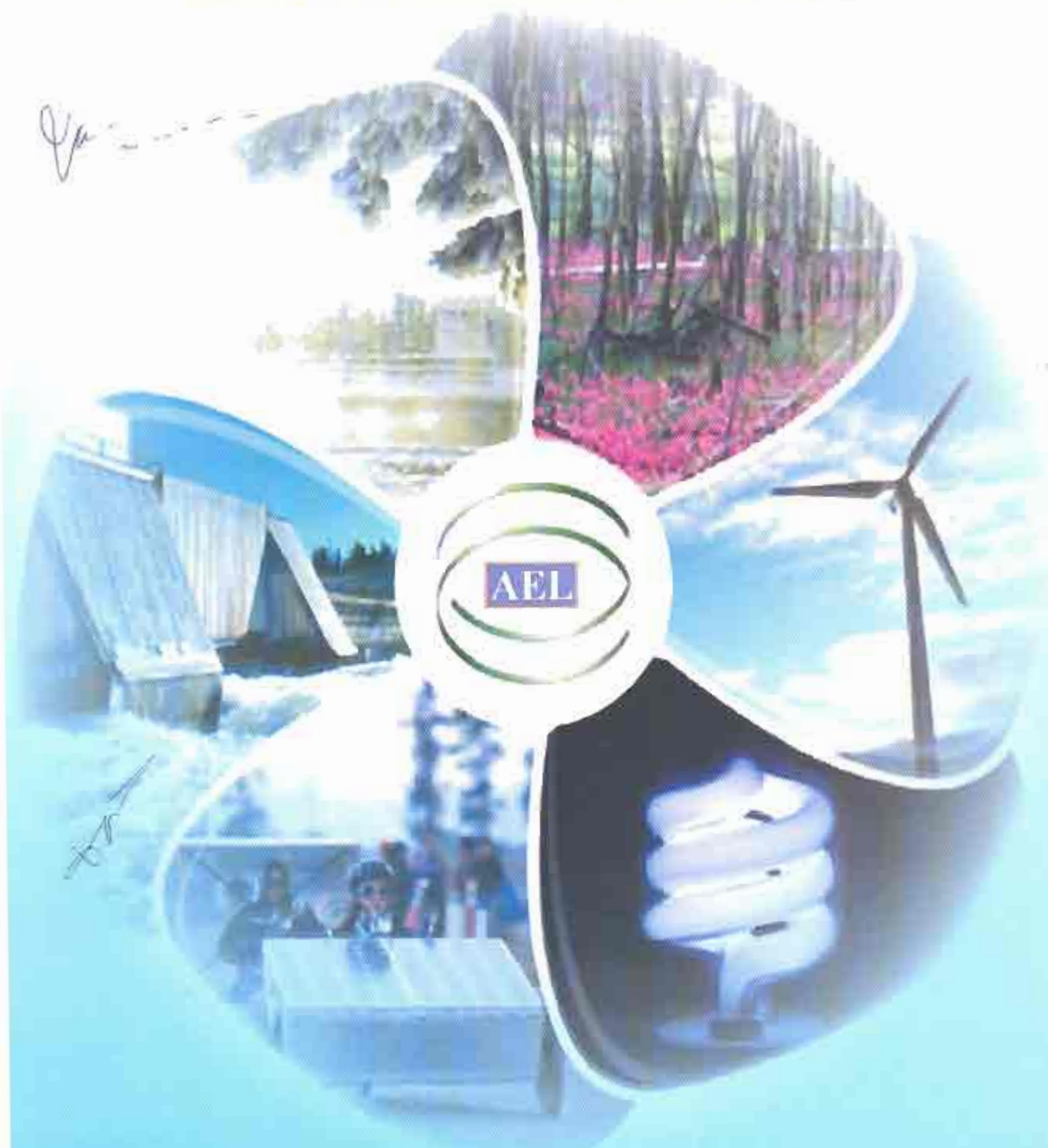


*Dome*



*30/9  
K-70*

# ALTERN ENERGY LIMITED



## Annual Report 2009

## **CONTENTS**

<b>COMPANY INFORMATION</b>	<b>2</b>
<b>VISION AND MISSION STATEMENT</b>	<b>3</b>
<b>DIRECTORS' REPORT</b>	<b>4</b>
<b>STATEMENT OF COMPLIANCE</b>	<b>7</b>
<b>REVIEW REPORT TO MEMBERS</b>	<b>9</b>
<b>AUDITOR'S REPORT TO MEMBERS</b>	<b>10</b>
<b>BALANCE SHEET</b>	<b>12</b>
<b>PROFIT AND LOSS ACCOUNT</b>	<b>14</b>
<b>CASH FLOW STATEMENT</b>	<b>15</b>
<b>STATEMENT OF CHANGES IN EQUITY</b>	<b>16</b>
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	<b>17</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>39</b>
<b>AUDITOR'S REPORT TO MEMBERS</b>	<b>41</b>
<b>BALANCE SHEET</b>	<b>42</b>
<b>PROFIT AND LOSS ACCOUNT</b>	<b>44</b>
<b>CASH FLOW STATEMENT</b>	<b>45</b>
<b>STATEMENT OF CHANGES IN EQUITY</b>	<b>46</b>
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	<b>47</b>
<b>SIX YEARS FINANCIAL HIGHLIGHTS</b>	<b>77</b>
<b>PATTERN OF SHARE HOLDING</b>	<b>78</b>
<b>NOTICE OF ANNUAL GENERAL MEETING</b>	<b>80</b>
<b>PROXY FORM</b>	

## **COMPANY INFORMATION**

### **BOARD OF DIRECTORS**

Mr. Abdul Razak Dawood (Chairman)  
Mr. Sabeeh U Faruqui (Chief Executive)

Shaikh Azhar Ali  
Syed Zamanat Abbas  
Mr. Khalid Salman Khan  
Syed Ali Nazir Kazmi  
Mr. Shah Muhammad Chaudhry  
Mr. Yusuf K. Lahhud (Alternate Director to Mr. Khalid Salman Khan)

### **AUDIT COMMITTEE**

Mr. Abdul Razak Dawood (Chairman)  
Shaikh Azhar Ali  
Syed Zamanat Abbas

### **CFO AND COMPANY SECRETARY**

Umer Shehzad

### **AUDITORS**

KPMG Taseer Hadi & Co.  
Chartered Accountants

### **BANKERS**

MCB Bank Ltd.  
The Bank of Punjab  
Habib Bank Ltd.  
Bank Alfalah Ltd.  
Standard Chartered Bank (Pakistan) Ltd.

### **REGISTERED OFFICE**

DESCON HEADQUARTER  
18-km Ferozpur Road, Lahore.

### **REGISTRAR SHARES**

Corplink (Pvt.) Limited  
Wings Arcade, 1-k Commercial Model Town, Lahore.  
Tel: (92-42) 5839182 Fax: (92-42) 5869037

### **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.

## **DIRECTORS' REPORT**

The Directors are pleased to present the Annual Report and the Financial Statements of the Company for the year ended June 30, 2009.

### **General**

The principal activities of your Company are to own, operate, and maintain power generation assets and to sell power under long term agreements to WAPDA. Altern owns a 10.5 MWs gas based thermal power plant which after rehabilitation has been enhanced to 29 MWs ISO, located near Fateh Jang, district Attock, Punjab.

### **Operations**

During the period under review, the Company successfully passed all tests of WAPDA and AEL plant was declared commissioned by WAPDA on September 20, 2008. During the commissioning period, the Company dispatched 15,480 MWH to WAPDA as a result of test runs. After the successful commissioning of 32 MW installed capacity engines, the Company remained operational till November 2008. From December 2008 to February 2009, the plant remained closed due to non-availability of gas from SNGPL as per the GSA. Subsequent to the availability of gas in March 2009, the Company resumed its operations. After the commercial operations date, the Company has dispatched 117,448 MWH to WAPDA.

A look at our consolidated accounts would highlight an impressive performance by the assets acquired by your Company. Bulk of your Company assets now come of RPPL balance sheet and hence their impact on Altern's overall performance.

### **Finance**

The total turnover of the Company during the year stood at Rs. 659.71 million, resultantly earned gross profit of Rs. 150.65 million. The Company registered a net loss of Rs. 239.93 million including a provision of impairment against old engines for Rs. 167.29 million and exchange loss of Rs. 44.92 million. This translates into pro-rated, as per IAS 33, EPS of Rs. (0.70), compared to an EPS of Rs. (0.28) for the comparable period

Your Company's consolidated profit for the year was amounting to Rs. 1,158 million, resulting in a consolidated earning of Rs. 6.11 per share. We expect, and your BOD has put procedures and targets in place, that both AEL and RPPL will continue to achieve higher levels of operational efficiency and availability.

### **Outlook**

It seems our economy will have to live with power shortages for some time to come and we expect to power sector to attract larger investment flows over the next few years. As for Altern, after RPPL's acquisition, the final peace has been laid when AEL, the IPP became operational in calendar year 2008.

**Conclusion**

Your management and the Board are seized of the importance of working relationship between Altern, its sole customer WAPDA, the GOP through the Private Power and Infrastructure Board (PPIB), and Sui Northern gas Pipelines Limited (SNGPL), and increasingly between subsidiaries and other partners. We believe that with commissioning of the Complex, your Company has started contributing towards minimizing the effects of power shortage in the country.

**Corporate and Financial Reporting Framework**

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

- a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and any changes in accounting policies have been disclosed in the financial statements. The accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e) The system of internal control in design has been effectively implemented and monitored.
- f) For the reason stated in the relevant paras of this report, there are no significant doubts upon the company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) Key operating and financial data for six years is annexed.

**Board of Directors**

During the year, Sheikh Muhammad Iqbal resigned from the position of Director and Chief Executive Officer of the Company and Mr. Sabeeh Uz Zaman Faruqui has been appointed as Director and Chief Executive Officer of the Company.

During the year six meetings of the Board of Directors were held. Attendance of these meetings is as follows:

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

**Pattern of Shareholdings**

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

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

**Auditors**

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

**Acknowledgment**

The directors wish to thank all shareholders, bankers and staff for their continued support and confidence in the Company.

For and behalf of the Board of Directors

Lahore:  
October 01, 2009

Sabeeh U Faruqui  
Chief Executive

**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

The statement is being presented to comply with the Code of Corporate Governance (the "Code") contained respectively in the Listing Regulations of the Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

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

1. The Board of Directors of the Company (the "Board") comprises of six non-executive Directors and one executive Director.
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies.
3. All the resident Directors are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.
4. Casual vacancies occurring in the Board were filled up by the directors within 30 days thereof.
5. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the Directors and employees of the Company.
6. The Board has developed a Vision and Mission Statement, overall corporate strategy and significant Policies of the Company. A complete record and particulars of significant Policies alongwith the dates on which they were approved has been maintained.
7. All powers of the Board have been duly exercised and decisions on material transaction, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of Board Meetings, alongwith Agenda and working papers were circulated at least seven days prior to the Meetings. The Minutes of the Meetings were appropriately recorded and circulated.
9. The Directors are well aware of their duties and responsibilities.
10. During the period there is replacement of CFO & Company Secretary which is approved by the board, including the remuneration and terms and conditions of employment, as determined by the Chief Executive.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The Financial Statements of the Company were duly endorsed by the chief Executive and the chief financial Officer before approval of the Board.
13. During the period there is replacement of CEO which is approved by the board, including the remuneration and terms and conditions of employment.
14. The Directors, Chief Executive and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial requirements of the Code.
16. The Board has formed an Audit Committee, It comprises of three members. All members of the Audit Committee are non-executive directors.



17. The Meetings of the Audit Committee were held at least once every quarter prior to the approval of the interim and final results of the Company and as required by the code. The Terms of Reference of the Audit Committee have been formed and advised to the Audit Committee for compliance.
18. The Board has set up an effective Internal Audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and they are involved in the Internal Audit function of the company on a full time basis.
19. The related party transactions have been placed before the audit committee and approved by the board of directors with necessary justifications for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
20. The Statutory Auditors of the Company have confirmed that they have given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse and minor children do not hold shares of the Company and that the Firm and all its partners are in compliance with International Federation of Accountants ("IFAC") guidelines on the Code as adopted by Institute of Chartered Accountants of Pakistan.
21. 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.
22. All material principles contained in the Code have been complied with.

For and behalf of the Board of Directors

Lahore: October 01, 2009

Sabeeh U Faruqui  
Chief Executive

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

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

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

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

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

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

**KPMG TASEER HADI & CO.**  
**CHARTERED ACCOUNTANTS**  
**LAHORE**

Date: October 01, 2009

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Altern Energy Limited ("the Company) as at 30 June 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanation which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsible of Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with approved accounting standard 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 standard 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 above 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 policies consistently applied;
  - ii) the expenditure incurred during the year was for 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 & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2009 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) In our opinion, no Zakat was deductible at source under the Zakat and Usher Ordinance, 1980(XVIII of 1980).

