



Power for **PEOPLE**



ANNUAL REPORT 2016

Power for **PEOPLE**

We are not just a power generating company; we want to bring economic power to the people as well. With new projects and CSR program that create jobs and empowers communities, we are on the road to progress and prosperity. This year as a theme of our annual report we want to share some of the facts about HUBCO and the way it empowers people.



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Vision

To be an energy leader - committed to deliver growth through energy.

Mission

To be a growth oriented energy company that achieves the highest international standards in its operations and delivers a fair return to its shareholders, while serving the community as a caring corporate citizen.



Company Profile & Group Structure

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 “Ordinance”). The shares of the Company are listed on the Pakistan Stock Exchange (PSX) and its Global Depository Receipts are listed on the Luxembourg Stock Exchange. The Company owns an oil-fired power station of 1,200 MW (net) in Balochistan (Hub plant) and a 214 MW (net) oil-fired power station in Punjab (Narowal plant).

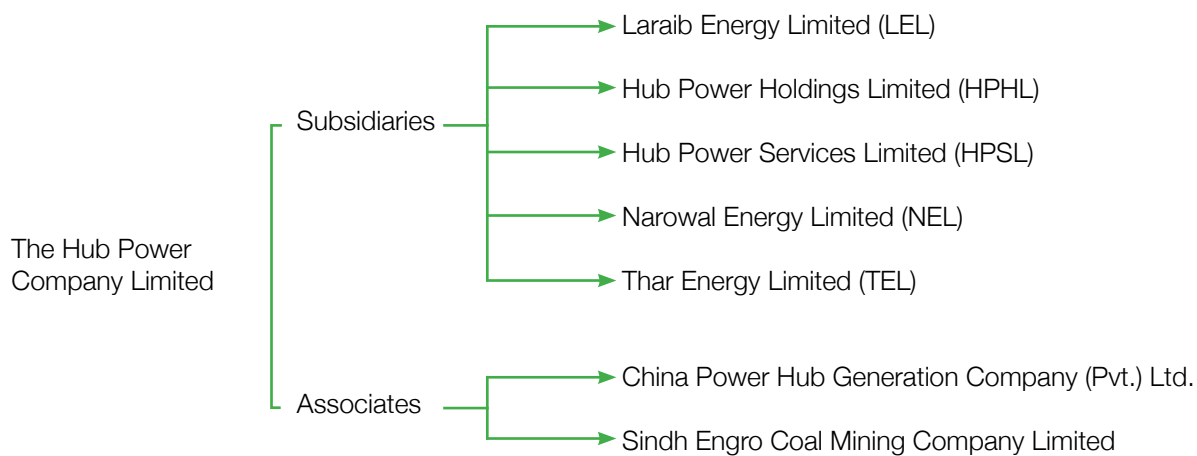
The Company also holds 75% controlling interest in Laraib Energy Limited which owns and operates a run of the river hydel power plant near the New Bong Escape, 8 km downstream of Mangla Dam in Azad Jammu and Kashmir.

The Company has established wholly owned subsidiaries for its future growth initiatives. Hub Power Holdings Limited (HPhL) has been incorporated to invest in the imported coal based 2x660 MW power project and future expansion initiatives. The Company, with its joint venture partner China Power International Holdings (CPIH), has set up China Power Hub Generation Company (Pvt.) Ltd. (CPHGC), to undertake the aforementioned imported coal-based power project.

A subsidiary, Hub Power Services Limited (HPSL) has been incorporated to manage O&M of its existing power assets and explore other O&M business opportunities onshore and offshore. Another subsidiary, Narowal Energy Limited, has been incorporated to take over the assets and liabilities of Narowal plant post its demerger under the Companies Ordinance, 1984.

The Company also has established Thar Energy Limited to set up a 330 MW mine mouth coal power plant at Thar Coal Block 2, Sindh.

The Company is also investing USD 20 million in Sindh Engro Coal Mining Company Limited (SECMC), a joint venture between Engro Powergen, Thal Limited, HBL, CMEC, Government of Sindh and the Company to develop a coal mine at Thar which has the seventh largest reserves of coal in the world.



Business Strategy

With an aggressive growth plan and a focus on increasing the shareholder value, the Company is committed to promote long-term development of the Country. The strategy is not just to aim for growth of the profits but also to ensure that the local communities, our partners and other stakeholders also share our growth and prosperity.

In the years to come, our business strategy will be focused on:

- Increasing reliability and sustainability of our base business
- Increasing power generation and improving the energy mix by utilizing alternative and indigenous sources
- Aligning our HSE systems with the best of the international practices
- Strengthening our team by attracting, hiring and retaining competent and experienced professionals
- Investing 1% of PAT on projects of socio-economic development, with complete involvement and engagement of the local communities to create ownership of the development
- Continuing with our resolve to end the long prevalent energy crisis

SWOT Analysis



Company Information

BOARD OF DIRECTORS

Mr. Hussain Dawood	Chairman
Mr. Khalid Mansoor	Chief Executive
Mr. Andalib Alavi	
Syed Muhammad Ali	
Mr. Iqbal Alimohamed	
Mr. Abdul Samad Dawood	
Mr. Shahzada Dawood	
Mr. Shahid Ghaffar	
Mr. Qaiser Javed	
Mr. Noor Muhammad Jomezai	GOB Nominee
Mr. Ruhail Mohammed	
Mr. Muhammad Waseem Mukhtar	
Mr. Owais Shahid	
Syed Khalid Siraj Subhani	

AUDIT COMMITTEE

Mr. Iqbal Alimohamed (Chairman)
Mr. Andalib Alavi
Mr. Shahid Ghaffar
Mr. Qaiser Javed
Mr. Noor Muhammad Jomezai
Mr. Ruhail Mohammed
Mr. Owais Shahid

COMPANY SECRETARY

Mr. Shamsul Islam

MANAGEMENT

Mr. Khalid Mansoor
Mr. Tahir Jawaid
Mr. Abdul Nasir
Mr. Shamsul Islam
Syed Hasnain Haider
Mr. Saleemullah Memon
Mr. Nazoor Baig
Mr. Mohammad Kaleem Khan
Mr. M. Inam Ur Rehman Siddiqui

REGISTERED & HEAD OFFICE

11th Floor, Ocean Tower
Block-9, Main Clifton Road, Karachi
P.O. Box No. 13841, Karachi-75600
Email: Info@hubpower.com
Website: <http://www.hubpower.com>

SUBSIDIARIES

Hub Power Holdings Limited
Hub Power Services Limited
Narowal Energy Limited
Thar Energy Limited
Laraib Energy Limited

PRINCIPAL BANKERS

Allied Bank of Pakistan
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited

Bank Islami Pakistan Limited
Bank of Punjab
Burj Bank Limited
Citibank N.A. Pakistan
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Industrial & Commercial Bank of China
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Pak Brunei Investment Company Limited
Pak China Investment Company Limited
Pak Kuwait Investment Company (Pvt) Ltd.
Samba Bank Limited
Standard Chartered Bank (Pakistan) Ltd.
Sumitomo Mitsui Banking Corp. Europe Ltd, London
United Bank Limited

INTER-CREDITOR AGENTS

Habib Bank Limited
Allied Bank Limited
NIB Bank Limited

LEGAL ADVISOR

RIAA Barker Gillette

AUDITORS

EY Ford Rhodes, Chartered Accountants

REGISTRAR

FAMCO Associates (Pvt) Limited

HUB PLANT

Mouza Kund,
Post Office Gaddani,
District Lasbela, Balochistan.

NAROWAL PLANT

Hubco Narowal Project, Mouza Poong,
5 Km from Luban Pulli Point On Mureedkay-Narowal
Road, District Narowal, Punjab

LARAIB ENERGY LTD (SUBSIDIARY)

Head Office:

12-B/1, Multi Mansion Plaza, G-8, Markaz,
Islamabad

Plant:

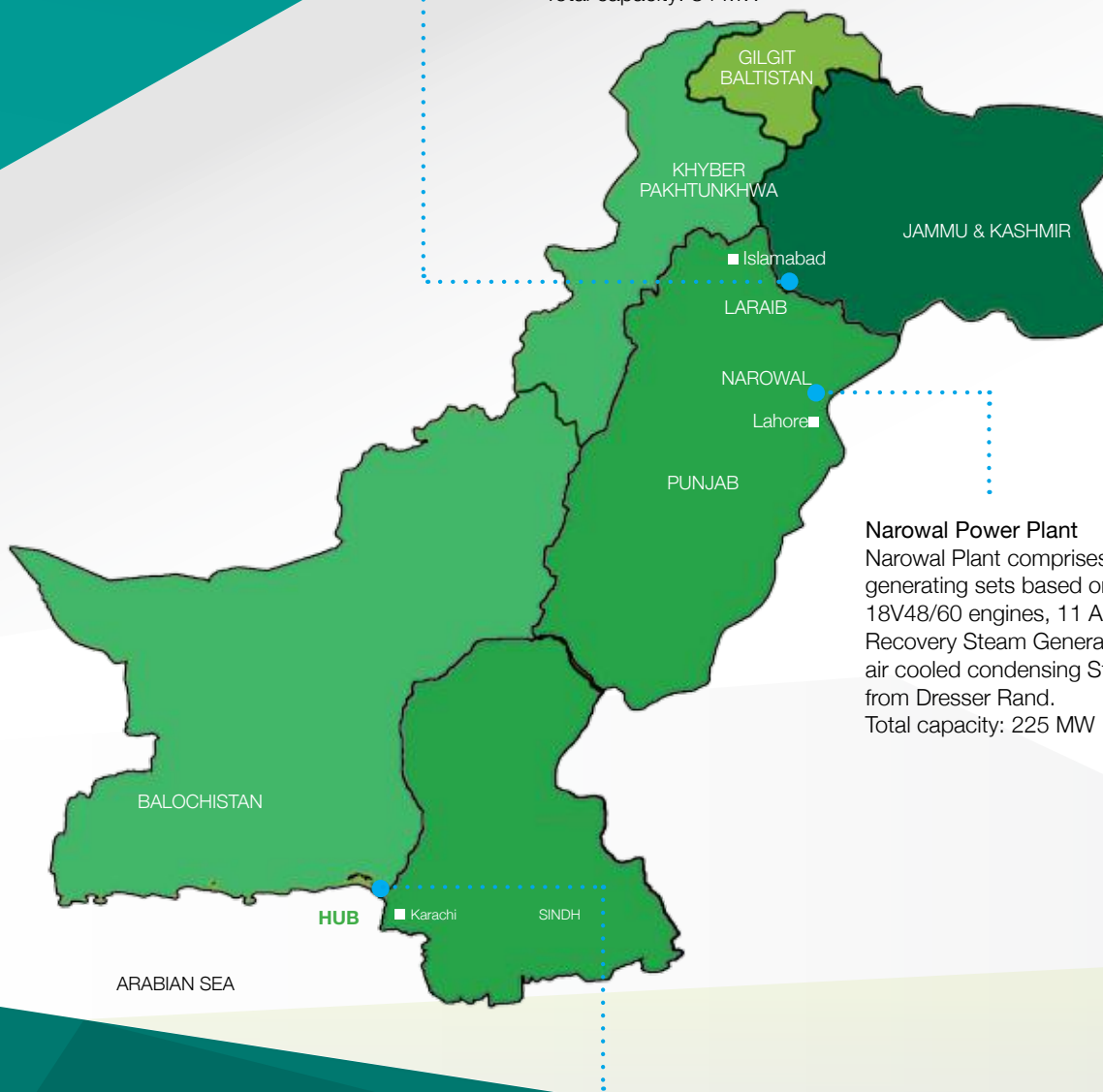
New Bong Escape Hydro-Electric Power Complex,
Village Lehri, Tehsil & District Mirpur, Azad Jammu &
Kashmir

Geographical Presence

Laraib Energy Ltd.

Laraib Energy Limited has set up a run of the river hydro power plant, comprising 4 Kaplan Bulb turbines of 21 MW each.

Total capacity: 84 MW



Narowal Power Plant

Narowal Plant comprises of 11 generating sets based on MAN 18V48/60 engines, 11 Alborg Heat Recovery Steam Generators and one air cooled condensing Steam Turbine from Dresser Rand.

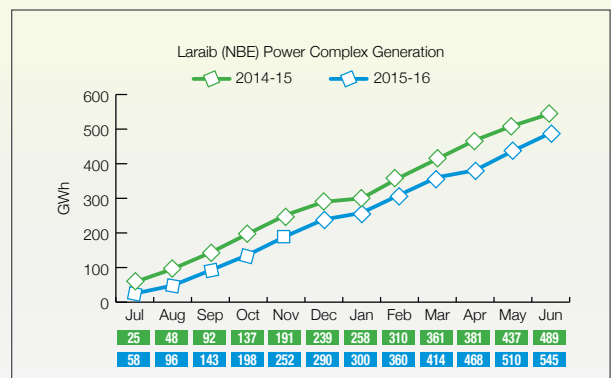
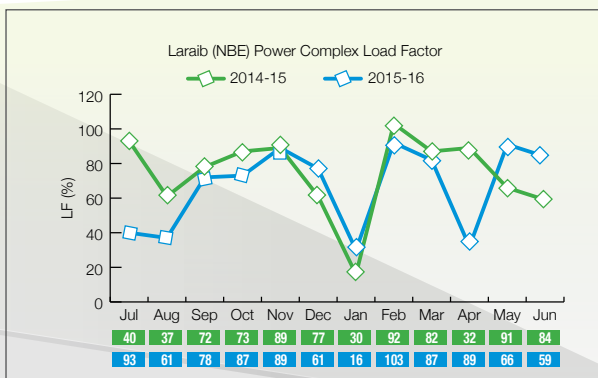
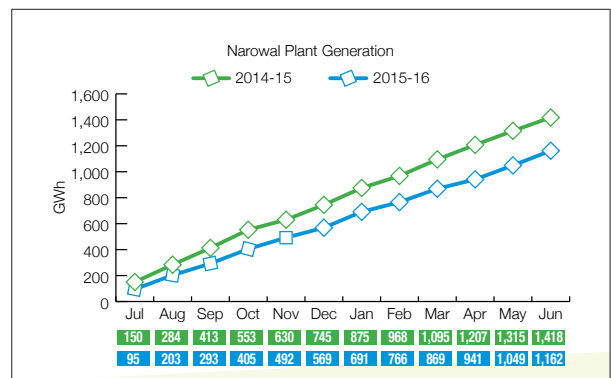
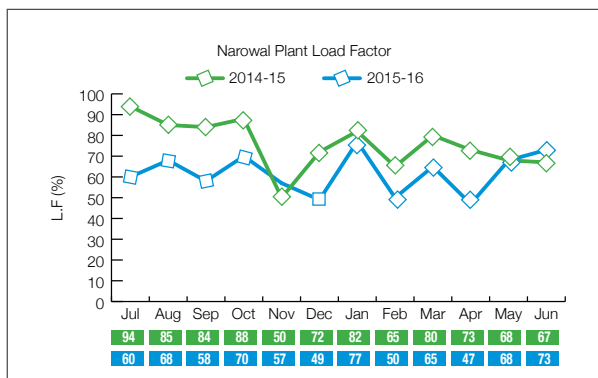
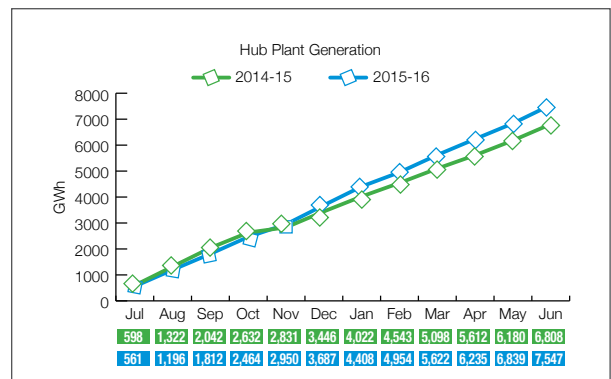
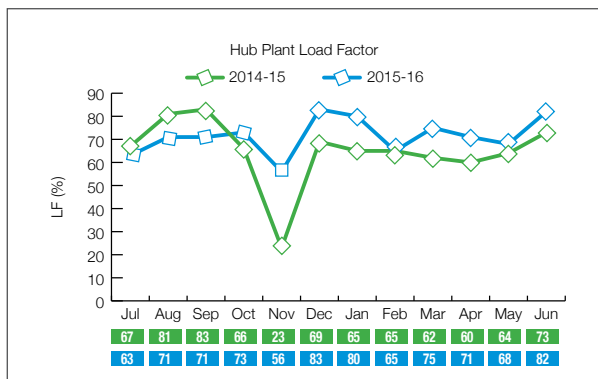
Total capacity: 225 MW

Hub Power Plant

Hub Plant consists of four generating units each rated at 323 MW gross output, with oil-fired single re-heat boiler and tandem compound, two cylinder condensing steam turbines directly coupled to a hydrogen cooled generator.

