

**The Hub Power Company Ltd.**  
**Annual Report 1999**

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**COMPANY INFORMATION**

**Head Office:** 3rd Floor, Islamic Chamber of Commerce Building  
ST-2/A, Block-9, Clifton, P.O. Box No. 13841  
Karachi-75600

**Registered Office:** C/o Ford, Rhodes, Robson, Morrow,  
Premises No. 1 to 5, Elahi Chambers,  
C/o Ambassador Hotel Building,  
I&T Centre, Khayaban-e-Suhrawardi,  
Aabpara, P.O. Box No. 2388, Islamabad.

**Company Secretary:** Arshad A. Hashmi

**Principal Bankers:**

**Account Banks:**

- National Development Finance Corporation, Karachi
- Citibank N.A., Karachi
- ANZ Grindlays Bank Limited, Karachi
- The Bank of Tokyo-Mitsubishi Limited, London
- The Sakura Bank Limited, London
- Banco di Napoli International S.A., Luxembourg

**Inter-Creditor Agent:**

Citibank International, plc, London

**Legal Advisors:** Linklaters & Alliance, London  
Kabraji & Talibuddin, Karachi  
Rizvi Isa & Co., Karachi

**Auditors:** Ford, Rhodes, Robson, Morrow

**Registrar:** Ford, Rhodes, Robson, Morrow

## **NOTICE OF THE EIGHTH ANNUAL GENERAL MEETING**

Notice is hereby given that the Eighth Annual General Meeting of the Company will be held on Wednesday, December 1, 1999 at 2.00 p.m. at Margala Motel, 1 Kashmir Highway, Near Jinnah Sports Complex, Islamabad to transact the following business:

1. To confirm the minutes of the Seventh Annual General Meeting of the Company held on December 16, 1998.
2. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 1999 and the Directors' & Auditors Reports thereon.
3. To appoint Auditors and to fix their remuneration.

Karachi - September 23, 1999

### **NOTES:**

1. The Share Transfer Books of the Company will remain closed from October 21, 1999 to October 29, 1999 (both days included).
2. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A Proxy need not be a member of the Company.
3. Duly completed forms of proxy must be deposited with the Company Secretary at the Head Office of the Company not later than 48 hours before the time appointed for the meeting.
4. Shareholders are requested to notify any change in their address immediately.

## **BOARD OF DIRECTORS**

**Mr. M. A. Alireza H. I.**  
**Chairman**

**By Order of the Board**

**Arshad A. Hashmi**  
**Company Secretary**

Other Directorships  
Xenel Industries Ltd  
& other Xenel Group Companies  
Xenel International Ltd

**Mr. P. J. Windsor**

**Vice Chairman**

Other directorships  
American National Power, Inc  
National Power International Holdings BV  
National Power International Ltd  
National Power of America, Inc  
National Power Polska Spolka z.o.o.  
National Power (Kot Addu) Ltd  
Bizkala Energia SL

**Mr. S. K. Husain**

**Chief Executive**

**Mr. Y. Asahata**

Other directorships  
Hub Power Japan Corporation

**Mr. B. Chang**

Other directorships  
Task Technology Ltd  
Brian Chang Group of Companies  
Asia Petroleum Ltd  
Fauji Oil Terminal Company Ltd  
Pakistan Power Ltd

**Mr. P.M. Grasby**

Other directorships  
National Power  
NP Enerji  
Gurney Ege Enerji  
Baymina Enerji  
Tejo Energia

**Mr. D. P. G. Hadfield**

Other directorships  
Kot Addu Power Company Ltd

**Mr. C. R. W. Masterson**

Other directorships  
National Power Share Schemes Ltd  
Electra Insurance Ltd

De Haviland Aircraft Museum Ltd

**Mr. S. N. A. Shah**

Other directorships

Jahangir Siddiqui & Co. Ltd

Philips Electrical Industries of Pakistan Ltd

Forbes, Forbes, Campbell & Co. (Private) Ltd

National Development Finance Corporation

Refrigerators Manufacturing Co. Pakistan Ltd

**Mr. E. E. Silagy,**

Other appointments

Entergy Pakistan Ltd

**Mr. P. H. Smith**

Other directorships

Kot Addu Power Company Ltd

Leicester City PLC

Leicester City Football Club PLC

Capital Value Brokers Ltd

**Mr. M. A. Tumbi**

Other appointments

General Manager Finance, Xenel

**Mr. M. B. Sheikh**

Nominee of

National Development

Finance Corporation

**Mr. M. A. Zafar**

Nominee of

Government of Balochistan

**Mr. D. V. Johns**

Nominee of

Commonwealth Development

Corporation

## **CHAIRMAN'S REVIEW**

In the name of God the Most Merciful and Most Benevolent.

It gives me great pleasure to introduce the Company's Report and Accounts for the financial year ended June 30, 1999.

Unfortunately, the Company has operated throughout the year under very difficult circumstances which have been widely reported, at times inaccurately, both locally and internationally. The Company continues to receive significantly lower payments than originally contracted with Water and Power Development Authority (WAPDA) and guaranteed by the Government of Pakistan (GOP). For the past eleven months, the Company has been subject to ongoing investigations by the Federal Investigation Agency (FIA) and by Government appointed auditors. To date, no report has been issued by the auditors and no prosecution has been commenced by the FIA. The Company has and continues to strenuously deny any wrongdoing.

The Company is defending its rights in the courts of law and has commenced arbitration proceedings under the auspices of the International Chamber of Commerce. Despite legal restrictions imposed by the Courts in Pakistan, which we believe are temporary, the Company remains confident that it will be vindicated and that the outcome of arbitration will be favourable.

Throughout this dispute, the Company has not only acted to preserve the rights of the shareholders by resort to law and arbitration but has also actively pursued a resolution through dialogue and negotiations. During the year, the Government set up several committees to resolve the IPP disputes in general and the Company has attempted in good faith to participate in all these initiatives. The Company has made several proposals which would result in a significant reduction in WAPDA's financial burden. All proposals being subject to lenders and shareholders approval.

Despite the financial difficulties arising from the assault on its integrity and reputation, the Company has continued to operate the Power Plant in accordance with its obligations under its contracts. However Shareholders should note that although the Company reported a profit in the year it has not received all this income from WAPDA. In the event that this full income is not received from WAPDA, it would result in a loss for this year.

We all hope that the problems faced by the Pakistan economy and IPPs will be resolved soon. Electricity generation, being a fundamental building block of a modern economy, has a long term future, the benefits of which, we hope, will be shared by the entire economy.

On behalf of all the shareholders, I offer thanks to the employees of the Company who have worked hard and with dedication under very difficult circumstances.

*Mohamed A. Alireza*  
*Chairman*

## **REPORT OF THE DIRECTORS**

The Directors have pleasure in presenting the Annual Report and the Accounts for the year ended June 30, 1999.

### **General**

The principal activities of the Company are to own, operate and maintain an oil-fired power station with a net capacity of 1,200 MW.

## **Finance**

Turnover for the year was Rs. 20,667 million (1998: Rs. 25,682 million) and Operating Costs amounted to Rs.10,307 million (1998:Rs.11,728 million) resulting in a net profit of Rs. 6,705 million (1998: Rs. 10,808 million). The current year values are lower than the previous years values due to the declining profile of the tariff charged under the Power Purchase Agreement (PPA) and lower electricity despatch by WAPDA at 51% (1998: 55%).

Notwithstanding the net profit recorded in the Profit and Loss Statement, the Company has during the year suffered a net cash outflow. This is due to the receipt of partial payment in respect of sale of electricity throughout the year as a result of litigation and disputes which are detailed in note 17 to the Annual Accounts.

