors' loan- unsecured | 622,597 | 622,597 | - | - | 622,597 | - |
| Long term financing | 109,935 | 109,935 | 11,323 | 11,984 | 30,219 | 56,409 |
| Trade and other payables | 553,666 | 553,666 | 553,666 | - | - | - |
| Markup accrued | 8,888 | 8,888 | 8,888 | - | - | - |
| | <u>1,295,086</u> | <u>1,295,086</u> | <u>573,877</u> | <u>11,984</u> | <u>652,816</u> | <u>56,409</u> |

32.2. Capital management

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

The Company's objectives when managing capital are:

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

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

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

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

The gearing ratios as at June 30, 2015 and 2014 were as follows:

| | 2015 | 2014 |
|-----------------------------------|----------------------|-----------|
| | (Rupees in thousand) | |
| Total interest bearing borrowings | 386,317 | 740,102 |
| Total equity | 4,325,137 | 4,225,959 |
| Total capital employed | 4,711,454 | 4,966,061 |
| Gearing ratio | 8.20% | 14.90% |

32.3. Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. No quoted financial instrument is held by the Company.

The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IAS 39 'Financial Instruments : Recognition and Measurement'.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

32.4. Financial instruments by categories

| | Loans and receivables | |
|---|------------------------------|----------------|
| | 2015 | 2014 |
| | (Rupees in thousand) | |
| Assets as per balance sheet | | |
| Trade debts- secured | 796,723 | 731,925 |
| Advances, deposits, prepayments and other receivables | 1,904 | 548 |
| Bank balances | 269,101 | 227,327 |
| | <u>1,067,728</u> | <u>959,800</u> |

| | Financial liabilities at amortised cost | |
|---|--|------------------|
| | 2015 | 2014 |
| Liabilities as per balance sheet | (Rupees in thousand) | |
| Sponsors' loan- unsecured | 287,271 | 622,597 |
| Long term financing | 118,832 | 109,935 |
| Trade and other payables | 559,978 | 553,666 |
| Markup accrued | 9,710 | 8,888 |
| | <u>975,791</u> | <u>1,295,086</u> |

33. Plant capacity and actual generation

| | Theoretical Capacity | | Actual Generation | |
|--------------|----------------------|---------|-------------------|---------|
| | 2015 | 2014 | 2015 | 2014 |
| - MWh | 198,636 | 234,315 | 173,306 | 216,638 |
| - percentage | 100% | 100% | 87% | 92% |

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

34. Earning per share - basic and diluted

| | | 2015 | 2014 |
|--|---------------------------|-------------|-------------|
| 34.1. Basic earnings per share | | | |
| Earning for the year | Rupees in thousand | 115,077 | 1,868,193 |
| Weighted average number of ordinary shares | Number | 363,380,000 | 363,380,000 |
| Basic earning per share | Rupee | 0.32 | 5.14 |

34.2. Diluted earnings per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2015 and June 30, 2014 which would have any effect on the earnings per share if the option to convert is exercised.

35. Date of authorisation for issue

These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on September 16, 2015.

36. Event after the balance sheet date

There are no significant events occurred after the balance sheet date that require adjustment or disclosure in the financial statements.

37. Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison. Significant re-arrangement made during the year are as follows:

- (i) Workers' Profit Participation Fund and Workers' Welfare Fund was netted off against recoverable from WAPDA. These are now being shown as gross values. Consequently, other receivables in 'Advances, deposits, prepayments and other receivables' as at June 30, 2014 has been increased by Rs 131.02 million with a corresponding increase in accrued liabilities in 'Trade and other payables' by Rs 131.02 million.
- (ii) Tax consultancy charges amounting to Rs 0.36 million has been reclassified from 'Auditors remuneration- Administrative expenses' to 'Legal and professional expense- Administrative expenses'.

Chief Executive

Director

Consolidated Financial Statement
June 30, 2015

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 (hereinafter referred to as 'the Group') as at June 30, 2015 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 a separate opinion on the financial statements of Altern Energy Limited and its subsidiary company, Power Management Company (Private) Limited. Its subsidiary company, Rousch (Pakistan) Power Limited (RPPL), was audited by another firm of auditors, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. 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, the consolidated financial statements present fairly the financial position of Altern Energy Limited and its subsidiary companies (the Group) as at June 30, 2015 and the results of their operations for the year then ended.

We draw attention to note 14.1.4 to the consolidated financial statements which describes that RPPL, subsidiary company, of the Holding Company has not made any provision for liquidated damages of Rs 1,588 million as claimed by WAPDA. This amount has been claimed by WAPDA on account of short supply of electricity by RPPL. The management in consultation with its legal counsel is of the view that the plant was technically available to deliver the electricity and failure was consequential to the shortage of fuel due to default in payments by WAPDA. The ultimate outcome of the matter cannot be presently determined. Our opinion is not qualified in respect of this matter.

The consolidated financial statements of the Group for the year ended June 30, 2014 were audited by another firm of accountants, M/s KPMG Taseer Hadi and Company, Chartered Accountants, whose report dated September 29, 2014 expressed an unmodified opinion thereon.

A.F. Ferguson & Co.

**Lahore:
September 16, 2015**

**Chartered Accountants
(Amer Raza Mir)**

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

| | Note | 2015 (Rupees in thousand) | 2014 |
|--|-------|------------------------------|------------|
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized share capital 400,000,000 (2014: 400,000,000) ordinary shares of Rs 10 each | | 4,000,000 | 4,000,000 |
| Issued, subscribed and paid up share capital 363,380,000 (2014: 363,380,000) ordinary shares of Rs 10 each | 5 | 3,633,800 | 3,633,800 |
| Share premium | | 41,660 | 41,660 |
| Equity portion of sponsors' loan | 6 | - | 15,899 |
| Revenue reserve : Accumulated profit | | 10,597,749 | 8,507,237 |
| | | 14,273,209 | 12,198,596 |
| Non-controlling interests | | 9,239,589 | 7,821,784 |
| | | 23,512,798 | 20,020,380 |
| NON-CURRENT LIABILITIES | | | |
| Sponsors' loan - unsecured | 7 | 261,763 | 622,597 |
| Long term financing | 8 | 6,774,098 | 8,711,213 |
| Deferred liabilities | 9 | 19,094 | 10,095 |
| Deferred taxation | 10 | 804,159 | 644,773 |
| | | 7,859,114 | 9,988,678 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 11 | 6,721,433 | 4,858,295 |
| Unclaimed dividend | | 12,090 | 37,180 |
| Dividend payable | | - | 811,881 |
| Short term loans | 12 | - | - |
| Markup accrued | | 201,288 | 213,866 |
| Interest swap liabilities | 13 | - | 211,760 |
| Current portion of long term financing | 7 & 8 | 3,159,772 | 3,484,458 |
| | | 10,094,583 | 9,617,440 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 14 | | |
| | | 41,466,495 | 39,626,498 |

The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive

AS AT JUNE 30, 2015

| | Note | 2015 (Rupees in thousand) | 2014 |
|---|------|------------------------------|-------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 15 | 23,294,582 | 24,616,636 |
| Capital work in progress | 16 | 650 | - |
| Intangible assets | 17 | 5,817 | - |
| Long term deposits | | 539 | 539 |
| Long term loans to employees | 18 | 7,019 | 35 |
| | | <u>23,308,607</u> | <u>24,617,210</u> |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | 19 | 540,364 | 512,920 |
| Inventory of fuel oil | | 480,301 | 485,337 |
| Trade debts | 20 | 10,989,272 | 9,348,064 |
| Advances, deposits, prepayments and other receivables | 21 | 1,018,341 | 663,900 |
| Income tax recoverable | | 140,526 | 1,309 |
| Cash and bank balances | 22 | 4,989,084 | 3,997,758 |
| | | <u>18,157,888</u> | <u>15,009,288</u> |
| | | <u>41,466,495</u> | <u>39,626,498</u> |

Director

**ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015**

| | Note | 2015 (Rupees in thousand) | 2014 |
|---|------------|------------------------------|-------------------------|
| Revenue-net | 23 | 20,585,491 | 23,347,539 |
| Direct costs | 24 | <u>(15,703,434)</u> | <u>(18,049,888)</u> |
| Gross profit | | 4,882,057 | 5,297,651 |
| Administrative expenses | 25 | (145,634) | (127,922) |
| Other income | 26 | <u>276,467</u> | <u>270,418</u> |
| Profit from operations | | 5,012,890 | 5,440,147 |
| Finance cost | 27 | <u>(1,345,717)</u> | <u>(1,556,049)</u> |
| Profit before taxation | | 3,667,173 | 3,884,098 |
| Taxation | 28 | <u>(157,540)</u> | <u>(786,714)</u> |
| Profit after taxation | | <u><u>3,509,633</u></u> | <u><u>3,097,384</u></u> |
| Attributable to: | | | |
| Equity holders of the parent | | 2,091,301 | 1,627,888 |
| Non-controlling interests | | <u>1,418,332</u> | <u>1,469,496</u> |
| | | <u><u>3,509,633</u></u> | <u><u>3,097,384</u></u> |
| Earnings per share - basic and diluted | (Rupee) 36 | <u><u>5.76</u></u> | <u><u>4.48</u></u> |

The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive

Director

**ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2015**

| | 2015 | 2014 |
|--|-----------------------------|------------------|
| | (Rupees in thousand) | |
| Profit for the year | 3,509,633 | 3,097,384 |
| Other comprehensive loss: | | |
| <i>Items that may be reclassified subsequently to profit and loss</i> | - | - |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | |
| Remeasurement of post retirement benefit obligation | (1,316) | (3,403) |
| Total comprehensive income for the year | 3,508,317 | 3,093,981 |
| Attributable to: | | |
| Equity holders of the parent | 2,090,512 | 1,625,847 |
| Non-controlling interests | 1,417,805 | 1,468,134 |
| | 3,508,317 | 3,093,981 |

The annexed notes 1 to 39 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 JUNE 30, 2015**

| | Note | 2015 (Rupees in thousand) | 2014 |
|---|------|------------------------------|--------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 29 | 6,268,635 | 5,045,212 |
| Long term advances | | - | 538 |
| Finance cost paid | | (1,217,836) | (1,746,759) |
| Income tax paid | | (151,196) | (142,423) |
| Retirement benefits paid | | (1,046) | (20,857) |
| Long term loans to employees-net | | (8,931) | - |
| Net cash inflow from operating activities | | 4,889,626 | 3,135,711 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (29,358) | (43,181) |
| Purchase of intangible assets | | (7,063) | - |
| Proceeds from sale of property, plant & equipment | | 299 | 1,702 |
| Long term deposits | | - | 191 |
| Profit on bank deposits received | | 265,904 | 268,802 |
| Net cash inflow from investing activities | | 229,782 | 227,514 |
| Cash flows from financing activities | | | |
| Repayment of Sponsors' loan | | (384,028) | - |
| Repayment of long term financing | | (2,907,083) | (3,240,318) |
| Dividend paid | | (836,971) | (1,085,202) |
| Net cash outflow from financing activities | | (4,128,082) | (4,325,520) |
| Net increase/ (decrease) in cash and cash equivalents | | 991,326 | (962,295) |
| Cash and cash equivalents at the beginning of the year | | 3,997,758 | 4,960,053 |
| Cash and cash equivalents at the end of the year | 30 | 4,989,084 | 3,997,758 |