Total capacity: 1292 MW

Operational Highlights





Power for **PEOPLE** with COLLABORATIONS

We have established wholly owned subsidiaries for future growth initiatives, the operations and maintenance of Hub and Narowal plants and to takeover assets and liabilities of Narowal plant post its demerger. We have set up Thar Energy Limited to establish a 330 MW mine mouth coal power plant. We are investing in Sindh Engro Coal Mining Company Limited (SECMC) with other partners to develop a coal mine. Currently the Company is one of the largest private sector player contributing 1600 megawatts and bringing prosperity to the Country.



Board of Directors

Mr. Hussain Dawood
Chairman

Mr. Andalib Alavi

Syed Muhammad Ali

Mr. Iqbal Alimohamed

Mr. Abdul Samad Dawood

Mr. Shahzada Dawood

Mr. Shahid Ghaffar

Mr. Kaiser Javed

Mr. Noor Muhammad Jomezai
GOB Nominee

Mr. Ruhail Mohammed

Mr. Muhammad Waseem Mukhtar

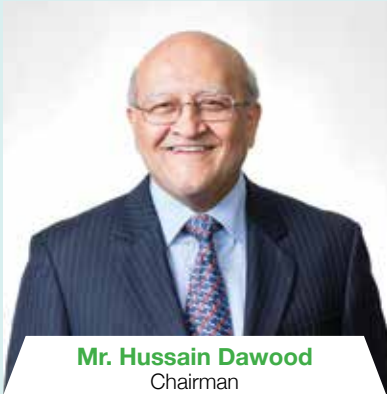
Mr. Owais Shahid

Syed Khalid Siraj Subhani

Mr. Khalid Mansoor
Chief Executive



Profile of Board of Directors



Mr. Hussain Dawood
Chairman

Mr. Hussain Dawood is a Pakistani industrialist and ardent philanthropist. He chairs an array of profit and not-for-profit ventures namely Dawood Hercules Corporation Ltd. the group's flagship holding arm with investments in foods and energy, Engro Corporation Ltd.; The Hub Power Company Ltd., one of the largest Independent Power Producer in Pakistan; Karachi Education Initiative, which funds the graduate management school Karachi School of Business & Leadership, and The Dawood Foundation, with its legacy of establishing various education and health institutions across the country.

His social responsibilities include Memberships of the World Economic Forum and its Global Agenda Councils of Anti-Corruption and Education. He was conferred the award "Ufficiale Ordine Al merito della Repubblica Italiana" by the Republic of Italy. Mr. Hussain Dawood holds an MBA from the Kellogg School of Management, Northwestern University, USA, and is a graduate in Metallurgy from Sheffield University, UK.

Mr. Andalib Alavi is Vice President-Legal and Company Secretary of Engro Corporation Limited and manages the legal affairs of all Engro group companies. He was a member of the Corporate Governance Committee of the Karachi Stock Exchange.

He is a Bar-at-Law from Lincolns Inn and holds a LLB (Hons.) degree from LSE, University of London. He joined Engro in 1992 as Legal Advisor. Prior to that, he worked with two law firms, being Surridge & Beecheno and Abraham & Sarwana, and practiced law independently thereafter.



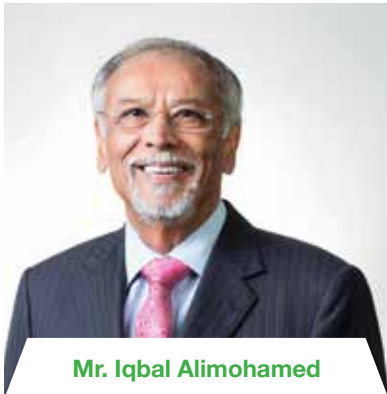
Mr. Andalib Alavi



Syed Muhammad Ali

Syed Muhammad Ali is the Chief Executive Officer of Engro Vopak Terminal Limited / Engro Elengy Terminal (Pvt) Limited and Elengy Terminal Pakistan Limited. He is also heading the New Ventures Division at Engro Powergen Limited since September 2015. Prior to this, he was the Chief Executive Officer of Engro Powergen Qadirpur Limited since November 2011.

Previously he has held various key assignments of Engro Corporation Limited. He joined Engro Fertilizers Limited in the year 2000 and has worked in various technical and managerial capacities. He was also involved in the enVen Project of setting up the world's largest fertilizer Plant in Daharki. He is also a director on the Board of Engro Vopak Terminal Ltd, Elengy Terminal Pakistan Limited, Engro Elengy Terminal (Pvt) Limited, Engro Powergen Limited, Engro Power International Holdings B.V., Engro Power International Investments B.V., Engro Power Services Nigeria Limited, Engrogen Services Mauritius, Engro Powergen Thar (Private) Limited, Engro Foundation, GEL Utility Limited, Kolachi Portgen (Private) Limited, The Hub Power Company Limited, Hub Power Services Ltd, Narowal Energy Ltd, Laraib Energy Limited and Petroleum Institute of Pakistan. Prior to his joining Engro, he worked at Fauji Fertilizers Limited and ICI Pakistan Limited. Ali has done his Bachelors in Electrical Engineering from UET Lahore in 1995.



Mr. Iqbal Alimohamed

Mr. Iqbal Alimohamed is a Fellow of the Institute of Chartered Accountants (England & Wales) and the Institute of Chartered Accountants, Pakistan.

Mr. Alimohamed is on the Board of various companies in the power and textile industries, which include being the Chief Executive Officer and Chairman of Gul Ahmed Energy Limited and Gul Ahmed Wind Power Limited. He is a Director of Metro Power Company Limited as well as National Foods Limited.

Previously, Mr. Alimohamed has been the Chief Executive Officer and Chairman of Gul Ahmed Textile Mills Limited. He was also the Chairman of Mybank Limited and Excel Insurance Company Limited. In the past, Mr. Alimohamed has also held Chairmanships of the All Pakistan Textile Mills Association (Sindh & Balochistan). Mr. Alimohamed has also been a Director on the Board of Faysal Asset Management Limited, Swift Textile Mills Limited and the Karachi Stock Exchange.

Mr. Abdul Samad Dawood is a graduate in Economics from University College London, UK and a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance. He is Chairman of Engro Foods Limited and Director on the Boards of Dawood Lawrencepur Limited, The Hub Power Company Limited, Engro Corporation Limited and Engro Fertilizers Limited. He was recently appointed Italian Honorary consul general in Lahore. Samad is a member of Young Presidents' Organization, Pakistan Chapter.



Mr. Abdul Samad Dawood



Mr. Shahzada Dawood

Mr. Shahzada Dawood serves as a Director on the Boards of Dawood Hercules Corporation Ltd, Engro Corporation Ltd, DH Fertilizers Ltd, Dawood Corporation (Pvt.) Ltd, Engro Foods Ltd, Engro Vopak Terminal Ltd, Engro Eximp Ltd, Patek (Pvt.) Ltd, Engro Polymer & Chemicals Ltd, Sirius (Pvt.) Ltd, Tenaga Generasi Ltd and Dawood Lawrencepur Ltd. He is a Trustee of The Dawood Foundation. Mr. Shahzada is an M.Sc. in Global Textile Marketing from Philadelphia University, USA, an LLB from Buckingham University, UK and a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance. He has been selected as a Young Global Leader 2012 by the World Economic Forum.

Profile of Board of Directors

Mr. Shahid Ghaffar is Managing Director, National Investment Trust Limited (NITL). He possesses vast experience of working at top positions in the financial sector. Prior to joining NIT, he was working as Head of Investor Relations and Corporate Representation as well as member of Management Forum at Habib Bank Limited (HBL). Prior to that he had also served as Chief Executive Officer of HBL Asset Management Limited for over six years (2005-2012) and was instrumental in the establishment and growth of the Company.

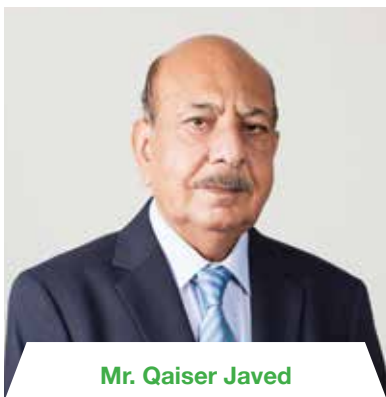
Mr. Ghaffar has held key positions in the areas of asset management, capital market regulation and governance. At Securities And Exchange Commission of Pakistan (SECP) he served as Executive Director/Commissioner from 2000 to 2005 and played a vital role towards implementation of wide ranging reforms in the Capital Market and capacity building of Securities Market Division in Securities And Exchange Commission of Pakistan (SECP). While working as Managing Director/CEO Karachi Stock Exchange during his two years' tenure (1998-2000) he introduced effective risk management measures and was also instrumental in the automation of trading, enhancing capacity building and professionalism at the Stock Exchange.

During the period 1977-1998, Mr. Shahid Ghaffar had served National Investment Trust Limited (NITL) (one of the biggest open-ended funds in the country) in different capacities in the Asset Management Division and at various stages was responsible for managing equity market portfolio, debt/fixed income portfolio and trading desk. He was also involved in the appraisal and monitoring of projects. In 1996, Mr. Ghaffar was entrusted responsibility of Asset Management Division. He actively participated in the reconstruction of NITL during the crisis period i.e. 1996-1998.

Mr. Ghaffar holds Master Degree in Business Administration from Gomal University D.I.Khan, Khyber Pakhtunkhwa, Pakistan. He has attended several courses on Securities Regulations and Securities Markets Development and portfolio management including the prestigious course conducted by Securities and Exchange Commission, in Washington, DC. (United States).



Mr. Shahid Ghaffar

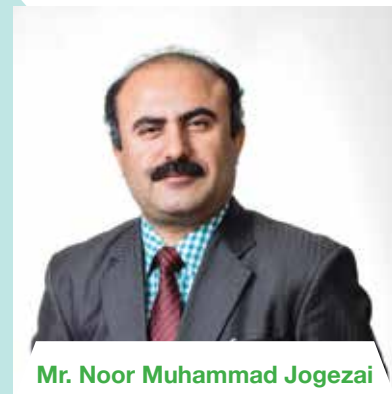


Mr. Qaiser Javed

Mr. Qaiser Javed is a Fellow of the Institute of Chartered Accountants, Pakistan. Mr. Javed was first elected on the Company's Board of Directors in 2006 and has thirty years' work experience in the power sector. He is presently Director Finance of Fauji Foundation and a nominee Director on the Boards of several Fauji Foundation's associated companies and is Chairman of various audit committees of Fauji Foundation Group Companies.

He is the Chief Executive Officer of two Wind Power projects being set up by Fauji Foundation and also member on Board of Fauji Daharki Power Company, Fauji Kabirwala Power Company Limited, FFC Energy Limited, Laraib Energy Limited and Chief Executive Officer of an off shore company (Daharki Power Holding Company).

Mr. Noor Muhammad Jomezai was appointed as a Director of the Company on July 12, 2016. Mr. Jomezai did his MBA (HRM) from University of Balochistan. He started his career as Assistant Commissioner and served as Deputy Commissioner, Commissioner Balochistan Employees Social Security Institution and Director General Provincial Disaster Management Authority Balochistan. Presently, Mr. Jomezai is Secretary Industries & Commerce Department, Government of Balochistan.



Mr. Noor Muhammad Jomezai

Mr. Ruhail Mohammed is currently the Chief Executive Officer of Engro Fertilizers Limited.

Prior to his current position, he was the Chief Financial Officer of Engro Corporation Limited and also the Chief Executive Officer of Engro Powergen Limited (which owns a 217 MW IPP). He holds an MBA degree in Finance from the Institute of Business Administration Karachi, and is also a Chartered Financial Analyst (USA).

Mr. Ruhail has 25 years of Financial & Commercial experience and prior to becoming CEO has worked in areas such as treasury, commodity & currency trading, derivatives, merger & acquisitions, risk management, strategy & financial planning in Pakistan, UAE and Europe.

He is on the Board of Engro Corporation Limited and its various subsidiaries. In addition, he is also on the Boards of Pakistan Institute of Corporate Governance and the Sindh Board of Investment.



Mr. Ruhail Mohammed



Mr. Muhammad Waseem Mukhtar

Mr. Muhammad Waseem Mukhtar is an MBA from the University of Chicago Booth School of Business, Illinois, USA. He also holds a Master's degree in Total Quality Management (TQM) from University of Glamorgan, Wales, U.K. and has diversified 17 years of experience in Finance, IT and Industry. He is a "Certified Director" from Pakistan Institute of Corporate Governance. He has been on the Board of Directors of Allied Bank Limited since 2004 and his strategic guidance played a vital role in technological up-gradation of the Bank.

He is also a Director on the Boards of M/s Ibrahim Fibres Limited, Ibrahim Agencies (Pvt.) Limited, ABL Asset Management Company Limited, Arabian Sea Country Club and Faisalabad Industrial Estate Development Company (FIEDMC).

Mr. Owais Shahid is Chief, Corporate & Investment Banking Group in Allied Bank Limited (ABL). He joined ABL in 2005 and has led its investment banking team as Head Syndications and then as Group Head Investment Banking. He established it as a leading investment banking outfit in Pakistan. His Corporate & Investment Banking experience spans over 15 years and includes numerous innovative and unique transactions in syndications, M&A, listings, project financing and capital markets.

With strong credit background and substantial corporate finance & advisory experience, he has led a number of landmark transactions and has executed over 400 investment banking transactions valuing over USD 30 Billion with ABL being in a lead role. These transactions also include various "first of its kind", "largest" and "award-winning" transactions concluded in history of Pakistan's investment banking industry.

In recognition of ABL's market leadership in investment banking in Pakistan, ABL was honored with over 30 investment banking awards from internationally recognized institutions. Mr. Owais also represents ABL on the Boards of Hubco, Kot Addu Power and Atlas Power.

Prior to joining ABL, he has worked for National Bank of Pakistan, Standard Chartered Modaraba and Emirates Bank International. His qualifications include BBA (Hons) & MBA from IBA, Karachi and Chartered Financial Analyst from CFA Institute, USA.



Mr. Owais Shahid

Profile of Board of Directors



Syed Khalid Siraj Subhani

Syed Khalid Siraj Subhani is the President of Engro Corporation Limited since 2015.

He is the Chairman of the Board of Engro Fertilizers Limited, Engro Eximp AgriProducts (Private) Limited, Engro Polymer & Chemicals Limited, Engro Polymer Trading (Private) Limited, Engro Powergen Limited, Engro Powergen Qadirpur Limited, Engro Vopak Terminal Limited, Engro Elengy Terminal (Private) Limited, Elengy Terminal Pakistan Limited and Thar Power Company Ltd. He has also served as Chairman of the Board of Avanceon in the past. Mr. Subhani is a Director on the Board of Engro Corporation Limited, Engro Foods Limited, Sindh Engro Coal Mining Company Limited. He is also a Director on the Board of The Hub Power Company Limited and Laraib Energy Limited.

Mr. Subhani began his career in the Manufacturing Division at Exxon Chemical Pakistan Limited in 1983 and has held a variety of leadership roles within the Company, including long term assignment with Esso Chemical Canada. He has served as Manager for New Projects, General Manager for Operations, Vice President for Manufacturing, Senior Vice President for Manufacturing and New Ventures and as President & Chief Executive Officer for Engro Fertilizers Limited and Engro Polymer Chemicals Limited.

He is a member of the Pakistan Engineering Council, Business Advisory Council of the Society for Human Resource Management (SHRM) Forum Pakistan, Academic Council of Institute of Business Administration – Sukkur, Faculty Selection Board of Institute of Business Administration – Sukkur, and Standing Committee on Environment of Federation of Pakistan Chambers of Commerce & Industry.

He graduated from NED University of Engineering and Technology, Pakistan with a degree in Chemical Engineering and has completed programs on advance management from MIT and Haas School of Business Management, University of Berkeley, USA.

Mr. Khalid Mansoor is Graduate in Chemical Engineering with distinction and honors. He has been the Chief Executive Officer of Hubco since May 20, 2013.

Mr. Mansoor is also Chairman of Laraib Energy Limited, Chairman and CEO of Hub Power Services Ltd. and Narowal Energy Ltd., CEO of Hub Power Holdings Ltd. and Thar Energy Limited - the HUBCO subsidiaries. He also represents Hubco on the Board of Sindh Engro Coal Mining Company. In January 2016, he was elected as Vice President of the Overseas Investors Chamber of Commerce & Industry (OICCI) for the term 2016.

He has over 35 years of experience and expertise in Energy & Petrochemical Sectors in leading roles for mega size Projects Development, Execution, Management and Operations. He has previously served as the Chief Executive Officer of Algeria Oman Fertilizer Company (AOA) which has constructed the World biggest Ammonia & Urea fertilizer Complex including around 120MW Captive Power Plant which is located in Industrial Zone of Arzew.



Mr. Khalid Mansoor
Chief Executive

In the area of natural gas, he spearheaded the development of a 225 MW power plant at Engro Powergen Limited. As Chairman of Laraib Energy Limited, which is the owner and developer of Pakistan's first and currently the only Hydel IPP, he is actively promoting the development of Pakistan's hydropower potential as long term sustainable solution for Pakistan's energy needs. He is also pursuing the development of a 330 MW mine mouth power plant at Thar.