The payment of amounts due from the Water and Power Development Authority ("WAPDA"), the Company's only customer, is secured through, firstly, a standby letter of credit, and secondly, a guarantee from the Government of Pakistan. The Company has twice attempted to call on the standby letter of credit to enforce its rights to payment but on both occasions WAPDA secured protection through the Courts of Law.

In spite of this, all liabilities have been discharged by the Company as they have become due. During the year, the Company repaid the two tranches of the senior debt amounting to Rs. 3,020 million in July 1998 and January 1999. The Company has throughout fulfilled its obligations under its various contracts and continues to do so.

## **Taxation**

The Company is not liable to taxation in Pakistan on its income by virtue of a tax exemption granted to it by the Government of Pakistan. However, it is liable to pay other Federal, Provincial and local taxes such as Customs Duty and Octroi. During the year the Company received several assessments and demand notices from the tax authorities which are disputed and are detailed in note 17 to the Annual Accounts.

## **Operations**

Operationally, the year has been a difficult one. In September 1998, the generator on Unit 4 failed due to damage to the winding insulation. The unit was out of service for approximately 15 weeks. Repairs were carried out by the manufacturers under an extended warranty.

In February 1999, the Unit 2 main generator transformer suffered an internal fault which resulted in the transformer being destroyed by fire. A replacement transformer was procured and installed within 6 months. The unit returned to service in August 1999. The costs relating to this damage are covered under the Company's insurance policies.

## **Both the above problems**

were fully investigated and similar components on other units were inspected to avoid similar problems in the future.

Despite these problems, the plant achieved a 38% thermal efficiency rate and generated 5,351,000 MWhrs of electricity.

## **Environment, Health, Safety and Social Actions**

The overall health and safety performance of the Plant was excellent throughout the year. The Hub Power Station

Site has an ongoing proactive approach to safety management.

The station successfully achieved 1,000 days without a lost time accident on December 27, 1998. For its excellent achievement and performance, the station was awarded the prestigious Gold Award for Occupational Safety by the Royal Society for the prevention of Accident (RoSPA) based in the United Kingdom.

The Company is committed to the development and uplift of the people living near the Plant in particular in Hub in the province of Balochistan. In this regard, the Company continued to support various programmes in order to help poverty alleviation. In Hub, the Operations & Maintenance Contractor runs a mobile dispensary to 18 villages and provides basic medical services.

### **Year 2000 Compliance**

The Company takes very seriously the unparalleled challenge that all businesses in the world face between now and the Year 2000 arising from the first century date change the computerised world will experience. There are numerous anticipated consequences of the Year 2000 problem.

The Company's engineers and experts worked throughout the year to meet this challenge by adopting the British Standards Institute (BSI) definition of Year 2000 Compliance. A Year 2000 Programme Office which was established last year provided a framework and monitored progress. The Year 2000 compliance programme has been completed in respect of the Company head office and extensive work is in progress to make sure that the Plant is Y2K compliant before the end of this calendar year.

### **Litigation**

During the period the Company has continued to be involved in litigation both inside Pakistan and abroad and has been the subject of investigation by the Federal Investigation Agency (FIA) and Government appointed auditors with whom the Company is co-operating fully. The Company has strenuously denied any wrongdoing and continues to defend itself vigorously. The Company is confident that it will be vindicated and that the accusations made against it will be shown to be baseless. On July 9, 1998 the Company commenced Arbitration proceeding with the International Chamber of Commerce in accordance with the terms of the Power Purchase Agreement (PPA) seeking an adjudication on the enforceability of the PPA. Nevertheless, the Company continues to seek an amicable resolution of its disputes with WAPDA in an atmosphere of mutual respect and co-operation. Throughout the period the Company has fulfilled its obligation under its various contracts and continues to do so.

### **Appropriations**

The ongoing litigation and the restriction imposed by the Pakistan courts places the directors in a position where they are unable to recommend a dividend.

### **Board of Directors**

The current members of the Board are listed on Page 3. During the year the changes were as follows:

**Mr. P. F. Bennett** (Resigned w.e.f. 10.02.1999)

Nominee, National Power International  
Holdings BV

**Dr. I. M. H. Preston C.B.E.**

(Resigned w.e.f. 18.05.1999)

**Mr. N. Pervaiz** (Resigned w.e.f. 17.06.1999)

Nominee, Government of Balochistan

**Mr. S. B. Gross** (Resigned w.e.f. 23.09.1999)

Nominee, Entergy Pakistan Limited

**Mr. R. A. Pritchard** (Resigned w.e.f. 23.09.1999)

Nominee, National Power International  
Holdings BV

**Mr. D. P. G. Hadfield**

(Appointed w.e.f. 10.02.1999)

Nominee, National Power International  
Holdings BV

**Mr. M. A. Zafar**

(Appointed w.e.f. 05.07.1999)

Nominee, Government of Balochistan

**Mr. E. E. Silagy**

(Appointed w.e.f. 23.09.1999)

Nominee, Entergy Pakistan Limited

**Mr. P.M. Grasby**

(Appointed w.e.f. 23.09.1999)

Nominee, National Power International  
Holdings BV

**Auditors**

The retiring auditors Messrs Ford, Rhodes, Robson, Morrow, Chartered Accountants being eligible offer themselves for re-appointment.

**Shareholding Pattern**

A statement reflecting the distribution of shareholding is attached with this report.

**By Order of the Board**

**S. K. Husain**  
**Chief Executive**

Karachi - September 23, 1999



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of The Hub Power Company Limited as at June 30, 1999 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of changes in financial position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1999 and of the profit and the changes in financial position for the year then ended;

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980; and

(e) without qualifying our opinion, we draw attention to the contents of notes 17.4 and 17.5 relating to a constitutional petition filed in the Lahore High Court, suit filed by WAPDA for cancellation of certain amendments in the Power Purchase Agreement and for the recovery of overpaid amount and assessments raised by the Central Board of Revenue; the ultimate outcome of these matters cannot presently be determined, and no provision for any liability or impairment of any asset that may result has been made in the accounts.

**Ford, Rhodes, Robson, Morrow**  
**Chartered Accountants**

Karachi - September 23, 1999

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1999

<i>Note</i>	<i>1999</i> <i>(Rs. '000s)</i>	<i>1998</i> <i>(Rs. '000s)</i>
-------------	-----------------------------------	-----------------------------------

Turnover		20,667,454	25,681,747
Operating costs	3	(10,307,327)	(11,727,580)
<b>GROSS PROFIT</b>		10,360,127	13,954,167
Selling, general and administration expenses	4	(394,787)	(263,057)
Other operating income	5	1,01 6,997	1,581,522
Other operating expenses	6	(152,551 )	(154,638)
<b>OPERATING PROFIT</b>		10,829,786	15,117,994
Financing costs	7	(4,125,199)	(4,310,057)
<b>NET PROFIT FOR THE YEAR</b>		6,704,587	10,807,937
Unappropriated profit brought forward		10,048,178	7,340,322
Profit available for appropriation		16,752,765	18,148,259
Appropriations:			
Interim dividend Rs. Nil (1998: Rs. 7.00) per share		--	(8,100,081)
Unappropriated profit carried forward		16,752,765	10,048,178
<b>BASIC EARNINGS PER SHARE (RUPEES)</b>	22	5.79	9.34

The annexed notes form an integral part of these accounts.