The annexed notes 1 to 39 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 JUNE 30, 2015

| | Attributable to equity holders of the Parent Company | | | | | Non-controlling Interests | Total equity |
|--|--|---------------|--------------------|------------|------------|---------------------------|--------------|
| | Equity Portion of sponsors' loan | | | | | | |
| | Share capital | Share Premium | Accumulated profit | Total | | | |
| | Rupees in thousand | | | | | | |
| Balance as on July 1, 2013 | 3,633,800 | 41,660 | 43,179 | 7,608,150 | 11,326,789 | 7,561,153 | 18,887,942 |
| Imputed interest on sponsors' loan | - | - | (27,280) | - | (27,280) | - | (27,280) |
| Profit for the year | - | - | - | 1,627,888 | 1,627,888 | 1,469,496 | 3,097,384 |
| Other comprehensive loss for the year | - | - | - | (2,041) | (2,041) | (1,362) | (3,403) |
| Total comprehensive income for the year ended June 30, 2014 | - | - | - | 1,625,847 | 1,625,847 | 1,468,134 | 3,093,981 |
| Transactions with owners recorded in equity | | | | | | | |
| 1st Interim dividend @ Rs 1 per ordinary share by Parent Company | - | - | - | (363,380) | (363,380) | - | (363,380) |
| 2nd Interim dividend @ Rs 1 per ordinary share by Parent Company | - | - | - | (363,380) | (363,380) | - | (363,380) |
| Dividend relating to 2014 paid to non-controlling interest | - | - | - | - | - | (1,207,503) | (1,207,503) |
| Total contributions by and distributions to equity holders of the Parent Company, recognised directly in equity | - | - | - | (726,760) | (726,760) | (1,207,503) | (1,934,263) |
| Balance as on June 30, 2014 | 3,633,800 | 41,660 | 15,899 | 8,507,237 | 12,198,596 | 7,821,784 | 20,020,380 |
| Imputed interest on sponsors' loan | - | - | (15,899) | - | (15,899) | - | (15,899) |
| Profit for the year | - | - | - | 2,091,301 | 2,091,301 | 1,418,332 | 3,509,633 |
| Other comprehensive loss for the year | - | - | - | (789) | (789) | (527) | (1,316) |
| Total comprehensive income for the year ended June 30, 2015 | - | - | - | 2,090,512 | 2,090,512 | 1,417,805 | 3,508,317 |
| Total contributions by and distributions to equity holders of the Parent Company, recognised directly in equity | - | - | - | - | - | - | - |
| Balance as on June 30, 2015 | 3,633,800 | 41,660 | - | 10,597,749 | 14,273,209 | 9,239,589 | 23,512,798 |

The annexed notes 1 to 39 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 JUNE 30, 2015

1 Legal status and nature of business

1.1 The group comprises of:

| | | |
|---|-----------------------------|-------------|
| Altern Energy Limited (AEL); and | 2015 | 2014 |
| | (Holding percentage) | |
| Subsidiary companies | | |
| - Power Management Company (Private) Limited (PMCL) | 100.00% | 100.00% |
| - Rousch (Pakistan) Power Limited (RPPL) | 59.98% | 59.98% |

Altern Energy Limited ("the Parent Company") was incorporated in Pakistan on January 17, 1995 and is listed on Karachi Stock Exchange. The principal objective of the Parent 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 (2014 : 32 Mega Watts). The Parent Company commenced commercial operations with effect from June 06, 2001. The registered office of the Parent Company is situated at Descon Headquarters, 18 km, Ferozepur Road, Lahore.

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

Rousch (Pakistan) Power Limited (RPPL) is an unlisted public company, incorporated in Pakistan on August 04, 1994 under the Companies Ordinance, 1984. The principal activities of the Company are to generate and supply electricity to Pakistan Water and Power Development Authority (WAPDA) from its combined cycle thermal power plant having a gross (ISO) capacity of 450 Mega Watts (2014: 450 Mega Watts), located near Sidhnai Barrage, Abdul Hakim town, District Khanewal, Punjab province, Pakistan. The Company started commercial operations from December 11, 1999. The registered office of the Company is situated at 68 - Studio Apartments, Park Towers, F10 Markaz, Jinnah Avenue, Islamabad.

- 1.2** AEL's Gas Supply Agreement (GSA) with Sui Northern Gas Pipelines Limited (SNGPL) expired on June 30, 2013. Thereafter, the Company has signed a supplemental deed dated March 17, 2014, with SNGPL whereby SNGPL has agreed to supply gas to the Company on as-and-when available basis till the expiry of PPA on June 06, 2031.
- 1.3** RPPL has a Power Purchase Agreement (PPA) with Water & Power Development Authority (WAPDA) for sale of power to WAPDA upto 2029. The plant was initially designed to operate with residual furnace oil and was converted the Complex to gas fired facility in 2003 after allocation of 85 MMSCFD by the Government for the period of twelve years under Gas Supply Agreement (GSA) with Sui Northern Gas Pipelines Limited (SNGPL) till August 18, 2015. At that time, under the amendments to the Implementation Agreement (IA), the Government of Pakistan provided an assurance that the RPPL will be provided gas post August 2015, in preference to the new projects commissioned after the Company.
- 1.4** In June 2015, Economic Co-ordination Committee (ECC) of the cabinet approved gas allocation of 85 MMSCFD of RLNG with effect from November 2015. In July 2015, the Ministry of Petroleum and Natural Resources (MOPNR) has issued instructions to SNGPL to start negotiating GSA for supply of 85 MMSCFD of RLNG on 'firm basis'. Further in August 2015, SNGPL has communicated to the MOPNR that RPPL will be supplied firm RLNG and for any brief periods of interruption in RLNG supply, system gas will be supplied to RPPL.

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

2. Basis of preparation

- 2.1** These consolidated 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 and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Group's consolidated financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments to published standards and interpretations that are effective in the current year

Certain standards, amendments and interpretations to approved accounting standards are effective in the current year but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated financial statements.

2.2.2 Exemption from applicability of certain interpretations to standards

SECP through SRO 24(I)/2012 dated January 16, 2012, has exempted the application of International Financial Reporting Interpretations Committee (IFRIC) 4 'Determining whether an Arrangement contains a Lease' to all companies. However, the SECP made it mandatory to disclose the impact of the application of IFRIC 4 on the results of the companies. This interpretation provides guidance on determining whether arrangements that do not take the legal form of a lease should, nonetheless, be accounted for as a lease in accordance with IAS 17, 'Leases'.

Consequently, the Group is not required to account for a portion of its PPA with WAPDA as a lease under IAS - 17. If the Group were to follow IFRIC - 4 and IAS - 17, the effect on the financial statements would be as follows:

| | 2015 | 2014 |
|---|-----------------------------|-------------------|
| | (Rupees in thousand) | |
| De-recognition of property, plant and equipment | <u>19,409,307</u> | <u>20,822,023</u> |
| Recognition of lease debtor | <u>9,686,204</u> | <u>12,480,636</u> |
| Decrease in un-appropriated profit at the beginning of the year | 8,341,387 | 6,932,561 |
| Decrease in profit for the year | 1,380,716 | 1,408,826 |
| Decrease in un-appropriated profit at the end of the year | <u>9,722,103</u> | <u>8,341,387</u> |

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.

2.2.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Group's accounting periods beginning on or after July 1, 2015 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated financial statements.

3. Basis of measurement

3.1 These consolidated financial statements have been prepared on the basis of historical cost convention except exchange differences capitalized as part of the cost of relevant assets referred to in note 15.1.3 and interest rate swap derivatives (note 13) have been stated at their fair values.

3.2 Principles of consolidation

a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated.

b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

c) Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

- 3.3** The Group's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of the complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Employee retirement benefits (note 4.1)
- b) Provision for taxation (note 4.2)
- c) Useful lives and residual values of property, plant and equipment (note 4.3)
- d) Inventories (note 4.8)
- e) Trade debts (note 4.12)
- f) Provisions, contingencies and commitments (note 4.16)
- g) Fair value of interest rate swap
- h) Stores, spares and loose tools (note 4.7)

4. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Retirement benefits

Defined benefit plan

RPPL maintains an approved gratuity fund for all permanent employees. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for RPPL, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements. The most recent valuation was carried out as at June 30, 2015.

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

Defined contribution plan

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

AEL 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.

4.2 Taxation

Current

The profits and gains of the Group derived from electric power generation are exempt from tax in terms of clause 132 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the conditions and limitations provided therein.

Under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, the Group is also exempt from levy of minimum tax on 'turnover' under section 113 of the Income Tax Ordinance, 2001. However, full provision is made in the profit and loss account on income from sources not covered under the above clauses at current rates of taxation after taking into account, tax credits and rebates available, if any.

Deferred

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

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

4.3 Property, plant and equipment

4.3.1 Operating fixed assets

Operating fixed assets 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 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 15.1.3).

Depreciation on all operating fixed assets 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 15 after taking into account their residual values. Amortization on free hold land of RPPL is charged for reason stated in note 1.3 to these financial statements.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Group's estimate of the residual value of its operating fixed assets as at June 30, 2015 has not required any adjustment as its impact is considered insignificant.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.4).

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

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

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

4.3.2 Capital work in progress

Capital work-in-progress is stated at cost less impairment losses, if any. Cost consists of expenditure incurred and advances made in the course of their acquisition, construction and installation. Transfers are made to relevant asset category as and when the assets are available for intended use.

4.3.3 Major spare parts and standby equipment

Major spare parts and stand-by equipment qualify as property, plant and equipment when an entity expects to use them for more than one year. Transfers are made to relevant operating fixed assets category as and when such items are available for use.

4.4 Impairment

Impairment of 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 assets.

Impairment of non-financial assets

Assets that have an indefinite useful life - for example, goodwill or intangible assets not ready to use - are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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.

4.5 Intangible assets

Expenditure incurred to acquire computer software is capitalized as intangible asset and stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the straight line method over a period of three years.

Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off.

The Group assesses at each condensed interim balance sheet date whether there is any indication that intangible may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in condensed interim profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.6 Long term investments

In separate financial statements, investment in subsidiary company is initially measured at cost. However, at subsequent reporting dates, the Group 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.

4.7 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.

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

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

4.8 Inventory of fuel oil

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

4.9 Financial Assets

4.9.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise, they are classified as non-current.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise advances, deposits and other receivables in the balance sheet.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortized cost.

4.9.2 Recognition and measurement

All financial assets are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Group's right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the company's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Group measures the investments at cost less impairment in value, if any.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 4.12.

4.10 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account.

4.11 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Group intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.12 Trade debts and other receivables

Trade debts and other receivables are recognized initially at invoice value, which approximates fair value, and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade debts and other receivables is established when there is objective evidence that the Group will not be able to collect all the amount due according to the original terms of the receivable. The provision is recognized in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

4.13 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.

4.14 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method. Finance costs are accounted for on an accrual basis and are reported under accrued finance cost to the extent of the amount remaining unpaid.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

4.15 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.

4.16 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.17 Foreign currency transactions and translation

a) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.

b) Transactions and balances

Transactions in foreign currencies are translated into Rupees at rates of exchange on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange ruling on the balance sheet date. Non monetary assets and liabilities are stated using exchange rates that existed when the values were determined. As explained in note 15.1.3, 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.

4.18 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost of the asset up to the date of commissioning of the related asset.

4.19 Revenue recognition

Revenue from sale of electricity to the Water and Power Development Authority (WAPDA), the sole customer of the Group, 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.

4.20 Dividend

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

4.21 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

5. Issued, subscribed and paid up share capital

| 2015 (Number of shares) | 2014 | | 2015 (Rupees in thousand) | 2014 |
|----------------------------|--------------------|---|------------------------------|------------------|
| 359,480,000 | 359,480,000 | Ordinary shares of Rs 10 each fully paid in cash | 3,594,800 | 3,594,800 |
| 3,900,000 | 3,900,000 | Ordinary shares of Rs 10 each issued for consideration other than cash | 39,000 | 39,000 |
| <u>363,380,000</u> | <u>363,380,000</u> | | <u>3,633,800</u> | <u>3,633,800</u> |

5.1. The holding company, Descon Engineering Limited (DEL), holds 211,397,063 (2014: 211,397,063) ordinary shares of Rs 10 each at the year end.