Prior to AOA, he held the position of the President and Chief Executive Officer of Engro Fertilizers Limited, Engro Powergen Qadirpur Limited (EPQL), Engro Powergen Limited (EPL) and Sindh Engro Coal Mining Company (SECMC).

He also held various key assignments at Engro and with Esso Chemicals Canada including leading the development and execution of various major diversification and expansion Projects for Engro. He had been a Director on the Boards of Engro Corporation, Engro Fertilizers Limited, Engro Polymer & Chemicals Limited, Engro Powergen Qadirpur Limited, Engro Powergen Limited and Sindh Engro Coal Mining Company. He had also served as a Director on the Boards of Engro Foods (Pvt.) Limited, Engro Vopak Terminal Limited, Sui Northern Gas Pipeline Limited and Chairman of the Board of Engro Powergen Limited in the recent past.

Hub Power Station



Board & Functional Committees

To ensure seamless operations of the Board and aid in sound decision making, the Board has established four Committees that are chaired by non-executive directors. The election for the Board of Directors was held on October 5, 2015. These committees are as follows:

BOARD AUDIT COMMITTEE (BAC):

The committee assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to shareholders in compliance with the requisite legislative and regulatory standards, systems of internal control and risk management and the audit process. It has the power to call for information from management and to consult directly with the external auditors or their advisors as considered appropriate.

The committee met 4 times during the year and the attendance was as follows:

Pre-election	Meetings attended
Mr. Iqbal Alimohamed	1/1
Mr. Shabbir H. Hashmi	1/1
Mr. Qaiser Javed	1/1
Mr. Ruhail Mohammed	1/1
Mr. Ali Munir	1/1

Post-election	Meetings attended
Mr. Iqbal Alimohamed	2/3
Mr. Qaiser Javed	0/3
Mr. Ruhail Mohammed	2/3
Syed Ahmed Iqbal Ashraf	0/3
Mr. Abdul Fattah Bhangar	2/3
Mr. Andalib Alavi	2/3
Mr. Shahid Ghaffar	2/3
Mr. Owais Shahid	3/3

Secretary: Mr. Muhammad Irfan Iqbal

BOARD COMPENSATION COMMITTEE (BOC):

The committee meets to review and recommend all elements of the Compensation, Organization and Employee Development policies relating to the senior executives' and members of the management committee. The CEO attends Board Compensation Committee meetings by invitation.

The committee met 3 times during the year and the attendance was as follows:

Pre-election	Meetings attended
Mr. Hussain Dawood	1/1
Syed Ahmed Iqbal Ashraf	0/1
Mr. Abdul Fattah Bhangar	0/1
Mr. Shahid Hamid Pracha	1/1
Syed Khalid Siraj Subhani	1/1
Mr. Ajaz Ali Khan	1/1

Post-election	Meetings attended
Mr. Hussain Dawood	2/2
Syed Khalid Siraj Subhani	2/2
Mr. Shahid Ghaffar	1/2
Mr. Ruhail Mohammed	1/2
Mr. Muhammad Waseem Mukhtar	1/2

Secretary: Mr. Tahir Jawaid

BOARD TECHNICAL COMMITTEE (BTC)

The committee meets to review the internal control system relating to plant operations, approve plant betterments and exceptional expenditures. It also reviews the issues of O&M and measures to safeguard the Company's assets.

The committee met 9 times during the year and the attendance was as follows:

Pre-election	Meetings attended
Syed Khalid Siraj Subhani	2/2
Syed Muhammad Ali	1/2
Mr. Iqbal Alimohamed	2/2
Mr. Shahid Hamid Pracha	2/2
Mr. Inam Ur Rahman	2/2

Post-election	Meetings attended
Syed Khalid Siraj Subhani	6/7
Syed Muhammad Ali	7/7
Mr. Andalib Alavi	7/7
Syed Ahmed Iqbal Ashraf	2/7
Mr. Abdul Fattah Bhangar	3/7
Mr. Abdul Samad Dawood	1/7

Secretary: Mr. Abdul Vakil

BOARD INVESTMENT COMMITTEE (BIC):

The committee reviews the investment plans and assists the Board in evaluating investment

performances whilst also monitoring various investment opportunities to utilize the Company's capital and financial resources. The Committee also reviews issues relating to investment, corporate finance, mergers and acquisitions.

The committee met 7 times during the year and the attendance was as follows:

Pre-election

Meetings attended

Mr. Abdul Samad Dawood	1/1
Syed Muhammad Ali	1/1
Mr. Iqbal Alimohamed	1/1
Mr. Shabbir H. Hashmi	0/1
Mr. Ruhail Mohammed	0/1
Mr. Inam Ur Rahman	1/1

Post-election

Meetings attended

Mr. Abdul Samad Dawood	5/6
Syed Muhammad Ali	3/6
Mr. Iqbal Alimohamed	1/6
Mr. Ruhail Mohammed	4/6
Mr. Shahzada Dawood	3/6
Mr. Qaiser Javed	2/6
Mr. Owais Shahid	5/6
Syed Khalid Siraj Subhani	5/6

Secretary: Mr. Abdul Nasir

During the year, 2 joint BIC and BTC meetings were held. The attendance was as follows:

Pre-election

Meetings attended

Syed Khalid Siraj Subhani	2/2
Syed Muhammad Ali	1/2
Mr. Iqbal Alimohamed	1/2
Mr. Shahid Hamid Pracha	2/2
Mr. Inam Ur Rahman	2/2
Mr. Abdul Samad Dawood	1/2
Mr. Shabbir H. Hashmi	2/2
Mr. Ruhail Mohammed	0/2

MANAGEMENT COMMITTEE

The committee is to look at annual corporate objectives, approval and revision of budgets prior to presentation to the Board of Directors, review of strategy, stewarding corporate and departmental objectives. The Committee Members are as follows:

Mr. Khalid Mansoor	Chairman
Mr. Tahir Jawaid	Member
Mr. Abdul Nasir	Member
Mr. Nazoor Baig	Member
Syed Hasnain Haider	Member
Mr. Saleemullah Memon	Member
Mr. Shamsul Islam	Member
Mr. Kaleem Khan	Member
Mr. Inam ur Rehman	Member

Secretary: Mr. Abou Saeed M. Shah

COMMITTEE FOR ORGANIZATION AND EMPLOYEE DEVELOPMENT (COED)

The committee is to look at employee related policies, compensation, development, trainings, succession planning and to bring necessary focus on HR issues. The Committee members are as follows:

Mr. Khalid Mansoor	Chairman
Mr. Tahir Jawaid	Member
Mr. Abdul Nasir	Member
Mr. Nazoor Baig	Member
Syed Hasnain Haider	Member
Mr. Saleemullah Memon	Member
Mr. Shamsul Islam	Member
Mr. Kaleem Khan	Member
Mr. Inam ur Rehman	Member

Secretary: Mr. Farrukh Rasheed

CORPORATE HSE COMMITTEE

The committee provides strategic guidance for overall HSE improvement initiatives, sets corporate level HSE targets, reviews company-wide HSE statistics, investigation reports of major accidents, and stewards compliance to HSE management system and relevant national regulations. The Committee members are as follows:

Mr. Khalid Mansoor	Chairman
Mr. Tahir Jawaid	Member
Mr. Abdul Nasir	Member
Mr. Nazoor Baig	Member
Syed Hasnain Haider	Member
Mr. Shamsul Islam	Member
Mr. Inam ur Rehman	Member
Mr. Abbas Shahani	Member
Mr. Amjad Raja	Member
Mr. Abdul Vakil	Member
Mr. Muhammad Uneeb	Member
Mr. Saleemullah Memon	Member
Syed Hassan R. Bukhari	Member

Secretary: Mr. Kaleem Khan

Management Committee



KHALID MANSOOR
CEO



TAHIR JAWAID
SVP Corporate Services
& New Ventures



ABDUL NASIR
CFO



NAZOOR BAIG
Director Project Development



SYED HASNAIN HAIDER
CEO Laraib Energy



SALEEMULLAH MEMON
Director Project Finance



SHAMSUL ISLAM
Company Secretary

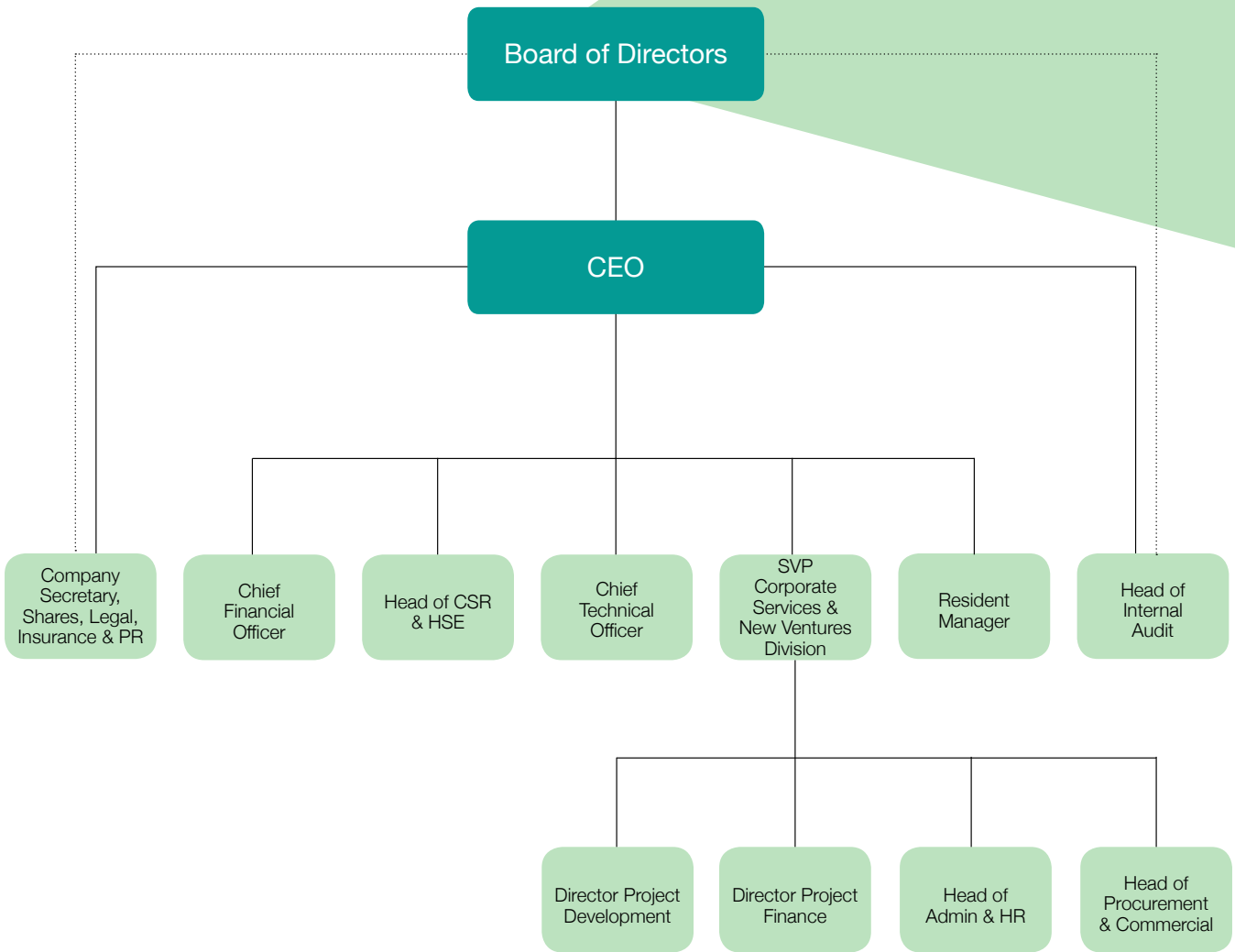


M. KALEEM KHAN
Head of CSR & HSE



INAM UR REHMAN
Resident Manager

Organizational Structure



— Administrative Reporting
 Functional Reporting

Chairman's Review



It is my privilege to present to you the 2016 Annual Report.

The constant shortfall in energy makes everyday life difficult for consumers and disrupts industrial and agricultural production. Without energy, we stay in the Stone Age. Without energy, our people have no opportunities to progress.

A direct indicator of economic development is the availability of electricity (only 73% of Pakistanis have electricity) and consumption of electricity per capita. Statistically, Pakistan has a relatively low consumption compared to regional countries. Our annual per capita consumption is 418 KWh, which is half of India's, and eight times less than that of China. With the rate of population growth, an additional generation of at least 10,000 megawatts may be required by the year 2020 for the country to minimize load-shedding.

We are convinced that economic progress and prosperity for all is only possible through the availability, affordability and sustainability of energy. Our Company is well positioned to contribute to the sustainable resolution of the energy shortage in Pakistan, and we are focusing on the investments required to augment the country's energy infrastructure.

Our current expansion through joint-venture agreements with China Power International Holdings for the construction of 2x660 megawatt plants based on imported coal and an ancillary jetty having a project cost of over USD 2 billion with Financial Close planned for January 2017. We are happy to

say it is the only power project under China Pakistan Economic Corridor in the province of Balochistan. This can result in socio-economic benefits for the people of the region.

The development of the Thar coalfield in Sindh is a historic event of national magnitude. Our Company also, is contributing to harnessing the country's indigenous energy resources with an equity partnership in Sindh Engro Coal Mining Company. It allows us to explore the coal supply option for a 330 megawatt mine-mouth power plant in Thar Block II, for which we have established Thar Energy Limited.

Our Company continues to develop capability in the Operation & Management (O&M) business by successfully taking over our existing power assets and coal plants in the future. This wholly owned subsidiary will explore domestic and international opportunities for O&M services.

I would like to express my sincere gratitude to the Shareholders for their trust in the Board of Directors, Management, Employees and all Stakeholders, who deserve due recognition for their contributions in the transformation of our Company in the energy sector. A testimony of the effectiveness of this collaboration and teamwork is in the value appreciation of the stock price of our Company by 165% and a total dividend payout of Rs.35 per share since September 2012. We are committed to conduct our business ethically and with merit.

Hussain Dawood

CEO's Message



As Pakistan's first Independent Power Producer, Hubco has gone through many changes and significant growth over the years.

However, since 2013, after the Dawood Group took charge of the Company's management, we started to make bolder, innovative moves to completely reshape ourselves at an unprecedented rate. As a result, Hubco has established itself as a trendsetter in the energy sector.

Today, in a vibrant, emerging landscape of Pakistan, Hubco is a success story to share.

With a total installed generation capacity of 1,601 MW, Hubco is the most geographically diversified independent power producer (IPP) in Pakistan, and currently produces approximately 10 percent of the nation's effective power generation capacity. The centerpiece in our current operations is the Hub Power Plant a 1,292MW oil-fired power station situated in Hub, Balochistan.

The Company has added capacity in the national grid by expanding its operations to encompass a 225MW oil-fired power station in Narowal, Punjab, as well as a 75 percent controlling interest in Laraib Energy Limited, which is Pakistan's only hydel IPP with an 84MW run-of-the-river hydro power plant near the New Bong Escape, 8km downstream of Mangla Dam, Azad Jammu & Kashmir.

Hubco is now focused on further developing its energy portfolio in response to our Country's rapidly increasing power demand.

During the year 2015-16, we registered one of the best financial performances achieved by the Company in its history and posted a stellar consolidated profit of Rs. 11.9 billion attributable to the shareholders of the Company. Our stock also outperformed the benchmark index during the Financial Year under review.

We have made consistent progress in improving the reliability, safety and operating performance of our assets, and are now positioning ourselves for a major era of expansion.

At present, we are in the advanced stages of a historic, multi-billion-dollar project to develop 2x 660MW plants based on imported coal and an ancillary jetty for coal transport near the existing Hub plant. The cost of the project is estimated at over USD 2 billion and it will be one of the largest private-sector investments in Pakistan.

The development of the Coal Project will also result in immense socio-economic benefits for the region and substantial increase in per capita income of people living in Balochistan, specially Hub and Lasbela. The project will improve the living standards of the adjoining community and provide equitable development in all parts of the province.

We are also investing in Thar coal project which is being developed by Sindh Engro Coal Mining Company (SECMC). Thar coal mines have the potential to become the energy capital of the Country. By becoming equity partners in SECMC, we are contributing to harnessing the Country's energy resources.

CEO's Message

Utilizing the coal supply option that the Company has by virtue of its investment in SECMC, the Company has incorporated Thar Energy Limited to set up a 330MW mine mouth coal power plant at Thar in partnership with other strategic partners. The Company has received its LOI from PPIB to set up the project, has applied for its Generation License and submitted the application for the acceptance of the Upfront Tariff.

The development of these energy resources represents a game-changing event of national significance, and we are determined to contribute as Pakistan moves to realize the high, untapped potential of its energy resources.