**S. K. Husain**  
Chief Executive

**D.V. Johns**  
Director

### BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>1999</i> <i>(Rs. '000s)</i>	<i>1998</i> <i>(Rs. '000s)</i>
<b>TANGIBLE FIXED ASSETS</b>			
Operating fixed assets	8	43,821,131	45,422,010
Capital work-in-progress	9	13,822	28,427
<b>LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COSTS</b>	10	4,796,866	5,382,626
<b>CURRENT ASSETS</b>	11	18,419,942	12,509,242
		67,051,761	63,342,305
<b>SHARE CAPITAL AND RESERVE</b>			
Share capital			

Authorised, issued, subscribed and paid-up	12	11,571,544	11,571,544
Revenue Reserve			
Unappropriated profit		16,752,765	10,048,178
		-----	-----
		28,324,309	21,619,722
<b>LONG TERM LOANS</b>	13	31,053,904	34,042,867
<b>OBLIGATIONS UNDER FINANCE LEASE</b>	14	6,172	7,199
<b>DEFERRED LIABILITY</b>	15	7,879	6,883
<b>CURRENT LIABILITIES</b>	16	7,659,497	7,665,634
<b>COMMITMENTS AND CONTINGENCIES</b>	17	--	--
		-----	-----
		67,051,761	63,342,305
		=====	=====

The annexed notes form an integral part of these accounts.

**S. K. Husain**  
Chief Executive

**D.V. Johns**  
Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION  
(CASH FLOW STATEMENT) FOR THE YEAR ENDED JUNE 30, 1999**

	<i>Note</i>	<i>1999 (Rs. '000s)</i>	<i>1998 (Rs. '000s)</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net profit for the year		6,704,587	10,807,937
Adjustments for:			
Depreciation		1,625,449	1,629,090
Amortisation of deferred costs		152,551	152,551
(Gain)/loss on sale of fixed assets		(197)	2,087
Staff gratuity		996	4,723
Interest/mark-up on secured loans		3,804,836	3,999,054
		-----	-----
Operating profit before working capital changes		12,288,222	16,595,442
Working capital changes	21	(6,589,758)	(1,345,252)
		-----	-----
Cash generated from operations		5,698,464	15,250,190
Interest/mark-up paid on secured loans		(3,910,542)	(3,931,454)
		-----	-----
Net cash inflow from operating activities		1,787,922	11,318,736
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure (net)		(12,685)	(109,697)

Proceeds from sale of fixed assets		2,917	1,898
Long term deposits and prepayments		433,209	(2,547,279)
		-----	-----
Net cash inflow/(outflow) from investing activities		423,441	(2,655,078)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of long term loans		(3,020,151)	(1,534,610)
Proceeds from long term loans		--	136,713
Repayment of obligations under finance lease		(815)	--
Dividends paid		(16,259)	(8,075,901)
		-----	-----
Net cash (outflow) from financing activities		(3,037,225)	(9,473,798)
		-----	-----
Net (decrease) in cash and cash equivalents		(825,862)	(810,140)
Cash and cash equivalents at the beginning of the year		6,831,766	7,641,906
		-----	-----
Cash and cash equivalents at the end of the year	11.3	6,005,904	6,831,766
		=====	=====

The annexed notes form an integral part of these accounts.

**S. K. Husain**  
Chief Executive

**D.V. Johns**  
Director

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1999**

### **1. THE COMPANY AND ITS OPERATIONS**

The Hub Power Company Limited (the "Company") was incorporated in Pakistan on August 1, 1991 as a public limited company under the Companies Ordinance, 1984. The shares of the Company are listed on the Karachi Stock Exchange and its Global Depository Receipts are listed on the Luxembourg Stock Exchange. The principal activities of the Company are to own, operate and maintain an oil-fired power-station with four generating units with an installed net capacity of 1,200 MW in Tehsil Hub, District Lasbella, Balochistan.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **2.1 Accounting convention**

These accounts are prepared under the historical cost convention without any adjustment for the effect of inflation.

#### **2.2 Tangible fixed assets and depreciation**

#### **(a) Operating fixed assets - Owned**

These are stated at cost less accumulated depreciation except for freehold land which is stated at cost.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, without taking into account any residual value, at the rates shown in note 8 to the accounts. Depreciation on additions is charged for the full month in which an asset is put to use and on deletions up to the month immediately preceding the deletions.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Gains and losses on disposals are included in income.

#### **(b) Operating fixed assets - Leased**

Assets held under finance lease are stated at cost less accumulated depreciation over the lesser of the estimated useful lives of the assets or the lease period. The outstanding obligations under the lease less finance charges allocated to future periods are shown as a liability. The financial charge is calculated at the interest rate implicit in the lease and is charged to the profit and loss account.

Capital work-in-progress

Capital work-in-progress is stated at cost.

#### **2.3 Deferred costs**

These costs are amortised using the straight-line method over a period of five years.

#### **2.4 Staff retirement benefits**

The Company operates an unfunded gratuity scheme covering eligible employees whose period of service with the Company is at least five years. An accrual is made to cover the period of service completed by the employees.

The Company also operates a fully funded provident fund scheme for all its employees who are eligible for the benefits. Contributions thereto are made in accordance with the terms of the scheme.

#### **2.5 Inventory of Fuel Oil**

This is valued at the lower of cost and net realisable value. The cost is calculated on a first-in-first out basis.

#### **2.6 Stores and spares**

These are stated at cost. The Operation and Maintenance Contractor is responsible to replenish

stores and spares as they are used.

## 2.7 Foreign currency translation

Transactions in foreign currencies are converted into rupees at the rates of exchange in effect at the date of transactions. Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange ruling on the balance sheet date except for foreign currency loans covered under the Foreign Exchange Risk Insurance Scheme (FERI) in which case contracted rates are used. Exchange differences are taken to the profit and loss account.

## 2.8 Taxation

Under the Implementation Agreement (IA) signed with the Government of Pakistan, the Company is not liable to taxation in Pakistan.

## 2.9 Revenue recognition

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

## 3. OPERATING COSTS

	<i>Note</i>	<b>1999</b> <i>(Rs. '000s)</i>	<b>1998</b> <i>(Rs. '000s)</i>
Residual Fuel Oil		7,018,113	8,578,988
Operation and Maintenance - relating to an associated company		1,463,475	1,322,051
Insurance		181,342	194,986
Depreciation	8.2	1,617,328	1,618,416
Miscellaneous		27,069	13,139
		-----	-----
		10,307,327	11,727,580
		=====	=====

## 4. SELLING, GENERAL AND ADMINISTRATION EXPENSES

	<i>Note</i>	<b>1999</b> <i>(Rs. '000s)</i>	<b>1998</b> <i>(Rs. '000s)</i>
Salaries, benefits and other allowances	4.1	90,528	81,706
Fuel and power		1,430	1,124
Property, vehicles and equipment rentals		5,375	4,084
Repairs and maintenance		977	937
Legal and professional charges		219,486	94,795
Insurance		9,150	10,734

Auditors' remuneration	4.2	7,586	6,445
Depreciation	8.2	8,121	10,674
Miscellaneous	4.3	52,134	52,558
		-----	-----
		394,787	263,057
		=====	=====

4.1 These include Rs. 7.294 million (1998: Rs. 7.339 million) in respect of staff retirement benefits.

#### 4.2 Auditors' remuneration

Audit fee		450	390
Secretarial, taxation and other services		6,648	5,352
Out-of-pocket expenses		488	703
		-----	-----
		7,586	6,445
		=====	=====

4.3 Includes donations of Rs. 1.250 million (1998: Rs. 1.613 million). No directors or their spouses had any interest in any donee to which donation were made.