6. Equity portion of sponsors' loan - unsecured

| | | | |
|--|------------|---|---------------|
| Descon Engineering Limited- the ultimate parent | - note 6.1 | - | 11,924 |
| Crescent Standard Business Management (Private) Limited- associated undertaking | - note 6.2 | - | 3,975 |
| | | - | <u>15,899</u> |

6.1. This represents equity portion relating to interest free loan from Descon Engineering Limited amounting to Nil (2014: Rs 69.455 million), which has been repaid by the Parent Company during the current year.

6.2. This represents equity portion of funds amounting to Nil (2014: Rs 23.152 million) from Crescent Standard Business Management (Private) Limited, which has been repaid by the Parent Company during the current year.

6.3. In the previous years, interest free loans received from Descon Engineering Limited and Crescent Standard Business Management Limited (Private) Limited were discounted using effective rate of interest and classified separately in equity portion and long term loan.

| 7. Sponsors' loans - unsecured | | 2015 (Rupees in thousand) | 2014 |
|--|------------|--------------------------------------|----------------|
| Descon Engineering Limited - the ultimate parent | | | |
| Interest free loan | - note 7.1 | - | 69,455 |
| Present value adjustment | | - | (11,924) |
| | | - | 57,531 |
| Crescent Standard Business Management (Private) Limited - an associated undertaking | | | |
| Interest free loan | - note 7.2 | - | 23,152 |
| Present value adjustment | | - | (3,975) |
| | | - | 19,177 |
| Present value of interest free loan from sponsors | - note 7.3 | - | 76,708 |
| Other long term finances -DEL | - note 7.4 | 261,763 | 261,763 |
| Interest on long term finances | - note 7.5 | 25,508 | 284,126 |
| | | <u>287,271</u> | <u>622,597</u> |
| Less: Current portion shown under current liabilities | | (25,508) | - |
| | | <u>261,763</u> | <u>622,597</u> |

- 7.1 It represented long term loan portion relating to unsecured and interest free loan from Descon Engineering Limited amounting to Rs 69.455 million (2014: Rs 69.455 million). The loan has been fully repaid during the year.
- 7.2 It represented long term loan portion of funds amounting to Rs 23.152 million (2014: Rs 23.152 million) payable to Crescent Standard Business Management (Private) Limited. This was unsecured and interest free loan. The loan has been fully repaid during the year.
- 7.3 In the previous years, these have been recognized at amortized cost using discount rate of 13.38%. The resulting change had been charged to equity portion of sponsors' loan as referred to in note 6.
- 7.4 This includes funds amounting to Rs 261.763 million (2014: 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 Parent 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 (2014 : six months KIBOR plus 300 basis points) . The mark-up rate charged during the year on the outstanding balance ranged from 11.62% to 13.15% (2014: 12.43% to 13.08%) per annum.

- 7.5 It represents mark-up payable to Descon Engineering Limited of Rs 25.508 million (2014: Rs 284.126 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.

| | | 2015 | 2014 |
|------------------------------------|-----------|----------------------|--------------------|
| | | (Rupees in thousand) | |
| 8. Long term finances | | | |
| Loans from financial institutions | -note 8.1 | 7,446,415 | 9,981,864 |
| Loans from related parties | -note 8.1 | 2,461,947 | 2,213,807 |
| | | <u>9,908,362</u> | <u>12,195,671</u> |
| Current portion of long term loans | | <u>(3,134,264)</u> | <u>(3,484,458)</u> |
| | | <u>6,774,098</u> | <u>8,711,213</u> |

8.1. Loans from financial institutions:***Secured***

| | Facility | | |
|---|-------------------------|------------|-----------|
| Standard Chartered Bank, London (SCB) | Hermes facility | - note 8.3 | 240,386 |
| National Bank of Pakistan (NBP) | LTCF loan | - note 8.4 | 7,932,838 |
| Australia and New Zealand Banking Group Limited (ANZ) | Backstop facility | - | 31,398 |
| MCB Bank Limited (MCB) | Syndicate finance - FCY | 7,246 | 30,173 |
| | | 754,772 | 1,747,069 |
| | | 7,446,415 | 9,981,864 |

Unsecured

Australia and New Zealand Banking Group Limited (ANZ)

Loan from an associated company:***Unsecured***

| | | | |
|---|-------------------------|-------------|-------------|
| Siemens AG | EPC Deferral and AMSA | - note 8.6 | 2,213,807 |
| | | 9,908,362 | 12,195,671 |
| Standard Chartered Bank, London (SCB) | Hermes facility | - | (240,386) |
| Australia and New Zealand Banking Group Limited (ANZ) | Backstop facility | - | (31,398) |
| National Bank of Pakistan (NBP) | LTCF loan | (1,485,422) | (1,442,334) |
| Australia and New Zealand Banking Group Limited (ANZ) | Supplier's loan | (754,772) | (1,747,069) |
| Long term liability - unsecured | EPC Deferral and AMSA | (886,824) | - |
| MCB Bank Limited (MCB) | Syndicate finance - FCY | (7,246) | (23,271) |
| | | (3,134,264) | (3,484,458) |
| Current portion of long term loans | | 6,774,098 | 8,711,213 |

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

| | Hermes facility | Supplier's loan | Backstop facility | LTCF loan | Syndicate finance FCY |
|---|---|--|---|--|---------------------------------------|
| Arranger / underwriter | ANZ | ANZ | ANZ | NBP | NBP |
| Facility amount | US\$ 34.8 million | US\$ 17 million | US\$ 11 million | US\$ 219.08 million | US\$ 3.6 million |
| Facility utilized | US\$ 34.8 million | US\$ 17 million | US\$ 11 million | US\$ 219.08 million | US\$ 3.6 million |
| Term in years (post commercial operation date) | 15 | note 8.5 & note 8.6 | 11 | 20 | 7 |
| Interest per annum and repayment terms | LIBOR + 0.75% Payable semi-annually | 6% accretion Payable semi-annually | LIBOR + 0.75% Payable semi-annually | note 8.4 | LIBOR + 2.95% Payable quarterly |
| Swap rate with Faysal Bank Limited effective from | | | | 3.68% effective upto September 28, 2007 and 5.21% from September 29, 2007 | |
| September 29, 2006 (note 13) | 4.76% | - | - | | - |
| Notional amounts under the interest rates swap | US\$ 7.31 million | - | - | US\$ 94.94 million | - |

- 8.2.** The entire financing of RPPL from financial institutions except for supplier loan and EPC Deferral and AMSA is secured by a legal mortgage on all immovable properties of the company, 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.

| | 2015 | 2014 |
|-------------------------------------|-----------------------------|----------------|
| | (Rupees in thousand) | |
| 8.3. Hermes loan facility | | |
| Outstanding amount of loan facility | 396 | 240,575 |
| Basic and time premium | - | (112,240) |
| | <u>396</u> | <u>128,335</u> |
| Basic and time premium amortized | - | 112,051 |
| | <u>396</u> | <u>240,386</u> |

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

- 8.3.2** Hermes facility was guaranteed by the Credit Insurance of the Federal Republic of Germany.
- 8.4** 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). National Bank of Pakistan (NBP) is acting as an administrator of the loan. 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.
- 8.5** 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 letter, repayment of instalment has been deferred and the new dates of repayment is September 30, 2015.
- 8.6** As per revised MOU long term liability would be repaid in six unequal semi-annual instalments starting from September 2015. It has also been agreed that the long term liability would be subject to 8% per annum interest from the period starting July 01, 2015. The company has remeasured the fair value of the long term liability assuming discount rate of 8 percent per annum and has recorded accretion on discount and fair value adjustment amounting to Rs 182.006 million (2014: Rs 163.986 million) in the profit and loss account.
- 8.7** AEL had obtained a long term syndicate facility of Rs 1,100 million (2014: Rs 1,100 million), which includes foreign currency loan limit of US Dollars 3.6 million (2014: US Dollars 3.6 million), from consortium of banks under the lead of MCB Bank Limited. The outstanding loan amount is repayable in two un-equal quarterly installments payable up to December 31, 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 the rate of three month London Inter-Bank Offered Rate (LIBOR) plus 295 basis points (2014 : three month LIBOR plus 295 basis) payable quarterly in arrears. The mark-up rate charged during the year on the outstanding balance ranged from 3.18% to 3.22% (2014: 3.18% to 3.22%) per annum.

| | | 2015 | 2014 |
|----------------------------------|------------|-----------------------|---------------|
| | | (Rupees in thousands) | |
| 9. Deferred liabilities | | | |
| Provision for: | | | |
| Staff gratuity - AEL | - note 9.1 | 1,657 | 1,260 |
| Compensated absences - AEL | - note 9.2 | 242 | 190 |
| Staff gratuity - RPPL | - note 9.3 | 17,195 | 8,645 |
| | | <u>19,094</u> | <u>10,095</u> |
| 9.1. Staff Gratuity - AEL | | | |
| Opening liability | | 1,260 | 1,125 |
| Provision for the year | | 397 | 399 |
| | | <u>1,657</u> | <u>1,524</u> |
| Less: amount paid | | - | (264) |
| Closing liability | | <u>1,657</u> | <u>1,260</u> |

| | 2015 | 2014 |
|--|------------------------------|-------------|
| | (Rupees in thousands) | |
| 9.2. Compensated absences - AEL | | |
| Opening Liability | 190 | 247 |
| Provision for the year | 52 | 34 |
| | <u>242</u> | <u>281</u> |
| Less: amount paid | - | (91) |
| Closing liability | <u>242</u> | <u>190</u> |

- 9.3.** The latest actuarial valuation of gratuity scheme was carried out as at 30 June 2015 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:

| | 2015 | 2014 |
|--|---------------------|-------------|
| | (Percentage) | |
| Actuarial assumptions | | |
| Valuation discount rate | 9.75% | 13.50% |
| Expected rate of increase in salaries | 9.75% | 13.50% |
| Expected rate of return on plan assets | 9.75% | 13.50% |

| | (Rupees in thousands) | |
|---|------------------------------|--------------|
| Funding status | | |
| The amounts recognized in balance sheet are as follows: | | |
| Present value of defined benefit obligation | 18,155 | 10,068 |
| Fair value of plan assets | (960) | (1,423) |
| Liability in balance sheet | <u>17,195</u> | <u>8,645</u> |

Changes in present value of defined benefit obligation

| | | |
|---|---------|----------|
| Present value of defined benefit obligation - beginning of the year | 10,068 | 21,984 |
| Current service cost | 7,185 | 3,525 |
| Interest cost | 1,252 | 1,467 |
| Past service cost | - | - |
| Remeasurement losses on obligation | 1,227 | 3,594 |
| Benefits paid | (1,577) | (20,502) |

| | | |
|--|---------------|---------------|
| Present value of defined benefit obligation end of the year | <u>18,155</u> | <u>10,068</u> |
|--|---------------|---------------|

Changes in fair value of plan assets

| | | |
|---|------------|--------------|
| Fair value of plan assets - beginning of the year | 1,423 | 17,859 |
| Expected return on plan assets | 156 | 1,123 |
| Remeasurement (losses)/gains on plan assets | (88) | 191 |
| Benefits paid | (1,577) | (20,502) |
| Contribution to fund | 1,046 | 2,752 |
| Fair value of plan assets - end of the year | <u>960</u> | <u>1,423</u> |

Amounts recognized in the profit and loss account

| | | |
|--------------------------------|--------------|--------------|
| Current service cost | 7,185 | 3,525 |
| Interest cost | 1,252 | 1,467 |
| Expected return on plan assets | (156) | (1,123) |
| | <u>8,281</u> | <u>3,869</u> |

Composition / fair value of plan assets

| | | |
|--|------------|------------|
| Certificates of investment / term deposit receipts | 32% | 20% |
| Others | <u>68%</u> | <u>80%</u> |