To gain the expertise in self-operating large scale power projects, we have now taken over the Operations and Management (O&M) of the Hub and Narowal Power Stations. HR transition on both the plants has been completed and the required systems have been put in place to ensure smooth and uninterrupted operations of both the plants. During the year, Narowal Energy Limited (NEL) was also incorporated for the demerger of the Narowal Plant into a separate legal entity.

We are now aligning our HSE practices with the international benchmark and have initiated the process to adopt the World best DuPont Safety System in all the three power plants.

We are deploying Manufacturing Excellence (MAX) initiatives to boost efficiency across our business operations. MAX has enabled us to improve the reliability and sustainability of our plants and has resulted in a net saving of Rs. 70 million during the year under review.

We have also signed a contract with General Electric (GE) for provision of digital industrial solutions for the Hub Plant. These solutions will enable Hubco to analyze and monitor operations across all touch-points in real time and help identify any maintenance issues ahead of time, leading to greater asset uptime and reduced unplanned downtime.

We have gone through significant transformation during the last few years. However, we have never lost sight of our responsibilities towards the communities that host us. Our prime focus has always been on helping and empowering the communities that surround us. Our CSR program is a magnification of our outreach to a multitude of individuals and households. We stand firm in our commitment to contribute to the socio-economic development and to improving the quality of life of the local communities in the underdeveloped areas near our plants. CSR initiatives in the fields of Education, Health, Community Physical Infrastructure and Livelihood opportunities for the local communities, will therefore remain integral to the Company's development philosophy.

Hubco is led by a group of people with a wealth of experience and expertise. It is largely due to their commitment, hard work and dedication that we have accomplished so much. We are a team of strategic thinkers who constantly demonstrate leadership attributes and have a sound technical understanding and business insight. Our team is committed to creating superior value for all stakeholders and shares a common vision for the bright future of Pakistan.

I am hopeful that our growth projects will not only bring together all the key players of economy on one platform to highlight potential of investment in Pakistan, but also help such initiatives that will put it on the path towards rapid and sustainable socio-economic growth.

I would like to take this opportunity to thank all of our employees for their outstanding contributions in the success of the Company and our families in supporting us all along. I would also like to extend our sincerest gratitude to our shareholders for the confidence and trust they have reposed in us and for their unwavering support.

Khalid Mansoor



View from Laraib Power Plant



Report of the Directors

The Directors of your Company are pleased to present the Annual Report of the Company along with its audited financial statements for the year ended June 30, 2016.

About the Company

The Hub Power Company Limited (Hubco) is the first Independent Power Producer (IPP) in the Country with a combined installed power generation capacity of over 1600 MW. Our Hub Plant, situated at Mouza Kund, Hub in Balochistan, is one of the most efficient RFO fired thermal power plant in Pakistan. It supplies reliable and uninterrupted electricity to the National grid. Our Narowal Plant is also an RFO-fired, engine based, combined cycle power station, located at Mouza Poong, Narowal in Punjab. The Company also holds 75% controlling interest in Laraib Energy Limited which owns and operates a run of the river hydel power plant near the New Bong Escape, 8 km downstream of Mangla Dam in Azad Jammu and Kashmir.

The Company has established wholly owned subsidiaries for its future growth initiatives. Hub Power Holdings Limited (HPHL) has been incorporated to invest in the imported coal based 2x660 MW power project and future expansion initiatives. The Company, with its joint venture partner China Power International Holdings (CPIH), has set up China Power Hub Generation Company (Pvt.) Ltd. (CPHGC), to undertake the aforementioned imported coal-based power project.

A subsidiary, Hub Power Services Limited (HPSL) has been incorporated to manage O&M of its existing power assets, upcoming coal projects and explore other O&M business opportunities onshore and offshore. Another subsidiary, Narowal Energy Limited, has been incorporated to take over the assets and liabilities of Narowal plant post its demerger under the Companies Ordinance, 1984.

The Company also has established a wholly-owned subsidiary Thar Energy Limited to set up a 330 MW mine mouth coal power plant at Thar coal block II, Sindh.

The Company is also investing USD 20 million in Sindh Engro Coal Mining Company Limited (SECMC), a joint venture between Engro Powergen, Thal Limited, HBL, CMEC, Government of Sindh and the Company to develop a coal mine at Thar which has the seventh largest reserves of coal in the world.

The Company is listed on the Pakistan Stock Exchange. The Company's Global Depository Receipts (GDRs) were listed on the Luxembourg Stock Exchange (LSE) under the storage mechanism of regulated information referred to in directive 2004/109/EC of December 2004 and effective

August 2016, the GDRs have been transferred to Euro MTF market in LSE.

Health, Safety and Environment

HSE is Company's first and foremost priority. The Company continued its zero lost work-day injury record and completed 15 million safe man-hours, since the last accident at Hub Site in December 2013 till the end of the year under review. Total Recordable Injury Rate (TRIR) for the year under review was 0.33. Company has also initiated the process to adopt the highest DuPont Safety System at all its three plants.

All three plant sites are currently progressing on the development of DuPont Process Safety Management (Level 2) Procedures. The initiating workshop was conducted in the month of February. The trainings on DuPont Safety Management Elements are still in progress.

Operational Highlights

Hub Plant

Hub Plant completed 10 million man-hours without Lost Time Injury since last accident in December 2013.

Our Hub Plant continued to supply reliable and uninterrupted electricity to the national grid. This year the plant generated 7,547 GWh of electricity (2014-15: 6,810 GWh) with a load factor of 72% (2014-15: 65%) and plant availability of 87% (2014-15: 78%). The electricity generation during the year under review was higher than the last year mainly due to higher availability and utilization by power purchaser.

After termination of the Operations and Maintenance (O&M) Agreement with International Power Global Development Limited (IPGDL), HPSL took over the O&M of Hub Plant with effect from August 1, 2015. To provide a seamless transition, 100% of the old staff were retained and taken over by HPSL.

Predictive Enhancement and Performance Improvement (PEPI) solutions

Hubco has signed a contract with General Electric (GE) for provision of digital industrial solutions for the Hub Plant. These solutions will help the Company enhance the reliability of its operations.

Powered by Predix, GE's cloud-based operating system built exclusively for power industry, which includes a suite of software solutions that can enable Hubco to analyze and monitor operations across all touch-points in real time and help identify any maintenance issues ahead of time, leading to greater asset uptime and reduced unplanned downtime.

Narowal Plant

Narowal Plant completed 3.1 Million man-hours without Lost Time Injury since COD.

Our Narowal Plant supplied 1,162 GWh of electricity to the national grid compared to 1,418 GWh last year. The plant operated at a load factor of 62% compared to 76% in 2015. The electricity generation during the year under review was lower than the last year mainly due to lower plant dispatch by power purchaser.

Effective April 22, 2016, HPSL has taken over the Operations and Maintenance (O&M) from TNB REMACO Pakistan (Private) Limited (TNBRP), the O&M operators since the COD of the Plant, following the expiry of their five-year contract.

Major overhauls of two engines have been carried out during the year under review. Major overhauls of six more engines have been planned during 2016-17 and further three engines in the following year. Major overhaul of Steam Turbine is planned for in August 2016.

Laraib Energy Limited

Laraib Plant completed 1.8 Million man-hours without Lost Time Injury since its COD.

Laraib Plant – known as the New Bong Escape Hydro Power Plant (NBEHPP) – generated 545 GWh of green energy as compared to 489 GWh last year (11% more than last year's generation). Correspondingly, plant load factor of the hydro power complex enhanced to 74% compared to last year's 66%, reflecting much improved availability of the Complex as well as better hydrology from Mangla Powerhouse.

The Complex completed its third year of commercial operations under its PPA on March 22, 2016 on a high note and generated 530 GWh, i.e. 60

GWh more than the contractual number required under the PPA, and hence, earning bonus energy payment from the power purchaser. The hydro power complex also successfully completed the Annual Demonstrated Complex Test by generating more than PPA required energy (actual 2,094 MWh against requirement of 2,016 MWh).

Operations and maintenance of the Complex are being carried out by the O&M Operator TNB REMACO Pakistan (Private) Limited, a subsidiary of Malaysia's Tenaga Nasional Berhad, through its subsidiary TNB Repair and Maintenance Berhad SDN BHD (Remaco), in accordance with the terms of the Operations & Maintenance Agreement duly overseen by Company's operations staff deputed at Plant.

Financial Performance

Financial highlights of the Group during the year under review are as follows:

	Year ended June 30, 2016	Year ended June 30, 2015
	(Rs. in million)	
Turnover	91,595	137,836
Operating costs	73,013	118,588
Net Profit*	11,903	11,078
Earnings per share (Rs.)*	10.29	9.57

*Attributable to the Owners of holding company

Profitability

Consolidated earnings per share for the year under review was Rs. 10.29 compared to Rs. 9.57 last year. The increase in consolidated earnings is mainly due to net effect of savings due to self-operation and



Hubco Head Office

Report of the Directors

maintenance of Hub and Narowal Plants, lower LEL revenue due to the impact of interim relief received and recognized by LEL last year and share of loss from associates.

Unconsolidated net profit earned by the Company during the year under review was Rs. 11,576 million, resulting in earnings per share of Rs. 10.00 compared to a net profit of Rs. 9,853 million and earnings per share of Rs. 8.51 last year. The increase in profit is mainly due to net effect of savings due to self-operation and maintenance of Hub and Narowal Plants, decreased dividend income from LEL and higher repair and maintenance expenditure due to boiler rehabilitation work.

Liquidity and Financing Arrangements

Payments from the Power Purchasers were better than the last few years. However, substantial amounts are still owed to the Company resulting in a challenging liquidity management during the year.

Cash Flow

The Company managed to meet its cash obligations including debt servicing, investments and payment of dividends to shareholders despite the prevalent liquidity pressures.

The Company is presently owed Rs. 69,736 million, out of which Rs. 65,296 million for the Hub Plant and Rs. 4,440 million are owed to the Narowal Plant by the Power Purchasers. This resulted in the Company owing Rs. 56,668 million to PSO.

Laraib, however, received timely payments from NTDC. Total amount invoiced to NTDC by Laraib during the period was Rs. 5,175 million, of which 1,796 million are overdue receivables.

Capital Structure

The Company's assets are financed by debt and equity in the ratio of 43:57 and our interest cover is 4.77 times.

Risk Management & Strategy for Mitigating Risks

The Company is following and implementing a circumspect and cautious rationale to take care of all the risk and uncertainty that is faced by every business and affect its interests. The Company focuses on identifying all long-term and short-term risks, to overcome and eliminate them.

The Company considers itself to be exposed to material risks as described below:

1. Operational Risk

The Company has devised necessary strategies to mitigate the operational risks and substantial investments are constantly made to ensure Plant

reliability. The Company is carrying out requisite rehabilitation and refurbishments at the Hub Plant and is carrying out the requisite maintenance required at the Narowal and Laraib Plants.

2. Financial Risk

During the year, the Company was able to operate without any interruption, however, the financial difficulties faced by the Power Purchasers could potentially jeopardize the Company's ability to continue plant operations and pursue growth initiatives.

WAPDA for the past few years has not provided the standby letter of credit (SBLC) it was required to provide under the PPA for the Hub Plant and has also consistently delayed payment due to the Company. Consequently, the Company was unable to provide SBLC to PSO as required under the FSA.

The Company has been persistently pursuing GOP to have the Circular Debt issue resolved which has created a severe liquidity crunch for the power industry. The Company is also working with the Independent Power Producers Advisory Council (IPPAC) for the resolution of the Circular Debt and for creation of a smooth operating environment for the power sector.

a) Credit Risk

Delays in payments by NTDC for our Narowal Plant are mainly managed by us through bank borrowings whereas delay in payments by WAPDA for our Hub Plant are mainly offset by delaying payments to the fuel supplier.

b) Market Risk

The Company is not subjected to any market risk as it operates in a regulated environment under long term PPAs with the state owned power purchasers, and the power is generated as per their demand and supplied to the national grid.

c) Liquidity Risk

The Company has arranged working capital lines with various financial institutions to cater to the delay in receipt of payments from our power purchasers, meet its obligations and ensure normal business operations.

Credit Rating

PACRA's rating is an assessment of the credit standing of entities in Pakistan. Since 2008 when the Company initiated its rating process, it has maintained PACRA's long-term and short-term entity rating at AA+ and A1+ respectively. These ratings denote a very low expectation of credit risk and indicate very strong capacity for timely payment of financial commitments.

Corporate Social Responsibility

Initiatives of Community Development remained at the forefront of Company's business interventions. Our teams continued working tirelessly to identify the opportunities for development and uplifting the living standards of the communities near our plants.

During the year under review, Hubco, its subsidiaries and, JV Company, China Power Hub Generation Company (CPHGC) continued working in the areas of Education, Health, Livelihood and Income Generation and Physical Infrastructure development.

Human Resources

During the year, the Company focused on timely and successful O&M transition of Hub and Narowal Plants. HR transition on both plants was completed on time. Required HR systems have been put in place at both plants to ensure smooth function of both plants.

522 man days of training was conducted during the year on functional and soft skills covering 100% of the employee population.

Management Trainee Program was further strengthened to ensure the availability of required talent pool for base business and growth projects. Employer branding activities continued through recruitment drives and participating in other employer branding events.

Future Outlook

a. 2x660 MW Coal Project

Hubco through its wholly owned subsidiary Hub Power Holdings Limited (HPhL) is developing the 2x660MW imported Coal based Power Project with an integrated jetty to be constructed at the existing Hub Site. The project company China Power Hub Generation Company (Pvt.) Ltd. (CPHGC) is a joint venture between HPhL and China Power International (Pakistan) Investment Limited (a Hong Kong based company formed by China Power International Holdings Limited) for the investment in the Project.

To expedite the project through funding from China, the Company has offered China Power International Holdings (CPIH) 74% equity stake in the project. However, HPhL has the right to increase its equity from the current 26% to a minimum of 43% and maximum of 49% before the commercial operations date.

LOS for the project has been issued on April 12, 2016. CPHGC has accepted the upfront tariff announced by NEPRA for the coal based power project.

As an integral part of Project development, an Environmental and Social Impact Assessment (ESIA) study was carried out by renowned consultants Hagler Bailey. The report was submitted to Balochistan Environmental Protection Agency (BEPA) in June 2015 for the Power Plant and in January 2016 for the Jetty. After the review of the report and subsequent public hearing, BEPA has granted China Power Hub Generation Company (CPHGC) NOC in April 2016 to initiate Power Plant construction and in June 2016 for the construction of the Jetty.

Following a competitive bidding process, the contractors were selected and the EPC contracts for the Power Plant and the Jetty has been awarded. CPHGC is also engaged with leading Chinese banks to achieve timely Financial close and has inducted China Development Bank as the lead arranger. Physical activities have been initiated at the Power Plant Site, prior to Financial Close of the Project, to be able to achieve the Commercial Operations as committed to the Government. CPHGC is in negotiations with major global coal suppliers for entering into long term coal supply agreements.

b. Investment in Sindh Engro Coal Mining Company (SECMC)

Post the Shareholders Agreement between Engro, Thal Limited, HBL, CMEC, Government of Sindh and the Company, SECMC has signed key financing agreements with Chinese and Pakistani lenders for loan amount of USD 634 million. SECMC has achieved its Financial Close in April 2016 and construction activities have been initiated.

c. Narowal Demerger

Following the approval of the Board, Narowal Energy Limited (NEL) has been incorporated for the demerger of the Narowal Plant into a separate legal entity. The Board has approved the Scheme of Arrangement for the demerger of the Narowal Plant into NEL which will now be filed in Court after obtaining requisite approvals, for sanctioning the proposed demerger.

d. 330MW Plant at Thar

Utilizing the coal supply option that the Company has by virtue of its investment in SECMC, the Company has incorporated Thar Energy Limited to set up a 330MW mine mouth coal power plant at Thar in partnership with other investors. The Company has received the LOI from PPIB to set up the project, has applied for Generation Licence and has submitted the application for the acceptance of the Upfront Tariff.

Report of the Directors

e. JV Company for Coal Trading

The Shareholders Agreement (SHA) with CPIH provides for the Company to establish a coal JV company to venture into coal supply for the project at a later stage.

Repayment of long-term loan

The Company has fully repaid its long-term debt obtained for financing the Hub plant project in 1993.

Change in CEO's Remuneration & Re-appointment (U/S 218 of the Companies Ordinance, 1984)

Remuneration of the Company's Chief Executive Officer, Mr. Khalid Mansoor, was revised on February 16, 2016. This revision was effective from November 01, 2015 and his remuneration would be Rs.71.30 million per annum. Remaining terms and conditions of his employment contract remain unchanged and the Company will provide him with all benefits, allowances and perquisites which he is entitled to as per Company Policies. Notice of change in his remuneration was sent to the shareholders on March 04, 2016.