#### 5. OTHER OPERATING INCOME

Interest and profit on bank accounts		872,594	1,424,761
Exchange gain		144,164	156,715
Gain on sale of fixed assets		197	--
Miscellaneous		42	46
		-----	-----
		1,016,997	1,581,522
		=====	=====

#### 6. OTHER OPERATING EXPENSES

Amortisation of deferred costs		152,551	152,551
Loss on sale of fixed assets		--	2,087
		-----	-----
		152,551	154,638
		=====	=====

#### 7. FINANCING COSTS

Mark-up on secured long term loans		446,176	470,375
Interest on secured long term loans		3,358,660	3,528,679
Foreign Exchange Risk Insurance Premium to the State Bank of Pakistan		1,563,395	1,795,417
Foreign Exchange Risk Insurance Premium from WAPDA		(1,563,395)	(1,795,417)
Miscellaneous financing costs		320,317	310,962
Bank charges		46	41
		-----	-----
		4,125,199	4,310,057

## 8. OPERATING FIXED ASSETS

	<i>Freehold land (Rs. '000s)</i>	<i>Freehold building (Rs. '000s)</i>	<i>Leasehold property (Rs. '000s)</i>	<i>Plant and machinery (Rs. '000s)</i>	<i>Furniture and fixtures (Rs. '000s)</i>	<i>Vehicles (Rs. '000s)</i>	<i>Total (Rs. '000s)</i>
<b>Cost</b>							
<b>Owned</b>							
As at July 1, 1998	18,890	166,908	862	47,625,368	22,590	44,431	47,879,049
Additions	--	21,018	--	5,214	208	850	27,290
Disposals	--	--	--	(433)	--	(4,157)	(4,590)
As at June 30, 1999	18,890	187,926	862	47,630,149	22,798	41,124	47,901,749
<b>Leased</b>							
As at July 1, 1998	--	--	--	--	--	8,014	8,014
As at June 30, 1999	--	--	--	--	--	8,014	8,014
Total as at June 30, 1999	18,890	187,926	862	47,630,149	22,798	49,138	47,909,763
<b>Depreciation</b>							
Rate %	--	3.33 and 20	3.33	3.33 to 33.33	20	25	--
As at July 1, 1998	--	15238	105	2,423,809	7,728	18,173	2,465,053
Charge for the year	--	9822	29	1,602,663	4,401	8,534	1,625,449
Disposals	--	--	--	(398)	--	(1,472)	(1,870)
As at June 30, 1999	--	--	134	4,026,074	12,129	25,235	4,088,632
<b>Net book value - 1999</b>	18,890	162866	728	43,604,075	10,669	23,903	43,821,131
<b>Net book value - 1998</b>	18,890	151670	757	45,201,559	14,862	34,272	45,422,010

### 8.1 Disposal of fixed assets

	<i>Original cost (Rs. '000s)</i>	<i>Accumulated depreciation (Rs. '000s)</i>	<i>Net book value (Rs. '000s)</i>	<i>Sale proceeds (Rs. '000s)</i>	<i>Mode of sale</i>	<i>Particulars of buyer</i>
Motor vehicle	4,157	1,472	2,685	2,800	Bid sale	Rukiya Rafique



Computer	121	121	--	9	Bid sale	Mustafa Kazmi (Executive)
Computer	121	121	--	8	Bid sale	Sirajuddin Ghumro (Executive)
Airconditioners	191	156	35	100	Negotiation	Fabcon Engineers & Contractors
	-----	-----	-----	-----		
	4,590	1,870	2,720	2,917		
	=====	=====	=====	=====		

**8.2 Depreciation charge for the year has been allocated as follows:**

	<i>Note</i>	<i>1999</i> <i>(Rs. '000s)</i>	<i>1998</i> <i>(Rs. '000s)</i>
Operating costs	3	1,617,328	1,618,416
Selling, general and administration expenses	4	8,121	10,674
		-----	-----
		1,625,449	1,629,090
		=====	=====

**9. CAPITAL WORK-IN-PROGRESS**

Site office construction, housing colony and other miscellaneous costs	--	15,678
Plant betterment	13,822	12,749
	-----	-----
	13,822	28,427
	=====	=====

**10. LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COSTS**

	<i>Note</i>	<i>1999</i> <i>(Rs. '000s)</i>	<i>1998</i> <i>(Rs. '000s)</i>
Deposits			
Sezione Speciale per l' Assicurazione del Credito all' Esportazione of Italy (SACE) - interest bearing	10.1	663,650	743,716
Miscellaneous		3,436	3,387
		-----	-----
		667,086	747,103
Cash on deposit - restricted	10.2	3,094,387	3,316,053
Prepayments			
Guarantee fees		35,846	43,014
Insurance premium		604,772	725,727
Interest rate hedging costs		8,736	10,677
Miscellaneous		4,663	6,125

		-----	-----
		654,017	785,543
Deferred costs			
Preliminary expenses		2,499	2,499
Discount on issue of shares		339,452	339,452
Commission and brokerage		420,802	420,802
		-----	-----
		762,753	762,753
Amortisation to date		(381,377)	(228,826)
		-----	-----
		381,376	533,927
		-----	-----
		4,796,866	5,382,626
		=====	=====

10.1 The amount represents funds that the Company has agreed to place in a reserve account to fulfill a contractor's obligation to guarantee a debt facility not covered by the SACE insurance.

10.2 Included in these are total restricted funds of Rs. 2,986 million (1998: Rs. 3,224 million) held as reserves against various loan facilities.

## 11. CURRENT ASSETS

Stores and spares		514,881	514,881
Inventory of fuel oil		586,499	576,796
Trade debts	11.1	9,887,140	4,110,646
Advances, deposits, prepayments and other receivables	11.2	1,425,518	475,153
Cash and bank balances	11.3	6,005,904	6,831,766
		-----	-----
		18,419,942	12,509,242
		=====	=====

### 11.1 Trade debts - secured

Considered good	17.4	9,887,140	4,110,646
		=====	=====

### 11.2 Advances, deposits, prepayments and other receivables

	<i>Note</i>	<i>1999</i> <i>(Rs. '000s)</i>	<i>1998</i> <i>(Rs. '000s)</i>
Advances - considered good			

Executives	11.2.1	--	115
Employees		474	--
Suppliers		2,175	2,101
		-----	-----
		2,649	2,216
Deposits			
Sezione Speciale per l' Assicurazione del Credito all' Esportazione of Italy (SACE)			
- Interest bearing	10.1	88,238	88,991
Cash on Deposit - restricted	11.2.2	394,583	--
Miscellaneous		3,199	--
		-----	-----
		486,020	88,991
Prepayments		147,340	143,257
Other receivables			
Return on bank deposits		248,693	236,160
Insurance claims		227,028	--
Income tax	17.5	296,872	--
Miscellaneous		16,916	4,529
		-----	-----
		789,509	240,689
		-----	-----
		1,425,518	475,153
		=====	=====

11.2.1 The maximum aggregate amount due from the Executives at the end of any month during the year was Rs. 0.38 million (1998: Rs. 0.19 million).

11.2.2 This represents the amount the Company was required to put in a designated account as collateral in order to establish Letter of Credit under the Fuel Supply Agreement.

### 11.3 Cash and bank balances

With banks

Saving checking accounts		5,667,037	3,499,476
Call deposits	11.3.1	220,033	3,332,266
With a financial institution	11.3.1	104,908	--
In hand		13,926	24
		-----	-----
		6,005,904	6,831,766
		=====	=====

11.3.1 These represent restricted funds of Rs. 325 million (1998: Rs. 302 million) held as reserves against various loan facilities.