Available historical information

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---------|----------|----------|----------|
| | ------(Rupees in thousands)----- | | | | |
| Present value of defined benefit obligation | 18,155 | 10,068 | 21,984 | 22,247 | 14,461 |
| Fair value of plan assets | (960) | (1,423) | (17,859) | (17,738) | (12,666) |
| Deficit / (surplus) in plan | 17,195 | 8,645 | 4,125 | 4,509 | 1,795 |
| Experience adjustment arising on plan liabilities loss / (gain) | 1,227 | 3,594 | 2,171 | 1,512 | 1,543 |
| Experience adjustment arising on plan liabilities (loss) / gain | (88) | 191 | (592) | (109) | (137) |

9.4. This includes accrual for compensated absences, amounting to Rs 4.88 million (2014: Rs 2.1 million).

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

| | Changes in assumptions | Impact on defined benefit obligation | |
|--------------------|-------------------------------|---|---------------------|
| | | Increase in assumption | Decrease assumption |
| Discount rate | 1% | (1,817) | 2,124 |
| salary growth rate | 1% | 2,195 | (1,907) |

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

9.7. RPPL has set up provident fund for its permanent employees and the investments out of Provident Funds have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose. The following information is based on the un - audited financial statements of the provident fund as at June 30, 2015:

| | 2015 (Rupees in thousands) | 2014 (Rupees in thousands) |
|--------------------------------|-------------------------------|-------------------------------|
| Size of the fund | 24,202 | 17,479 |
| Cost of Investments made | 14,500 | 14,500 |
| Fair Value of Investments | 16,522 | 15,508 |
| Percentage of Investments made | 59.91% | 82.96% |

9.8. The break-up of investment is as follows:

| | 2015 | | 2014 | |
|----------------------------|----------------------|--------|----------------------|--------|
| | (Rupees in thousand) | % | (Rupees in thousand) | % |
| Investment in mutual funds | 14,500 | 82.96% | 14,500 | 82.96% |

10. Deferred taxation

Deferred taxation

| | 2015 (Rupees in thousands) | 2014 (Rupees in thousands) |
|-------------|-------------------------------|-------------------------------|
| - note 10.1 | 804,159 | 644,773 |

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

| | | 2015 | 2014 |
|---|-------------|------------------------------|------------------|
| | | (Rupees in thousands) | |
| 11. Trade and other payables | | | |
| Creditors | - note 11.1 | 462,487 | 82,190 |
| Payable to WAPDA for gas efficiency and import of energy | | 147,617 | 175,915 |
| Accrued liabilities | | 1,759 | |
| -Lenders' related costs | | 24,426 | 17,370 |
| -Operation and maintenance contractors | | 135,798 | 294,313 |
| -Natural Gas charges to SNGPL | | 5,537,023 | 3,811,091 |
| -Others | | 19,839 | 26,600 |
| Workers' Profit Participation Fund | - note 11.2 | 183,075 | 277,202 |
| Workers' Welfare Fund | - note 11.3 | 202,567 | 166,772 |
| Provision of guarantee issued | - note 11.4 | 6,842 | 6,842 |
| | | <u>6,721,433</u> | <u>4,858,295</u> |
| 11.1. Includes the following amounts due to related parties: | | | |
| Due to ultimate parent company | | | |
| Descon Engineering Limited | | 5,784 | 2,478 |
| Due to associated companies/ related party | | | |
| Descon Power Solution (Private) Limited | | 9,097 | 25,510 |
| Descon Chemicals Limited | | 106 | - |
| Siemens AG | | 402,014 | 28,450 |
| | | <u>417,001</u> | <u>56,438</u> |
| 11.2. Workers' Profit Participation Fund | | | |
| Opening balance | | 277,202 | 149,102 |
| Provision for the year | - note 21.5 | 183,075 | 277,202 |
| | | <u>460,277</u> | <u>426,304</u> |
| Less: Payments made during the year | | 193,891 | 149,102 |
| Less: Reversal of provision | | 83,311 | - |
| Closing balance | | <u>183,075</u> | <u>277,202</u> |
| 11.3. Workers' Welfare Fund | | | |
| Opening balance | | 166,772 | 59,612 |
| Provision for the year | - note 21.6 | 202,567 | 166,772 |
| | | <u>369,339</u> | <u>226,384</u> |
| Less: Payments made during the year | | 133,448 | 59,612 |
| Less: Reversal of provision | | 33,324 | - |
| Closing balance | | <u>202,567</u> | <u>166,772</u> |

- 11.4** 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 February 20, 1997, and March 26, 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, the company had arranged bank guarantees of Rs 64.95 million in favour of Director Excise and Taxation, Karachi and made full provision in the financial statements up to June 30, 2010. During the year 2008, the Honorable High Court of Sindh in its decision dated September 17, 2008 declared the imposition of levy of infrastructure fee / cess on import of material before December 28, 2006 as void and invalid, and ordered the guarantees to be returned and encashed. However, the levy imposed w.e.f. December 28, 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 December 28, 2006. During the year June 30, 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 December 27, 2006 and any guarantee for consignment cleared after December 27, 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 (2014: Rs 6.842 million) being 50% of disputed amount i.e. Rs 13.684 million.

12. Short term loans

RPPL has entered into an agreement with a consortium of local banks, [Faysal Bank Limited, Bank Alfalah Limited, Soneri Bank Limited and Silk Bank Limited] led by Faysal Bank Limited, to avail working capital facility of Rs 900 million (2014: Rs 900 million). The facility carries mark-up at 3 months KIBOR plus 3% per annum (2014: 3 months KIBOR plus 3% per annum). The facility has been obtained against pari passu charge of Rs 4,032 million over all present and future fixed assets and current assets of RPPL in favor of the security trustee. This facility will expire on December 31, 2015.

13. Interest rate swap liabilities

RPPL had 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 September 29, 2006. In case the floating rate was less than the fixed (hedged) rates, RPPL was liable to pay the difference during the respective period and vice versa. The swap arrangement had been secured by a first pari passu charge of US\$ 25 million on all the assets of RPPL. These arrangements were effective up to September 30, 2014. The net fair value of swap at June 30, 2015 was Rs Nil (2014: Rs 211.884 million). The hedge accounting was discontinued during the year ended June 30, 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.

14. Contingencies and commitments

14.1 Contingencies in respect of:

Altern Energy Limited- the Parent Company

- 14.1.1** In August 2014, the taxation authorities issued a Show Cause Notice amounting to Rs 157 million on account of input sales tax alleged to be wrongly claimed for the period July 2009 to June 2013. The department is of the view that input tax paid by the Company should be splitted among taxable and non-taxable supplies. The Company 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 that the ultimate product is electrical energy, which is taxable. The Company submitted reply for the Show Cause Notice which was rejected by the Authorities and a demand for this amount was created by the Tax Authorities. The Company filed an appeal with ATIR against the demand which was rejected. The Company lodged appeal with Honorable Lahore High Court who granted stay to the Company after payments of Rs. 10 million against the total demand of Rs. 157 million. The case is now pending adjudication and the management is confident that it has reasonable grounds to defend the Company's position and the case will ultimately be decided in the Company's favor. Accordingly, no provision has been recognized in the financial statements.

Rousch (Pakistan) Power Limited- the Subsidiary Company

- 14.1.2** Bank guarantees have been issued to the excise and taxation department aggregating Rs 26.842 million (2014: Rs 26.842 million).

- 14.1.3** In November 2012, the tax authorities raised demand of Rs 2,026 million on account of input sales tax along with additional tax and penalty alleged to have been wrongly claimed for the period July 2007 to June 2011. The demand was upheld up to the level of the ATIR and the matter is now pending before the Islamabad High Court on reference application filed by the Company. The Islamabad High Court also suspended order of the Appellate Tribunal while deciding the petition for stay against tax recovery filed by the company.

In October 2013, the tax authorities raised tax demand of Rs 675 million along with default surcharge and penalty on the same matter for the period July 2011 to June 2012. The High Court granted stay against proceedings of the show cause notice; while directing the concerned Deputy Commissioner Inland Revenue not to pass final order till next date of hearing.

In May 2015, the tax authorities raised tax demand of Rs 681 million along with default surcharge and penalty on the same matter for the period July 2012 to June 2013. The High Court granted stay against recovery of the said demand through its order dated 19 June 2015; while directing the CIR(A) to decide the company's appeal against the order of the taxation officer within 60 days. The case is pending for adjudication before CIR(A).

As the matter of apportionment of input sales tax is common to the power generation industry, it is likely to be decided by the High Court by taking up all related appeals jointly. Based on the opinion of the company's legal counsel and in the view of the latest favorable decision on the similar issue in a parallel case, a favorable outcome is expected and a provision in this regard has not been made in the financial statements.

- 14.1.4** WAPDA had raised invoices for liquidated damages to the company for operating year started from 11th December, 2012 (after taking into account force outage allowance stipulated under the terms of Power Purchase Agreement) on account of short supply of electricity by the company, which was due to cash flow constraints of the company as a result of default by WAPDA in making timely payments. Estimated amount of liquidated damages are not expected to exceed Rs 1.588 billion as at June 30, 2015 based on the best estimate of the management of the company.

The company 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 the company and consequential inability of the company to make timely payments to its gas supplier that resulted in inadequate level of electricity production owing to curtailment / suspension of gas supply.

In this regard the company initiated the expert adjudication under the dispute resolution procedures specified in the Power Purchase Agreement. The case was decided by the expert in the company's favor in August 2014. Decision of the expert is however not legally binding on any party. WAPDA is yet to decide if it will agree with the expert's decision or will initiate arbitration proceedings under the PPA. In view of the foregoing, no provision has been recognized in these financial statements.

- 14.1.5** Tax returns filed by the company up to and including Assessment Year 2002-2003 (year ended 30th June 2002) and Tax Years 2003 and 2004 were assessed by the tax authorities by charging tax on interest and other income; however the company was allowed set-off of business losses by the appellate authorities against taxable income.

Tax returns for Tax Years 2005 to 2010 were amended by the tax authorities in July 2011 by disallowing tax depreciation on fixed assets used to derive income exempt from tax; thereby also disallowing set-off of loss represented by unabsorbed tax depreciation against interest income. The appeals filed by the company were accepted by the Commissioner Inland Revenue (Appeals) [CIR(A)] and the demand deleted in entirety. The Department filed appeals to the Appellate Tribunal Inland Revenue [ATIR] where these are pending decision.

For the Tax Year 2011 and 2012, the tax authorities raised aggregate demand of Rs. 63.56 million on account of Workers Welfare Fund [WWF] which was upheld by the CIR(A). The company's appeals against the Order of the CIR (A) are pending decision by the ATIR; though the tax demand has been paid by the company. For the Tax Year 2013, WWF demand of Rs. 72.03 million was set-aside by the CIR (A) on company's appeal and the matter is pending re-assessment by the taxation officer.

For the Tax Year 2012, the tax authorities also imposed minimum tax of Rs. 66.34 million on capacity purchase price. The CIR (A) deleted the demand, however the tax authorities have filed appeal to the ATIR on this matter which is pending decision. Notice for imposition of similar charge for the Tax Year 2011 was received in May 2015 which has been responded to and as of date, there is no further development on the matter.

14.2 Commitments in respect of

Altern Energy Limited- the Parent Company

- 14.2.1** MCB Bank Limited had issued bank guarantee for Nil (2014 : Rs 200 million) in favor of Sui Northern Gas Pipelines Limited as a security to cover gas supply for which payments are made in arrears. The guarantee was due to expire on January 31, 2015, which has been replaced by bank guarantee issued by Habib Metropolitan Bank Limited.
- 14.2.2** Standard Chartered Bank (Pakistan) Limited had issued bank guarantee for Rs 126.32 million (2014 : Nil) in favor of Sui Northern Gas Pipelines Limited as a security to cover gas supply for which payments are made in arrears. The guarantee was due to expire on January 31, 2015, which has been replaced by bank guarantee issued by Habib Metropolitan Bank Limited.
- 14.2.3** Habib Metropolitan Bank Limited has issued bank guarantee for Rs 326.32 million (2014 : Nil) in favor of Sui Northern Gas Pipelines Limited as a security to cover gas supply for which payments are made in arrears. The guarantee will expire on September 14, 2015, which is renewable.