Subsequently, he was re-appointed as CEO with effect from May 20, 2016 for a term of three years at a remuneration of Rs 71.30 million per annum subject to such increments/adjustments and payments under the Variable Pay Plan of the Company, if any, as shall be applicable in his case. The remaining terms and conditions will remain unchanged, however, the Board may change his remuneration or other terms as it deems fit. Notice

of his re-appointment was sent to the shareholders on May 02, 2016 and is also disclosed in this Annual Report.

Dividend Guideline

The Board is cognizant of the investments made by the shareholders into the Company and appreciates the confidence and trust of its shareholders. After successfully paying the last tranche of the long-term debt of its flagship Hub Plant, the Company has more freedom to decide the timing of dividend declaration.

The Company would like to apprise its investors and stakeholders that going forward, the Company would declare quarterly dividends. As Hubco expands its investments in the energy sector, a minimum of Rs. 1.5 per share would be paid on quarterly basis. After considering the financial performance and cash flow requirements, the Company would adjust the dividend in the third quarter of the financial year so that shareholders can receive the dividend sooner.

Market share information

Pakistan's installed power generation capacity is around 24,823 MW of which hydel power is 28.67%, thermal power is 67.73%, wind is 0.43% and nuclear power is 3.17%. Actual power generation varies between 18,000 MW and 24,000 MW, depending mainly on discharge of water in the rivers and watercourses for hydel generation and availability of fuel for thermal Plants.

Overview of the Company's power generation for the last six years is as follows:

Fiscal Year	Electricity Generation (GWh)	Company's share (GWh)	% age
2010 – 11	100,582	8,352	8.3%
2011 – 12	98,822	9,091	9.2%
2012 – 13	98,842	8,643	8.7%
2013 – 14	105,996	9,119	8.6%
2014 – 15	109,059	8,717	8.0%
2015 – 16 (est.)	106,356	9,254	8.7%

Related Party Transactions

Related party transactions were placed before the Board Audit Committee and approved by the Board. These transactions were in line with the requirements of International Financial Reporting Standards (IFRS) and the Companies Ordinance, 1984. The Company maintains a thorough and complete record of all such transactions.

Financial Statements

The Company's Unconsolidated and Consolidated financial statements have been audited without any qualification by the Company's auditors Messrs EY Ford Rhodes, Chartered Accountants.

Corporate & Financial Reporting Framework

The Directors are pleased to confirm compliance with Corporate and Financial Reporting Framework of the Securities & Exchange Commission Pakistan (SECP) and the Code of Corporate Governance for the following:

- The financial statements, prepared by the management of the Company, fairly portray its state of affairs, the result of its operations, cash flows and changes in its equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- IFRS as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and is closely monitored; and
- There are no doubts in the Company's ability to continue as a going concern.

Key financial data of last six years is as follows:

Fiscal year ending June		2016	2015	2014	2013	2012	2011
Turnover	Rs. In millions	86,415	131,484	161,807	165,862	174,712	123,310
Profit	"	11,576	9,853	6,549	9,388	8,190	5,425
Assets	"	134,006	125,949	135,432	99,313	207,817	146,240
Dividend	"	15,622	9,257	8,100	7,522	6,943	5,786
Generation	(GWh)	9,254	8,717	9,119	8,643	9,091	8,352

Value of investments of provident fund and gratuity scheme based on their respective audited accounts as at June 30, 2015 are as follow:

	Rs. in millions
Provident Fund	92.227
Gratuity Fund	104.706

Board of Directors

The current members of the Board are listed on Page No. 12.

During the year 9 meetings of the Board of Directors were held. The election of Directors was held on October 5, 2015, two meetings were held before the election and seven after the election. Attendance by the Directors was as follows:

Information in relation to Luxembourg Stock Exchange

The Directors, in compliance with the requirements of the "Commission De Surveillance Du Secteur Financier, Societe de Bourse de Luxembourg SA", are pleased to confirm that to the best of their knowledge, the consolidated and unconsolidated financial statements for the year ended June 30, 2016 give a true and fair view of the assets, liabilities, financial position and financial results of the Company and are in conformity with approved accounting standards as applicable in Pakistan. Further, the aforementioned management report includes a fair review of the development and performance of the Company together with the potential risks and uncertainties faced, if any.

Pre-election	Meetings attended
Mr. Hussain Dawood	2/2
Syed Muhammad Ali	2/2
Mr. Iqbal Alimohamed	2/2
Syed Ahmed Iqbal Ashraf	2/2
Mr. Abdul Fattah Bhangar	0/2
Mr. Abdul Samad Dawood	2/2
Mr. Shabbir H. Hashmi	2/2
Mr. Kaiser Javed	1/2
Mr. Ajaz Ali Khan	1/2
Mr. Ruhail Mohammed	1/2
Mr. Ali Munir	1/2
Mr. Shahid Hamid Pracha	2/2
Mr. Inam Ur Rahman	2/2
Syed Khalid Siraj Subhani	2/2

Report of the Directors

Post-election

	Meetings attended
Mr. Hussain Dawood	7/7
Mr. Andalib Alavi	7/7
Syed Muhammad Ali	3/7
Mr. Iqbal Alimohamed	5/7
Syed Iqbal Ashraf*	4/7
Mr. Abdul Fattah Bhangar**	4/7
Mr. Abdul Samad Dawood	5/7
Mr. Shahzada Dawood	3/7
Mr. Shahid Ghaffar	6/7
Mr. Qaiser Javed	2/7
Mr. Ruhail Mohammed	4/7
Mr. Muhammad Waseem Mukhtar	2/7
Mr. Owais Shahid	7/7
Syed Khalid Siraj Subhani	6/7

* By virtue of the repayment of the long-term loan, Syed Ahmed Iqbal Ashraf representing National Bank of Pakistan on the Board retired on April 15, 2016.

** Mr. Noor Mohammad Jogezeai was appointed as Director in replacement of Mr. Abdul Fattah Bhangar (Government of Balochistan nominee) on July 12, 2016.

The Pattern of Shareholding as required under the Code of Corporate Governance is attached with this Report.

Directors' Training

During the year one more Director completed the Corporate Governance Leadership Skills (CGLS) Program conducted by the Pakistan Institute of Corporate Governance (PICG).

Of the 14 Directors, 1 Director has been exempted from the CGLS training based on his experience as Director on the Board of Listed Companies. Ten members of the Board are certified Directors.

Appropriation

The Board of Directors take pleasure in recommending a final dividend of Rs. 3 per share. This will be paid to the shareholders whose names appear in the Company's Register on October 7, 2016. Interim dividends of Rs. 4.5 per share and Rs.

3.5 per share that were declared on February 17, 2016 and April 28, 2016 were paid on April 06, 2016 and June 27, 2016 respectively.

Movement in un-appropriated profit is as follows:

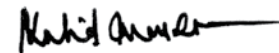
	Rs. in millions
Net Profit for the Year	
Un-appropriated profit at the beginning of the year	20,063
Profit available for appropriation	<u>11,565</u>
	31,628
Appropriations	
Final dividend for the fiscal year 2014-2015 @ Rs. 5.50	(6,364)
First interim dividend for the fiscal year 2015-2016 @ Rs. 4.50	(5,207)
Second interim dividend for the fiscal year 2015-2016 @ Rs. 3.50	(4,050)
Un-appropriated profit at the end of the year	<u><u>16,007</u></u>
Basic and diluted earnings per share	<u><u>10.00</u></u>

Auditors

The retiring auditors Messrs EY Ford Rhodes, Chartered Accountants, being eligible, offer themselves for reappointment.

The Company remains grateful to its shareholders, employees, contractors, business partners and all other stakeholders for their confidence in the Company and their role in Company's journey on the path of growth and prosperity.

By Order of the Board



Khalid Mansoor
Chief Executive

Karachi – August 24, 2016

ڈائریکٹرز کی رپورٹ

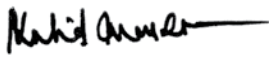
غیر تخصیصی منافع کی تقسیم درج ذیل کے مطابق ہے:

روپے ملین میں	مالی سال کا خالص منافع
20,063	مالی سال کے آغاز پر غیر تخصیصی منافع
11,565	دستیاب منافع برائے تخصیص
<hr/>	
31,628	
	تخصیص
	حتمی ڈیویڈنڈ برائے مالی سال 2014-2015
(6,364)	بجسب 5.50 روپے
	پہلا عبوری ڈیویڈنڈ برائے مالی سال 2015-2016
(5,207)	بجسب 4.50 روپے
	دوسرا عبوری ڈیویڈنڈ برائے مالی سال
(4,050)	2015-2016 بجسب 3.50 روپے
<hr/>	مالی سال کے اختتام پر غیر تخصیصی منافع
16,007	
<hr/>	
10.00	بنیادی اور معتدل فی حصص آمدنی

آڈیٹرز

ریٹائر ہونے والے آڈیٹرز میسرز EY Ford Rhodes، چارٹرڈ اکاؤنٹنٹس، بوجہ اہلیت، خود کو دوبارہ تقرری کے لئے پیش کر سکتے ہیں۔ کمپنی اپنے حصص یافتگان، ملازمین، کنٹریکٹرز، کاروباری شراکت داروں اور دیگر تمام حصہ داروں کا تہہ دل سے شکریہ ادا کرتی ہے جنہوں نے نہ صرف کمپنی پر اپنے اعتماد کا اظہار کیا بلکہ کمپنی کی ترقی اور خوشحالی کے سفر میں بھرپور کردار ادا کیا۔

بحکم بورڈ



خالد منصور

چیف ایگزیکٹو

کراچی۔ 24 اگست 2016

اجلاس میں حاضری

7/7

7/7

3/7

5/7

4/7

4/7

5/7

3/7

6/7

2/7

4/7

2/7

7/7

6/7

بعد از الیکشن

جناب حسین داؤد

جناب عندلیب علوی

سید محمد علی

جناب اقبال علی محمد

سید احمد اقبال اشرف*

جناب عبدالفتح بھنگر**

جناب عبدالصمد داؤد

جناب شہزادہ داؤد

جناب شاہد غفار

جناب قیصر جاوید

جناب روہیل محمد

جناب محمد وسیم مختار

جناب اویس شاہد

سید خالد سراج سبحانی

* طویل المیعاد قرض کی باز ادائیگی کی وجہ سے، بورڈ میں نیشنل بینک آف پاکستان کی نمائندگی کرنے والے سید احمد اقبال اشرف 15 اپریل 2016 کو ریٹائر ہو گئے۔

** جناب نور محمد جوگیر نے جناب عبدالفتح بھنگر (حکومت بلوچستان کے نامزد کردہ) کی جگہ 12 جولائی 2016 کو ڈائریکٹر مقرر کئے گئے۔ کاروباری انتظام کاری کے ضابطے کے تحت درکار حصص یافتگی کا خاکہ اس رپورٹ کے ساتھ منسلک کیا گیا ہے۔

ڈائریکٹرز کی تربیت

زیر جائزہ سال میں ایک اور ڈائریکٹر نے پاکستان انسٹیٹیوٹ آف کارپوریٹ گورننس (PICG) کی جانب سے منعقد کردہ کارپوریٹ گورننس لیڈر شپ اسکولز (CGLS) پروگرام کی تکمیل کی۔

14 ڈائریکٹرز میں سے 1 کولسٹڈ کمپنیوں کے بورڈ کے ڈائریکٹر کے طور پر تجربے کا حامل ہونے پر CGLS کی تربیت سے مستثنیٰ قرار دیا گیا۔ بورڈ کے 10 ارکان سرٹیفائیڈ ڈائریکٹرز ہیں۔

تخصیص

بورڈ آف ڈائریکٹرز 3 روپے فی حصص کا حتمی ڈیویڈنڈ تجویز کرتے ہوئے مسرت محسوس کرتے ہیں۔ یہ ان حصص یافتگان کو ادا کیا جائے گا جن کے نام کمپنی کے رجسٹر میں 7 اکتوبر 2016 کو موجود ہوں گے۔ 4.5 روپے فی حصص اور 3.5 روپے فی حصص کا عبوری ڈیویڈنڈ جس کا اعلان 17 فروری 2016 اور 28 اپریل 2016 کو کیا گیا تھا بالترتیب 6 اپریل 2016 اور 27 جون 2016 کو ادا کیا گیا۔

ڈائریکٹرز کی رپورٹ

30 جون 2015 تک پرووڈنٹ فنڈ اور گریجویٹی اسکیم کی سرمایہ کاری کی قدر ان کے متعلقہ آڈیٹڈ اکاؤنٹس کی بنیاد پر درج ذیل ہے:

روپے ملین میں

92.227

104.706

پرووڈنٹ فنڈ

گریجویٹی

لیگزمبرگ اسٹاک ایکسچینج کے سلسلے میں معلومات

کمپنی کے ڈائریکٹرز "Commission De Surveillance Du Secteur Financier, Societe de Bourse de Luxem-bourg SA" کی ضروریات کی تعمیل میں بصد مسرت یہ تصدیق کرتے ہیں کہ ان کی معلومات کے مطابق 30 جون 2016 کو ختم ہونے والے مالی سال کے انضمامی اور غیر انضمامی مالیاتی گوشوارے کمپنی کے اثاثوں، واجبات، مالیاتی حالات اور مالیاتی نتائج کا راست اور درست جائزہ پیش کرتے ہیں اور پاکستان میں قابل اطلاق منظور شدہ اکاؤنٹنگ کے معیارات سے مطابقت رکھتے ہیں۔ مزید برآں، مذکورہ بالا مینجمنٹ رپورٹ کمپنی کی ترقی اور کارکردگی بمعہ ممکنہ خطرات اور غیر یقینی حالات، اگر کوئی ہوں، کا درست تجزیہ پیش کرتے ہیں۔

بورڈ آف ڈائریکٹرز

بورڈ کے حالیہ ارکان کی فہرست صفحہ نمبر 12 پر دی گئی ہے۔

زیر جائزہ سال میں بورڈ آف ڈائریکٹرز کے 9 اجلاس ہوئے۔ ڈائریکٹرز کے الیکشن 5 اکتوبر 2015 کو منعقد ہوئے، 2 اجلاس الیکشن سے قبل اور 7 اجلاس الیکشن کے بعد ہوئے۔ ڈائریکٹرز کی حاضری کی تفصیلات درج ذیل ہیں:

اجلاس میں حاضری	قبل از الیکشن
2/2	جناب حسین داؤد
2/2	سید محمد علی
2/2	جناب اقبال علی محمد
2/2	سید احمد اقبال اشرف
0/2	جناب عبدالفتح بھنگر
2/2	جناب عبدالصمد داؤد
2/2	جناب شبیر ایچ ہاشمی
1/2	جناب قیصر جاوید
1/2	جناب اعجاز علی خان
1/2	جناب روہیل محمد
1/2	جناب علی منیر
2/2	جناب شاہد حامد پراچہ
2/2	جناب انعام الرحمن
2/2	سید خالد سراج سبحانی

مالیاتی گوشوارے

کمپنی کے غیر انضمامی اور انضمامی مالیاتی گوشواروں کا آڈٹ کمپنی کے آڈیٹرز میسرز EY Ford Rhodes، چارٹرڈ اکاؤنٹینٹس کی جانب سے بغیر کسی حد بندی کے کیا گیا۔

کاروباری اور مالیاتی رپورٹنگ کا بنیادی ڈھانچہ

ڈائریکٹرز مسرت کے ساتھ درج ذیل کے لئے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) اور کاروباری انتظام کاری کے کوڈ کے کاروباری اور مالیاتی رپورٹنگ کے بنیادی ڈھانچے کی تعمیل کی تصدیق کرتے ہیں:

(اے) کمپنی کی انتظامیہ کی جانب سے تیار کئے گئے مالیاتی گوشوارے راست انداز میں کمپنی کے معاملات، اس کے آپریشنز کے نتائج، نقدی کے بہاؤ اور ایکویٹی میں تبدیلی کو بیان کرتے ہیں۔

(بی) کمپنی کے حسابات کی باقاعدہ بکس (Books) مرتب کی گئی ہیں۔

(سی) مالیاتی گوشواروں کی تیاری میں موزوں اکاؤنٹنگ پالیسیوں کا مسلسل اطلاق کیا جاتا ہے اور اکاؤنٹنگ کے جائزے معقول اور محتاط فیصلوں کی بنیاد پر کئے جاتے ہیں۔

(ڈی) مالیاتی گوشواروں کی تیاری IFRS، جیسے کہ پاکستان میں قابل اطلاق ہے، کے مطابق کی جاتی ہے اور کسی بھی انحراف و اختلاف کو موزوں انداز سے ظاہر کیا جاتا ہے۔

(ای) اندرونی ضبط کا نظام مضبوط ہے اور اسے مؤثر انداز سے منطبق اور باریک بینی سے مانیتزر کیا جاتا ہے، اور

(ایف) کمپنی کے عمل کار رہنے کی صلاحیت پر کسی قسم کے کوئی شکوک و شبہات نہیں ہیں۔

گزشتہ چھ سال کے بنیادی مالیاتی اعداد درج ذیل ہیں:

2011	2012	2013	2014	2015	2016	جون میں ختم ہونے والا مالی سال
123,310	174,712	165,862	161,807	131,484	86,415	شرح فروخت روپے ملین میں
5,425	8,190	9,388	6,549	9,853	11,576	منافع روپے ملین میں
146,240	207,817	99,313	135,432	125,949	134,006	اثاثے روپے ملین میں
5,786	6,943	7,522	8,100	9,257	15,622	ڈیویڈنڈ روپے ملین میں
8,352	9,091	8,643	9,119	8,717	9,254	پیداوار GWh

ڈائریکٹرز کی رپورٹ

ڈیویڈنڈ کے لئے ہدایت

بورڈ حصص یافتگان کی جانب سے کمپنی میں کی جانے والی سرمایہ کاریوں کا ادراک رکھتا ہے اور اپنے حصص یافتگان کے اعتماد اور بھروسے کی قدر افزائی کرتا ہے۔ اپنے اہم منصوبے جب پلانٹ کے طویل المیعاد قرضے کی آخری قسط کی کامیاب ادائیگی کے بعد کمپنی ڈیویڈنڈ کے اعلان کے اوقات طے کرنے کے لئے آزاد ہے۔

کمپنی اپنے سرمایہ کاران اور حصہ داران کو مطلع کرنا چاہتی ہے کہ آگے چل کر کمپنی سے ماہی بنیاد پر ڈیویڈنڈ کا اعلان کرے گی۔ چونکہ حکو نے توانائی کے شعبے میں سرمایہ کاری میں اضافہ کیا ہے، اس لئے کم از کم 1.50 روپے فی حصص کا ڈیویڈنڈ سے ماہی بنیادوں پر ادا کیا جائے گا۔ مالیاتی کارکردگی اور نقدی کے بہاؤ کی ضروریات کو مد نظر رکھتے ہوئے کمپنی مالی سال کی تیسری سے ماہی میں ڈیویڈنڈ رو دبدل کرے گی تاکہ حصص یافتگان کو ڈیویڈنڈ کی جلد ادائیگی ممکن ہو سکے۔

مارکیٹ شیئر کی معلومات

پاکستان کی تنصیب شدہ توانائی کی پیداواری استعداد تقریباً 24,823 میگاواٹ ہے جس میں ہائیڈل پاور 28.67%، تھرمل پاور 67.73%، ونڈ پاور 0.43% اور نیوکلیر پاور 3.17% ہے۔ توانائی کی اصل پیداوار 18,000 سے 24,000 میگاواٹ کے درمیان ہے جس کا انحصار بنیادی طور پر ہائیڈل پیداوار کے لئے دریاؤں اور پانی کے ذخائر میں پانی کی دستیابی اور تھرمل پلانٹس کے لئے ایندھن کی دستیابی پر ہے۔

کمپنی کی گزشتہ چھ سال کی پیداواری صلاحیت کا جائزہ درج ذیل ہے:

مالی سال	بجلی کی پیداوار	کمپنی کا حصہ (GWh)	فی صد
2010-11	100,582	8,352	8.3%
2011-12	98,822	9,091	9.2%
2012-13	98,842	8,643	8.7%
2013-14	105,996	9,119	8.6%
2014-15	109,059	8,717	8.0%
2015-16 (اندازاً)	106,356	9,254	8.7%

متعلقہ پارٹی لین دین

متعلقہ پارٹی لین دین کی تفصیلات بورڈ کی آڈٹ کمیٹی کے سامنے پیش کی گئیں اور بورڈ نے ان کی منظوری دی۔ یہ تمام لین دین بین الاقوامی مالیاتی رپورٹنگ معیارات (IFRS) اور کمپنیز آرڈیننس 1984 کی ضروریات کے مطابق تھی۔ کمپنی ایسی تمام لین دین کا جامع اور مکمل ریکارڈ مرتب رکھتی ہے۔

سی) نارووال کا عدم انضمام

بورڈ کی منظوری کے بعد، نارووال پلانٹ کے بطور ایک علیحدہ قانونی ادارے کے عدم انضمام کے لئے نارووال انرجی لمیٹڈ (NEL) قائم کی گئی ہے۔ بورڈ نے نارووال پلانٹ کے NEL کی صورت میں عدم انضمام کے لئے انتظامات کے منصوبے کی منظوری دیدی ہے جو ضروری اجازت کے حصول کے بعد کورٹ میں فائل کیا جائے گا تاکہ مجوزہ عدم انضمام کی منظوری حاصل کی جاسکے۔

ڈی) تھر میں 330 میگاواٹ کا پلانٹ

کوئلے کی فراہمی کے آپشن کو استعمال میں لاتے ہوئے، جو کمپنی کو SECMC میں سرمایہ کاری کی وجہ سے حاصل ہے، کمپنی نے دیگر سرمایہ کاروں کے اشتراک سے تھر میں 330 میگاواٹ کے مائن ماؤتھ کول پاور پلانٹ کے قیام کے لئے تھر انرجی لمیٹڈ قائم کی ہے۔ کمپنی نے PPIB کی جانب سے منصوبے کے قیام کے لئے LOI حاصل کر لیا ہے اور جنریشن لائسنس اور براہ راست نرخ نامہ کی قبولیت کے لئے بھی درخواست دے دی ہے۔

ای) کوئلے کی تجارت کے لئے JV کمپنی

CPIH کے ساتھ شیئر ہولڈرز ایگریمنٹ (SHA) کی بدولت آگے چل کر آپ کی کمپنی پروجیکٹ کو کوئلے کی فراہمی کے لئے ایک کول JV کمپنی قائم کرے گی۔

طویل المیعاد قرضوں کی باز ادائیگی

کمپنی نے 1993 میں جب پلانٹ پروجیکٹ میں سرمایہ کاری کے لئے حاصل کئے گئے طویل المیعاد قرضوں کی مکمل ادائیگی کردی ہے۔

چیف ایگزیکٹو آفیسر کے معاوضے میں تبدیلی اور دوبارہ تقرری (بمطابق U/S 218، کمپنیز آرڈیننس 1984)

کمپنی کے چیف ایگزیکٹو آفیسر جناب خالد منصور کے معاوضے پر 16 فروری 2016 کو نظر ثانی کی گئی۔ نظر ثانی شدہ معاوضہ یکم نومبر 2015 سے مؤثر ہے اور ان کا سالانہ معاوضہ 71.30 ملین روپے ہوگا۔ ان کی ملازمت کے معاہدے کی دیگر شرائط و ضوابط یکساں رہیں گی اور کمپنی ان کو پالیسی کے مطابق طے شدہ تمام فوائد، الاؤنس اور اضافی مراعات فراہم کرے گی جن کے وہ حقدار ہیں۔ ان کے معاوضے میں تبدیلی کی اطلاع کا نوٹس 4 مارچ 2016 کو حصص یافتگان کو بھیجا جا چکا ہے۔

بعد ازاں، بطور چیف ایگزیکٹو آفیسر، تین سالہ مدت کے لئے جناب خالد منصور کی دوبارہ تقرری عمل میں آئی جو 20 مئی 2016 سے مؤثر ہے اور ان کا معاوضہ 71.30 ملین روپے سالانہ ہی ہے جو کمپنی کے متغیر پے پلان کے تحت اضافوں / تبدیلیوں، اگر کوئی ہوں اور ان پر اطلاق ہوتا ہو، سے مشروط ہے۔ باقی ماندہ شرائط و ضوابط یکساں رہیں گی تاہم بورڈ اگر ضروری سمجھے تو ان کے معاوضے اور دیگر شرائط میں تبدیلی کر سکتا ہے۔ ان کی دوبارہ تقرری کی اطلاع کا نوٹس حصص یافتگان کو 2 مئی 2016 کو دیا جا چکا ہے اور اس سالانہ رپورٹ میں بھی ظاہر کیا گیا ہے۔

ڈائریکٹرز کی رپورٹ

مستقبل کی منصوبہ بندی

اے) 2x660 میگا واٹ کا کونکے سے چلنے والا پروجیکٹ

حکومت اپنی کل ملکیتی ذیلی کمپنی حب پاور ہولڈنگز لمیٹڈ (HPHL) کے ذریعے 2x660 میگا واٹ کا درآمدی کونکے سے چلنے والا پاور پروجیکٹ تیار کر رہا ہے جس کے ساتھ موجودہ حب سائٹ پر ایک ملحقہ جیٹی بھی تعمیر کی جائے گی۔ اس منصوبے پر کام کرنے والی کمپنی چائنا پاور حب جنریشن کمپنی (پرائیویٹ) لمیٹڈ (CPHGC)، دراصل HPHL اور چائنا پاور انٹرنیشنل (پاکستان) انویسٹمنٹ لمیٹڈ (ہانگ کانگ بیسڈ کمپنی جو چائنا پاور انٹرنیشنل ہولڈنگ لمیٹڈ نے قائم کی ہے) کا ایک مشترکہ منصوبہ ہے تاکہ پروجیکٹ میں سرمایہ کاری کی جاسکے۔

چین سے مالی قرضے کے ذریعے اس منصوبے کی تیزی سے تکمیل کے لئے کمپنی نے چائنا پاور انٹرنیشنل ہولڈنگز (CPIH) کو منصوبے کے 74% ایکویٹی کے حصے کی پیشکش کی ہے۔ تاہم HPHL کو یہ حق حاصل ہے کہ وہ کمرشل آپریشنز کی تاریخ سے قبل اپنے ایکویٹی کے حصے کو موجود 26% کی شرح سے کم از کم 43% اور زیادہ سے زیادہ 49% تک بڑھا سکتی ہے۔

منصوبے کے لئے LOS 12 اپریل 2016 کو جاری کر دیئے گئے ہیں۔

CPHGC کونکے سے چلنے والے منصوبے کے لئے NEPRA کی جانب سے اعلان شدہ براہ راست نرخ نامہ پر آمادہ ہو گئی ہے۔

پروجیکٹ ڈویلپمنٹ کے ایک جزو و لازم کے طور پر نامور کنسلٹنٹس Hagler Bailey کی جانب سے انوائرنمنٹل اینڈ سوشل اسیسٹمنٹ (ESIA) پر ایک مطالعاتی جائزہ کا اہتمام کیا گیا۔ اس مطالعہ کی رپورٹ پاور پلانٹ کے لئے جون 2015 اور جیٹی کے لئے جون 2016 میں بلوچستان انوائرنمنٹل پروٹیکشن ایجنسی (BEPA) کو جمع کرادی گئی تھی۔ رپورٹ کے جائزے اور عوامی سنوائی کے بعد BEPA نے CPHGC کو اپریل 2016 میں پاور پلانٹ اور جون 2016 میں جیٹی کی تعمیر کے لئے NOC جاری کر دیئے ہیں۔

بالیوں کے ایک سخت مسابقتی عمل کے بعد، کنٹریکٹرز کا انتخاب کر لیا گیا اور پاور پلانٹ اور جیٹی کے لئے کنٹریکٹس جاری کر دیئے گئے۔ CPHGC نے بروقت مالیاتی کلوز کے لئے بڑے چینی بینکوں سے رابطہ قائم کیا ہے اور چائنا ڈویلپمنٹ بینک کو مقدم انتظام کار کے طور پر شامل کیا ہے۔ منصوبے کے مالیاتی کلوز سے قبل پاور پلانٹ کی سائٹ پر مادی سرگرمیوں کا آغاز کیا جا چکا ہے تاکہ حکومت سے کئے گئے معاہدے کے مطابق کمرشل آپریشن شروع کیا جاسکے۔ CPHGC کونکے کے عالمی سطح کے بڑے فراہم کنندگان سے مذاکرات کر رہی ہے تاکہ کونکے کی فراہمی کے طویل المیعاد معاہدے کئے جاسکیں۔

بی) سندھ اینگرو کول میننگ کمپنی (SECMC) میں سرمایہ کاری

اینگرو، تھل لمیٹڈ، CMEC، HBL، حکومت سندھ اور آپ کی کمپنی کے درمیان شیئر ہولڈرز ایگریمنٹ کے بعد، SECMC نے چینی اور پاکستانی قرض دہندگان سے 634 ملین امریکی ڈالر قرض کے حصول کے لئے بنیادی مالیاتی معاہدے کئے ہیں۔ SECMC نے اپریل 2016 میں اپنا مالیاتی کلوز حاصل کر لیا ہے اور تعمیراتی سرگرمیوں کا آغاز کر دیا گیا ہے۔

(بی) مارکیٹ رسک

کمپنی کسی قسم کے مارکیٹ رسک کے زیر اثر نہیں ہے کیونکہ یہ حکومتی ملکیت میں موجود بجلی کے خریداروں کے ساتھ طویل المیعاد PPAs کے تحت ایک منضبط ماحول میں عمل کار ہے، اور بجلی ان کی طلب کے مطابق پیدا کی جاتی ہے اور قومی گرڈ کو فراہم کی جاتی ہے۔

(سی) لکویڈیٹی رسک

کمپنی نے مختلف مالیاتی اداروں کے ساتھ ورکنگ کیپٹل لائنز کا انتظام کیا ہے تاکہ ہمارے بجلی کے خریداروں کی جانب سے ادائیگیوں کی وصولی میں تاخیر کو پورا کیا جاسکے، اس کی ضروریات کی تکمیل کی جاسکے اور معمول کے بزنس آپریشنز کو یقینی بنایا جاسکے۔

کریڈٹ ریٹنگ

PACRA's ریٹنگ پاکستان میں اداروں کی کریڈٹ اسٹینڈنگ کا ایک پیمانہ ہے۔ 2008 سے جب کمپنی نے اپنے ریٹنگ پراسس کا آغاز کیا تھا، اب تک PACRA کی طویل المیعاد اور قلیل المیعاد ریٹنگ میں بالترتیب AA+ اور A1+ کا درجہ برقرار رکھا ہے۔ یہ ریٹنگز کریڈٹ رسک کی کم ترین توقعات اور مالیاتی معاہدوں کی بروقت ادائیگیوں کی استعداد کی نشاندہی کرتی ہیں۔

کارپوریٹ سماجی ذمہ داری

سماجی ترقی کے اقدامات کمپنی کے کاروباری وسائل میں ہمیشہ سب سے مقدم رہے ہیں۔ ہماری ٹیمیں ہمارے پلانٹس کی نزدیکی آبادیوں کے افراد کا معیار زندگی بلند کرنے اور ان کی ترقی کے لئے ان تھک محنت جاری رکھے ہوئے ہیں۔

زیر جائزہ سال میں جبکہ، اس کی ذیلی کمپنیوں اور اس کی شریک کار کمپنی، چائنا پاور حب جزیشن کمپنی (CPHGC) نے تعلیم، صحت، ذرائع معاش، ذرائع آمدن میں اضافے اور فزیکل انفراسٹرکچر کی ترقی کے شعبوں میں کام جاری رکھا ہے۔

ہیومن ریسورسز

زیر جائزہ سال کے دوران کمپنی نے اپنی توجہ حب اور نارووال پلانٹس کی بروقت اور کامیاب O&M منتقلی پر مرکوز رکھی۔ دونوں پلانٹس پر HR ٹرانزیشن بروقت مکمل کی گئی۔ دونوں پلانٹس پر مطلوبہ HR نظام عمل میں لایا گیا تاکہ دونوں پلانٹس پر معمول کے عمل کو یقینی بنایا جاسکے۔

اس سال فنکشنل اور سافٹ اسکولز کی تربیت کے 522 man days مکمل کئے گئے جو ملازمین کی 100% تعداد کو محیط تھے۔

انتظامی تربیت کے پروگرام کو مزید مستحکم کیا گیا تاکہ بنیادی کاروبار اور ترقیاتی منصوبوں کے لئے مطلوبہ اہلیت کے حامل افراد کی دستیابی کو یقینی بنایا جاسکے۔

ڈائریکٹرز کی رپورٹ

لاریب کو NTDC سے بروقت ادائیگیاں ہوئی ہیں۔ رواں مدت میں لاریب کی جانب سے NTDC سے کل 5,175 ملین روپے طلب کئے گئے جن میں 1,796 ملین روپے کی واجب الادا رقم شامل تھی۔

سرمائے کی ساخت

کمپنی کے اثاثوں میں سرمایہ کاری، ساخت قرض اور ایکویٹی کے 43:57 کے تناسب سے ہے اور ہمارا انفرسٹ کور 4.77 گنا ہے۔

رسک مینجمنٹ اور خطرات میں تخفیف کی حکمت عملی

کمپنی تمام ممکنہ خطرات اور غیر یقینی حالات سے نمٹنے کے لئے ایک محتاط اور چوکس حکمت عملی پر عمل پیرا ہے جو ہر کاروبار کو درپیش ہوتے ہیں اور اس کے مفادات کو متاثر کرتے ہیں۔ کمپنی کی توجہ تمام طویل المیعاد اور قلیل المیعاد خطرات پر مرکوز ہے تاکہ ان پر قابو پایا جاسکے اور انہیں ختم کیا جاسکے۔

کمپنی کی دانست میں اس کو مندرجہ ذیل مادی خطرات کی وضاحت ذیل میں کی گئی ہے:

1- کارگزاری کے خطرات

کمپنی نے کارگزاری کے خطرات میں کمی کے لئے ضروری حکمت عملی وضع کی ہے اور پلانٹ کی ریلائبیلٹی کو یقینی بنانے کے لئے مسلسل سرمایہ کاری جاری رکھی جاتی ہیں۔ کمپنی نے جب پلانٹ پر ضروری بحالی اور ازسرنو صفائی کے کام کا آغاز کر دیا ہے اور نارووال اور لاریب پلانٹس پر بھی مطلوبہ ضروری مرمت کا کام جاری ہے۔

2- مالی خطرات

رواں سال میں کمپنی بغیر کسی رکاوٹ کے کارگزار رہی، تاہم بجلی کے خریداروں کو درپیش مالی مشکلات کمپنی کے پلانٹ آپریشنز اور ترقی کے اقدامات کی صلاحیت کو ممکنہ طور پر خطرے میں ڈال سکتی ہیں۔

واپڈا نے گزشتہ کئی سال سے جب پلانٹ کے لئے PPA کی جانب سے مطلوب اسٹینڈ بائی لیٹر آف کریڈٹ (SBLC) فراہم نہیں کیا ہے اور کمپنی کی طرف واجب الادا رقم کی ادائیگی میں مسلسل تاخیر سے کام لے رہا ہے۔ نتیجتاً کمپنی PSO کو FSA کے تحت مطلوب SBLC فراہم نہیں کر سکی ہے۔

کمپنی حکومت پاکستان کے ساتھ گردشی قرضے کے مسئلے کے حل کے لئے مسلسل رابطے میں ہے جس نے بجلی کی صنعت کے لئے لکویڈیٹی کا شدید بحران پیدا کر دیا ہے۔ کمپنی انڈیپنڈنٹ پاور پروڈیوسرز ایڈوائزری کونسل (IPPAC) کے ساتھ مل کر گردشی قرضے کے مسائل کے حل اور بجلی کی صنعت کے لئے ایک ہموار آپریٹنگ ماحول کے قیام کے لئے کام کر رہی ہے۔

اے) کریڈٹ رسک

ہمارے نارووال پلانٹ کے لئے NTDC کی جانب سے ادائیگیوں میں تاخیر کو ہم نے بنیادی طور پر بینک سے قرضے کے ذریعے منظم کیا ہے اور ہمارے جب پلانٹ کے لئے واپڈا کی جانب سے ادائیگیوں میں تاخیر کو فیول سپلائرز کو ادائیگیوں میں تاخیر کے ذریعے منظم کیا گیا ہے۔

مالیاتی کارکردگی

زیرجائزہ سال میں گروپ کے اہم مالیاتی نکات درج ذیل ہیں:

30 جون 2015 کو ختم ہونے والا مالی سال	30 جون 2016 کو ختم ہونے والا مالی سال	
137,836	91,595	شرح فروخت
118,588	73,013	کارگزار اخراجات
11,078	11,903	خالص منافع
9.57	10.29	آمدنی فی حصص (روپے)*

* ہولڈنگ کمپنی کے مالکان سے تعلق شدہ

منفعت

زیرجائزہ مدت کے لئے فی حصص مجموعی آمدنی گزشتہ سال کی آمدنی 9.57 روپے کے مقابلے میں 10.29 روپے رہی۔ مجموعی آمدنی میں اضافہ حب اور نارووال پلانٹ کی دیکھ بھال اور سیلف آپریشن سے ہونے والی بچت، LEL کو حاصل ہونے والے عبوری ریلیف کا اثر اور ایسوسی ایٹس کی جانب سے نقصان میں حصہ داری ہیں۔

زیرجائزہ سال میں کمپنی کا غیر مجموعی حتمی منافع 11,576 ملین روپے رہا۔ نتیجتاً فی حصص آمدنی 10.00 روپے رہی جبکہ گزشتہ سال خالص منافع 9,853 ملین روپے اور فی حصص آمدنی 8.51 روپے تھی۔ آمدنی میں یہ اضافہ زیادہ تر سیلف آپریشنز اور حب اور نارووال پلانٹس کی دیکھ بھال سے ہونے والی بچت، LEL کی جانب سے وصول کئے گئے ڈیویڈنڈ میں کمی اور بوائائلرز کی بحالی کے لئے زیادہ مرمتی اخراجات کے باعث ہوا۔

لکویڈیٹی اور مالی انتظامات

بجلی کے خریداروں کی جانب سے ادائیگیاں گزشتہ کچھ سالوں کے مقابلے میں بہتر رہی باوجود اس کے کمپنی کو کافی ادائیگیاں واجب الادا ہیں جس کے نتیجے میں رواں سال لکویڈیٹی مینجمنٹ میں مشکلات درپیش رہیں۔

نقدی کا بہاؤ

کمپنی نے موجودہ لکویڈیٹی کے دباؤ کے باوجود اپنی نقدی کی ضروریات پوری کیں جن میں ڈیٹ سروسنگ، سرمایہ کاریاں اور حصص یافتگان کو ڈیویڈنڈز کی ادائیگیاں شامل تھیں۔

کمپنی کے 69,736 ملین روپے بجلی کے خریداروں کی جانب سے ابھی واجب الادا ہیں جن میں حب پلانٹ کے 65,296 ملین روپے اور نارووال پلانٹ کے 4,440 ملین روپے شامل ہیں۔ اس کے نتیجے میں کمپنی کے ذمہ پاکستان اسٹیٹ آئل کے 56,668 ملین روپے واجب الادا ہیں۔

ڈائریکٹرز کی رپورٹ

نارووال پلانٹ

نارووال پلانٹ نے COD کے بعد سے اب تک حادثات کے نتیجے میں وقت کے ضیاع کے بغیر افرادی قوت کے کام کے 3.1 ملین گھنٹے مکمل کئے۔

ہمارے نارووال پلانٹ نے گزشتہ سال 1,418 GWh کے مقابلے میں رواں سال قومی گرڈ کو 1,162 GWh بجلی فراہم کی۔ پلانٹ 2015 کے 76% لوڈ فیکٹر کے مقابلے میں 62% لوڈ فیکٹر کے ساتھ کارگزار رہا۔ زیر جائزہ سال میں بجلی کی پیداوار گزشتہ سال کے مقابلے میں کم رہی جس کی بنیادی وجہ بجلی کے خریداروں کی جانب سے کم پلانٹ ڈسپچ تھی۔

22 اپریل 2016 سے HPSL نے TNB REMACO پاکستان (پرائیویٹ) لمیٹڈ (TNB RP) سے، جو پلانٹ کے COD سے اس کے کارگزاری اور مرمت (O&M) آپریٹرز تھے، پانچ سالہ معاہدے کے اختتام کے بعد پلانٹ کا O&M حاصل کر لیا۔

زیر جائزہ سال میں دو انجنوں کی بڑے پیمانے پر مرمت اور درستگی (Overhauling) کی گئی۔ 17-2016 میں چھ مزید انجنوں اور اس کے بعد کے سال میں تین انجنوں کی مرمت اور درستگی کی منصوبہ بندی کی گئی ہے۔ اگست 2016 میں اسٹیم ٹربائن کی مرمت اور درستگی کا منصوبہ بھی بنایا گیا ہے۔

لاریب انرجی لمیٹڈ

لاریب پلانٹ نے اپنے COD سے اب تک حادثات کے نتیجے میں وقت کے ضیاع کے بغیر افرادی قوت کے کام کے 1.8 ملین گھنٹے مکمل کئے۔

لاریب پلانٹ، جسے نیو بونگ اسکپ ہائیڈرو پاور پلانٹ (NBEHPP) کے نام سے جانا جاتا ہے، نے گزشتہ سال 489 GWh کے مقابلے میں رواں سال 545 GWh گرین انرجی پیدا کی (جو گزشتہ سال کی پیداوار کے مقابلے میں 11% زیادہ ہے)۔ نتیجتاً ہائیڈرو پاور کمپلیکس کا لوڈ فیکٹر گزشتہ سال کے 66% کے مقابلے میں بڑھ کر 74% ہو گیا جس سے کمپلیکس کی بہتر دستیابی اور منگلا پاور ہاؤس سے بہتر ہائیڈرولوجی کی عکاسی ہوتی ہے۔

کمپلیکس نے 22 مارچ 2016 کو اپنے PPA کے تحت اپنے کمرشل آپریشنز کا تیسرا سال کامیابی سے مکمل کیا اور 530 GWh بجلی پیدا کی، جو PPA کے تحت معاہدے کی مطلوبہ مقدار سے 60 GWh زیادہ ہے، لہذا بجلی کے خریداروں کی جانب سے بونس انرجی پیمنٹس حاصل ہوئیں۔ ہائیڈرو پاور کمپلیکس نے بھی PPA کی مطلوبہ انرجی سے زیادہ پیداوار دے کر (2,016 MWh) کی مطلوبہ مقدار کے مقابلے میں اصل پیداوار (2,094 MWh) Annual Demonstrated Complex Test کامیابی سے مکمل کیا۔

کمپلیکس کی آپریشنز اور میٹیننس O&M آپریٹر TNB REMACO پاکستان (پرائیویٹ) لمیٹڈ جو کہ TNB ریمپیر اینڈ میٹیننس برہارڈ (Remaco) SDN BHD کی ذیلی کمپنی ہے، کے ذریعے انجام دیتی ہے جو ملائیشیا کی کمپنی Tenega Nasional Berhad کی ایک ذیلی کمپنی ہے، اور یہ تمام امور اس آپریشنز اور میٹیننس ایگریمنٹ کی شرائط کے مطابق انجام دیئے جاتے ہیں جسے کمپنی کا پلانٹ پر متعین آپریشنز اسٹاف باقاعدہ جائزے میں رکھے ہوئے ہیں۔

صحت، تحفظ اور ماحول

صحت، تحفظ اور ماحول (HSE) کمپنی کی اڈلین ترجیح ہے۔ کمپنی نے دسمبر 2013 میں جب سائٹ پر ہونے والے آخری حادثے کے بعد سے زیر جائزہ سال تک حادثات کے نتیجے میں اوقات کار کے ضیاع نہ ہونے کا ریکارڈ برقرار رکھا اور محفوظ افرادی قوت کے کام کے 15 ملین گھنٹے مکمل کئے۔ مجموعی قابل ذکر حادثات کی شرح (TRIR) زیر جائزہ سال میں محض 0.33 رہی۔ کمپنی نے اپنے تینوں پلانٹس کے لئے DuPont سیفٹی سسٹم اختیار کرنے کے عمل کا بھی آغاز کر دیا ہے۔

تینوں پلانٹ سائٹس پر DuPont پراسس سیفٹی سسٹم مینجمنٹ (لیول 2) طریقہ عمل کے قیام کی جانب پیش قدمی جاری ہے۔ اس سلسلے میں ماہ فروری میں ایک ابتدائی ورکشاپ بھی منعقد کی گئی تھی۔ DuPont سیفٹی مینجمنٹ کے حوالے سے تربیت ابھی جاری ہے۔

عملیاتی نکات

حب پلانٹ

حب پلانٹ نے دسمبر 2013 میں ہونے والے آخری حادثے کے بعد سے حادثات کے نتیجے میں اوقات کار کے ضیاع نہ ہونے کے افرادی قوت کے کام کے 10 ملین گھنٹے مکمل کئے ہیں۔ ہمارے حب پاور پلانٹ نے قومی گرڈ کو یقینی اور بلا تعطل بجلی کی فراہمی جاری رکھی ہوئی ہے۔

اس سال پلانٹ نے 72% کے لوڈ فیکٹر (2014-15) میں 65% لوڈ فیکٹر کے ساتھ 7,547 GWh (2014-15) میں 6,810 بجلی پیدا کی اور پلانٹ کی دستیابی 87% (2014-15) میں 78% رہی۔ زیر جائزہ سال میں بجلی کی پیداوار گزشتہ سال کے مقابلے میں زیادہ تھی جس کی بنیادی وجہ زیادہ دستیابی اور بجلی کے خریداروں کی جانب سے زیادہ استفادہ کاری تھی۔

انٹرنیشنل پاور گلوبل ڈویلپمنٹ لمیٹڈ (IPGDL) کے ساتھ کارگزاری اور مرمت کے معاہدے (O&M Agreement) کے اختتام کے بعد سے HPSL نے یکم اگست 2015 سے حب پلانٹ کی کارگزاری اور مرمت (O&M) کا انتظام سنبھال لیا۔ بلا رکاوٹ منتقلی کے مقصد کے حصول کے لئے HPSL نے 100% پرانے ملازمین کو بحال رکھا۔

امکانی اضافہ اور کارکردگی میں بہتری (PEPI) کی تجاویز

حبکو نے حب پلانٹ کے لئے ڈیجیٹل انڈسٹریل سویوشنز کی فراہمی کے لئے جنرل الیکٹرک (GE) کے ساتھ ایک معاہدہ کیا ہے۔ یہ سویوشنز کمپنی کے لئے اس کے آپریشنز کی اعتباریت کے فروغ میں مدگار ثابت ہوں گے۔

جنرل الیکٹرک کا کلاؤڈ بیسڈ آپریٹنگ سسٹم جو Predix کے تحت عمل کار ہے، خصوصی طور پر بجلی کی صنعت کے لئے بنایا گیا ہے اور ایسے سافٹ ویئر سویوشنز کا مجموعہ ہے جو حبکو کو بروقت تمام Touch-Points پر آپریشنز کے تجزیہ اور نگرانی کے قابل بنا سکے گا اور وقت سے پہلے کسی بھی قسم کے مرمت طلب کاموں کی نشاندہی بھی کرے گا جو زیادہ ایسٹ اپ ٹائم اور کم پلانٹ ڈاؤن ٹائم کا پیش خیمہ ثابت ہوگا۔

ڈائریکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز نہایت مسرت کے ساتھ سالانہ رپورٹ معہ 30 جون 2016 کو ختم ہونے والے مالی سال کے پڑتال شدہ مالی گوشوارے پیش کرتے ہیں۔

کمپنی کا تعارف

دی حب پاور کمپنی لمیٹڈ (Hubco) ملک کی پہلی انڈیپنڈنٹ پاور پروڈیوسر (IPP) کمپنی ہے جس کی مجموعی پیداواری استعداد 1600 میگاواٹ سے زائد ہے۔ بلوچستان کے موضع کند، حب میں واقع ہمارا حب پلانٹ پاکستان میں ریزیدیل فیول آئل (RFO) سے چلنے والے سب سے موثر پاور پلانٹس میں سے ایک ہے جو قومی گرڈ کو قابل اعتبار اور بلا تعطل بجلی فراہم کرتا ہے۔ پنجاب کے ضلع نارووال کے موضع پونگ میں واقع ہمارا نارووال پلانٹ بھی RFO سے چلنے والا، انجن بیسڈ، کمبائنڈ سائیکل پاور اسٹیشن ہے۔ اس کے علاوہ کمپنی لاریب انرجی لمیٹڈ کے 75% حصص کی مالک ہے جو آزاد جموں و کشمیر میں منگہ ڈیم سے 8 کلومیٹر نشیب میں نیو بونگ اسکیم کے قریب ہائیڈل پاور پلانٹ چلاتی ہے۔

کمپنی نے مستقبل میں ترقی اور پیداوار میں اضافے کے اقدامات کے پیش نظر کل ملکیتی ذیلی کمپنیاں قائم کی ہیں۔ درآمدی کونسلے سے چلنے والے 2x660 میگاواٹ کے پاور پروجیکٹ میں سرمایہ کاری اور مستقبل میں مزید توسیعی اقدامات کے لئے حب پاور ہولڈنگز لمیٹڈ (HPHL) قائم کی گئی ہے۔ آپ کی کمپنی نے جوائنٹ وینچر پارٹنر چائنا پاور انٹرنیشنل ہولڈنگز (CPIH) کے ساتھ مل کر چائنا پاور حب جزیشن کمپنی (پرائیویٹ) لمیٹڈ (CPHGC) قائم کی ہے تاکہ مذکورہ بالا درآمدی کونسلے سے چلنے والا پاور پلانٹ قائم کیا جاسکے۔