## 12. AUTHORISED, ISSUED, SUBSCRIBED AND PAID UP CAPITAL

<i>1999</i>	<i>1998</i>		<i>1999</i>	<i>1998</i>
<i>(No. of Shares)</i>			<i>(Rs. '000s)</i>	
		Authorised:		
1,200,000,000	1,200,000,000	Ordinary shares of Rs. 10/- each	12,000,000	12,000,000
		Issued, subscribed and paid-up:		
818,773,317	818,773,317	For cash	8,187,733	8,187,733
338,381,070	338,381,070	For consideration other than cash	3,383,811	3,383,811
----- 1,157,154,387 =====	----- 1,157,154,387 =====		----- 11,571,544 =====	----- 11,571,544 =====

## 13. LONG TERM LOANS - Secured

<i>Title/Source of loan/Other details</i>	<i>Interest Rate</i>	<i>Repayment Terms</i>
<b>SENIOR LOANS</b>		
<b>From Banks</b>		
Under the World Bank, Expanded Co-financing Operation (ECO) - guaranteed loan	LIBOR plus ECO Margin (2.00% p.a. up to September 30, 2002 and 2.25% p.a. thereafter, subject to reduction by 0.25% p.a. in respect of any period immediately following a semi-annual Payment Date at which the Company is in compliance with certain debt service ratio).	The Loan is repayable in 16 equal installments on semi-annual Payment Dates starting from January 12, 1998.
Under the Export-Import Bank of Japan (JEXIM) - guaranteed loan	TIBOR plus JEXIM Margin (2.00% p.a. up to September 30, 2002 and 2.25% p.a. thereafter, subject to reduction by 0.25% p.a. in respect of any period immediately following a semi-annual Payment Date at which the Company is in compliance with certain debt service ratio).	Same as above
Under the Compagnie Francaise d'Assurance pour le Commerce Exterieur of France (COFACE) - Insured loan	5.95% per annum	Same as above

Under the Ministry of International Trade and Industry of the Government of Japan (MITI) - Insured loan	7.20% per annum	Same as above
Under the Sezione Speciale per l'Assicurazione del Credito all'Esportazione of Italy (SACE) - Insured loan	5.95% p.a. during the subsistence of Mediocredito Interest Agreement and the sum of LIBOR and SACE Margin (2% p.a. up to March 31, 1997 and 1.15% p.a. thereafter) during the period the Mediocredito Interest Subsidy Agreement is not in force. The SACE Margin is subject to reduction by 0.05% p.a. in respect of any period immediately following a semi-annual Payment Date at which the Company is in compliance with certain debt service ratio.	Same as above
Under the Commonwealth Development Corporation of the U.K. (CDC) Loan	11% per annum	Same as above
<b>From Financial Institution</b>		
Under the local banks/financial institutions' Senior Rupee Facility	Mark-up rate per day per thousand Rupees of 61.1112 paisas up to July 10, 1998, 66.6667 paisas thereafter up to July 10, 2002 and 72.2223 paisas for the subsequent period based on the Marked-up Price of PKR 8,158 million and the Purchase Price of PKR 3,012 million.	The Marked-up Price is payable in installments established pursuant to the terms of the Senior Rupee Facility Agreement on semi-annual Payment Dates starting from January 12, 1998
<b>SUBORDINATED LOANS</b>		
<b>From Financial Institution</b>		
Under the Private Sector Energy Development Fund's (PSEDF) 1 Facility	14% per annum	The Loan is repayable in 30 equal installments on semi-annual Payment Dates starting from January 10, 2002.
Under the Private Sector Energy Development Fund's (PSEDF) 2 Facility	(a) up to March 31, 1997 - 14% p.a.  (b) thereafter until the Senior Termination Date (expected on July 10, 2005), the rate per annum which is the greater of the sum of (i) United States Treasury bill rate, FERI Margin and 3.0% and (ii) World Bank Lending Rate, the FERI Margin and 2.5%.  (c) thereafter until the Final Termination Date (expected on July 10, 2016), the rate per annum which is the greater of the sum of	Same as above

(i) United States Treasury bill rate, FERI Margin and 4.0% and (ii) World Bank Lending Rate, the FERI Margin and 3.5%.

<i>Security</i>	<i>1999</i> <i>(Rupees '000s)</i>	<i>1998</i> <i>(Rupees '000s)</i>
Each Senior Loan is secured pari passu by way of:	3,965,157	4,582,832
(a) a first fixed charge over each of the following, namely:		
(i) the tangible moveable property of the Company;		
(ii) the intellectual property of the Company; and		
(iii) all goodwill belonging to the Company.		
(b) a first floating charge on the whole of the Company's undertaking and assets, present and future, other than any assets for the time being effectively charged by way of fixed charge.	2,994,881	3,461,410
(c) an assignment of all rights, title and interest, present and future, in and to the insurances and all rights of the Company to make recovery under the insurances and all proceeds of the insurances receivable by the Company.	1,330,513	1,537,774
(d) mortgages over the Company's real property situated in Lasbella, Islamabad and Karachi together with all rights of easements, privileges and licences appurtenant thereto.	2,626,687	3,034,786
(e) an assignment of the benefit of the encumbrances and obligations arising in relation to:	5,712,740	6,602,645
(i) the ECO Guarantee Reserve Account and all notices of assignment given pursuant thereto for the benefit of ECO Financing Parties;		
(ii) the JEXIM Guarantee Reserve Account and all notices of assignment given pursuant thereto for the benefit of JEXIM Financing Parties;		
(iii) the SACE Reserve Account and all notices of assignment given pursuant thereto for the benefit of the trustee for the SACE Facility Agent and the SACE Lenders;	970,418	1,121,585
(iv) the Rupee Mark-up Reserve Account and all notices of		

assignment given pursuant thereto for the benefit of the Senior Rupee Facility Agent and the Senior Rupee Facility Consortium members.

1,762,220      2,036,063

The PSEDF loans are secured against the same securities as the Senior Loans but on a subordinated basis to the Senior Loans.

10,827,419      10,831,602

3,852,832      3,854,321

-----  
34,042,867      37,063,018

Current maturity of long term loans (see note 16)

(2,988,963)      (3,020,151)

-----  
31,053,904      34,042,867

=====

13.1 Any late payment by the Company is subject to payment of interest at rates ranging between 1.5% to 3% above the normal rate of interest.

13.2 The Company may not pay dividend until certain financial requirements under its debt facilities are satisfied.

#### 14. OBLIGATIONS UNDER FINANCE LEASE

The Company has entered into a finance lease agreement in respect of a motor vehicle. The rate of interest used as the discounting factor is 24.42% per annum.

The amounts of future payments and the periods during which they fall due are:

	<i>Note</i>	<b>1999</b> <i>(Rs. '000s)</i>	<b>1998</b> <i>(Rs. '000s)</i>
Year ending June 30, 1999		--	1,826
Year ending June 30, 2000		2,432	2,432
Year ending June 30, 2001		2,432	2,432
Year ending June 30, 2002		2,432	2,432
Year ending June 30, 2003		3,634	3,634
		-----	-----
		10,930	12,756
Finance charges allocated to future periods		(3,731)	(4,742)
Obligation shown under current liabilities	16	(1,027)	(815)
		-----	-----
		6,172	7,199
		=====	=====

There are no financial restrictions in the lease agreement.