Roush (Pakistan) Power Limited- the Subsidiary Company

- 14.2.4** Commitments under letters of credit for raw materials as at June 30, 2015 are Nil (2014: Nil).
- 14.2.5** Letter of credit facility of Rs 1,925 million (2014: Rs 1,925 million) is available from a consortium of local banks led by Bank Alfalah Limited, in favor of Sui Northern Gas Pipelines Limited (SNGPL) as a security to cover gas supply for which payments are made in arrears.

15. Property, plant and equipment

| | | 2015 | 2014 |
|---|-------------|-----------------------------|-------------------|
| | | (Rupees in thousand) | |
| Operating fixed assets | - note 15.1 | 23,288,538 | 24,616,636 |
| Major spare parts and standby equipment | - note 15.2 | 6,044 | - |
| | | <u>23,294,582</u> | <u>24,616,636</u> |

15.1. Property, plant and equipment

| | Annual rate of depreciation | Cost as at July 1, 2014 | Additions/ (disposals)/ adjustments | Transfers | Cost as at June 30, 2015 | Accumulated Depreciation as at July 1, 2014 | Depreciation Charge for the year | Accumulated Depreciation as at June 30, 2015 | Written down Value as at June 30, 2015 |
|--------------------------------------|-----------------------------|-------------------------|-------------------------------------|--------------|--------------------------|---|----------------------------------|--|--|
| | % | (Rupees in thousand) | | | | | | | |
| Freehold land | - | 59,413 | - | - | 59,413 | 26,709 | 1,820 | 28,529 | 30,884 |
| Building on freehold land | 5 | 1,918,047 | - | - | 1,918,047 | 935,330 | 64,077 | 999,407 | 918,640 |
| Plant and machinery (note 15.1.3) | 3-24 | 40,031,206 | - | 6,408 | 40,349,440 | 16,838,482 | 1,565,155 | 18,403,637 | 21,945,804 |
| Leasehold improvements | 10 | 1,452 | 1,664 (975) | - | 2,141 | 455 | 282 (438) | 299 | 1,842 |
| Electric equipment | 10 | 2,109 | - | - | 2,109 | 1,142 | 199 | 1,341 | 768 |
| Furniture and fixtures | 20 | 2,943 | 920 | - | 3,863 | 2,615 | 178 | 2,793 | 1,070 |
| Office equipment | 10-33 | 25,107 | 4,048 (331) | - | 28,824 | 20,229 | 2,193 (307) | 22,115 | 6,709 |
| Vehicles | 20 | 44,844 | 4,840 (1,239) | - | 48,445 | 26,770 | 3,891 (1,239) | 29,422 | 19,023 |
| Capital Spares | 3-5 | 550,344 | 5,433 | - | 555,777 | 167,097 | 24,909 (27) | 191,979 | 363,798 |
| | | 42,635,465 | 328,731 (2,545) | 6,408 | 42,968,059 | 18,018,829 | 1,662,704 (2,011) | 19,679,522 | 23,288,538 |

| Annual rate of depreciation % | Cost as at July 1, 2013 | Additions / (Deletions) | Transfers | Cost as at June 30, 2014 | (Rupees in thousand) | | | Written down Value as at June 30, 2014 |
|-----------------------------------|-------------------------|-------------------------|--------------|--------------------------|---|--|--|--|
| | | | | | Accumulated Depreciation as at July 1, 2013 | Depreciation Charge for the year/ (disposal) | Accumulated Depreciation as at June 30, 2014 | |
| Freehold land | 59,413 | - | - | 59,413 | 24,889 | 1,820 | 26,709 | 32,704 |
| Building on freehold land | 1,918,047 | - | - | 1,918,047 | 871,254 | 64,076 | 935,330 | 982,717 |
| Plant and machinery (note 15.1.3) | 39,930,346 | 93,960 | 6,900 | 40,031,206 | 15,282,027 | 1,556,455 | 16,838,482 | 23,192,724 |
| Leasehold improvements | 1,255 | 197 | - | 1,452 | 297 | 158 | 455 | 997 |
| Electric equipment | 2,109 | - | - | 2,109 | 953 | 189 | 1,142 | 967 |
| Furniture and fixtures | 2,943 | - | - | 2,943 | 2,438 | 177 | 2,615 | 328 |
| Office equipment | 23,216 | 1,891 | - | 25,107 | 18,434 | 1,795 | 20,229 | 4,878 |
| Vehicles | 38,386 | 10,698 (4,240) | - | 44,844 | 27,123 | 2,651 (3,004) | 26,770 | 18,074 |
| Capital Spares | 523,590 | 28,775 (2,021) | - | 550,344 | 147,396 | 20,521 (820) | 167,097 | 383,247 |
| | 42,499,305 | 135,521 (6,261) | 6,900 | 42,635,465 | 16,374,811 | 1,647,842 (3,824) | 18,018,829 | 24,616,636 |

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

| | 2015 | 2014 |
|-------------------------|----------------------|------------------|
| | (Rupees in thousand) | |
| Direct cost | 1,656,327 | 1,643,061 |
| Administrative expenses | 6,377 | 4,781 |
| | 1,662,704 | 1,647,842 |

15.1.2 The cost of fully depreciated assets still in use is Rs. 25,113 million (2014: Rs 11,067 million).

15.1.3 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 311,823 million (2014: Rs 93,962 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 12,048,290 million (2014: Rs 11,745,440 million) in the cost of plant and equipment up to June 30, 2015, with net book value of Rs 7,889,452 million (2014: Rs 7,888,446 million).

| | 2015 | 2014 |
|--|-----------------------------|-------------|
| | (Rupees in thousand) | |
| 15.2. Major spare parts and standby equipment | | |
| Opening balance | - | - |
| Additions during the year | 12,075 | - |
| | <u>12,075</u> | <u>-</u> |
| Transfers during the year | (6,031) | - |
| Closing balance | <u>6,044</u> | <u>-</u> |

15.3. Details of property, plant & equipment disposed off during the year are:

| | Cost | Accumulated depreciation | Written down value | Sale proceeds | Mode of disposal | Purchaser |
|------------------------------|---|---------------------------------|---------------------------|----------------------|-------------------------|--------------------|
| | ----- (Rupees in thousand) ----- | | | | | |
| Kyocera Photo Copier KM-3040 | 267 | 267 | - | 50 | Company policy | Universal business |
| Apple I Phone 4S 16GB | 65 | 40 | 25 | - | Company policy | Written off |
| Toyota Corolla | 1,239 | 1,239 | - | 249 | Company policy | Employee |
| Karachi office renovation | 974 | 438 | 536 | - | Company policy | Written off |
| | <u>2,545</u> | <u>1,984</u> | <u>561</u> | <u>299</u> | | |

16. Capital work in progress

This represents Enterprise Resource Planning (ERP) design and implementation fee amounting to Rs 0.65 million (2014: Nil).

| 17. Intangible assets | 2015 | 2014 |
|--|-----------------------------|-------------|
| | (Rupees in thousand) | |
| Cost | | |
| Cost as at July 01 | - | - |
| Additions during the year | 6,414 | - |
| Cost as at June 30 | <u>6,414</u> | <u>-</u> |
| Amortization | | |
| Accumulated amortization as at July 01 | - | - |
| Amortization charge for the year | 597 | - |
| Accumulated amortization as at June 30 | <u>597</u> | <u>-</u> |
| Net book value as at June 30 | <u>5,817</u> | <u>-</u> |

17.1 The amortization charge for the year has been allocated to administrative expenses.

17.2 ERP system has been implemented by Descon Chemicals Limited (DCL), an associated undertaking under service agreement between AEL and DCL.

18 Long term loan to employees - secured

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

This balance also includes interest free loan to Chief Executive Officer of RPPL for house building purpose. It is repayable in five years in sixty (60) equal installments. The loan is secured against mortgage of property.

| | 2015 | 2014 |
|--|-----------------------------|-------------|
| | (Rupees in thousand) | |
| Outstanding advances as on June 30 | 9,158 | 119 |
| Current portion of long term loan to employees - secured - note 21 | <u>(2,139)</u> | <u>(84)</u> |
| Long term portion of loan to employees | <u>7,019</u> | <u>35</u> |

19. Stores, spares and loose tools

| | | |
|---|----------------|----------------|
| Stores | 498,626 | 467,549 |
| Spares | 41,738 | 49,007 |
| Loose tools | - | - |
| | <u>540,364</u> | <u>516,556</u> |
| Provision for slow moving and obsolete stores - note 19.2 | <u>-</u> | <u>(3,636)</u> |
| | <u>540,364</u> | <u>512,920</u> |

19.1. Stores, spares and loose tools include items which may result in fixed capital expenditure but are not distinguishable.

19.2. Provision for slow moving and obsolete stores

| | | |
|--------------------------------------|----------------|--------------|
| Opening balance | 3,636 | 3,636 |
| Provision for the year | <u>-</u> | <u>-</u> |
| | 3,636 | 3,636 |
| Stores written off against provision | <u>(3,636)</u> | <u>-</u> |
| Closing balance | <u>-</u> | <u>3,636</u> |

20. Trade debts

| | | |
|--|-------------------|------------------|
| Considered good - note 20.1 | 10,989,272 | 9,348,064 |
| Considered doubtful - note 20.2 | <u>40,347</u> | <u>40,347</u> |
| | 11,029,619 | 9,388,411 |
| Provision for doubtful debts - note 20.2 | <u>(40,347)</u> | <u>(40,347)</u> |
| | <u>10,989,272</u> | <u>9,348,064</u> |

20.1 These represent trade receivables from WAPDA and are considered good. These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and are in the normal course of business and interest free, however, a delayed payment mark-up at reverse repo plus 2% per annum is charged in case the amounts are not paid within due dates. The rate of delayed payment mark-up charged during the year on outstanding amounts ranges from 9% to 12% (2014: 11% to 12%) per annum.

20.2. This represents receivable from WPPO (a division of WAPDA) against energy, capacity and supplemental charges. The Company is entitled to claim supplemental charges from WPPO in case of delayed payment at the discount rate of State Bank of Pakistan (SBP) plus 2 percent per annum. In 2013, the RPPL raised invoices of default interest of Rs 40.347 million on account of delayed payment of default interest invoices. WPPO is not accepting such invoices therefore provision against them has been made.

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

| | | 2015 | 2014 |
|--|--------------------|-----------------------------|----------------|
| | | (Rupees in thousand) | |
| 21. Advances, deposits, prepayments and other receivables | | | |
| Advances - considered good: | | | |
| - To employees | - note 21.1 | 130 | 1,751 |
| - To suppliers | | 35,317 | 49,652 |
| Advance against expense | | 110 | - |
| Balances with statutory authorities: | | | |
| -Sales Tax | - note 14.1.3 | 78,756 | 89,005 |
| -Others | | - | 4,801 |
| Insurance claim receivable | - note 21.2 | 420,281 | - |
| Other receivables | - note 21.3 & 21.4 | 15,293 | - |
| Claims recoverable from WAPDA for pass through items: | | | |
| - Workers' Profit Participation Fund | - note 21.5 | 193,352 | 277,202 |
| - Workers' Welfare Fund | - note 21.6 | 206,677 | 166,772 |
| Interest receivable | | 5,555 | - |
| Prepayments | | 60,731 | 72,427 |
| Bank guarantee cost | | - | 2,098 |
| Current portion of long term loan to employees - secured | - note 18 | 2,139 | 192 |
| | | <u>1,018,341</u> | <u>663,900</u> |

21.1. Included in advances to employees is amount due from executive aggregating to Rs Nil (2014: Rs 0.100 million).

21.2. This includes an amount of Rs 418.539 million of which during the month of February 2015, one of the turbine got damaged due to internal breakup of machinery parts. RPPL has lodged the insurance claim to its insurers under its all insurance cover. Total cost to repairing the machinery amounts to Rs 517 million. The insurance policy allow full payment of the claim with USD 1 million (equivalent to Rs 102 million) deductible clause. Accordingly RPPL has lodged Rs 417 million claim with insurer and expensed out the remaining Rs 102 million.