The financial statements of the Company for the year ended 30 June 2008 were audited by another firm of auditors; whose report dated 08 October 2008 while expressing an un-qualified opinion on those financial statements, had drawn attention of shareholders to the restructuring of the Company completed during that year and the restatements of the previous year's financial statements.

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Lahore**  
**October 01, 2009**

**BALANCE SHEET**

	<i>Note</i>	2009 (Rupees in thousand)	2008
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized capital 400,000,000 (2008: 400,000,000) ordinary shares of Rs 10 each		<u>4,000,000</u>	<u>4,000,000</u>
Issued, subscribed and paid up capital	4	3,425,500	3,425,500
Accumulated loss		<u>(686,864)</u>	<u>(446,934)</u>
		<b>2,738,636</b>	<b>2,978,566</b>
<b>Non current liabilities</b>			
Sponsors' loan - unsecured	5	427,413	388,334
Long term loans	6	944,869	980,473
Deferred liabilities	7	934	1,242
		<b>1,373,216</b>	<b>1,370,049</b>
<b>Current liabilities</b>			
Trade and other payables	8	187,823	69,748
Mark up accrued	9	66,357	40,961
Current portion of long term loan	6	123,348	61,130
		<b>377,528</b>	<b>171,839</b>
<b>Contingencies and commitments</b>	<b>10</b>		
		<u><b>4,489,380</b></u>	<u><b>4,520,454</b></u>

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

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

**AS AT JUNE 30, 2009**

	<i>Note</i>	<b>2009</b> <b>(Rupees in thousand)</b>	2008
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment			
- Operating fixed assets	11	1,075,467	278,617
- Capital work in progress	12	2,036	989,316
Long term investment		3,204,510	3,204,510
Long term deposits		38	38
		<b>4,282,051</b>	<b>4,472,481</b>
<b>Current assets</b>			
Stores and spares	14	2,683	859
Trade debts - unsecured, considered good		117,119	-
Advances, deposits, prepayments and other receivables	15	2,611	1,956
Cash and bank balances	16	84,916	45,158
		<b>207,329</b>	<b>47,973</b>
		<b>4,489,380</b>	<b>4,520,454</b>

---

**Director**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2009**

	<i>Note</i>	2009 (Rupees in thousand)	2008
Revenue	17	659,713	-
Direct cost	18	<u>(509,067)</u>	<u>(38,411)</u>
<b>Gross profit / (loss)</b>		<b>150,646</b>	<b>(38,411)</b>
Administrative expenses	19	(12,930)	(10,322)
Other operating income	20	2,944	922
<b>Profit / (Loss) from operations</b>		<b><u>140,660</u></b>	<b><u>(47,811)</u></b>
Finance cost	21	(212,267)	(49,390)
Impairment of property, plant and equipment	11	(167,293)	-
<b>Profit / (Loss) before taxation</b>		<b><u>(238,900)</u></b>	<b><u>(97,201)</u></b>
Taxation		(1,030)	(323)
<b>Profit ./ (Loss) after taxation</b>		<b><u><u>(239,930)</u></u></b>	<b><u><u>(97,524)</u></u></b>
<b>Loss per share - basic and diluted</b>	27	<b><u><u>(0.70)</u></u></b>	<b><u><u>(0.28)</u></u></b>

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

---

**Chief Executive**


---

**Director**

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	2009 (Rupees in thousand)	2008
<b>Cash flow from operating activities</b>		
Loss before taxation	(238,900)	(97,201)
Adjustment for non-cash items:		
Depreciation	72,180	35,533
Provision for stores and spares	711	225
Profit on disposal of property, plant and equipment	(66)	-
Provision for staff retirement benefits	660	711
Provision for impairment	167,293	-
Finance cost	212,267	49,345
	<b>453,045</b>	<b>85,814</b>
<b>Operating profit before working capital changes</b>	<b>214,145</b>	<b>(11,387)</b>
<b>(Increase)/decrease in current assets</b>		
Advances, deposits, prepayments and other receivables	(655)	(1,582)
Stores and spares	(2,535)	-
Trade debtors	(117,119)	-
	<b>(120,309)</b>	<b>(1,582)</b>
<b>Increase/(decrease) in current liabilities</b>		
Trade and other payables	118,075	(108,826)
<b>Cash generated from operations</b>	<b>211,911</b>	<b>(121,795)</b>
Finance cost paid	(147,792)	-
Income tax paid	(1,030)	(348)
Staff retirement benefits paid	(968)	(995)
	<b>(149,790)</b>	<b>(1,343)</b>
<b>Net cash generated from/(used in) operating activities</b>	<b>62,121</b>	<b>(123,138)</b>
<b>Cash flow from investing activities</b>		
Fixed capital expenditure	(49,127)	(897,036)
Proceeds from sale of property, plant and equipment	150	-
<b>Net cash used in investing activities</b>	<b>(48,977)</b>	<b>(897,036)</b>
<b>Cash flows from financing activities</b>		
Proceeds from long term loans	102,130	3,929,584
Repayments of long term loans	(75,516)	(2,905,576)
<b>Net cash generated from financing activities</b>	<b>26,614</b>	<b>1,024,008</b>
<b>Net increase in cash and cash equivalents</b>	<b>39,758</b>	<b>3,834</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>45,158</b>	<b>41,324</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>84,916</b>	<b>45,158</b>

16

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

---

 Chief Executive

---

 Director



**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Share capital</b>	<b>Accumulated loss</b>	<b>Total</b>
	----- <b>(Rupees in thousand)</b> -----		
<b>Balance as at 01 July 2007</b>	3,425,500	(349,410)	3,076,090
<i>Changes in equity for the year ended 30 June 2008</i>			
Loss for the year	-	(97,524)	(97,524)
Total recognised income and expenses for the year	-	(97,524)	(97,524)
<b>Balance as at 30 June 2008</b>	3,425,500	(446,934)	2,978,566
<i>Changes in equity for the year ended 30 June 2009</i>			
Loss for the year	-	(239,930)	(239,930)
Total recognised income and expenses for the year	-	(239,930)	(239,930)
<b>Balance as at 30 June 2009</b>	<b>3,425,500</b>	<b>(686,864)</b>	<b>2,738,636</b>

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

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

\_\_\_\_\_  
**Director**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009**

### **1 Legal status and nature of business**

Altern Energy Limited ("the Company") was incorporated in Pakistan on 17 January 1995 and is listed on Karachi Stock Exchange. The principal objective of the Company is to generate and supply of electric power to The Pakistan Water and Development Authority (WAPDA). The Company commenced commercial operations w.e.f. 06 June 2001. The registered office of the Company is at Descon Headquarter 18 km, Ferozpur road, Lahore.

The old Gensets at Fateh Jang Complex has been shutdown since 11 January 2005 due to non-availability of Specification Gas from OGDCL. The Government of Pakistan has allocated to the Company 6 MMCFD pipeline quality gas from the SNGPL system till 30 June 2013 for the new Gensets. The gas pipeline of 8" dia, 8.6Km long pipeline, has been laid. The Company has also signed Gas Supply Agreement (GSA) with SNGPL last year. Gas from SNGPL has become available from first week of July 2008 and the new project has become operational since 20 September 2008.

### **2 Basis of preparation**

#### **2.1 Statement of Compliance**

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

#### **2.2 Basis of measurement**

These accounts have been prepared under the historical cost convention.

#### **2.3 Functional and presentation currency**

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

#### **2.4 Use of estimates and judgements**

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

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

- a) Accrued liabilities
- b) Provision for doubtful debts
- c) Residual values and useful lives of property, plant and equipment

## **2.5 Initial application of a standard, amendment or an interpretation to an existing standard and forthcoming requirements**

### **2.5.1 Initial application**

- IFRS 7 – "Financial Instruments: Disclosures" (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 – "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and the disclosure requirements of IAS 32 – "Financial Instruments: Disclosure and Presentation". The application of the standard did not have significant impact on the Company's financial statements other than increase in disclosures.
- IAS 29 – "Financial Reporting in Hyperinflationary Economies" (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in hyperinflationary economies and therefore the application of the standard is not likely to have an effect on the Company's financial statements.
- IFRIC 13 – "Customer Loyalty Programmes" (effective for annual periods beginning on or after 1 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 is not likely to have an effect on the Company's financial statements.
- IFRIC 14 – "IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction" (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such asset. The interpretation has no effect on Company's financial statements for the year ended 30 June 2009.
- IFRIC 4 – "Determining whether an Arrangement contains a Lease" (effective for annual periods beginning on or after 1 January 2006) and IFRIC 12 – "Service Concession Arrangements" (effective for annual periods beginning on or after 1 January 2008). However, the application of these interpretations have been deferred by the Securities and Exchange Commission of Pakistan (SECP), through circular 21 of 2009 dated 22 June 2009, for all companies till 30 June 2010, subject to the following:
  - a) The relaxation is available to companies till the conclusion of their agreements entered on or before 30 June 2010 with the government or other authority.
  - b) The relaxation from IFRIC 4 and IFRIC 12 is applicable to all companies and is not restricted to power sector. In case of power sector companies, the relaxation is available only in case where letter of intent or approval was issued by the government on or before 30 June 2010. In other cases, the date of agreement with the government or the other authority would determine the entitlement to the deferment and the same would be available till the conclusion of the existing agreement.

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

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

The Company has decided to avail the relaxation given by SECP. Had the Company complied with requirements of the IFRIC 12, the equity would have been higher by approximately Rs. 19.430 million and the operating assets would have been lower by approximately Rs. 986.410 million with a corresponding increase of approximately Rs. 1,005.840 million in receivables.

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

### 2.5.2 Forthcoming requirements

The following standards, interpretations and amendments to approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases.

- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009).
- Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009).
- Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009).
- IAS 27 'Consolidated and separate financial statements (effective for annual periods beginning on or after 1 January 2009).
- Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009).
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged Items (effective for annual periods beginning on or after 1 July 2009).
- Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual periods beginning on or after 1 January 2009).
- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009).
- Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009).
- IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2009).
- Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009).

- IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009).
- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009).
- IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008).
- IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009).
- IFRIC 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009).
- The International Accounting Standards Board made certain amendments to existing standards as part of its first and second annual improvements projects. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2010 financial statements.

### **3 Significant accounting policies**

#### **3.1 Retirement benefits**

##### **Staff gratuity scheme**

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

##### **Compensated absences**

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

#### **3.2 Taxation**

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

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

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

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 17 after taking into account their residual values.

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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 recognised as an income or expense.

**3.4 Capital work-in-progress**

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

**3.5 Long term investments**

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

**3.6 Stores and spares**

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

**3.7 Financial instruments**

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

**3.8 Offsetting**

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

**3.9 Trade debts**

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

**3.10 Cash and cash equivalents**

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

**3.11 Trade and other payables**

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

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

### **3.12 Impairment**

#### **Financial assets**

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

#### **Non-Financial assets**

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

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

### **3.13 Provisions**

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

### **3.14 Foreign currencies**

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Pakistani Rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Exchange gains and losses are included in the income currently.

### **3.15 Borrowing costs**

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

**3.16 Revenue recognition**

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

**3.17 Dividend**

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

**3.18 Related party transactions**

The Company enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods, except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the Company to do so.

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

2009	2008		2009	2008
(Number of shares)			(Rupees in thousand)	
338,650,000	338,650,000	Ordinary shares of Rs 10 each fully paid in cash	3,386,500	3,386,500
3,900,000	3,900,000	Ordinary shares of Rs 10 each issued for consideration other than cash	39,000	39,000
<b>342,550,000</b>	<b>342,550,000</b>		<b>3,425,500</b>	<b>3,425,500</b>

As at 30 June 2009, 190,567,063 (2008: 190,567,063) ordinary shares of the Company are held by Descon Engineering Limited, the holding company.