**15. DEFERRED LIABILITY**

Staff Gratuity		7,879	6,883
		=====	=====

**16. CURRENT LIABILITIES**

Current maturity of long term loans	13	2,988,963	3,020,151
Current obligations under finance lease	14	1,027	815
Creditors, accrued and other liabilities	16.1	4,669,507	4,644,668
		-----	-----
		7,659,497	7,665,634
		=====	=====

**16.1 Creditors, accrued and other liabilities**

Creditors		362,791	394,715
		-----	-----
Accrued liabilities			
Interest accrued on secured long term loans		1,556,164	1,649,849
Mark-up accrued on secured long term loans		202,158	214,179
Due to construction, operation and maintenance contractors and others	16.1.1	44,754	144,794
Foreign Exchange Risk Insurance Fee (FERI)	16.1.2	698,334	801,952
Miscellaneous financing costs		47,046	36,492
Income tax accrued - contractors	16.1.3	5,325	5,325
Miscellaneous accrued liabilities	16.1.4	281,392	49,052
		-----	-----
		2,835,173	2,901,643

	<i>Note</i>	<b>1999</b> <i>(Rs. '000s)</i>	<b>1998</b> <i>(Rs. '000s)</i>
Other liabilities			
Octroi charges		11,359	12,960
Custom duties, taxes and other levies		946	1,094
Income-tax deducted at source		6,880	4,169
Unearned income	16.1.5	1,110,672	1,066,209
Deferred income	16.1.6	332,955	239,312
Due to directors		810	386
Dividend payable		7,921	24,180
		-----	-----
		1,471,543	1,348,310
		-----	-----
		4,669,507	4,644,668
		=====	=====



16.1.1 This includes a sum of Rs. 26.460 million (1998: Rs. 119.293 million) in respect of services rendered by an associated company.

16.1.2 This represents fees payable to the State Bank of Pakistan (SBP) under the Foreign Exchange Risk Insurance Scheme (FERI) in respect of senior bank loans.

16.1.3 This represents income-tax accrued in respect of tax liabilities assumed under contracts by the Company, including a sum of Rs. 2.865 million (1998: Rs. 2.865 million) relating to an associated company.

16.1.4 This includes a sum of Rs. 10.045 million (1998: Rs. 16.868 million) in respect of professional services rendered by an associated company.

16.1.5 This represents Capacity Purchase Price invoiced for the succeeding month under the terms of Power Purchase Agreement (PPA).

16.1.6 This represents amounts billed by the Company and disputed but paid by WAPDA into an Escrow account. The Company has deferred income recognition until the resolution of disputes.

## **17. COMMITMENTS AND CONTINGENCIES**

17.1 The Company has entered into an Operation and Maintenance Agreement under which it is committed to pay certain fees to the Operator of the Plant. The operational phase fee is payable in fixed and variable portions. The fixed portion is being paid in specified amount for each month of the operating year whereas the variable portion is payable at the agreed rate for the actual power generated per month.

17.2 The Company has entered into a Fuel Supply Agreement (FSA) under which it is committed to purchase a certain quantity of oil from Pakistan State Oil (PSO) every year.

17.3 Counter guarantees, to meet the requirements under the above agreements, issued to various banks which are secured pari passu with Senior Loans amount to Rs. Nil (1998: Rs. 2,267 million).

17.4 On May 8, 1998, a constitutional petition was filed in the Lahore High Court (LHC) against the Company under Article 199 of the Constitution of Pakistan. The Petitioner challenged the decision of the Government and the Water and Power Development Authority (WAPDA) to enter into the Power Purchase Agreement (PPA) on the grounds that the tariff was discriminatory in favour of the Company. The Petition also accused the Government, WAPDA and the Private Power & Infrastructure Board (PPIB) of having acted malafide and fixing a tariff which was unjustifiable.

At the request of the Petitioner, the LHC issued interim orders, which were subsequently amended by the Supreme Court (SC) which prohibited the Company from distributing profit to shareholders and restricted the fixed element of the tariff or Capacity Purchase Price to a maximum of Rs. 845 million per month plus billings in respect of the variable element or Energy Purchase Price. Although directed by the SC to dispose the matter by the end of 1998, the petition has not been fixed for hearing so far. The Company believes that it is wholly without merit.

In a related action, on July 9, 1998, the Company filed a request for arbitration in the International

Court of Arbitration of the International Chamber of Commerce (ICC) for hearing in London against WAPDA pursuant to the PPA. The relief sought in the arbitration is a declaration that Amendment No. 2 to the PPA is valid and that WAPDA is bound by its terms.

The Tribunal was fully constituted in mid January 1999. The Tribunal first met on February 22, 1999 but could not proceed as the Company was restrained by a court order from participating in the proceedings. Subsequent attempts to convene have also proved abortive for the same reason. The Company is continuing its efforts to vacate these restraints and to commence proceedings before the Tribunal as soon as it is able.

On October 11, 1998, WAPDA alleged that the Supplemental Deed dated November 16, 1993 and Amendment Nos. 1 and 2 of the PPA dated February 24, 1994 and September 17, 1994, respectively are void ab initio because they were said to have been procured by unlawful means. WAPDA, in addition, is claiming the repayment of Rs. 16 billion allegedly overpaid. The Company has referred the allegations made by WAPDA and has included these issues in the ICC arbitration. The Company has issued notices to WAPDA under the PPA which could result in the termination of the PPA. Corresponding notices have also been issued in respect of the Implementation Agreement (IA) and the Fuel Supply Agreement (FSA). In the event that the PPA is terminated, in these circumstances, the IA would also terminate and the Company (and through the Company the shareholders of the Company) would be entitled to compensation from the Government of Pakistan as set out in the IA.

In aid of its request for arbitration, the Company filed a suit in the High Court of Sindh (SHC) in November 1998, requesting the Court to direct WAPDA to proceed to ICC arbitration and restrain WAPDA from taking any proceedings except ICC arbitration and other interlocutory and consequential relief. After a full hearing by a single judge of the High Court, interlocutory proceedings eventually resulted in an order on March 22, 1999 whereby, inter alia, WAPDA was directed to proceed to arbitration. The order has been appealed by both WAPDA and (on different grounds) by the Company before an appellate bench of the SHC and the Single Judge's order, including the direction to proceed to arbitration, was suspended at WAPDA's behest. Hearing in WAPDA's appeal continue, along with the restraint on the Company to proceed with the ICC arbitration in London. The Company will pursue its remedies in this respect as required to protect and promote its right to have these disputes resolved by arbitration.

Meanwhile on January 16, 1999, WAPDA also filed a suit against the Company and others in a civil court at Lahore claiming inter alia rescission of the Supplemental Deed dated November 16, 1993 and Amendments 1 and 2 to the PPA, the recovery of a sum of Rs. 17 billion (previously identified as Rs. 16 billion) alleged to have been overpaid to the Company, unquantified damages and other consequential relief. The court was also requested to restrain the Company from proceeding with the ICC arbitration in London and the recovery of any monies under the Standby Letter of Credit given by WAPDA to secure its payment obligation under the PPA and this relief was granted without notice to the Company.

The Company raised various preliminary objections including the pendency of the ICC arbitration and the Sindh Suit and after several hearings and, in view of the Sindh Suit, the learned Judge was pleased not to extend the interim order. In this respect, WAPDA has filed revision proceedings in the Lahore High Court which are pending. In view of fresh calls on the Standby Letter of Credit by the Company, WAPDA renewed its request to the court to restrain the Company from encashing the Standby Letter of Credit, which was granted on June 29, 1999.

The above situation has resulted in a receivable from WAPDA of Rs. 9,887.14 million (see note 11.1) as at June 30, 1999. The recoverability of this amount is dependent upon the eventual outcome of these disputes.