21.3. This includes an amount of Rs 10.118 million deposited by the Parent Company with the Appellate Tribunal Inland Revenue (ATIR) to obtain stay against the sales tax apportionment case as mentioned in note 14.1.1

21.4. This includes receivable from ESB International Contracting Limited (a related party) amounting to Rs 2.627 million (2014 : Rs 1.929 million)

| | | 2015 | 2014 |
|---|-------------|-----------------------|-------------------|
| | | (Rupees in thousands) | |
| 21.5. Workers' Profit Participation Fund | | | |
| Opening balance | | 277,202 | 146,196 |
| Provision for the year | - note 11.2 | 183,075 | 277,202 |
| | | <u>460,277</u> | <u>423,398</u> |
| Less: Amounts received during the year | | 185,710 | 146,196 |
| Less: Reversal of provision | | 81,215 | - |
| Closing balance | | <u>193,352</u> | <u>277,202</u> |
| 21.6. Workers' Welfare Fund | | | |
| Opening balance | | 166,772 | 58,472 |
| Provision for the year | - note 11.3 | 202,566 | 166,772 |
| | | <u>369,338</u> | <u>225,244</u> |
| Less: Amounts received during the year | | 129,337 | 58,472 |
| Less: Reversal of provision | | 33,324 | - |
| Closing balance | | <u>206,677</u> | <u>166,772</u> |
| 22. Cash and bank balances | | | |
| Cash at bank: | | | |
| Saving accounts | | | |
| - Foreign currency | - note 22.1 | 432 | 241,830 |
| - Local currency | | 4,737,793 | 3,748,785 |
| | | <u>4,738,225</u> | <u>3,990,615</u> |
| Current accounts | | 250,848 | 7,085 |
| | | <u>4,989,073</u> | <u>3,997,700</u> |
| Cash in hand | | 11 | 58 |
| | | <u>4,989,084</u> | <u>3,997,758</u> |
| 22.1 Profit on balances in saving accounts ranges from 0.5% to 10% (2014: 0.5% to 9%) per annum. | | | |
| 23. Revenue-net | | | |
| Energy revenue - gross | | 16,672,592 | 18,747,841 |
| Sales tax | | (2,702,258) | (2,379,233) |
| Energy revenue - net | | <u>13,970,334</u> | <u>16,368,608</u> |
| Capacity revenue - gross | | 6,675,628 | 6,865,419 |
| Other supplemental charges | | 288,769 | 432,168 |
| Gas efficiency passed to WAPDA | | (349,240) | (318,656) |
| | | <u>20,585,491</u> | <u>23,347,539</u> |

| | | 2015 | 2014 |
|--|--------------|------------------------------|-------------------|
| | | (Rupees in thousands) | |
| 24. Direct costs | | | |
| Fuel consumed | | 12,579,347 | 14,961,367 |
| Salaries, wages and other benefits | -note 24.1 | 20,920 | 21,387 |
| Operation and maintenance contractor's fee | | 943,993 | 1,057,374 |
| Stores, spares and loose tools consumed | | 185,624 | 148,467 |
| Energy import | | 19,051 | 30,396 |
| Insurance costs | | 125,919 | 138,105 |
| Lube oil consumed | | 11,903 | - |
| Repairs and maintenance | -note 21.2 | 122,266 | 13,206 |
| Travelling and conveyance | | 502 | - |
| Depreciation | -note 15.1.1 | 1,656,327 | 1,643,061 |
| Generation license fee | | 5,939 | 5,181 |
| Electricity duty | | 6,603 | 6,001 |
| Colony maintenance | | 14,093 | - |
| Vehicle maintenance | | 1,372 | - |
| Miscellaneous | | 9,575 | 25,343 |
| | | <u>15,703,434</u> | <u>18,049,888</u> |

24.1.Salaries, wages and other benefits include contributions to provident fund trust amounting to Rs 0.948 million (2014: Rs 0.946 million).

| | | | |
|------------------------------------|--------------|----------------|----------------|
| 25. Administrative Expenses | | | |
| Salaries, wages and other benefits | -note 25.1 | 68,674 | 69,155 |
| Directors' meeting fee | -note 32.4 | 512 | - |
| ERP running cost | -note 25.2 | 1,044 | - |
| Traveling, conveyance and hoteling | | 5,300 | 6,488 |
| Utilities | | 268 | 656 |
| Postage and telephone | | 1,148 | 411 |
| Publicity, printing and stationery | | 1,248 | 786 |
| Auditors' remuneration | -note 25.3 | 2,770 | 3,182 |
| Rent, rates and taxes | | 784 | 2,188 |
| Repair and maintenance | | 132 | 1,118 |
| Legal and professional expenses | | 42,478 | 30,397 |
| Fees and subscription | | 707 | 592 |
| Entertainment | | 774 | 806 |
| Security expenses | | 2,036 | 2,012 |
| Amortization of intangible assets | -note 17.1 | 597 | - |
| Depreciation | -note 15.1.1 | 6,377 | 4,781 |
| Vehicle maintenance | | 1,837 | - |
| Donations | -note 25.4 | 1,050 | - |
| Professional tax | | 100 | - |
| Miscellaneous | | 7,798 | 5,350 |
| | | <u>145,634</u> | <u>127,922</u> |

25.1.Salaries, wages and other benefits include Rs 0.396 million (2014: Rs 0.399 million) and Rs 0.052 million (2014: Rs 0.034 million on account of staff gratuity and staff compensated absences respectively. It also includes contributions to provident fund trust amounting to Rs 3.575 million (2014: Rs 3.671 million).

25.2.This represents ERP running cost paid to Descon Chemical Limited, an associated undertaking for implementation of new ERP system.

| | | 2015 | 2014 |
|--|---|-----------------------------|------------------|
| | | (Rupees in thousand) | |
| 25.3. Auditors' remuneration | | | |
| Annual audit fees | | 2,400 | 2,130 |
| Half yearly review fees | | 200 | 165 |
| Other assurance services | | 50 | - |
| Out of pocket expenses | | 120 | 887 |
| | | <u>2,770</u> | <u>3,182</u> |
| 25.4 | None of the directors or their spouses had any interest in the donee. | | |
| 26. Other income | | | |
| Income from financial assets | | | |
| Profit on bank deposits | | 271,459 | 268,802 |
| Income from non-financial assets | | | |
| (Loss)/gain on sale of operating fixed assets | | (262) | 466 |
| Exchange gain | | 13 | - |
| Scrap sales | | 3,709 | 1,150 |
| Liabilities written back | | 1,430 | - |
| Others | | 118 | - |
| | | <u>5,008</u> | <u>1,616</u> |
| | | <u>276,467</u> | <u>270,418</u> |
| 27. Finance cost | | | |
| Interest/mark-up on: | | | |
| -Long term loans & swap payments | -note 27.1 & 27.2 | 1,000,506 | 1,185,869 |
| -Short term running finances | | 41,106 | 24,048 |
| Amortization of bank guarantee cost | | 4,303 | 3,037 |
| Accretion of discount and fair value adjustment on long term liability | -note 8.6 | 182,006 | 163,986 |
| Lender fees and charges | | 51,067 | 60,172 |
| Lender related costs-others | | 63,726 | 102,302 |
| Mark up on late payments to SNGPL | | 1,256 | 6,530 |
| Mark up on late payments to Descon Power Solution Power Limited | | - | 7,468 |
| Bank charges | | 1,747 | 2,637 |
| | | <u>1,345,717</u> | <u>1,556,049</u> |
| 27.1. | It includes mark up accrued on loans from Descon Engineering Limited, the Ultimate Parent Company, amounting to Rs 32.997 million (2014: Rs 32.985 million). | | |
| 27.2. | This includes net swap expense of Rs 11.174 million (2014: Rs 42.041 million) and net exchange loss of Rs 55.687 million (2014 exchange loss: Rs 57.357 million). | | |

| | | 2015 | 2014 |
|--|------------|-----------------------------|--------------------|
| | | (Rupees in thousand) | |
| 28. Taxation | | | |
| Current taxation expense/ (income) | | | |
| - For the year | | 1,998 | 141,941 |
| - Prior years | | (3,844) | - |
| | | <u>(1,846)</u> | <u>141,941</u> |
| Deferred taxation- for the year | -note 10.1 | 159,386 | 644,773 |
| | | <u>157,540</u> | <u>786,714</u> |
| 28.1. Relationship between tax income and accounting profit | | | |
| Profit before taxation | | <u>3,667,173</u> | <u>3,884,098</u> |
| Tax at the applicable rate of 33% (2014: 34%) | | 1,210,167 | 1,320,593 |
| Tax effect of amounts that are: | | | |
| -Exempt for tax purpose as referred to in note 4.2 | | (1,208,169) | (699,467) |
| - Due to change in prior years' tax | | (3,844) | - |
| - Chargeable to tax at different rates | | 159,386 | 165,588 |
| | | <u>(1,052,627)</u> | <u>(533,879)</u> |
| | | <u>157,540</u> | <u>786,714</u> |
| 29. Cash generated from operations | | | |
| Profit before taxation | | 3,667,173 | 3,884,098 |
| Adjustments for non cash charges and other items: | | | |
| - Depreciation on operating fixed assets | | 1,662,704 | 1,647,842 |
| - Loss/(gain) on sale of operating fixed assets | | 262 | (466) |
| - Amortization of intangible assets | | 597 | - |
| - Amortization of bank guarantee cost | | 4,303 | 3,037 |
| - Liabilities written back | | (1,430) | - |
| - Exchange gain | | (13) | - |
| - Profit on bank deposits | | (271,459) | (268,802) |
| - Finance cost | | 1,345,717 | 1,553,012 |
| - Capital spares consumed | | (27) | 1,201 |
| - Provision for employee retirement benefits | | 8,729 | 4,302 |
| Profit before working capital changes | | <u>6,416,556</u> | <u>6,824,224</u> |
| Effect on cash flow due to working capital changes: | | | |
| (Increase) / decrease in current assets | | | |
| -Stores, spares and loose tools | | (27,444) | (79,484) |
| -Inventory fuel oil | | 5,036 | 2,347 |
| - Trade debts-secured | | (1,641,208) | (3,945,214) |
| -Advances, deposits, prepayments and other receivables | | (348,886) | (64,268) |
| | | <u>(2,012,502)</u> | <u>(4,086,619)</u> |
| Increase in current liabilities | | | |
| - Trade and other payables | | 1,864,581 | 2,307,607 |
| | | <u>(147,921)</u> | <u>(1,779,012)</u> |
| | | <u>6,268,635</u> | <u>5,045,212</u> |
| 30. Cash and cash equivalents | | | |
| Cash and bank balances | -note 22 | 4,989,084 | 3,997,758 |
| Short term loan | -note 12 | - | - |
| | | <u>4,989,084</u> | <u>3,997,758</u> |