**5 Sponsors' Loans - Unsecured**

These are composed of loans from associated undertakings:

Descon Engineering Limited

Crescent Standard Business Management (Private) Limited

Interest on long term finance

Note	2009	2008
	(Rupees in thousand)	
5.1	306,155	306,155
5.2	23,152	23,152
	<b>329,307</b>	<b>329,307</b>
5.3	98,106	59,027
	<b>427,413</b>	<b>388,334</b>



- 5.1 This represents funds received from Descon Engineering Limited for investment in Rousch (Pakistan) Power Limited through its subsidiary Power Management Company (Private) Limited. As per agreement between the Company, MCB Bank Limited and Descon Engineering Limited all amounts (including mark-up) due under the sponsors' loan shall be subordinated to the loan facility from MCB Bank Limited. These are unsecured and carry mark up at Kibor + 300bps. It includes Rs. 69.455 million as interest free loan.
- 5.2 This represents funds amounting to Rs. 23.152 million ( 2008: Rs. 23.152 Million) paid by ex-sponsors previously. This loan is payable to Crescent Standard Business Management (Private) Limited, and is un-secured and interest free and will be repaid on available liquidity basis.
- 5.3 It represent mark-up payable to Descon Engineering Limited of Rs. 98.11 million (2008: 59.03 million). As per terms of agreement the mark up payment is subordinated to loan facility from MCB Bank Limited and additional mark up is not due on this amount.

	Note	2009 (Rupees in thousand)	2008
<b>6 Long term loans</b>			
Long term loans - secured			
Syndicate finance - local currency	6.1	854,003	804,335
Syndicate finance - foreign currency	6.2	214,214	237,268
		1,068,217	1,041,603
Less: Current maturity of secured loan		(123,348)	(61,130)
		944,869	980,473

- 6.1 The Company has obtained a long term syndicate facility of Rs. 1,100 million, which includes foreign currency loan limit of 3.6 million US Dollars, from a consortium of banks under the lead of MCB Bank Limited. Finance in local currency is repayable in eighteen equal half yearly installments commencing from 26 January 2010 and ending on 26 July 2018. It is secured by way of first ranking pari passu charge on existing property, plant and equipment of the Company at the Fateh Jang site. It carries mark-up at six months KIBOR plus 250 basis points payable half yearly in arrears.
- 6.2 The limit of foreign currency portion of loan is 3.6 million US dollars. It is repayable in thirty un-equal quarterly installments ending on 30 December 2015. It is secured by way of first ranking pari passu charge on existing property, plant and equipment of Company at the Fateh Jang site. It carries mark-up at three month LIBOR plus 295 basis points payable quarterly in arrears.

	<i>Note</i>	2009 (Rupees in thousand)	2008
<b>7 Deferred liabilities</b>			
Staff gratuity		554	1,242
Compensated absences		380	-
		<b>934</b>	<b>1,242</b>
<b>8 Trade and other payables</b>			
Trade creditors	8.1	46,276	10,560
Payable to Descon Engineering Limited		4,000	-
Natural gas charges to SNGPL		63,436	-
Due to Power Management Company (Private) Limited		71,788	58,288
Income tax payable		342	-
Accrued liabilities		1,981	900
		<b>187,823</b>	<b>69,748</b>

**8.1** It includes the amount of Rs. 5.43 million (2008 : Rs. 2.81 million) payable to Descon Engineering Limited, the holding company, against engineering services provided and amount of Rs. 19.51 million (2008 : Nil) payable to Descon Power Solution (Private) Limited, an associated company.

#### **9 Markup accrued**

Mark up on long term loans

Local Currency	66,357	34,894
Foreign Currency	-	6,067
	<b>66,357</b>	<b>40,961</b>

#### **10 Contingencies and commitments**

##### **10.1 Contingencies**

MCB Bank has issued bank guarantee for Rs. 156,213,000 in favour of Sui Northern Gas Pipe Lines Limited as a security to cover gas supply for which payments are made in arrears. The guarantee will expire on 13 July 2010, which is re-newable on yearly basis.

##### **10.2 Commitments**

There are no material commitments to disclose pertaining to subsequent year.

**11 Operating fixed assets**

	Annual rate of depreciation %	Cost as at 01 July 2008	Additions/ (disposals)	Cost as at 30 June 2009	Accumulated depreciation as at 01 July 2008	Depreciation charge/ (disposals) for the year	Impairment charged during the year	Accumulated depreciation as at 30 June 2009	Book value as at 30 June 2009
(Rupees in thousand)									
Freehold land	-	4,647	-	4,647	-	-	-	-	4,647
Building on freehold land	5	64,102	47,932	112,034	19,905	4,523	-	24,428	87,606
Plant and machinery	4-10	503,769	986,410 (195)	1,489,984	274,304	67,285 (111)	167,293	508,771	981,213
Electric equipment	10	217	1,632	1,849	136	101	-	237	1,612
Office equipment	10-33	431	434	865	266	241	-	507	358
Vehicles	20	372	-	372	311	30	-	341	31
		<b>573,538</b>	<b>1,036,408 (195)</b>	<b>1,609,751</b>	<b>294,922</b>	<b>72,180 (111)</b>	<b>167,293</b>	<b>534,284</b>	<b>1,075,467</b>

Annual rate of depreciation %	Cost as at 01 July 2007	Additions/ (disposals)	Cost as at 30 June 2008	Accumulated depreciation as at 01 July 2007	Depreciation charge/ (disposals) for the year	Impairment charged during the year	Accumulated depreciation as at 30 June 2008	Book value as at 30 June 2008
-	4,647	-	4,647	-	-	-	-	4,647
5	64,102	-	64,102	17,304	2,600	-	19,904	44,198
10	503,769	-	503,769	241,524	32,781	-	274,305	229,464
10	217	-	217	124	11	-	135	82
10-33	232	199	431	155	111	-	266	165
20	372	-	372	281	30	-	311	61
	573,339	199	573,538	259,388	35,533	-	294,921	278,617

(Rupees in thousand)

2009 2008  
(Rupees in thousand)

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

Direct costs	18	72,062	35,392
Administrative expenses	19	116	141
		<u>72,180</u>	<u>35,533</u>

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

Cost	Accumulated depreciation	Written down value	Sale proceeds	Mode of disposal	Purchaser
195	111	84	150	Negotiation	Sheraz Enterprises

Chimax 600 KVA - Transformer

	Note	2009 (Rupees in thousand)	2008
<b>12 Capital work in progress</b>			
Plant and machinery under erection and installation		-	784,737
Advances to suppliers and contractors		2,036	112,641
Un-allocated capital expenditure			
Finance cost		-	56,177
Legal and professional charges		-	6,412
Engineering services contract		-	28,183
		-	90,772
Civil works		-	1,166
		<b>2,036</b>	<b>989,316</b>
<b>13 Long term investment</b>			
Investment in subsidiary company	13.1 & 13.2	<b>3,204,510</b>	<b>3,204,510</b>
<b>13.1</b>	This represents 100% shares acquired in Power Management Company (Private) Limited, which in turn acquired 59.98% shares of Rousch (Pakistan) Power Limited.		
<b>13.2</b>	As per terms of agreement for acquisition of shares of Rousch (Pakistan) Power Limited (RPPL), the Company has deposited these shares with the trustees of RPPL lenders.		
<b>14 Stores and spares</b>			
Stores		11,500	1,057
Spares		234	8,142
		<b>11,734</b>	<b>9,199</b>
Less: provision for obsolescence		<b>(9,051)</b>	<b>(8,340)</b>
		<b>2,683</b>	<b>859</b>
<b>15 Advances, deposits, prepayments and other receivables</b>			
Advance against expenses		142	97
Bank guarantee cost		1,107	-
Prepaid insurance		787	1,591
Sales tax receivable		575	-
Advance income tax - net		-	268
		<b>2,611</b>	<b>1,956</b>

		2009 (Rupees in thousand)	2008
<b>16 Cash and bank balances</b>			
Cash at banks in:			
- Current accounts		84,870	45,107
- Deposit accounts		15	15
		<u>84,885</u>	<u>45,122</u>
Cash in hand		31	36
		<u>84,916</u>	<u>45,158</u>
<b>17 Revenue</b>			
Energy revenue - gross		470,653	-
Sales tax		(64,918)	-
Energy revenue - net		<u>405,735</u>	-
Capacity revenue		253,978	-
		<u>659,713</u>	<u>-</u>
<b>18 Direct cost</b>	<i>Note</i>		
Gas Cost		374,930	-
Energy import		3,132	480
Lube oil consumed		16,366	-
Depreciation	11.1	72,062	35,392
Obsolescence of stores and spares		711	225
Operation and maintenance contractor's fee		25,237	-
Repairs and maintenance		1,113	15
Salaries, wages and other benefits	18.1	1,235	1,098
Insurance costs		3,732	1,026
Traveling and conveyance		221	48
Generation license fee		111	92
Entertainment expenses		40	13
Miscellaneous		10,177	22
		<u>509,067</u>	<u>38,411</u>

**18.1** Salaries, wages and other benefits include Rs 0.06 million (2008: Rs 0.15 million) on account of staff gratuity.

	Note	2009 (Rupees in thousand)	2008
<b>19 Administrative expenses</b>			
Salaries, wages and other benefits	19.1	6,835	6,330
Traveling and conveyance		1,653	597
Rent, rates and taxes		949	856
Depreciation	11.1	118	141
Utilities		216	29
Repair and maintenance		-	4
Postage and telephone		271	133
Publicity, printing and stationery		477	259
Auditors remuneration	19.2	440	331
Legal and professional charges		1,102	729
Fees and subscription costs		75	68
Entertainment expenses		22	14
Security expenses		720	600
Miscellaneous		52	231
		<b>12,930</b>	<b>10,322</b>

**19.1** Salaries, wages and other benefits include Rs. 0.22 million (2008 : 0.56 million) and Rs 0.38 million (2008: Rs Nil) on account of staff gratuity and staff compensated absences respectively.

**19.2 Auditor's remuneration**

Annual audit fee	300	175
Half year review fee	100	50
Tax consultancy	-	100
Out of pocket expenses	40	6
	<b>440</b>	<b>331</b>

**20 Other operating income**

Income from financial assets - bank deposits	62	922
<b>Income from non-financial assets</b>		
Gain on sale of an item of plant	66	-
Interest on late payment from WAPDA	2,129	-
Scrap sales	687	-
	<b>2,882</b>	<b>-</b>
	<b>2,944</b>	<b>922</b>

		2009	2008
		(Rupees in thousand)	
<b>21 Finance cost</b>			
Mark-up on long term loans	21.1	164,725	31,783
Bank charges		1,514	44
Exchange losses		44,921	17,563
Amortization of bank guarantee cost		1,107	-
		<b>212,267</b>	<b>49,390</b>

**21.1** It includes mark up accrued to Descon Engineering Limited, the holding company, amounting to Rs. 39.08 million (2008 : Rs. 31.78 million).

**21.2** During the year borrowing costs amounting to Rs. 32.54 million (2008: Rs. 40.99 million) have been capitalized in the cost of property, plant and equipment pertaining to the new expansion project.

## **22 Remuneration of Chief Executive, Directors and Executives**

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

	Chief Executive		Executives	
	2009	2008	2009	2008
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	1,594	2,275	473	604
Contributions to provident funds	159	-	-	-
Gratuity funds	-	-	130	-
House rent allowance	877	497	213	332
Utility allowance	189	-	71	-
Leave fair assistance	180	-	-	-
Medical expenses	-	228	71	60
	<b>2,999</b>	<b>3,000</b>	<b>958</b>	<b>996</b>
Number of persons	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>

**22.2** In addition to above actual medical expenses were incurred by the Chief Executive of Rs. 0.04 million (2008 : Rs. 0.06 million) were reimbursed.

**22.3** No fees, remuneration, house rent and utilities were provided to directors of the Company.



**23 Financial instruments****Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk

**23.1 Credit risk**

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

**23.1.1 Exposure to credit risk**

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

	2009	2008
	(Rupees in thousand)	
Long term deposits	38	38
Trade debts	117,119	-
Bank balances	84,916	45,158
	<u>202,073</u>	<u>45,196</u>

**23.1.2 Impairment losses**

No such impairment was charged as the receivables were not aged more than 120 days past due at the balance sheet date as shown below.