17.5 On September 11, 1998, the Deputy Commissioner of Income tax (DCIT) raised assessments amounting to Rs. 1,895.666 million stating that the Company did not withhold tax at the time of issue of shares to sponsors against Project Development Costs incurred by them. The Company has deposited tax of Rs. 296.872 million against the above demands in accordance with the departmental procedures. In addition to the above, further assessment orders for Rs. 49.571 million were also issued for non payment of the tax levied. Appeals filed by the Company before the Commissioner of Income-tax (Appeals) and thereafter with the Income Tax Appellate Tribunal (ITAT) were decided against the Company. The Company has filed further appeals before the Lahore High Court (LHC) which are pending adjudication. The LHC granted a stay of demand for the outstanding tax liability which according to the provisions of section 136 of the Income Tax Ordinance, 1979 expired on August 2, 1999. However, the LHC has directed the DCIT not to institute recovery measures without its permission. The management and their tax advisors are of the opinion that the eventual outcome will be in favour of the Company and the tax of Rs. 296.872 million paid will become refundable.

#### 18. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

The aggregate amounts incurred during the year for remuneration, including all benefits to the Chief Executive, a Director and the Executives of the Company were as follows:

	<i>1999</i> (Rs. '000s)	<i>1998</i> (Rs. '000s)
	<i>Chief Executive</i>	
Managerial remuneration	16,734	12,655
Bonus	3,356	4,416
House rent	5,308	3,378
Utilities	428	751
Retirement benefits	2,965	3,365
Other benefits	227	692
	----- 29,018	----- 25,257
Number of persons	1	1
	<i>Director</i>	
Managerial remuneration	807	1,464
Bonus	--	--
House rent	--	--
Utilities	--	--
Retirement benefits	--	--

Other benefits	--	--
	-----	-----
	807	1,464
	-----	-----
Number of persons	1	1
	<b>Executives</b>	
Managerial remuneration	24,448	22,792
Bonus	4,628	1,499
House rent	9,490	9,083
Utilities	1,382	1,440
Retirement benefits	4,844	4,165
Other benefits	1,777	4,138
	-----	-----
	46,569	43,117
	-----	-----
Number of persons	40	39
	<b>Total</b>	
Managerial remuneration	41,988	36,911
Bonus	7,983	5,915
House rent	14,798	12,461
Utilities	1,810	2,191
Retirement benefits	7,810	7,530
Other benefits	2,005	4,830
	-----	-----
	76,394	69,838
	-----	-----
Number of persons	42	41

In addition, the Chief Executive and certain Executives are provided with the use of Company maintained automobiles.  
The number of employees at the end of the year were 51 (1998: 52).

#### 19. TRANSACTIONS WITH ASSOCIATED COMPANIES

	<i>Note</i>	<i>1999</i> <i>(Rs. '000s)</i>	<i>1998</i> <i>(Rs. '000s)</i>
Amounts paid for services rendered	19.1	1,730,409	1,354,790
		=====	=====
Repayment of loan and interest	19.2	447,695	213,252
		=====	=====

19.1 These represent transactions with principal shareholders of the Company under various service

agreements.

19.2 These represent amounts paid to a lender having representation on the Board of the Company.

## 20. CAPACITY AND PRODUCTION

Theoretical maximum output	10,512 GWh	10,512 GWh
Total output	5,351 GWh	5,789 GWh
Load Factor (Base Case 64.6%)	50.90%	55.10%

## 21. WORKING CAPITAL CHANGES

(Increase)/decrease in current assets		
Stores and spares	--	23,969
Inventory of fuel oil	(9,703)	12,912
Trade debts	(5,776,494)	(1,304,798)
Advances, deposits, prepayments and other receivables	(950,365)	186,996
	-----	-----
	(6,736,562)	(1,080,921)
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	146,804	(264,331)
	-----	-----
	(6,589,758)	(1,345,252)
	=====	=====

## 22. BASIC EARNINGS PER SHARE (RUPEES)

Net profit for the year (rupees in thousand)	6,704,587	10,807,937
	=====	=====
Number of ordinary shares in issue during the year	1,157,154,387	1,157,154,387
	=====	=====
Basic earnings per share (Rupees)	5.79	9.34
	=====	=====

## 23. FINANCIAL INSTRUMENTS

These comprise deposits, receivables, advances, cash, loans, obligations under finance lease and certain other assets and liabilities.

### (a) Financial Assets

The financial assets of the Company amount to Rs. 20,634 million (1998: Rs. 15,335 million) of which Rs. 10,233 million (1998: Rs. 10,981 million) are interest bearing and subject to interest rate risk. These include amounts held as reserve for debt service of various loan facilities and amounts held with financial institutions.

### **Foreign Exchange Risk**

Interest bearing financial assets include Rs. 1,703 million (1998: Rs. 3,306 million) in foreign currencies which are subject to currency exposure.

### **Credit Risk**

The Company's trade receivables which are part of the financial assets are subject to credit risk. These trade receivables relate to sale of electricity to WAPDA as per the PPA which is under dispute (see note 17.4). The Company's credit risk is mitigated by a guarantee from the Government of Pakistan under the Implementation Agreement (IA).

### **(b) Financial Liabilities**

The financial liabilities of the Company amount to Rs. 37,257 million (1998: Rs. 40,398 million) out of which Rs. 34,050 million (1998: Rs. 37,071 million) are interest bearing, which mostly represent loans in both local currency and foreign currencies.

### **Interest Rate Risk**

Interest bearing financial liabilities of the Company include Rs. 23,237 million (1998: Rs. 25,167 million) subject to fixed interest rate and Rs. 10,813 million (1998: Rs. 11,904 million) subject to floating interest rates. The floating rate liabilities comprise bank borrowings, bearing interest rate fixed in advance for stipulated time period by reference to LIBOR or TIBOR. The Company also hedges for interest rate cap for transactions in Japanese Yen relating to ECO and JEXIM facilities.

### **Foreign Exchange Risk**

The loans payable by the Company in foreign currencies are covered under the Foreign Exchange Risk Insurance Scheme (FERI) provided by the State Bank of Pakistan, which protects the loan liability against the devaluation of Pakistan Rupee.

### **Liquidity Risk**

The Company may encounter difficulties in raising funds to meet its commitments under different loans, Fuel Supply Agreement and Operation and Maintenance Agreement, due to the situation explained in note 17 to these financial statements.

### **(c) Fair value of Financial Assets and Liabilities**

The carrying values of all financial assets reflected in the financial statements approximate their fair value. Set out below is a comparison of book values and fair values of all the Company's financial liabilities:

<i>1999</i> <i>(Rs. '000s)</i>		<i>1998</i> <i>(Rs. '000s)</i>	
<i>Book Value</i>	<i>Fair Value</i>	<i>Book Value</i>	<i>Fair Value</i>

Loans	34,042,867	46,078,795	37,063,018	44,035,864
Others	3,213,894	3,396,618	3,334,608	3,469,336

The difference between book value and fair value of loans is covered under the Foreign Exchange Risk Insurance Scheme (FERI).