31. Transactions with related parties

The related parties comprise the ultimate parent company, associated companies and related group companies, directors and key management personnel of the Company and its holding company and post employment benefit plan. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of directors and key management personnel is disclosed in note 32. Significant related party transactions have been disclosed in respective notes in these consolidated financial statements other than the following:

| Relationship with the Group | Nature of transactions | 2015 | 2014 |
|--|--|----------------------|---------|
| | | (Rupees in thousand) | |
| i. Ultimate parent | | | |
| Descon Engineering Limited : | | | |
| | Mark up accrued on sponsors' loan | 32,803 | 32,985 |
| | Dividend paid | 211,397 | - |
| | Sponsors' loan repaid | 69,455 | - |
| | Markup paid on sponsors' loan | 291,421 | - |
| | Reimbursable expense | 6,339 | 305 |
| | Funds paid during the year | 4,723 | 1,187 |
| ii. Associated companies | | | |
| Descon Power Solutions (Private) Limited : | | | |
| | O&M contractor's fee | 31,174 | 28,600 |
| | Service agreement of generators | 3,117 | 2,860 |
| | Spare parts purchased | 124,189 | 98,610 |
| | Major maintenance fee | 3,500 | - |
| | Markup on late payments | - | 7,468 |
| | Funds paid during the year | 498,991 | 534,303 |
| Descon Chemicals Limited : | | | |
| | ERP Implementation fees and running cost | 1,544 | - |
| | Funds paid during the year | 6,926 | - |
| ESB International Contracting Limited | | | |
| | Operator's fee paid | 289,082 | 350,981 |
| Siemens AG | | | |
| | O&M contractor's fee | 41,483 | 50,294 |
| | Against supply of spares and services | 307,884 | 8,644 |
| | On account of repair agreements | - | 11,378 |
| | On account of LTMSA Contract | 167,299 | 119,537 |
| Siemens Pakistan Limited | | | |
| | Against supply of spares and services | 204,381 | 4,833 |
| | On account of LTMSA Contract | 72,447 | 184,134 |
| iv. Post employment benefit plans | | | |
| | Expense charged in respect of retirement benefit plans | 8,730 | 4,302 |
| | Payment to staff gratuity fund | 4,148 | 4,618 |
| | Payment to provident fund | 1,046 | 2,752 |

32. Remuneration of Chief Executive, Directors and Executives

32.1 The aggregate amounts charged in these consolidated financial statements for remuneration and certain benefits to Directors, Chief Executive and Executives of the Group are as follows:

| | Chief Executive | | Executive Directors | |
|--------------------------------------|--|---------------|--|--|
| | 2015 (Rupees in thousand) | 2014 | 2015 (Rupees in thousand) | 2014 (Rupees in thousand) |
| Remuneration | 18,400 | 14,117 | - | - |
| Retirement benefits | 2,880 | 2,200 | - | - |
| House rent, utilities and allowances | 2,368 | 1,098 | - | - |
| | <u>23,648</u> | <u>17,415</u> | <u>-</u> | <u>-</u> |
| Number of persons | <u>3</u> | <u>4</u> | <u>1</u> | <u>3</u> |

| | Non Executive Directors | | Executives | |
|--------------------------------------|--|-------------|--|--|
| | 2015 (Rupees in thousand) | 2014 | 2015 (Rupees in thousand) | 2014 (Rupees in thousand) |
| Remuneration | - | - | 36,285 | 40,514 |
| Retirement benefits | - | - | 5,969 | 5,884 |
| House rent, utilities and allowances | - | - | 5,657 | 4,116 |
| | <u>-</u> | <u>-</u> | <u>47,911</u> | <u>50,514</u> |
| Number of persons | <u>16</u> | <u>18</u> | <u>12</u> | <u>16</u> |

32.2 Last year the Chief Executive of the Parent Company retired and new Chief Executive was appointed.

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

32.4 During the year the AEL paid meeting fee amounting to Rs 0.512 million (2014: Nil) to its non-executive directors. No fee, remuneration or any other benefits were provided to the six (6) remaining directors of the AEL.

32.5 No fee, remuneration, house rent and utilities and other benefits were provided to CEO / directors of the Parent Company.

32.6 No fee, remuneration, house rent and utilities and other benefits were provided to CEO / directors of the PMCL.

33. Number of employees

| | 2015 | 2014 |
|---|-------------|-------------|
| Total number of employees as at June 30 | <u>35</u> | <u>32</u> |
| Average number of employees during the year | <u>34</u> | <u>34</u> |

34. Financial risk management

34.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (The Board) of the Group. The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's income or the value of its holdings and financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk is further divided into the following three components:

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exists due to transactions in foreign currencies. The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). Currently, the Group's foreign exchange risk exposure is restricted to long term loan.

Exposure to currency risk

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

| | 2015 | | |
|----------------------------|-----------------------|------------------|----------------|
| | Rupees | US Dollars | Euro |
| | (Amounts in thousand) | | |
| Cash and cash equivalents | 432 | 4 | - |
| Long term loans | (9,908,362) | (97,662) | - |
| Interest rate swap | - | - | - |
| Trade and other payables | (437,347) | (71) | (3,780) |
| Net balance sheet exposure | <u>(10,345,277)</u> | <u>(97,729)</u> | <u>(3,780)</u> |
| | 2014 | | |
| | Rupees | US Dollars | Euro |
| | (Amounts in thousand) | | |
| Cash and cash equivalents | 241,830 | 2,454 | - |
| Long term loans | (12,195,671) | (123,751) | - |
| Interest rate swap | (211,760) | (2,149) | - |
| Trade and other payables | (92,385) | - | (684) |
| Net balance sheet exposure | <u>(12,257,986)</u> | <u>(123,446)</u> | <u>(684)</u> |

The foreign exchange risk on debt repayments is managed by depositing suitable amounts in foreign currencies on a monthly basis. Further, 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 | |
|------------|--------------------------------|-------------|---------------------|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| US Dollars | 101.70 | 98.55 | 101.51 | 102.89 |
| Euro | 113.79 | 134.46 | 120.87 | 139.59 |

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 | |
|------------|---------------|-------------|------------------------|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| US Dollars | - | - | 993,904 | 1,219,566 |
| Euro | - | - | 143,012 | 9,197 |

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.

(ii) Cash flow and fair value interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Group has no significant floating interest rate assets, the Group's income is substantially independent of changes in market interest rates.

The Group's interest rate risk arises from bank deposit accounts, short term and long-term borrowings. These borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The interest rate profile of the Group's interest-bearing financial instruments at the balance sheet date was as under:

| | Carrying amounts | |
|----------------------------------|----------------------|-------------|
| | 2015 | 2014 |
| | (Rupees in thousand) | |
| Fixed rate instruments | | |
| Financial liabilities | (3,216,719) | (3,960,876) |
| Variable rate instruments | | |
| Financial assets | 4,738,225 | 3,990,615 |
| Financial liabilities | (7,009,128) | (8,554,128) |
| | (2,270,903) | (4,563,513) |

Cash flow sensitivity analysis for variable rate instruments

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on bank deposit accounts and long term loans. The Group does not have any fixed rate financial instrument. A 100 basis points increase in interest rates at the reporting date would have had the following effect in profit and loss account:

| | | |
|-------------------------------------|----------|----------|
| Variable rate financial instruments | (23,323) | (48,074) |
|-------------------------------------|----------|----------|

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.

(iii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company is not exposed to equity price risk since there are no investments in equity instruments traded in the market at the reporting date. The company is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

(b) 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.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The maximum exposure to credit risk at the reporting date was as follows:

| | 2015 | | | 2014 | | |
|--|-------------------|------------|-------------------|-------------------|----------------|-------------------|
| | Domestic | USD | Total | Domestic | USD | Total |
| ----- (Rupees in thousand) ----- | | | | | | |
| Long term deposits | 501 | - | 501 | 539 | - | 539 |
| Trade debts - secured | 10,192,550 | - | 10,192,550 | 9,348,064 | - | 9,348,064 |
| Advances, deposits, prepayments and their receivables | 806,610 | - | 806,610 | 100,817 | - | 100,817 |
| Bank balances | 4,988,641 | 432 | 4,989,073 | 3,755,870 | 241,830 | 3,997,700 |
| | <u>15,988,302</u> | <u>432</u> | <u>15,988,734</u> | <u>13,205,290</u> | <u>241,830</u> | <u>13,447,120</u> |

The Group's exposure to credit risk is limited to the carrying amount of unsecured trade receivables and bank balances. The age analysis of trade receivable balances is as follows:

The ageing analysis of trade receivables - secured is as follows:

| | 2015 | | 2014 | |
|----------------------------------|-------------------|-----------------|------------------|-----------------|
| | Gross | Impairment | Gross | Impairment |
| ----- (Rupees in thousand) ----- | | | | |
| Not past due | 2,875,222 | - | 2,367,346 | - |
| Past due 0-30 days | 3,449,427 | - | 1,654,272 | - |
| Past due 31-120 days | 703,832 | - | 1,941,407 | - |
| More than 120 days | 3,960,791 | (40,347) | 3,385,040 | (40,347) |
| | <u>10,989,272</u> | <u>(40,347)</u> | <u>9,348,065</u> | <u>(40,347)</u> |

The Group's only customer is WAPDA. The credit risk on trade debts from WAPDA is managed by a guarantee from the Government of Pakistan under the Implementation Agreement (IA) and by continuous follow-ups for release of payments from WAPDA. Cash is held only with reputable banks with high quality external credit enhancements. The Group 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 Group is of the view that it will recover the amount by the end of current financial year.

(ii) Credit quality of major financial assets

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

| | Rating | | Rating Agency | 2015 | 2014 |
|---|------------|-----------|---------------|-----------------------|------------------|
| | Short term | Long term | | (Rupees in thousands) | |
| National Bank of Pakistan | A1+ | AAA | PACRA | 4,266,839 | 1,644,198 |
| Bank Alfalah Limited | A1+ | AA | PACRA | 267,733 | 4,751 |
| Habib Metropolitan Bank Limited | A1+ | AA+ | PACRA | 244,738 | 3,082 |
| Silk Bank Limited | A1+ | AA+ | PACRA | 111,697 | 12,537 |
| Burj Bank Limited | A-2 | A- | JCR-VIS | 50,021 | 1 |
| MCB Bank Limited | A-2 | A- | JCR-VIS | 29,234 | 225,618 |
| Faysal Bank Limited | A1+ | AAA | PACRA | 15,039 | 15,045 |
| The Bank of Punjab | A1+ | AA | PACRA | 1,985 | 1,671 |
| Standard Chartered (Pakistan) Bank Limited | A1+ | AA- | PACRA | 1,785 | 2,090,759 |
| Habib Bank Limited | A1+ | AAA | PACRA | - | 38 |
| Soneri Bank Limited | A1+ | AAA | JCR-VIS | 2 | 2 |
| | | | | <u>4,989,073</u> | <u>3,997,702</u> |

Due to the Group's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the company. Accordingly, the credit risk is minimal.

(c) 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:

| 2015 | | | | | | |
|---|------------------------|----------------------|----------------|-------------------------|------------------|---------|
| Maturities | | | | | | |
| Carrying amount | Contractual cash flows | Less than six months | Up to one year | Two years to five years | After five years | |
| (Rupees in thousand) | | | | | | |
| <i>Non-derivative financial liabilities :</i> | | | | | | |
| Sponsors' loan- unsecured | 261,763 | 261,763 | 12,754 | 12,754 | 236,255 | - |
| Long term financing | 9,933,870 | 9,933,870 | - | - | 9,933,870 | - |
| Trade and other payables | 6,714,591 | 6,714,591 | 6,714,591 | - | - | - |
| Markup accrued | 201,288 | 201,288 | 201,288 | - | - | - |
| <i>Derivative financial liabilities :</i> | | | | | | |
| Interest rate swap liabilities | - | - | - | - | - | - |
| 17,111,512 | 17,111,512 | 6,928,633 | 12,754 | 10,170,125 | - | |
| 2014 | | | | | | |
| Maturities | | | | | | |
| Carrying amount | Contractual cash flows | Less than six months | Up to one year | Two years to five years | After five years | |
| (Rupees in thousand) | | | | | | |
| <i>Non-derivative financial liabilities :</i> | | | | | | |
| Sponsors' loan- unsecured | 622,597 | 622,597 | - | - | 622,597 | - |
| Long term financing | 12,195,671 | 12,195,671 | 1,877,952 | 1,606,506 | 8,190,370 | 520,843 |
| Trade and other payables | 4,851,453 | 4,851,453 | 4,851,453 | - | - | - |
| Markup accrued | 213,866 | 213,866 | 213,866 | - | - | - |
| <i>Derivative financial liabilities :</i> | | | | | | |
| Interest rate swap liabilities | 211,760 | 211,760 | 211,760 | - | - | - |
| 18,095,347 | 18,095,347 | 7,155,031 | 1,606,506 | 8,812,967 | 520,843 | |

34.2 Capital management

The Group'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 Group defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group'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.
- (iii) The Group 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 Group may adjust the amount of dividends paid to shareholders or issue new shares.