Not past due	2,129	-
Past due 0-30 days	106,024	-
Past due 31-120 days	8,966	-
	<u>117,119</u>	<u>-</u>

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

### 23.2 Liquidity risk

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

	2009					
	Carrying amount	Contractual cash flows	Maturities			
			Less than six months	Upto one year	Two years to five years	After five years
	(Rupees in '000)					
Sponsors' loan	427,413	(427,413)	-	-	-	(427,413)
Long term loans	1,068,217	(1,068,217)	(35,520)	(87,827)	(518,107)	(426,763)
Trade and other payables	187,823	(187,823)	(187,823)	-	-	-
Accrued mark up	66,357	(66,357)	(66,357)	-	-	-
	<u>1,749,810</u>	<u>(1,749,810)</u>	<u>(289,700)</u>	<u>(87,827)</u>	<u>(518,107)</u>	<u>(854,176)</u>
	2008					
	Carrying amount	Contractual cash flows	Maturities			
			Less than six months	Upto one year	Two years to five years	After five years
	(Rupees in '000)					
Sponsors' loan	388,334	(388,334)	-	-	-	(388,334)
Long term loans	1,041,603	(1,041,603)	(29,699)	(31,431)	(510,475)	(469,998)
Trade and other payables	69,748	(69,748)	(69,748)	-	-	-
Accrued mark up	40,961	(40,961)	(40,961)	-	-	-
	<u>1,540,646</u>	<u>(1,540,646)</u>	<u>(140,408)</u>	<u>(31,431)</u>	<u>(510,475)</u>	<u>(858,332)</u>

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

### 23.3 Market risk

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

#### 23.3.1 Interest rate risk

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

	Carrying amounts	
	2009	2008
	(Rupees in '000)	
Financial assets	15	15
Financial liabilities	<u>(1,068,217)</u>	<u>(1,041,603)</u>
	<u>(1,068,202)</u>	<u>(1,041,588)</u>

**Cash flow sensitivity analysis for variable rate instruments**

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

Variable rate financial instruments	<u>(4,270)</u>	<u>(4,022)</u>
-------------------------------------	----------------	----------------

A 100 basis points decrease in interest rates at the reporting date would have had an equal but opposite effect on the profit and loss to the amounts shown above, on the basis that all other variables remain constant.

**Fair value of financial assets and liabilities**

The fair value of all financial assets and financial liabilities is estimated to approximate their carrying amounts as at 30 June 2009.

**23.3.2 Currency risk**

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

**Exposure to currency risk**

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

	2009		2008	
	Rupees	US Dollars	Rupees	US Dollars
	----- (Amounts in thousand) -----			
Gross balance sheet exposure -				
long term loans	(214,214)	(2,635)	(237,268)	(3,479)
Estimated forecast sale for next year	843,982	10,381	610,816	7,752
Estimated operating cost for next year	(673,954)	(8,290)	(491,520)	(6,238)
Net exposure	<u>(44,186)</u>	<u>(544)</u>	<u>(117,972)</u>	<u>(1,965)</u>

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

The following significant exchange rates were applied during the year:

	Balance sheet date rate		Average rate	
	2009	2008	2009	2008
US Dollars	81.30	68.20	78.79	62.66

#### Sensitivity analysis

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

	2009	2008
	(Rupees in thousand)	
US Dollars	21,411	23,727

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

#### 24 Capital risk management

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

The Company's objectives when managing capital are:

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

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

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

**25 Transactions with related Parties**

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

	2009	2008
	(Rupees in '000)	
<b>Holding company</b>		
Descon Engineering Limited - short term loan	<u>4,000</u>	<u>-</u>
<b>Subsidiary company</b>		
Power Management Company (Private) Limited		
- Funds received for short term liquidity	<u>13,500</u>	<u>58,288</u>
<b>Associated companies</b>		
Descon Power Solutions (Private) limited		
<i>On account of:</i>		
- Operation and maintenance agreement	<u>21,600</u>	<u>-</u>
- Service agreement of generators	<u>2,400</u>	<u>-</u>

**26 Plant capacity and actual production**

	Capacity		Actual production	
	2009	2008	2009	2008
Output in MWH				
- MWH	206,131	78,390	112,714	-
- percentage	100%	100%	55%	-

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

2009

2008

**27 Loss per share - basic and diluted****27.1 Loss per share - basic**

Loss for the year	<i>Rupees in thousand</i>	<b>(239,930)</b>	(97,524)
Weighted average number of ordinary shares	<i>Number</i>	<b>342,550,000</b>	342,550,000
Basic earnings per share	<i>Rupees</i>	<b>(0.70)</b>	(0.28)

**27.2 Loss per share - diluted**

There is not dilution effect on the basic loss per share as the Company has no such commitments.

**28 Date of authorisation**

These financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on 01, October 2009.

**29 General**

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

**29.2** Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison, Long Term loan from Crescent Standard Business Management (Private) Limited amounting to Rs 23.152 million has been reclassified as Sponsor's Loan.

---

**Chief Executive**


---

**Director**

**CONSOLIDATED  
FINANCIAL STATEMENT  
JUNE 30, 2009**





## **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 Power Management Company (Private) Limited and Rousch Pakistan (Power) Limited as at 30 June 2009 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the period then ended. We have also expressed separate opinion on the financial statements of Altern Energy Limited and its subsidiary Companies. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of the Altern Energy Limited and its Subsidiary companies as at June 30, 2009 and the results of their operations for the year then ended.

The consolidated financial statements of the Altern Energy Limited and its subsidiary companies for the year ended 30 June 2008 were audited by another firm of auditors; whose report dated 08 October 2008 expressed an unqualified opinion on those consolidated financial statements.

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

Lahore:  
October 01, 2009

**CONSOLIDATED BALANCE SHEET**

	<i>Note</i>	<b>2009</b> (Rupees in thousand)	2008
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised capital 400,000,000 (2008: 400,000,000) ordinary shares of Rs. 10 each		<b>4,000,000</b>	4,000,000
Issued, subscribed and paid up capital	4	<b>3,425,500</b>	3,425,500
Interest rate swap revaluation reserve		<b>(753,862)</b>	(339,476)
Accumulated profit		<b>2,622,256</b>	1,464,131
		<b>1,868,394</b>	1,124,655
Non-controlling interest		<b>3,794,821</b>	3,137,014
		<b>9,088,715</b>	7,687,169
<b>Non current liabilities</b>			
Sponsors' loan -unsecured	5	<b>427,413</b>	388,334
Long term loans	6	<b>17,336,839</b>	16,593,597
Interest rate swap liability	7	<b>1,256,773</b>	565,945
Deferred liabilities	8	<b>13,608</b>	12,302
		<b>19,034,633</b>	17,920,178
<b>Current liabilities</b>			
Trade and other payables	9	<b>2,087,077</b>	1,735,902
Mark up accrued		<b>422,608</b>	360,804
Current portion of long term loans	6	<b>2,845,914</b>	2,965,607
		<b>5,355,599</b>	5,062,313
<b>Contingencies and commitments</b>	10		
		<b>33,478,947</b>	30,669,660

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

**Chief Executive**

**AS AT JUNE 30, 2009**

	<i>Note</i>	2009 (Rupees in thousand)	2008
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment			
-Operating fixed assets	11	26,894,811	24,081,444
-Capital work-in-progress	12	22,775	996,935
Long term deposits		859	661
		<u>26,918,445</u>	<u>25,079,040</u>
 <b>Current assets</b>			
Stores and spares	13	320,018	281,158
Inventory of fuel oil		322,818	354,962
Trade debts - Unsecured, considered good	14	3,958,616	3,584,133
Advances, deposits, prepayments and other receivables	15	139,632	298,043
Cash and bank balances	16	1,819,418	1,072,324
		<u>6,560,502</u>	<u>5,590,620</u>
		<u><u>33,478,947</u></u>	<u><u>30,669,660</u></u>

---

**Director**

(43)

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2009**

	<i>Note</i>	<b>2009</b> (Rupees in thousand)	2008
Revenue	17	15,541,603	11,402,876
Direct cost	18	<u>10,594,775</u>	<u>8,515,708</u>
<b>Gross profit</b>		<b>4,946,828</b>	2,887,168
Administrative expenses	19	(89,774)	(107,406)
Other operating income	20	27,999	90,620
<b>Profit from operations</b>		<u>4,885,053</u>	<u>2,870,382</u>
Finance cost	21	(2,624,271)	(1,739,234)
Impairment of property, plant and equipment	11	(167,293)	-
<b>Profit before taxation</b>		<u>2,093,489</u>	<u>1,131,148</u>
Taxation		(1,115)	(455)
<b>Profit for the year</b>		<u>2,092,374</u>	<u>1,130,693</u>
Attributable to:			
Equity holders of the parent		1,158,125	638,218
Non-controlling interest		<u>934,249</u>	<u>492,475</u>
		<u>2,092,374</u>	<u>1,130,693</u>
Earnings per share - basic and diluted	27	<u>6.11</u>	<u>3.30</u>

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

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

\_\_\_\_\_  
**Director**

**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Note	2009 (Rupees in thousand)	2008
<b>Cash flow from operating activities</b>			
Profit before taxation		2,093,489	1,131,148
Adjustment for non-cash items:			
Depreciation		1,335,876	1166085
Profit on sale of property, plant & equipment		(1,582)	(1,589)
Provision for staff retirement benefits		2,274	711
Provision for store & spares		711	225
Provision for impairment of property, plant and equipment		167,293	0
Capital spares consumed		10,575	15596
Finance cost		2,623,911	1739019
		<b>4,139,058</b>	<b>2920047</b>
<b>Operating profit before working capital changes</b>		<b>6,232,547</b>	<b>4,051,195</b>
<b>(Increase)/decrease in current assets</b>			
Stores and spares		(39,571)	(117,836)
Stock in trade		32,144	(77,787)
Trade debts		(374,483)	(1,147,540)
Advances, deposits, prepayments and other receivables		145,885	40,909
		<b>(236,025)</b>	<b>(1,302,254)</b>
<b>Increase/(decrease) in current liabilities</b>			
Trade and other payables		264,455	190,374
<b>Cash generated from operations</b>		<b>6,260,977</b>	<b>2,939,315</b>
Finance cost paid		(2,004,865)	(1,319,780)
Retirement and other benefits paid		(968)	(7,941)
Taxes paid		(2,124)	(6,292)
		<b>(2,007,957)</b>	<b>(1,334,013)</b>
<b>Net cash generated from operating activities</b>		<b>4,253,020</b>	<b>1,605,302</b>
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(100,954)	(1,023,495)
Proceeds from sale of property, plant and equipment		2,020	83,344
Long term deposits		(198)	10
<b>Net cash used in investing activities</b>		<b>(99,132)</b>	<b>(940,141)</b>
<b>Cash flows from financing activities</b>			
Repayment of long term finances		(3,508,924)	(1,429,168)
Proceeds of long term finances		102,130	95,450
<b>Net cash used in financing activities</b>		<b>(3,406,794)</b>	<b>(1,333,718)</b>
<b>Net increase in cash and cash equivalents</b>		<b>747,094</b>	<b>(668,557)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1,072,324</b>	<b>1,740,881</b>
<b>Cash and cash equivalents at the end of the year</b>	16	<b>1,819,418</b>	<b>1,072,324</b>

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

Chief Executive

45

Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Attributable to equity holders of Parent Company				Total
	Share capital	Revaluation reserve for interest rate swap	Accumulated profit / (loss)	Non-controlling interest	
	----- (Rupees in thousand) -----				
Balance as at 01 July 2007	3,425,500	43,789	825,913	2,900,220	7,195,422
<i>Changes in equity for the year ended 30 June 2008</i>					
Changes in fair value of interest rate swap	-	(383,265)	-	(255,681)	(638,946)
Profit for the year	-	-	638,218	492,475	1,130,693
Total recognised income and expense for the year	-	(383,265)	638,218	236,794	491,747
Balance as at 30 June 2008	3,425,500	(339,476)	1,464,131	3,137,014	7,687,169
<i>Changes in equity for the year ended 30 June 2009</i>					
Changes in fair value of interest rate swap	-	(414,386)	-	(276,442)	(690,828)
Profit for the year	-	-	1,158,125	934,249	2,092,374
Total recognised income and expense for the year	-	(414,386)	1,158,125	657,807	1,401,546
Balance as at 30 June 2009	<b>3,425,500</b>	<b>(753,862)</b>	<b>2,622,256</b>	<b>3,794,821</b>	<b>9,088,715</b>

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

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

\_\_\_\_\_  
**Director**

**NOTES TO THE CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**1 Legal status and nature of business**

**1.1 The group comprises of:**

Altern Energy Limited (AEL); and

**Subsidiary companies**

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

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

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

Rousch (Pakistan) Power Limited (RPPL) is a public unlisted company, incorporated in Pakistan on 04 August 1994. The principal activity of the RPPL is to generate and supply electricity to Water and Power Development Authority (WAPDA) from its combined cycle thermal power plant having a gross ISO capacity of 450 MW, located near Sidhnai Barrage, Abdul Hakim, District Khanewal, in Punjab. RPPL started commercial operations from 11 December 1999. The registered office of the RPPL is situated at 6th floor, State Life Building, Jinnah Avenue, Islamabad.

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

**2 Basis of preparation**

**2.1 Statement of compliance**

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

**2.2 Basis of measurement**

These consolidated financial statements have been prepared under historical cost convention except that RPPL has capitalised exchange difference (note 11) as part of the cost of relevant assets and interest rate swap derivatives (note 7) have been stated at their fair values.