## 24. GENERAL

24.1 Figures presented in these accounts are rounded off to the nearest thousand rupees.

24.2 Figures have been rearranged for the purposes of comparison, wherever necessary.

S. K. Husain  
Chief Executive

D.V. Johns  
Director

## PATTERN OF SHAREHOLDING AS AT JUNE 30, 1999

<i>Size of Holding</i>		<i>No. of</i>	<i>No. of</i>
<i>From</i>	<i>To</i>	<i>Shareholders</i>	<i>Shares Held</i>
1	100	249	24,476
101	500	12,302	6,085,231
501	1,000	1,575	1,441,917
1,001	5,000	2,290	6,808,408
5,001	10,000	756	6,233,456
10,001	15,000	261	3,358,730
15,001	20,000	185	3,439,637
20,001	25,000	149	3,550,400
25,001	30,000	93	2,639,834
30,001	35,000	65	2,167,726
35,001	40,000	56	2,166,200
40,001	45,000	35	1,527,317
45,001	50,000	37	1,807,500
50,001	55,000	24	1,260,000
55,001	60,000	28	1,638,800
60,001	65,000	20	1,270,100
65,001	70,000	19	1,300,800
70,001	75,000	21	1,551,000
75,001	80,000	12	944,900
80,001	85,000	7	587,600
85,001	90,000	7	618,000
90,001	95,000	5	473,000
95,001	100,000	31	3,088,900
100,001	105,000	8	819,500
105,001	110,000	5	545,500

110,001	115,000	4	449,500
115,001	120,000	5	588,400
120,001	130,000	6	754,500
130,001	135,000	3	398,700
135,001	140,000	3	420,000
140,001	145,000	1	141,500
145,001	150,000	14	2,077,000
150,001	155,000	4	614,700
155,001	160,000	5	791,000
160,001	165,000	4	658,000
165,001	170,000	1	165,500
170,001	175,000	2	347,500
175,001	180,000	2	359,500
180,001	185,000	3	546,600
185,001	195,000	2	376,400
195,001	200,000	14	2,795,000
200,001	205,000	4	810,500
205,001	210,000	3	621,000
210,001	215,000	2	422,500
215,001	220,000	2	437,500
220,001	230,000	5	1,136,000
230,001	235,000	3	697,800
235,001	240,000	1	238,000
240,001	245,000	1	244,500
245,001	250,000	6	1,498,000
250,001	280,000	1	251,500
280,001	285,000	2	567,100
285,001	290,000	2	572,500
290,001	295,000	1	293,000
295,001	300,000	3	900,000
300,001	310,000	1	302,000
310,001	315,000	1	311,400
315,001	320,000	1	318,500
320,001	340,000	2	648,000
340,001	350,000	1	344,500
350,001	365,000	2	713,400
365,001	380,000	1	368,500
380,001	385,000	1	384,500
385,001	390,000	1	388,000
390,001	395,000	1	395,000
395,001	410,000	3	1,196,800
410,001	445,000	1	411,000
445,001	455,000	3	1,350,000
455,001	495,000	1	458,500
495,001	505,000	3	1,492,400
505,001	535,000	2	1,015,167
535,001	545,000	1	537,000
545,001	560,000	2	1,095,500



560,001	565,000	2	1,125,000
565,001	575,000	1	570,000
575,001	590,000	1	576,500
590,001	635,000	1	593,000
635,001	640,000	1	639,200
640,001	645,000	1	643,500
645,001	680,000	2	1,296,000
680,001	690,000	1	682,200
690,001	695,000	1	691,000
695,001	745,000	1	700,000
745,001	795,000	1	747,500
795,001	800,000	1	800,000
800,001	840,000	1	800,400
840,001	895,000	1	845,000
895,001	900,000	1	900,000
900,001	905,000	1	900,500
905,001	950,000	1	907,000
950,001	955,000	2	1,907,000
955,001	975,000	1	957,600
975,001	980,000	1	980,000
980,001	995,000	1	985,000
995,001	1,005,000	1	1,000,000
1,005,001	1,015,000	1	1,008,500
1,015,001	1,020,000	1	1,015,600
1,020,001	1,035,000	1	1,020,500
1,035,001	1,045,000	1	1,040,000
1,045,001	1,060,000	1	1,047,500
1,060,001	1,070,000	1	1,062,000
1,070,001	1,085,000	2	2,150,000
1,085,001	1,095,000	1	1,090,000
1,095,001	1,170,000	1	1,100,000
1,170,001	1,215,000	1	1,175,000
1,215,001	1,230,000	1	1,220,000
1,230,001	1,375,000	1	1,232,200
1,375,001	1,470,000	1	1,377,000
1,470,001	1,475,000	2	2,948,300
1,475,001	1,495,000	1	1,480,000
1,495,001	1,555,000	1	1,500,000
1,555,001	1,610,000	1	1,557,000
1,610,001	1,620,000	1	1,613,000
1,620,001	1,695,000	1	1,624,000
1,695,001	1,740,000	1	1,698,100
1,740,001	1,795,000	1	1,741,000
1,795,001	1,815,000	1	1,800,000
1,815,001	1,940,000	1	1,816,500
1,940,001	1,945,000	1	1,943,500
1,945,001	1,995,000	1	1,974,183
1,995,001	2,120,000	2	4,075,000

2,120,001	2,155,000	1	2,122,600
2,155,001	2,285,000	1	2,160,000
2,285,001	2,315,000	2	4,604,983
2,315,001	2,370,000	1	2,368,000
2,370,001	2,395,000	1	2,350,000
2,395,001	2,430,000	1	2,400,000
2,430,001	2,525,000	1	2,432,200
2,525,001	2,980,000	3	8,504,700
2,980,001	3,145,000	1	2,971,000
3,145,001	3,500,000	1	3,146,000
3,500,001	3,505,000	1	3,504,500
3,505,001	4,030,000	1	4,030,000
4,030,001	5,640,000	1	5,636,000
5,640,001	6,025,000	1	6,023,000
6,025,001	7,685,000	1	7,680,900
7,685,001	7,700,000	1	7,700,000
7,700,001	10,000,000	1	10,000,000
10,000,001	11,625,000	1	11,624,000
11,625,001	14,390,000	1	14,389,786
14,390,001	15,120,000	1	15,118,750
15,120,001	18,220,000	1	18,220,000
18,220,001	18,995,000	1	18,992,500
18,995,001	20,435,000	1	20,432,459
20,435,001	21,250,000	1	21,248,016
21,250,001	25,195,000	1	25,194,700
25,195,001	33,810,000	1	33,806,000
33,810,001	51,405,000	1	51,400,721
51,405,001	140,285,000	1	140,280,633
140,285,001	239,675,000	1	239,674,509
239,675,001	321,330,000	1	321,329,841
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	TOTAL	18,464	1,157,154,387
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#### CATEGORIES OF SHAREHOLDINGS AS ON JUNE 30, 1999

<i>Sr. No.</i>	<i>Categories</i>	<i>No. of Shareholders</i>	<i>No. of Shares Held</i>	<i>Percentage</i>
1.	Individuals	18,196	104,139,117	9.00
2.	Joint Stock Companies	89	542,615,572	46.89
3.	Financial Institutions	108	171,286,450	14.80
4.	Investment Companies	38	10,341,000	0.90
5.	Insurance Companies	14	5,271,700	0.45
6.	Modaraba & Leasing Companies	17	1,812,100	0.16
7.	Government of Balochistan	1	358,607	0.03
8.	GDR Depository	1	321,329,841	27.77

Total

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18,464  
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1,157,154,387  
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100.00  
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The above two statements include 3,332 Shareholders Holding 259,838,245 shares through the Central Depository Company of Pakistan Limited (CDC).

## SHAREHOLDERS' INFORMATION

Shareholders' Enquiries

General enquiries relating to the Company should be addressed to:

The Company Secretary  
The Hub Power Company Limited  
3rd Floor, Islamic Chamber Building  
ST-2/A Block 9, Clifton  
P.O. Box No. 13841, Karachi

Enquiries relating to Shares should be addressed to:

Ford, Rhodes, Robson, Morrow  
Registrar of The Hub Power Company Limited  
Writers Chambers  
Mumtaz Hassan Road  
Karachi

Enquiries relating to GDRs should be addressed to either:

1) Bank of New York  
ADR Division  
101 Barclay Street  
22, West New York  
NY 12086, U. S. A.

2) ANZ Grindlays Bank Limited  
I. I. Chundrigar Road  
Karachi