Neither there were any changes in the Group's approach to capital management during the year nor the Group is subject to 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 .

The Group 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 2015 and 2014 were as follows:

| | 2015 | 2014 |
|---|-----------------------------|-------------|
| | (Rupees in thousand) | |
| Total interest bearing borrowings- note 7 & 8 | 10,195,633 | 12,818,268 |
| Total equity | 14,273,209 | 12,198,596 |
| Total capital employed | 24,468,842 | 25,016,864 |
| Gearing ratio | 41.67% | 51.24% |

34.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. No quoted financial instrument is held by the Group.

The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IAS 39 'Financial Instruments : Recognition and Measurement'.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

34.4. Financial instruments by categories

Assets as per balance sheet

| | 2015 | 2014 |
|---|-----------------------------|-------------------|
| | (Rupees in thousand) | |
| Trade debts- secured | 10,989,272 | 9,348,064 |
| Advances, deposits, prepayments and other receivables | 806,610 | 100,817 |
| Bank balances | 4,989,073 | 3,997,700 |
| | <u>16,784,955</u> | <u>13,446,581</u> |

Financial liabilities at amortized cost

| | 2015 | 2014 |
|---|-----------------------------|-------------------|
| | (Rupees in thousand) | |
| Liabilities as per balance sheet | | |
| Sponsors' loan- unsecured | 261,763 | 622,597 |
| Long term financing | 9,933,870 | 12,195,671 |
| Trade and other payables | 6,721,433 | 4,858,295 |
| Markup accrued | 201,288 | 213,866 |
| | <u>17,118,354</u> | <u>17,890,429</u> |

| 35. Plant capacity and actual generation | | 2015 | 2014 |
|--|-------------------|-----------------------------|--------------|
| | | (Rupees in thousand) | |
| Theoretical maximum output at dependable capacity of 395 GWh (2014: 395 GWh) | GWh | <u>3,659</u> | <u>3,689</u> |
| Actual output | GWh | <u>2,638</u> | <u>2,976</u> |
| Load factor | Percentage | <u>72.11</u> | <u>80.69</u> |

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

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.

| 36. Earning per share - basic and diluted | | 2015 | 2014 |
|--|---------------------------|--------------------|--------------------|
| 36.1. Basic earnings per share | | | |
| Earning for the year | Rupees in thousand | <u>2,091,301</u> | <u>1,627,888</u> |
| Weighted average number of ordinary shares | Number | <u>363,380,000</u> | <u>363,380,000</u> |
| Basic earning per share | Rupee | <u>5.76</u> | <u>4.48</u> |

36.2. Diluted earnings per share

A diluted earnings per share has not been presented as the Group does not have any convertible instruments in issue as at June 30, 2015 and June 30, 2014 which would have any effect on the earnings per share if the option to convert is exercised.

37. Date of authorization for issue

These consolidated financial statements were authorized for issue by the Board of Directors in their meeting held on September 16, 2015.

38. Event after the balance sheet date

There are no significant events occurred after the balance sheet date that require adjustment or disclosure in the consolidated financial statements.

39. Corresponding figures

- (i) Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison. Significant re-arrangement made are as follows:
- (ii) Workers' Profit Participation Fund and Workers' Welfare Fund was netted off against recoverable from WAPDA. These are now being shown as gross values. Consequently, other receivables in 'Advances, deposits, prepayments and other receivables' as at June 30, 2014 has been increased by Rs 443.97 million with a corresponding increase in accrued liabilities in 'Trade and other payables' by Rs 443.97 million.
- (iii) Tax consultancy charges amounting to Rs 0.36 million has been reclassified from 'Auditors remuneration- Administrative expenses' to 'Legal and professional expense- Administrative expenses'.
- (iv) Provision for taxation amounting to Rs 50.41 million was being shown as gross value. This has now been netted off with 'Income tax recoverable'.

Chief Executive
Director

SIX YEAR PERFORMANCE

| Financial Year ending June 30 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|-------------------------------|----------------------------------|-----------|-----------|-----------|-----------|-----------|
| | ----- (Rupees in thousand) ----- | | | | | |
| Despatch (MWH) | 173,306 | 205,398 | 193,794 | 182,067 | 179,323 | 157,376 |
| Revenue | 1,435,404 | 1,756,949 | 1,471,563 | 1,154,020 | 990,832 | 804,459 |
| Direct Costs | 1,263,377 | 1,459,092 | 1,228,881 | 1,001,251 | 796,787 | 607,852 |
| Gross Profit/ (Loss) | 172,027 | 297,857 | 242,682 | 152,769 | 194,045 | 196,607 |
| Net Profit/ (Loss) | 115,077 | 1,868,193 | 57,825 | (36,985) | (8,054) | 7,043 |
| Total Assets | 5,278,699 | 5,890,142 | 4,623,110 | 4,760,130 | 4,524,072 | 4,602,373 |

PATTERN OF SHAREHOLDING

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

30-06-2015

-----Shareholding-----

| No. of Shareholders | From | To | Total Shares Held |
|---------------------|-------------|-------------|-------------------|
| 54 | 1 | 100 | 693 |
| 62 | 101 | 500 | 29,996 |
| 45 | 501 | 1,000 | 45,000 |
| 95 | 1,001 | 5,000 | 305,000 |
| 38 | 5,001 | 10,000 | 325,507 |
| 12 | 10,001 | 15,000 | 152,084 |
| 11 | 15,001 | 20,000 | 211,000 |
| 16 | 20,001 | 25,000 | 383,500 |
| 5 | 25,001 | 30,000 | 146,000 |
| 1 | 30,001 | 35,000 | 33,000 |
| 4 | 35,001 | 40,000 | 157,500 |
| 4 | 40,001 | 45,000 | 173,500 |
| 5 | 45,001 | 50,000 | 246,941 |
| 2 | 50,001 | 55,000 | 106,500 |
| 1 | 55,001 | 60,000 | 60,000 |
| 1 | 60,001 | 65,000 | 64,000 |
| 2 | 70,001 | 75,000 | 150,000 |
| 3 | 75,001 | 80,000 | 234,000 |
| 1 | 80,001 | 85,000 | 83,000 |
| 4 | 95,001 | 100,000 | 400,000 |
| 2 | 100,001 | 105,000 | 202,277 |
| 1 | 115,001 | 120,000 | 117,000 |
| 1 | 125,001 | 130,000 | 129,500 |
| 3 | 145,001 | 150,000 | 450,000 |
| 1 | 170,001 | 175,000 | 175,000 |
| 3 | 195,001 | 200,000 | 600,000 |
| 1 | 225,001 | 230,000 | 230,000 |
| 1 | 235,001 | 240,000 | 237,000 |
| 1 | 245,001 | 250,000 | 250,000 |
| 1 | 260,001 | 265,000 | 263,500 |
| 1 | 265,001 | 270,000 | 269,000 |
| 1 | 270,001 | 275,000 | 275,000 |
| 2 | 295,001 | 300,000 | 600,000 |
| 2 | 300,001 | 305,000 | 602,000 |
| 1 | 310,001 | 315,000 | 314,000 |
| 1 | 315,001 | 320,000 | 318,000 |
| 1 | 395,001 | 400,000 | 400,000 |
| 1 | 430,001 | 435,000 | 431,000 |
| 1 | 805,001 | 810,000 | 810,000 |
| 1 | 945,001 | 950,000 | 946,000 |
| 1 | 1,045,001 | 1,050,000 | 1,050,000 |
| 1 | 1,065,001 | 1,070,000 | 1,065,500 |
| 1 | 1,085,001 | 1,090,000 | 1,088,359 |
| 2 | 1,195,001 | 1,200,000 | 2,400,000 |
| 1 | 1,470,001 | 1,475,000 | 1,472,500 |
| 1 | 2,070,001 | 2,075,000 | 2,073,000 |
| 1 | 2,925,001 | 2,930,000 | 2,927,725 |
| 1 | 6,530,001 | 6,535,000 | 6,535,000 |
| 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 |
| 405 | | | 363,380,000 |

**CATEGORIES OF SHAREHOLDING REQUIRED UNDER CODE OF CORPORATE GOVERNANCE (CCG)
As on June 30, 2015**

| Sr. No. | Name | No. of Shares Held | % |
|---|----------------------------------|--------------------|---------|
| ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES (NAME WISE DETAIL): | | | |
| 1 | DESCON ENGINEERING LIMITED (CDC) | 211,397,063 | 58.1752 |

Mutual Funds (Name Wise Detail)

- -

DIRECTORS AND THEIR SPOUSE AND MINOR CHILDREN (NAME WISE DETAIL):

| | | | |
|---|------------------------------|-------|--------|
| 1 | MR. A. RAZZAK DAWOOD (CDC) | 500 | 0.0001 |
| 2 | MR. TAIMUR DAWOOD (CDC) | 1,000 | 0.0003 |
| 3 | MR. FAROOQ NAZIR (CDC) | 500 | 0.0001 |
| 4 | MR. MUHAMMAD SALEH AL SHEIKH | - | 0.0000 |
| 5 | SYED ALI NAZIR KAZMI | - | 0.0000 |
| 6 | MR. SHAH MUHAMMAD CH. (CDC) | 500 | 0.0001 |
| 7 | SYED RIZWAN ALI SHAH (CDC) | 500 | 0.0001 |
| 8 | MR. FAZAL HUSSAIN ASIM (CDC) | 500 | 0.0001 |

EXECUTIVES:

- -

PUBLIC SECTOR COMPANIES & CORPORATIONS:

- -

**BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE,
INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS:**

3,148,000 0.8663

COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS:

**SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST IN THE LISTED
COMPANY (NAME WISE DETAIL)**

| | | | |
|---|---|-------------|---------|
| 1 | DESCON ENGINEERING LIMITED (CDC) | 211,397,063 | 58.1752 |
| 2 | SAUDI ARABIAN CONSTRUCTION & REPAIR CO. LTD. | 61,968,939 | 17.0535 |
| 3 | CRESCENT STEEL AND ALLIED PRODUCTS LTD. (CDC) | 60,475,416 | 16.6425 |

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

| S.No | NAME | SALE | PURCHASE |
|------|-----------------------------|------|-----------|
| 1 | MR. TAIMUR DAWOOD (CDC) | - | 1000.0000 |
| 2 | MR. SHAH MUHAMMAD CH. (CDC) | - | 500.0000 |
| 3 | MR. FAROOQ NAZIR (CDC) | - | 500.0000 |

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 21st Annual General Meeting of Altern Energy Limited, will be held on Wednesday, October 21, 2015, at 10.00 am, at Descon Headquarters, 18 – KM, Ferozepur Road, Lahore, to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the last Annual General Meeting of the Company held on Wednesday, October 29, 2014.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2015 together with the Directors' and Auditor's Report's thereon.
3. To appoint Auditors for the year ending June 30, 2016 and fix their remuneration.
(The present auditors M/s A. F. Ferguson & Co. Chartered Accountants have retired and being eligible have offered themselves for re-appointment).
4. To transact any other business with the permission of the Chair.

By Order of the Board

Lahore
September 29, 2015

(Umer Shehzad)
Company Secretary

Notes:-

1. The share transfer books of the Company shall remain closed from 14-10-2015 to 21-10-2015 (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 21, 2015 at 10.00 am at DESCON HEADQUARTERS, 18-km Ferozepur Road, Lahore and at any adjournment thereof.

As witness may hand this _____ day of _____ 2015.

Member's Signature

Witness's Signature

Please affix
here Revenue
Stamp

Place: _____

Date: _____

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

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