**2.3 Basis of consolidation**

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

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

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

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

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

Material intra-group balances and transactions are eliminated.

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

**2.4 Functional and presentation currency**

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

**2.5 Use of estimates and judgements**

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

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



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

## **2.6 Initial application of a standard, amendment or an interpretation to an existing standard and forthcoming requirements**

### **2.6.1 Initial application**

- IFRS 7 – "Financial Instruments: Disclosures" (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 – "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and the disclosure requirements of IAS 32 – "Financial Instruments: Disclosure and Presentation". The application of the standard did not have significant impact on the Company's financial statements other than increase in disclosures.
- IAS 29 – "Financial Reporting in Hyperinflationary Economies" (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in hyperinflationary economies and therefore the application of the standard is not likely to have an effect on the Company's financial statements.
- IFRIC 13 – "Customer Loyalty Programmes" (effective for annual periods beginning on or after 1 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 is not likely to have an effect on the Company's financial statements.
- IFRIC 14 – "IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction" (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such asset. The interpretation has no effect on Company's financial statements for the year ended 30 June 2009.
- IFRIC 4 – "Determining whether an Arrangement contains a Lease" (effective for annual periods beginning on or after 1 January 2006) and IFRIC 12 – "Service Concession Arrangements" (effective for annual periods beginning on or after 1 January 2008). However, the application of these interpretations have been deferred by the Securities and Exchange Commission of Pakistan (SECP), through circular 21 of 2009 dated 22 June 2009, for all companies till 30 June 2010, subject to the following:
  - a) The relaxation is available to companies till the conclusion of their agreements entered on or before 30 June 2010 with the government or other authority.
  - b) The relaxation from IFRIC 4 and IFRIC 12 is applicable to all companies and is not restricted to power sector. In case of power sector companies, the relaxation is available only in case where letter of intent or approval was issued by the government on or before 30 June 2010. In other cases, the date of agreement with the government or the other authority would determine the entitlement to the deferment and the same would be available till the conclusion of the existing agreement.
  - c) The requirement of IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors" is mandatory so that the investors / users of financial statements have knowledge about the results with and without the exemption.

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

The Group has decided to avail the relaxation given by SECP. Had the Group complied with requirements of the IFRIC 12, the equity would have been lower by approximately Rs. 6,158.57 million and the operating assets would have been lower by approximately Rs. 25,224.41 million with a corresponding increase of approximately Rs. 19,065.840 million in receivables.

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

### 2.6.2 Forthcoming requirements

The following standards, interpretations and amendments to approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases.

- Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009).
- Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009).
- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009).
- IAS 27 'Consolidated and separate financial statements (effective for annual periods beginning on or after 1 January 2009).
- Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009).
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged Items (effective for annual periods beginning on or after 1 July 2009).
- Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual periods beginning on or after 1 January 2009).
- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009).
- Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009).
- IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2009).
- Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009).
- IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009).

- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009).
- IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008).
- IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009).
- IFRIC 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009).
- The International Accounting Standards Board made certain amendments to existing standards as part of its first and second annual improvements projects. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2010 financial statements.

### **3 Significant accounting policies**

#### **3.1 Staff retirement benefits**

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

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

RPPL in addition, also operates a fully funded provident fund scheme for all its eligible employees. Contributions thereto are made in accordance with the terms of the scheme.

#### **3.2 Taxation**

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

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

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

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

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

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

Gains and losses on disposal are included in income currently.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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 recognised as an income or expense.

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

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

### **3.5 Stores and spares**

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

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

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

### **3.6 Inventory of fuel oil**

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

### **3.7 Foreign currencies**

All monetary assets and liabilities in foreign currencies are translated into Rupees at exchange rates prevailing at balance sheet date. Transactions in foreign currencies are translated into Rupees at the rate prevailing at the date of transaction. Exchange gains and losses are included in income currently.

In case of RPPL, exchange differences arising on translation of foreign currency loan utilized for the acquisition of operating assets are capitalized and incorporated in the cost of such assets. All other exchange differences are charged to profit and loss account.

### **3.8 Revenue recognition**

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

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

**3.9 Financial instruments**

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

**3.10 Offsetting of financial instruments**

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

**3.11 Derivative financial instruments**

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

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

**3.12 Borrowing costs**

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

**3.13 Trade and other payables**

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

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

**3.14 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, balance with banks on current and deposit accounts and other short term highly liquid investments that are readily convertible to known amounts of cash. Short term running finances that are repayable on demand and form an integral part of cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**3.15 Trade debts**

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

### **3.16 Impairment**

#### **Financial assets**

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

#### **Non-Financial assets**

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

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

### **3.17 Provisions**

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

### **3.18 Dividend**

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

### **3.19 Related party transactions**

The Group enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods, except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the Group to do so.

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

2009	2008		2009	2008
(Number of shares)			(Rupees in thousand)	
338,650,000	338,650,000	Ordinary shares of Rs 10 each fully paid in cash	3,386,500	3,386,500
3,900,000	3,900,000	Ordinary shares of Rs 10 each issued for consideration other than cash	39,000	39,000
<b>342,550,000</b>	<b>342,550,000</b>		<b>3,425,500</b>	<b>3,425,500</b>

As at 30 June 2009, 190,567,063 (2008: 190,567,063) ordinary shares of the parent company are held by Descon Engineering Limited ("the ultimate parent").

**5 Sponsors' loan -unsecured**

These are composed of loans from associated undertakings:

Descon Engineering Limited	5.1	306,155	306,155
Crescent Standard Business Management (Private) Limited	5.2	23,152	23,152
		<b>329,307</b>	<b>329,307</b>
Interest on long term finance	5.3	98,106	59,027
		<b>427,413</b>	<b>388,334</b>

**5.1** This represent funds received by the parent company from Descon Engineering Limited for investment in Rousch (Pakistan) Power Limited (the subsidiary company) through Power Management Company (Private) Limited (the subsidiary company). As per agreement between the parent company, MCB Bank Limited and Descon Engineering Limited all amounts (including mark-up) due under the sponsors' loan shall be subordinated to the loan facility from MCB Bank Limited. These are unsecured and carry mark up at Kibor + 300bps. It includes Rs. 69.455 million as interest free loan.

**5.2** This includes and amount of Rs. 23.152 million ( 2008: Rs. 23.152 Million) paid by ex-sponsors of the parent company previously. This loan is payable to Crescent Standard Business Management (Private) Limited, and is un-secured and interest free and will be repaid on available liquidity basis.

**5.3** It represent mark-up payable to Descon Engineering Limited of Rs. 98.11 million (2008: 59.03 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.

**6 Long term loans**

Loans from financial institutions	6.1	18,530,825	18,636,102
Loans from related parties	6.2	1,651,928	1,283,102
		<b>20,182,753</b>	<b>19,919,204</b>
Current portion of long term loans		(2,845,914)	(2,965,607)
		<b>17,336,839</b>	<b>16,953,597</b>

6.1 Loans from financial institutions:

Facility	Note	2009 (Rupees in thousand)	2008 (Rupees in thousand)
<b>Secured</b>			
Hermes facility	6.1.3	1,873,930	1,655,968
Commercial loan	6.1.4	1,054,636	2,477,632
Backstop facility	6.1.5	527,873	590,612
LTCF loan	6.1.6	12,488,339	11,455,419
<b>DEG – Deutsche Investitions – UND Entwicklungsgesellschaft mbH (DEG)</b>			
DEG facility		106,924	285,943
Syndicate finance - LCY	6.1.7	854,003	804,335
Syndicate finance - FCY	6.1.8	214,214	237,268
<b>Unsecured</b>			
Supplier's loan	6.1.9	1,428,887	1,128,935
		<b>18,538,825</b>	<b>18,636,102</b>

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

Arranger / underwriter	Hermes facility	Commercial loan	Supplier loan	Backstop facility	LTCF loan	DEG facility	Syndicate finance - LCY	Syndicate finance - FCY
	SCB	SCB	ANZ	ANZ	NBP	DEG	MCB	MCB
Facility amount	US\$ 34.8 million	US\$ 149 million	US\$ 17 million	US\$ 11 million	US\$ 219.08 million	Euro 10.839 million	PKR 1,100 million	US\$ 3.6 million
Facility utilized	US\$ 34.8 million	US\$ 148 million	US\$ 12.6 million	US\$ 11 million	US\$ 219.08 million	Euro 10.839 million	PKR 854,003 million	US\$ 3.6 million
Term in years (post commercial operation date)	15	10	Note 6.1.9	11	20	10	10	7
Interest per annum and repayment terms	LIBOR + 0.75% semiannually	LIBOR + 2.75% semiannually	6% accretion semiannually	LIBOR + 0.75% semiannually	Note 6.1.6	Euro LIBOR + 3.25% semiannually	6 m KIBOR + 2.50% semiannually	6 m LIBOR + 2.95% quarterly
Swap rate with Royal Bank of Scotland (formerly ABN Amro Bank N.Y.), effective from 29 September 2006 (note 7)	4.76%	4.57%	-	4.68%	5.21% from 29 September 2007	2.77%	-	-
Notional amounts under the interest rates swap	US\$ 26.276 million	US\$ 55.605 million	-	US\$ 8.80 million	US\$ 182.57 million	Euro 4.065 million	-	-



**6.1.2** The entire financing from financial institutions except for supplier loan and syndicate finances is secured by a legal mortgage on all immovable properties of the Group, pledge of 75% of sponsors' shares and hypothecation of moveable property. This security is vested in Trustee on behalf of the senior (Commercial loan, Hermes, DEG and Backstop) and the subordinated lender (LTCF).

<b>6.1.3 Hermes loan facility</b>		<b>2009</b>	<b>2008</b>
	<i>Note</i>	<b>(Rupees in thousand)</b>	
Outstanding amount of loan facility		<b>1,895,747</b>	1,685,224
Basic and time premium	6.1.3.1	<b>(112,240)</b>	(112,240)
		<b>1,783,507</b>	1,572,984
Basic and time premium amortised		<b>90,432</b>	82,974
		<b>1,873,939</b>	1,655,958

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

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

**6.1.4** Siemens Aktiengesellschaft Offenbach has guaranteed the Commercial Loan Facility to the extent of 70.803% of the outstanding loan amount.

**6.1.5** Once the conditions precedent to the draw down are satisfied, the Backstop loan would be replaced with New Hermes Facility (NHF) from Australia and New Zealand Banking Group Limited (ANZ). NHF will carry the same mark-up / interest rate.

**6.1.6** Long Term Credit Facility (LTCF) loan has been co-financed by the World Bank (US\$ 119.7 million) and The Export and Import Bank of Japan (US\$ 49.6 million). Further, this facility includes capitalised 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 semiannually, whichever is higher, up to the date of termination of senior loan and 1 year US Treasury Bill rate plus 4% per annum; or World Bank Lending rate plus 3.5% per annum, whichever is higher, after the date of termination of senior loan.

**6.1.7** AEL has obtained a long term syndicate facility of Rs. 1,100 million, which includes foreign currency loan limit of 3.6 million US Dollars, from a consortium of banks under the lead of MCB Bank Limited. Finance in local currency is repayable in eighteen equal half yearly installments commencing from 26 January 2010 and ending on 26 July 2018. It is secured by way of first ranking pari passu charge on existing property, plant and equipment of the Group at the Fateh Jang site.

**6.1.8** The limit of foreign currency portion of loan is 3.6 million US dollars. It is repayable in thirty un-equal quarterly installments ending on 30 December 2015. It is secured by way of first ranking pari passu charge on existing property, plant and equipment of Group at the Fateh Jang site.

**6.1.9** The supplier loan repayment would be made on the basis of fund available on repayment date after fulfilling the funding requirements as per the provisions of Master Agreement. The entire funding is repayable before distribution of dividend.

- 6.2** This includes an amount of Rs. 1,651.928 million (2008 : Rs. 1,283.10 million) payable to the Offshore Contractor i.e., Siemens AG under the Advance Monies Support Agreement (AMSA) and the Supplemental Agreement (SA) executed between RPPL and Siemens AG. The facilities were extended to meet the cash shortfall arising as a result of liquidated damages levied by WAPDA but not recoverable from insurance, payment of penal interest to contractors, and to meet other operational costs.

These facilities and legal costs paid by Siemens AG are unsecured, interest free and subordinated to the Senior debts, LTCF loan and the supplier loan. The repayment of these facilities and legal cost amounting in total to US\$ 24.20 million is to be made before distribution of dividend by the RPPL. The liability is estimated to be settled between 2010 and 2013. The liability has been remeasured at fair value by using discount rate of 8% per annum.

### 7 Interest rate swap liability

RPPL has novated interest rate swap agreement initially entered with Standard Chartered Bank, to hedge applicable floating interest rates on certain loan facilities to Royal Bank of Scotland (formerly ABN Amro Bank N.V.) with effect from 29 September 2006. In case the floating rate is less than the fixed (hedged) rates, the Group is liable to pay the difference during the respective period and vice versa. The swap arrangement has been secured by a first pari passu charge of US\$ 25 million on all the assets of the Group. These arrangements are effective upto 30 September 2014.

The net fair value of swap at 30 June 2009 is a liability of Rs. 1,256.773 million (2008: Rs. 565.945 million) comprising assets amounting to Rs. nil (2008: Rs. 6.2 million) and liabilities amounting to Rs. 1,256.773 million (2008: Rs. 572.144 million).

	Note	2009 (Rupees in thousand)	2008
<b>8 Deferred liabilities</b>			
Staff gratuity		13,228	12,302
Compensated absences		380	-
		<b>13,608</b>	<b>12,302</b>
<b>9 Trade and other payables</b>			
Creditors	9.1	50,443	26,765
Payable to Descon Engineering Limited		4,000	-
Payable to WAPDA for gas efficiency and import of energy		29,852	25,656
Accrued liabilities			
- Interest rate swap payments		375,235	274,981
- Operation and maintenance charges		470,232	456,381
- Natural gas charges to SNGPL		688,025	530,128
- Others		11,657	3,147

	<i>Note</i>	<b>2009</b>	2008
		<b>(Rupees in thousand)</b>	
Sales tax payable		<b>8,507</b>	8,294
Income Tax Payable		<b>18,361</b>	15,934
Payable to staff	<b>9.2</b>	<b>1,757</b>	-
Payable in respect of gas turbine casing, repair of generators and steam turbine		<b>24,582</b>	213,568
Provision for repair / replacement of STG 10	<b>9.3</b>	<b>343,420</b>	76,729
Provision for guarantee issued	<b>9.4</b>	<b>49,950</b>	49,950
Liquidated Damages payable		<b>8,977</b>	158
Payable for plant improvement related works		<b>2,079</b>	11,282
Others		-	42,929
Provision for workers' funds	<b>9.5</b>	-	-
		<b>2,087,077</b>	<b>1,735,902</b>

- 9.1** It includes the amount of Rs. 5.43 million (2008 : Rs. 2.81 million) payable to Descon Engineering Limited, the holding company, against engineering services provided to AEL and amount of Rs. 19.51 million (2008 : Nil) payable to Descon Power Solution (Private) Limited against maintenance services to AEL.
- 9.2** This includes the amount of Rs. nil (2008: Rs. 29.5 million) being the compensation payable to ex Chief Executive Officer of RPPL.
- 9.3** This includes an amount of Euros 3 million (Rs. 335.46 million) received by RPPL from insurer under an insurance policy to meet cost associated with STG 10 repair / replacement. RPPL intends to replace STG 10 rotor in last quarter of 2009 during minor scheduled outage. The total revised cost of the rotor as per agreement with vendor is Euros 3.192 million.
- 9.4** RPPL has filed an appeal against the judgment of a single judge to challenge the levy and collection of infrastructure fee / cess imposed through the Sindh Finance (Amendment) Ordinance, 2001 on the movement of goods entering or leaving the province from or for outside the country.

The Court by its orders dated 20 February 1997, 26 March 2001 and 11 November 2003 granted the stay on levy of this fee / cess on the condition that the Group will furnish bank guarantee of equivalent amount till the final decision is made by the Court. Accordingly, the Group has arranged bank guarantees of Rs. 49.95 million in favour of Director Excise and Taxation, Karachi and made full provision in the financial statements. During the year, the Honourable High Court of Sindh in its decision dated 17 September 2008 declared the imposition of levy of infrastructure fee / cess on import of material before 28 December 2006 as void and invalid, and ordered the guarantees to be returned and encashed. However, the levy imposed w.e.f. 28 December 2006 was declared to be legal and valid. The Government of Sindh has filed the appeal before Supreme Court of Pakistan against the order of High Court of Sindh. The Group has also filed an appeal before Supreme Court of Pakistan against the High Court's decision of imposition of levy after 28 December 2006.

**9.5 Provision for workers' funds**

	2009	2008
	(Rupees in thousand)	
Provision for Workers' Profit Participation Fund	116,734	61,535
Provision for Workers' Welfare Fund	45,778	24,131
	<u>162,512</u>	<u>85,666</u>
Less: Recoverable from WAPDA as pass through item	<u>(162,512)</u>	<u>(85,666)</u>
	<u>-</u>	<u>-</u>

**10 Contingencies and commitments****Contingencies**

**10.1** RPPL has instituted a constitutional petition against the Federation of Pakistan and others against the imposition of a 2% service charge by the Collector of Customs, Karachi upon plant, equipment and machinery imported by the Company and seizure by the authorities pending such payment. The Lahore High Court, Rawalpindi Bench, dismissed the petition for lack of territorial jurisdiction. The case was appealed in the Supreme Court of Pakistan which ordered a stay of the demand for service charge by the Collector of Customs. Should the appeal be accepted, the case shall be returned to the Lahore High Court for a decision on merits. However, the Supreme Court of Pakistan has declared the imposition of service charge as invalid and bad in law in similar cases brought before it. Accordingly, no provision has been made by the Group.

**10.2** Pakistan State Oil (PSO) had asserted a claim for recovery of an amount of Rs. 737.867 million for the period from January 2000 to September 2003 as mark-up at the Base Compensation Rate as such term is defined in the Fuel Supply Agreement (FSA) on the alleged basis that entitlement to such monies arises as a consequence of breach by RPPL of its payment obligations under section 8.1 of the FSA. RPPL has defended the claim thereby denying its liability to pay the claim amount and rejecting the basis for the claim on its merits in terms of the FSA.

The claim was referred to Expert Adjudication as per the provision of FSA. In compliance with the expert determination, PSO had revised the calculation and claimed Rs. 91 million initially but subsequently again revised its calculation of the claim to Rs. 232.4 million. Expert Adjudicator, after reviewing the working submitted by PSO for supporting mark-up claim, concluded in its determination order issued on 15 February 2006 that determination of mark-up essentially requires the information about the date of delivery of fuel by PSO to RPPL, which is not available with PSO and therefore, the claim is not in accordance with the FSA.

PSO has withheld an amount of Rs. 62.7 million paid for supply of furnace oil against the mark-up claim (refer note 15.1 to these financial statements).

RPPL is also maintaining certain long outstanding claims of Rs. 35 million against PSO for refund of a substantial amount on account of fuel shortage which is adjudicated in favour of RPPL in the Expert Adjudication. The management based on its calculations, considered that the amount claimed by PSO, if payable, would be offset by its claims on PSO and no material liability would arise for RPPL.

RPPL's plant was converted to natural gas from Residual Fuel Oil in 2004. Accordingly, FSA with PSO (guaranteed by Government of Pakistan) is no longer relevant to RPPL, even though RPPL is procuring High Speed Diesel (back-up fuel) from PSO. Although over five years ago PSO had threatened RPPL Company with a 'potential claim' for loss of business but so far has not asserted any claim in this respect. RPPL believes that PSO's claim for loss of business can not be asserted unless PSO validly terminate the FSA due to a Event of Default in terms of the FSA. The legal advisor of RPPL is of the view that this inaction on the part of the PSO is due to its inability to claim any event of default. Accordingly, no provision has been made in these financial statements.

- 10.3** Tax returns filed by the RPPL up to and including assessment year 2002-2003 (year ended 30 June 2002) were assessed by the tax authorities in terms of section 62 of the repealed Income Tax Ordinance, 1979. The principle issues in the assessments were taxation of interest income, supplemental charges on delayed payments from WAPDA, exchange gains and sale of scrap. The Commissioner (Appeals) deleted tax demands on exchange gain and upheld the departmental action viz-a-viz interest income and supplemental charges from WAPDA; however the RPPL's appeal on admissibility of expenses there-against as well as set off against business losses was accepted. The appellate order of the Commissioner (Appeals) was upheld by the Income Tax Appellate Tribunal.

Tax returns for the tax years 2003 to 2008 have been filed and stand assessed in terms of section 120 of the Income Tax Ordinance, 2001.

Based on the Supreme Court's decision regarding confirmation of taxation of interest income in parallel cases, the RPPL's interest income earned from year to year could be exposed to a tax demand. However, the management is of the view that even in such eventuality, the RPPL is not likely to have any tax exposure in light of business tax losses mainly relating to depreciation. Accordingly, provision has not been made in these financial statements.

For tax years 2005 to 2009, the Commissioner of Income Tax directed the RPPL to withhold and deposit tax on certain payments to the RPPL's foreign lenders under the financing agreements. The RPPL has filed petition under Article 199 of the Constitution of Pakistan to the Federal High Court against Order of the Commissioner on which decision of the Court is expected shortly. Pending decision on the petition, the tax authorities held the RPPL as taxpayer in default and raised tax demand of Rs. 11.05 million for tax years 2005, 2008 and 2009 against which the RPPL has filed appeal to the Commissioner (Appeals). A further tax demand of Rs. 7.201 million may arise in case the matter is decided against the RPPL.

- 10.4** Bank guarantees have been issued to the collector of customs by RPPL aggregating Rs. 20 million (2008: Rs. 20 million).
- 10.5** MCB Bank has issued bank guarantee for Rs. 156,213,000 in favour of Sui Northern Gas Pipe Lines Limited as a security to cover Gas supply for which payments are made in arrears. The guarantee will expire on 13 July 2010, which is re-newable on yearly basis.
- 10.6** Capital expenditures commitments outstanding as at 30 June 2009 amounted to Rs. 2.084 million (2008: Rs. 16.044 million).
- 10.7** Commitments under letters of credit for raw materials as at 30 June 2009 amounted to Rs. nil (2008: Rs. 12.266 million).
- 10.8** Letter of credit facility of Rs. 1,425 million (2008: Rs. 1,425 million) is available to RPPL from a consortium of local banks led by Bank Alfalah Limited, in favour of Sui Northern Gas Pipelines Limited (SNGPL) as a security to cover gas supply for which payments are made in arrears.

## 11 Operating fixed assets

	Annual rate of depreciation %	Cost as at 01 July 2008	Additions/ (deposals)/ *adjustments	Cost as at 30 June 2009	Accumulated depreciation as at 01 July 2008	charge/ (deposals)/ *adjustments for the year	Impairment charged during the year	Accumulated depreciation as at 30 June 2009	Book value as at 30 June 2009
(R u p e e s i n t h o u s a n d)									
Freehold land	3.33	59,413	-	59,413	15,636	1,820	-	17,456	41,957
Building on freehold land	3-5	1,855,304	47,932	1,903,236	553,447	62,843	-	616,290	1,286,946
Plant and machinery (note 11.2)	3-10	31,500,114	989,252 3,252,435 (195) * (36,699)	35,704,907	9,075,522	1,249,318 (111) * (6,802)	167,293	10,485,220	25,219,687
Leasehold improvements	10	3,877	-	3,877	3,524	61	-	3,585	292
Electric equipment	10	217	1,632	1,849	136	101	-	237	1,612
Furniture and fixtures	20	2,898	19	2,917	2,680	61	-	2,741	176
Office equipment	10-33	19,322	2,059 (842)	20,539	13,077	2,260 (773)	-	14,564	5,975
Vehicles	20	37,031	6,046 (6,316)	36,761	29,289	2,987 (6,031)	-	26,245	10,516
Capital spares	3-5	385,753	28,175 (11,162) * 36,699	439,465	89,175	16,425 (587) * 6,802	-	111,815	327,650
		33,863,929	4,327,550 (18,515)	38,172,964	9,782,488	1,335,876 (7,502)	167,293	11,278,153	26,894,811

	Annual rate of depreciation %	Cost as at 01 July 2007	Additions/ (disposals)/ *adjustments	Cost as at 30 June 2008	Accumulated depreciation as at 30 June 2008 (Rupees in thousand)			Book value as at 30 June 2008	
					01 July 2007	charge/ (disposals)/ *adjustments for the year	Impairment charged during the year		
Freehold land	3-33	59,413	-	59,413	13,816	1,820	-	15,636	43,777
Building on freehold land	3-5	1,964,081	(108,777)	1,855,304	496,269	84,351	-	553,446	1,301,858
Plant and machinery	3-10	29,434,141	7,838	31,500,114	9,010,412	1,065,111	-	9,075,523	22,424,591
Leasehold improvements	10	3,617	260	3,877	3,309	215	-	3,524	353
Electric equipment	10	217	-	217	124	11	-	135	82
Furniture and fixtures	20	2,765	133	2,898	2,627	53	-	2,680	218
Office equipment	10-33	16,671	3,654	19,322	12,266	1,814	-	13,077	6,245
			(1,003)			(1,003)			
Vehicles	20	40,530	2,550	37,031	31,492	3,694	-	29,289	7,742
			(6,049)			(5,897)			
Capital spares	3-5	298,565	108,950	385,753	86,325	9,016	-	89,175	296,578
			(21,762)			(6,166)			
		31,820,000	2,161,520	33,863,929	8,656,640	1,166,085	-	9,782,485	24,081,444
			(137,591)			(40,240)			

2009 2008  
(Rupees in thousand)

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

Direct costs	18	1,330,860	1,160,309
Administrative expenses	19	5,216	5,776
		<u>1,335,876</u>	<u>1,166,085</u>

11.2 According to the circular 11 of 2008 dated 13 June 2008 issued by the Securities and Exchange Commission of Pakistan (SECP), power sector companies are allowed to capitalise exchange gains / losses arising on outstanding amounts of foreign currency loans contracted under the Implementation agreement with Government of Pakistan until the date of expiry of such implementation agreement. Therefore, the exchange losses of Rs.3,252.435 million (2008: Rs. 2,058.135 million) arising on revaluation and repayments of foreign currency loans at year end and during the year has been capitalized. This has resulted in accumulated capitalisation of Rs. 8,763.519 million (2008: Rs. 5,511.083 million) in the cost of plant and equipment up to 30 June 2009, with book value of Rs. 7,424.152 million (2008: Rs. 4,533.87 million) as at the year end. However, this facility is available only to the subsidiary company (RPPL).

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

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Mode of disposal	Purchaser
	(Rupees in thousand)					
Climax 600 KVA - Transformer	195	-	195	150	Negotiation	Sheraz Enterprises
Toyota corolla	911	626	285	353	Company policy	Ex-employee
Various items of written down value less than Rs. 50,000 each	6,247	6,178	69	1,517	Negotiation/ Company policy/ write off	Various
	7,353	6,804	549	2,020		

2009  
(Rupees in thousand)

## 12 Capital work in progress

Plant and machinery under erection and installation	20,739	792,356
Advances to suppliers and contractors	2,036	112,641
Un-allocated capital expenditure		
Finance cost	-	56,177
Legal and professional charges	-	6,412
Engineering services contract	-	28,183
	-	90,772
Civil works	-	1,166
	22,775	996,935



	2009	2008
	(Rupees in thousand)	
<b>13 Stores and spares</b>		
Stores	328,835	281,356
Spares	234	8,142
	<b>329,069</b>	289,498
Less: provision for obsolescence	(9,051)	(8,340)
	<b>320,018</b>	281,158

**13.1** Stores and spares include an of Rs. 1.35 million (2008: Rs. 5.039 million) in transit. All the stores, spares and loose tools of RPPL are held by ESB International Contracting Limited (ESBI), the Operation and Maintenance contractor of RPPL.

<b>14 Trade debts</b>			
Considered good	14.1	3,958,616	3,584,133
Considered doubtful		-	4,958
		<b>3,958,616</b>	3,589,091
Provision for doubtful debts	14.2	-	(4,958)
		<b>3,958,616</b>	3,584,133

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

**14.2** During the year, the amount of provision for doubtful debts has been written off.

<b>15 Advances, deposits, prepayments and other receivables</b>			
Advances-Considered good			
-Suppliers	15.1	64,493	64,044
-Employees		467	385
		<b>64,960</b>	64,429
Prepayments	15.2	41,256	138,612
Bank Guarantee Cost MCB		1,107	-
Recoverable from Government			
-Advance income tax - net		31,584	30,877
-Sales tax		575	-
		<b>32,159</b>	30,877
Insurance claim receivable		-	61,103
Others		150	3,022
		<b>139,632</b>	298,043

**15.1** This includes Rs. 62.7 million (2008: Rs. 62.7 million) paid to Pakistan State Oil Company Limited (PSO) for supply of furnace oil. Refer note 10 to these financial statements.

**15.2** This includes Rs. 36.855 million (2008: Rs. 122.24 million) guarantee premium paid in advance to ANZ Frankfurt for New Hermes Facility, which will replace the Backstop loan (refer note 6.1.5) once the conditions precedent to the draw down are satisfied.

	2009	2008
	(Rupees in thousand)	
<b>16 Cash and bank balances</b>		
Cash at bank:		
Saving accounts		
- Local currency	179,227	307,083
- Foreign currency	1,554,577	714,150
	16.1 1,733,804	1,021,233
Current accounts	85,008	50,680
	1,818,812	1,071,913
Cash in hand	606	411
	1,819,418	1,072,324

**16.1** These carry mark-up at the rates ranging from 0.5% to 6.5% (2008: 0.5% to 6.5%).

**16.2** RPPL has entered into an agreement with a consortium of local banks, [Royal Bank of Scotland Limited (formerly ABN Amro Bank), Bank Alfalah Limited, Soneri Bank Limited and Silkbank Limited (formerly Saudi Pak Commercial Bank Limited)] led by Royal Bank of Scotland Limited, to avail working capital facility of Rs. 900 million (2008: Rs. 900 million). The facility carries mark-up at KIBOR plus 2% and was unavailed at the year end.

## 17 Revenue

Energy - gross	10,020,194	7,041,519
Sales tax	(1,382,096)	(918,458)
Energy - net	8,638,098	6,123,061
Capacity	6,642,645	5,238,032
Other supplemental charges	444,874	141,139
Gas efficiency passed to WAPDA	(184,014)	(99,356)
	15,541,603	11,402,876

		2009	2008
	<i>Note</i>	(Rupees in thousand)	
<b>18 Cost of sales</b>			
Energy import		8,447	13,651
Salaries, wages and other benefits	18.1	11,999	11,743
Traveling, conveyance and hotelling		1,150	716
Fuel consumed		7,659,761	5,542,601
Chemicals, stores and spares consumed		106,547	129,788
Operating maintenance costs		1,036,514	793,851
Insurance		401,966	373,991
Generation license fee		4,889	4,024
Electricity duty		2,836	2,160
Repairs and maintenance	18.2	10,210	470,068
Entertainment		40	13
WAPDA Liquidated Damages		9,035	-
Miscellaneous expenses		10,010	12,793
Obsolescence of stores and spares		711	-
Depreciation	11.1	1,330,660	1,160,309
		<b>10,594,775</b>	<b>8,515,708</b>

18.1 Salaries, wages and other benefits include Rs 0.06 million (2008: Rs 0.15 million) on account of staff gratuity.

18.2 This includes Rs. nil (2008: Rs. 330.252 million) incurred on major overhaul (scheduled outage) of RPPL carried out in the last quarter of 2007. The scheduled outage was required as per Operations and Maintenance Contract and the Power Purchase Agreement.

<b>19 Administrative expenses</b>			
Salaries, wages and other benefits	19.1	49,025	73,046
Consultancy and advisory services		3,783	-
Traveling, conveyance and hotelling		7,317	4,483
Rent, rates and taxes		3,650	3,431
Utilities		965	749
Repair and maintenance		7,601	5,853
Postage and telephone		1,659	1,398
Publicity, printing and stationery		892	259
Donation	19.2	250	1,000
Legal and professional		6,293	8,213
Fee and subscription		75	68
Auditors remuneration	19.3	1,573	1,397
Entertainment		603	577
Security expenses		720	600
Provision for bad debts		100	-
Miscellaneous		52	331
Provision for stores & spares		-	225
Depreciation	11.1	5,216	5776
		<b>89,774</b>	<b>107,406</b>

**19.1** This includes provision for staff gratuity amounting to Rs. 4.112 million (2008: Rs. 5.364 million) and contributions to provident fund trust amounting to Rs. 2.689 million (2008: Rs. 3.03 million).

**19.2** This includes amount of Rs. 0.2 million donated to WAPDA for conduct of a conference of International Commission on Irrigation and Drainage (ICID). The directors and their spouses had no interest in the donees.

	2009	2008
Note	(Rupees in thousand)	
<b>19.3 Auditor's remuneration</b>		
Annual audit fee	1,413	1,241
Half year review fee	100	50
Tax consultancy	-	100
Out of pocket expenses	60	6
	<b>1,573</b>	<b>1,397</b>

## 20 Other operating income

### *Income from financial assets*

Income on bank deposits	19,920	87,826
-------------------------	--------	--------

### *Income from non-financial assets*

Profit on sale of Property, plant & equipment	1,582	1,589
Scrap sales	2,477	1,205
Interest on late payment from WAPDA	2,129	-
Other income	1,891	-
	<b>8,079</b>	<b>2,794</b>
	<b>27,999</b>	<b>90,620</b>

## 21 Finance cost

### Interest and mark-up on:

- Long term loans	21.1	2,296,172	1,546,189
- Short term borrowings		73,639	3,252
Amortization of bank guarantee cost - MCB		1,107	-
Foreign exchange difference		45,281	17,732
Accretion of discount on long term liability		122,365	64,305
Lender fees and charges		66,528	53,660
Lender related costs-others		17,665	30,552
Security Registration Charges		-	23,500
Bank charges		1,514	44
		<b>2,624,271</b>	<b>1,739,234</b>

**21.1** This includes net swap payments of Rs. 469.755 million (2008: Rs. 78.622 million) and net exchange losses of Rs. 57.458 million (2008: Rs. 73.92 million). It also includes mark up accrued to Descon Engineering Limited, the holding company of the Group, amounting to Rs. 39.08 million (2008 : Rs. 31.78 million).

**21.2** During the year borrowing costs amounting to Rs. 32.54 million (2008: Rs. 40.99 million) have been capitalized in the cost of property, plant and equipment pertaining to the new expansion project.

## 22 Remuneration of Chief Executive, Directors and Executives

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

	Chief Executive		Executives	
	2009	2008	2009	2008
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	10,858	13,983	19,020	17,681
Contributions to provident and gratuity funds	678	23,220	4,900	3,379
Housing	877	497	213	332
Utilities	1,518	2,230	3,826	2,519
Leave fair assistance	180	-	-	-
Medical expenses	-	228	71	60
	<b>14,111</b>	<b>40,158</b>	<b>28,030</b>	<b>23,971</b>
<b>Number of persons</b>	<b>2</b>	<b>2</b>	<b>14</b>	<b>11</b>

**22.2** In addition to above, chief executives and certain executives are provided with free use of Company's maintained cars. The chief executives and other executives are also provided with medical facilities in accordance with their entitlements.

**22.3** No fees, remuneration, house rent and utilities were provided to directors of the Group.

## 23 Capital risk management

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

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

**24 FINANCIAL INSTRUMENTS**
**Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk

**24.1 Credit risk**

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

**24.1.1 Exposure to credit risk**

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

	2009			2008		
	Domestic	United Kingdom	Total	Domestic	United Kingdom	Total
	----- (Rupees in '000) -----					
Long term deposits	859	-	859	661	-	661
Trade debts	3,958,616	-	3,958,616	3,589,091	-	3,589,091
Other receivables	107,006	-	107,006	266,781	-	266,781
Bank balances	264,235	1,554,577	1,818,812	357,763	714,150	1,071,913
	<u>4,330,716</u>	<u>1,554,577</u>	<u>5,885,293</u>	<u>4,214,296</u>	<u>714,150</u>	<u>4,928,446</u>

**24.1.2 Impairment losses**

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

	2009		2008	
	Gross	Impairment	Gross	Impairment
	----- (Rupees in '000) -----			
Not past due	2,778,893	-	2,334,039	-
Past due 0-30 days	737,337	-	1,214,408	-
Past due 31-120 days	30,164	-	35,686	-
Past due upto one year	412,222	-	-	-
Past due more than one year	-	-	4,958	4,958
	<u>3,958,616</u>	<u>-</u>	<u>3,589,091</u>	<u>4,958</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2009	2008
	(Rupees in '000)	
Opening balance	4,958	4,958
Provision for Impairment written off	(4,958)	-
Closing balance	<u>-</u>	<u>4,958</u>

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

#### 24.2 Liquidity risk

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

	2009					
	Carrying amount	Contractual cash flows	Maturities			
			Less than six months	Upto one year	Two years to five years	After five years
(Rupees in '000)						
<i>Non-derivative financial liabilities:</i>						
Sponsors' loan	427,413	(427,413)	-	-	-	(427,413)
Long term loans	20,182,753	(20,182,753)	(1,871,551)	(896,228)	(7,119,760)	(10,296,214)
Trade and other payables	2,058,452	(2,058,452)	(1,828,307)	(232,145)	-	-
Mark up accrued	422,608	(422,608)	(422,608)	-	-	-
	<u>23,091,226</u>	<u>(23,091,226)</u>	<u>(4,120,466)</u>	<u>(1,127,373)</u>	<u>(7,119,760)</u>	<u>(10,723,627)</u>
<i>Derivative financial liabilities:</i>						
Interest rate swap liabilities	1,256,773	(1,903,975)	(134,993)	(119,948)	(1,533,138)	(115,896)
	<u>24,347,999</u>	<u>(24,995,201)</u>	<u>(4,255,459)</u>	<u>(1,247,321)</u>	<u>(8,652,898)</u>	<u>(10,839,523)</u>
2008						
	Carrying amount	Contractual cash flows	Maturities			
			Less than six months	Upto one year	Two years to five years	After five years
(Rupees in '000)						
<i>Non-derivative financial liabilities:</i>						
Sponsors' loan	388,334	(388,334)	-	-	-	(388,334)
Long term loans	16,953,597	(16,953,597)	(1,496,038)	(1,469,570)	(6,301,664)	(7,686,325)
Trade and other payables	1,711,674	(1,711,674)	(1,711,674)	-	-	-
Mark up accrued	360,804	(360,804)	(40,961)	(319,843)	-	-
	<u>19,414,409</u>	<u>(19,414,409)</u>	<u>(3,248,673)</u>	<u>(1,789,413)</u>	<u>(6,301,664)</u>	<u>(8,074,659)</u>
<i>Derivative financial liabilities:</i>						
Interest rate swap liabilities	565,945	(604,606)	(27,187)	(33,499)	(511,380)	(32,540)
	<u>19,980,354</u>	<u>(20,019,015)</u>	<u>(3,275,860)</u>	<u>(1,822,912)</u>	<u>(6,813,044)</u>	<u>(8,107,199)</u>

The Group closely monitors its liquidity and cash flow position. The liquidity risk is managed by using financial model and a continuous follow-up for collecting receivables from WAPDA and managing debt repayments on due dates, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. In addition, the Group maintains committed line of credit from a consortium of local banks as disclosed in note 8.2 to these financial statements.

### 24.3 Market risk

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

#### 24.3.1 Interest rate risk

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

	Carrying amounts	
	2009	2008
	(Rupees in '000)	
<b>Fixed rate instruments:</b>		
Financial liabilities	<b>(1,428,897)</b>	<b>(1,128,935)</b>
<b>Variable rate instruments:</b>		
Financial assets	<b>1,733,804</b>	<b>1,008,896</b>
Financial liabilities	<b>(18,381,853)</b>	<b>(18,096,264)</b>
	<b>(16,648,049)</b>	<b>(17,087,368)</b>

#### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial liabilities at fair value. Therefore, a change in interest rates at the reporting date would not affect profit and loss account or equity.

#### Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for the previous year.

	Equity		Profit and loss	
	2009	2008	2009	2008
	(Rupees in '000)			
Variable rate instruments	<b>607,412</b>	<b>668,141</b>	<b>42,748</b>	<b>45,326</b>



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

#### Fair value of financial assets and liabilities

The fair value of all financial assets and financial liabilities is estimated to approximate their carrying amounts as at 30 June 2009.

#### 24.3.2 Currency risk

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

#### Exposure to currency risk

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

	2009		
	Rupees	US Dollars	Euro
	----- (Amounts in '000) -----		
Other receivables	30,043	370	-
Cash and cash equivalents	1,554,577	14,262	3,475
Long term loans	(19,328,750)	(236,295)	(949)
Interest rate swap	(1,256,773)	(18,413)	-
Trade and other payables	(1,037,931)	(6,712)	(3,220)
Gross balance sheet exposure	<u>(20,038,834)</u>	<u>(246,788)</u>	<u>(694)</u>
Estimated forecast sale for next year	15,558,421	201,987	-
Estimated operating cost for next year	(10,801,991)	(141,319)	-
Net exposure	<u>(15,282,404)</u>	<u>(186,120)</u>	<u>(694)</u>
	2008		
	Rupees	US Dollars	Euro
	----- (Amounts in '000) -----		
Other receivables	125,542	1,841	-
Cash and cash equivalents	714,151	5,223	3,345
Long term loans	(19,114,869)	(276,513)	(2,656)
Interest rate swap	(565,945)	(11,581)	-
Trade and other payables	(907,135)	(9,330)	(3,021)
Gross balance sheet exposure	<u>(19,748,256)</u>	<u>(290,360)</u>	<u>(2,332)</u>
Estimated forecast sale for next year	12,513,627	191,506	-
Estimated operating cost for next year	(7,914,021)	(122,450)	-
Net exposure	<u>(15,148,650)</u>	<u>(221,304)</u>	<u>(2,332)</u>

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

The following significant exchange rates were applied during the year:

	Balance sheet date rate		Average rate	
	2009	2008	2009	2008
US Dollars	81.20	68.10	78.79	62.66
Euro	114.68	107.49	107.97	93.18

### Sensitivity analysis

A seven 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	
	2009	2008	2009	2008
	----- (Rupees in '000) -----			
US Dollars	(104,659)	(55,207)	560,447	416,286
Euro	.	.	2,047	2,438

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

As stated in note 4.3, the exchange loss / gain is capitalised as part of cost of plant and equipment. The net effect which would have been increased / decrease to the cost of plant and equipment is Rs. 1,220,248 million (2008: Rs. 1,231,851 million). Therefore, the effect has not been considered either in equity or profit and loss account as stated above.

### 25 Transaction with related parties

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

	2009	2008
	(Rupees in '000)	
<b>Ultimate parent</b>		
Descon Engineering Limited - short term loan	4,000	-
<b>Associated companies</b>		
Descon Power Solutions (Private) limited		
On account of:		
- Operation and maintenance agreement	21,600	-
- Service agreement of generators	2,400	-
Operator's fee paid to ESB International Contracting Limited	627,432	370,585
Payments to Siemens AG as maintenance contractor	362,265	278,896
Payments to Siemens AG for supply of spares and services	146,364	529,021
Payments to Siemens Pakistan Limited for supply of spares and services	7,784	10,488
Payments to Siemens AG on repair agreements	132,337	139,989
Payments to Descon Engineering Limited for services	1,017	5,622
Payments to Presson Descon Engineering (Private) Limited for supply of spares and services	13,236	22,136
<b>Staff retirement contribution fund</b>		
Payment to staff provident fund	2,690	3,031
<b>26 Plant capacity and actual production</b>		
Theoretical maximum output at dependable capacity of 395 GWh (2008: 395 GWh)	GWh 3,661.20	3,537.20
Practical maximum output	GWh 3,542.70	2,968.00
Actual output	GWh 3,505.34	2,821.06
Load factor	Percentage 95.74	79.75

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.

		2009	2008
<b>27 Earnings per share - basic and diluted</b>			
<b>27.1 Earnings per share - Basic</b>			
Profit for the year	<i>Rupees in thousand</i>	<b>2,092,374</b>	1,130,693
Weighted average number of ordinary shares	<i>Number</i>	<b>342,550,000</b>	342,550,000
Earnings per share - basic	<i>Rupees</i>	<b>6.11</b>	3.30

#### 27.2 Earnings per share - Diluted

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

#### 28 Date of authorisation

These consolidated financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on 01, October 2009.

#### 29 General

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

29.2 Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison, Long Term loan from Crescent Standard Business Management (Private) Limited amounting to Rs 23.152 million has been reclassified as Sponsor's Loan.

---

**Chief Executive**

---

**Director**



**PATTERN OF SHAREHOLDING**

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

30-06-2009

4. No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
	1	100	
19	101	500	9,500
21	501	1,000	21,000
32	1,001	5,000	111,000
13	5,001	10,000	118,000
4	10,001	15,000	90,000
3	15,001	20,000	38,000
4	20,001	25,000	94,500
2	25,001	30,000	59,000
4	35,001	40,000	119,000
1	40,001	45,000	44,000
1	45,001	50,000	48,500
1	50,001	50,000	50,500
1	70,001	75,000	75,000
1	95,001	100,000	96,000
1	115,001	120,000	120,000
1	210,001	215,000	215,000
1	225,001	230,000	230,000
1	245,001	250,000	250,000
1	275,001	280,000	278,000
1	300,001	305,000	300,500
1	585,001	590,000	586,500
1	595,001	600,000	600,000
1	805,001	810,000	810,000
1	1,005,001	1,010,000	1,009,000
1	1,455,001	1,460,000	1,459,000
1	1,475,001	1,480,000	1,480,000
1	21,225,001	21,230,000	21,226,582
1	60,475,001	60,480,000	60,475,416
1	61,965,001	61,970,000	61,968,939
1	190,565,001	190,570,000	190,567,063
	<b>123</b>		<b>342,550,000</b>

**CATEGORIES OF SHAREHOLDERS REQUIRED UNDER C.C.G.  
AS ON 30th JUNE, 2009**

S. No.	NAME	% AGE	HOLDING
<b><u>DIRECTORS, CEO THEIR SPOUSE AND MINOR CHILDREN</u></b>			
1	MR. ABDUL RAZZAK DAWOOD (CDC)	0.0001	500
2	SH. AZHAR ALI (CDC)	0.0001	500
3	SYED ZAMANAT ABBAS (CDC)	0.0001	500
		<b>0.0003</b>	<b>1,500</b>
<b><u>ASSOCIATED COMPANIES, UNDERTAKING &amp; RELATED PARTIES</u></b>			
1	DESCON ENGINEERING LIMITED (CDC)	55.6319	190,567,063
<b><u>NIT &amp; ICP</u></b>			
		-	-
<b><u>FINANCIAL INSTITUTION</u></b>			
		0.2365	810,000
<b><u>MODARABAS &amp; MUTUAL FUNDS</u></b>			
		0.9207	3,154,000
<b><u>PUBLIC SECTOR COMPANIES &amp; CORPORATION</u></b>			
		23.8883	81,829,498
<b><u>OTHERS</u></b>			
		0.0074	25,500
<b><u>INSURANCE COMPANIES</u></b>			
		-	-
<b><u>FOREIGN COMPANY</u></b>			
		18.0905	61,968,939
<b><u>SHARES HELD BY THE GENERAL PUBLIC</u></b>			
		1.2242	4,193,500
	<b>TOTAL:</b>	<b>100.0000</b>	<b>342,550,000</b>

**SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL**

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

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

NIL

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that 15<sup>th</sup> Annual General Meeting of Altern Energy Limited, will be held on Tuesday, October 27, 2009 at 11.00 am at Descon Headquarters, 18 -- KM, Ferozepur Road, Lahore, to transact the following business:

**ORDINARY BUSINESS**

1. To confirm the minutes of the last Extra Ordinary General Meeting of the Company held on Friday, October 31, 2008.
2. To receive, consider and adopt the audited accounts of the Company for the year ended 30<sup>th</sup> June 2009 together with the Directors and Auditors Reports thereon.
3. To appoint Auditors and fix their remuneration. The present auditors M/S Yusuf Saeed & Company have retired, and M/S KPMG Taseer Hadi & Co. have offered themselves for appointment as auditors of the Company.
4. To transact any other business with the permission of the Chair.

By Order of the Board

Lahore  
October 01, 2009

Umer Shehzad  
Company Secretary

**Notes:-**

1. The share transfer books of the Company shall remain closed from 20-10-2009 to 27-10-2009 (both days inclusive).
2. Members are requested to attend in person along with National Identity Card ("NIC") or appoint some other member as proxy and send their proxy duly witnessed so as to reach the registered office of the Company not later than 48 hours before the time of holding the meeting.
3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his / her original NIC or passport, Account and participants, I.D. Numbers to prove his / her identity, and in case of proxy must enclose an attested copy of his / her NIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.
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 computerized NIC as per Listing Regulations, if not provided earlier.



**PROXY FORM**

I/We \_\_\_\_\_  
of \_\_\_\_\_ a member/members of ALTERN ENERGY  
LIMITED and holder of \_\_\_\_\_ shares as per Registered Folio #/CDC  
Participant ID #/Sub A/C #/Investor A/C # \_\_\_\_\_ do hereby appoint

\_\_\_\_\_ of \_\_\_\_\_ or failing  
him \_\_\_\_\_ of \_\_\_\_\_

who is also 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 Tuesday October 27, 2009 11:00 a.m. At  
DESCON HEADQUARTER 18-km Ferozpur Road, Lahore and at any adjournment thereof.

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2009.

**Member's Signature**

**Witness's Signature**

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

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

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

Proxies of the members(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.

Please affix  
here Revenue  
Stamp

10

11

12

13

14

15

16

17

18

19

20

21

THE UNIVERSITY OF CHICAGO LIBRARY