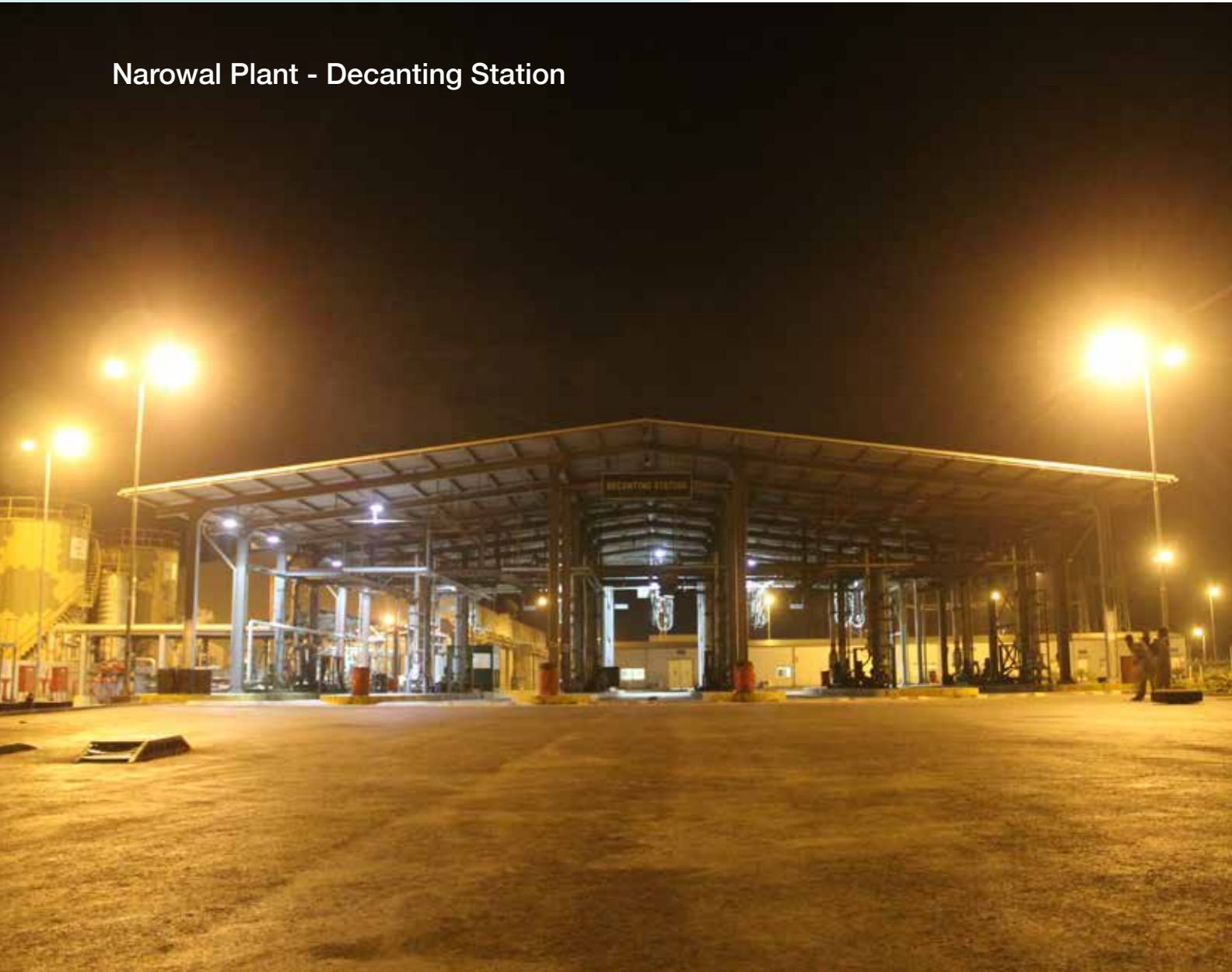
ایک ذیلی کمپنی، حب پاور سروسز لمیٹڈ (HPSL) تشکیل دی گئی ہے تاکہ کمپنی کے موجودہ پاور ایسٹ، آئندہ کونسلے سے چلنے والے پروجیکٹس کی آپریشنز اور میینٹیننس (O&M) کا انتظام کرسکے اور بیرون ملک اور اندرون ملک مزید کاروباری مواقع تلاش کرسکے۔ ایک اور ذیلی کمپنی نارووال انرجی لمیٹڈ قائم کی گئی ہے جو نارووال پلانٹ کے کمپنیز آرڈیننس 1984 کے تحت عدم انضمام کے بعد اس کے اثاثوں اور واجبات کا انتظام سنبھال سکے۔

آپ کی کمپنی نے تھر کول بلاک سندھ، - II میں 330 میگاواٹ کے مائن ماؤتھ کول پاور پلانٹ کے قیام کے لئے ایک اور کل ملکیتی ذیلی کمپنی تھر انرجی لمیٹڈ بھی تشکیل دی ہے۔

کمپنی سندھ اینگرو کول مائننگ کمپنی لمیٹڈ (SECMC) میں 20 ملین امریکی ڈالر کی سرمایہ کاری کر رہی ہے جو اینگرو پاور جن، تھل لمیٹڈ، HBL، CMEC، حکومت سندھ اور آپ کی کمپنی کا ایک مشترکہ منصوبہ ہے تاکہ تھر میں، جہاں دنیا کے ساتویں بڑے کونسلے کے ذخائر موجود ہیں، ایک کونسلے کی کان تیار کی جاسکے۔

آپ کی کمپنی پاکستان اسٹاک ایکسچینج میں بھی لسٹڈ ہے۔ کمپنی کی عالمی ڈپازٹری وصولیات (GDRS) لگسبرگ اسٹاک ایکسچینج میں لسٹڈ تھیں جو کہ 2004/109/EC بمطابق دسمبر 2004 کے موثر حکم نامے کے اسٹورٹیج میکنزیم کے تحت ہیں اور اگست 2016 کے بعد Euro MTF، GDRS، مارکیٹ میں منتقل ہو گئے ہیں۔

Narowal Plant - Decanting Station



Issues Raised At Last AGM

Business matters (both ordinary and special) and general clarifications on Company's published financial statements were sought by the shareholders during the 24th Annual General Meeting of the Company held on October 05, 2015, no significant issues were raised.

Stakeholders' Engagement

The Company places high value on 'Stakeholders' Engagement' in order to build trust and positive perception of investors and shareholders, enforce transparent and sustained stakeholder relationships, for favorable dealings with banks and lenders, improved risk management, compliance with laws and regulations, better corporate recognition, improved commitment and participation of valued and competent human resource and places great emphasis on building excellent image in front of public at large.

FREQUENCY OF ENGAGEMENTS

The frequency of engagements is based on business and corporate requirements as specified by the Code of Corporate Governance, contractual obligations or on requirement basis, with the following stakeholders:

- Investors / Shareholders
- WAPDA and Suppliers
- Banks and other lenders
- Media
- Regulators
- Employees
- Local community and general public

Code of Business Ethics

Our Code of Business Ethics applies to all business units and employees of The Hub Power Company Limited and its subsidiaries. The Code outlines the behaviors Hubco expects of its employees and what the employees can expect from the Company.

Compliance with our Code contributes to the long-term value creation for our stakeholders and helps us sustain the good reputation of the Company. Unethical practices of any sort are not allowed to find its way into the business.

Employees, at all times, must act in the interests of the Company's and must abide by the Company's stated standards of environmental, safety and management practices. We encourage employees to report any matter which causes concern. Any employee who in good faith reports any act of apparent misconduct or unethical behavior will not be victimized or treated adversely.

We believe that the Code of Business Ethics has been fundamental to how we have conducted our business and ourselves with respect to the environment in which we operate.

Anti-Corruption Measures

Hubco strictly discourages corrupt business practices and does not give or receive bribes in order to retain or bestow business or financial advantages. All employees of the Company are directed that any demand for or offer of such bribe must be immediately rejected and reported to the management.



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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **The Hub Power Company Limited** (the Company) for the year ended **30 June 2016** to comply with the requirements of Rule Book of Pakistan Stock Exchange Limited Chapter 5, Clause 5.19.23 (b) of the Code of Corporate Governance, where the Company is listed.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Company for the year ended **30 June 2016**.

EY Ford Rhodes
Chartered Accountants

Date: 24 August 2016

Place: Karachi

Statement of Compliance with the Code of Corporate Governance

for the year ended June 30, 2016

This statement is being presented in compliance with the Code of Corporate Governance (the “Code”) contained in the regulations of Pakistan 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 as follows:

1. The Board of Directors of The Hub Power Company Limited (the “Company”) has always supported and re-confirms its commitment to continued support and implementation of the highest standards of Corporate Governance at all times.
2. On June 24, 1994, prior to the issuance of the Company’s shares to the public in October 1994, the then Board of Directors of the Company had approved the implementation of the Company’s own Code of Corporate Governance. The Company’s internal Code of Corporate Governance has been updated in line with the Code from time to time and is implemented in complete letter and spirit.
3. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board members are as listed below:

Category	Names
Independent Directors	Iqbal Alimohamed Shahid Ghaffar
Executive Director	Khalid Mansoor
Non-Executive Directors	Hussain Dawood Syed Muhammad Ali Abdul Fattah Bhangar* Abdul Samad Dawood Ruhail Mohammed Syed Khalid Siraj Subhani Andalib Alvi Shahzada Dawood Muhammad Waseem Mukhtar Owais Shahid Qaiser Javed

*Resigned in June 2016

The independent directors meet the criteria of independence set forth in clause 5.19.1 (b) of the Code.

4. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
5. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
6. No casual vacancy occurred on the Board during the year ended June 30, 2016.
7. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
8. The Board has developed a "Vision / Mission Statement", overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
9. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board/Shareholders.
10. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
11. One more Director acquired certification of "Corporate Governance Leadership Skills Programme" conducted by the Pakistan Institute of Corporate Governance ("PICG").
12. The Board had approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment as determined by the CEO.
13. 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.
14. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
15. The Directors, CEO and executives do not hold any interest in the shares of the Company other than those disclosed in the pattern of shareholding.
16. The Company has complied with all the corporate and financial reporting requirements of the Code.
17. The Board has formed an Audit Committee. It comprises of seven members. The Chairman of the Committee is an independent director and all other members are non-executive directors including the Chairman.
18. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
19. The Board has formed Human Resource and Remuneration Committee, called the Board Compensation Committee. It comprises of five members; all of them are non-executive directors including the Chairman.
20. The Board has set-up an effective internal audit function which is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
21. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their

Statement of Compliance with the code of Corporate Governance

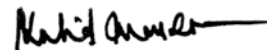
for the year ended June 30, 2016

spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (“IFAC”) guidelines on code of ethics as adopted by the ICAP.

22. 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.
23. The ‘closed period’, prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company’s securities, were determined and intimated to Directors, employees and Stock Exchange.
24. The related party transactions have been placed before the Audit Committee and have been approved by the Board of Directors.
25. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
26. We confirm that all principles enshrined in the Code have been complied with.

Karachi
August 24, 2016

By order of the Board



Khalid Mansoor
Chief Executive

Report of the Board Audit Committee

Dear Shareholders,

As Chairman of the Audit Committee of Hubco, I am pleased to report to you on the tasks and activities performed by the Committee in financial year 2016.

Responsibility

On the basis of applicable law, the SECP Code of Corporate Governance and the Terms of Reference of the Committee, the Audit Committee deals primarily with questions of accounting and financial reporting. In addition, it deals with the annual audit and reviews the qualifications and independence of the external auditors. Furthermore, it discusses the effectiveness and functional capabilities of the risk management system, the internal control system, the internal auditing system and compliance management. The Committee provides comfort to the Board that the Company's internal controls and risk management systems are appropriate and regularly reviewed. As the external environment continued to be challenging during the year, the Committee focused on ensuring that the Company's systems and controls were operating effectively, were responsive to the external environment and are evolving in line with the Company's growth.

Composition of the Committee

The Committee comprises of seven directors and all of them are non-executives. Two of the Committee members including the Chairman are independent directors. All members have expert knowledge of finance and accounting.

Reporting to the Board

The Chairman of the Audit Committee informs the Board about the activities of the Committee and about the contents of its meetings and discussions in the Board meetings held subsequent to the Committee meetings.

Topics in 2016

The Audit Committee uses information drawn from a number of different sources to carry out this responsibility including:

- Objective assurance provided by Internal Audit through its annual work plan, which is approved by the Audit Committee focusing on the principal risks identified in the risk assessment and key internal controls.
- Regular reports to the Audit Committee from executive management and key Company support functions detailing their risk management and compliance approaches and highlighting any significant issues or irregularity; and
- Objective assurance provided by external auditors.

Where matters relate to the financial statements, the Committee reviews the approach, the estimates and judgments applied, the recommendations of management and the findings of the external auditors, where applicable. Further, the Committee also reviewed half yearly and quarterly financial information of the Company, prior to their approval by the Board of Directors.

Report of the Board Audit Committee

Frequency of Meetings

The Audit Committee met four times during the year. Regular attendees at the Committee meetings include the Chief Financial Officer and the Head of Internal Audit. The heads of departments were also present for the appropriate items of the agenda, as and when required. The Committee also at least once in the year met with:

- The external auditors in absence of the CFO and Head of Internal Audit; and
- The head of internal audit and other members of internal audit function without the CFO and external auditors being present.

Internal Auditors

The Head of Internal Audit has direct access to the Chairman of the Committee and the Committee has ensured that the function has all necessary access to management and the right to seek information and explanations. The Internal Audit function has carried out its duties under the Charter approved by the Committee. The Audit Committee monitored the effectiveness of the Internal Audit function through discussions with the Head of Internal Audit along with reviewing matters arising from the Internal Audit reports, management's responses and action taken thereon. Accordingly, as and when necessary the Committee escalated matters to the Board for their review and action.

Further, the Committee examines and assesses the appropriateness of the resolution of complaints

by the Internal Audit function received via the Company's whistleblower function. This function has been designed to encourage employees and other stakeholders to anonymously report concerns about accounting controls, auditing matters or any other practices which may appear to be questionable.

External Auditors

The Audit Committee regularly assesses the performance of external auditors taking into consideration a number of factors including satisfactory rating under ICAP's quality control review program, the length of time the firm has been engaged, the quality of the Audit Committee's ongoing discussions with the external auditors, assessment of their past performance, etc. Based on the results of the evaluation, the Committee has recommended to the Board the reappointment of the current external auditors to the Board. On the recommendation of the Audit Committee, the Directors will be proposing the reappointment of EY Ford Rhodes, Chartered Accountants, at the Annual General Meeting to be held on October 18, 2016.

The Committee has a constructive and open relationship with the management and we thank them for their assistance during the year.



Iqbal Alimohamed
Chairman, Board Audit Committee
Karachi, August 24, 2016

Business Continuity Planning (BCP)

Hubco engages in rigorous crisis management planning for all its plants and site facilities in light of our growing operations and the complexity of risk that accompanies business expansion. The BCP refers to an action plan formulated in advance with the aim of preventing the stoppage of important and crucial company operations or restoring and restarting them in as little time as possible if they are interrupted by the occurrence of an unexpected

event such as a natural disaster or an incident. To mitigate the risks associated with such an event or occurrence we have formulated BCPs for different types of crisis such as natural disasters, plant breakdown, political problems, etc. Hubco will immediately initiate its BCP protocols based on these categories and work to ensure the continuity of important operations in the shortest time possible.

CEO's Performance Review

The CEO was re-appointed by the Board of Directors for a term of three years from May 20, 2016 when his present contract expired. Each year, the Board reviews the performance of the CEO against pre-determined operational and strategic goals. CEO is to manage the Company, implement strategic decisions and policies of the Board and align the Company's direction with the vision and objectives set by the Board.

Role of Chairman

The Chairman's primary role is to ensure that the Board is effective in its tasks of setting and implementing the Company's direction and strategy.

The Chairman of the Board ensures effective operations of the Board and its committees in conformity with the highest standards of corporate governance and ensures that all Board committees are properly established, composed and operated. He is also responsible for setting the agenda, style and tone of Board discussions to promote constructive debate and effective decision-making.

The Chairman also plays an integral role in promoting effective relationships and communications between non-executive directors.

Role of Chief Executive

The Company is run by its Board of Directors and its affairs are managed on a day to day basis by the Chief Executive under the direction and control of the Board.

In performing his task the Chief Executive is required to protect and improve the shareholders' value and the longer term health of the Company.

The Chief Executive is responsible for implementing the Company's long and short term plans. He acts as a direct liaison between the Board and management of the Company and communicates to the Board on behalf of management and is also the focal point for the liaison with Government offices and their agencies, press environmental and other interest groups.

Power for **PEOPLE** with **COMMUNITY DEVELOPMENT**

We have also initiated community mobilization process wherein the communities identify their needs and the Company finds solutions to fulfill the needs. The community also identifies their existing resources and assistance required. Our Community development programs are running in all our locations.





Corporate Social Responsibility (CSR)

The Hub Power Company Limited (the Company) strongly believes in the integration of Corporate Social Responsibility (CSR) into its business, and has consistently worked for the uplift of communities that are influenced directly or indirectly by our business. The Corporate Social Responsibility of the Company is based on the principles of transparency, accountability, integrity and sustainability.

Community and stakeholder needs are carefully assessed and strategic support is extended in line with the Company's policies and business objectives.

Traditionally the Company's CSR programme has focused on healthcare, education, infrastructure development and livelihood of the less privileged in society. The initiatives undertaken seek to ensure that there is clear value addition and that the real impact is made at the grassroots level.



Sewerage Treatment Plant, Poong, Narowal

Health:

The Company has established 3-health centers in 3-neighbouring villages of Hub managed by trained LHVs (Lady Health Visitors). The Company has a mobile medical unit that covers 27 nearby villages of Kund-Hub & Gadani consisting a Lady Doctor and a medical assistant to provide free medical services and medicines to the community.

General Medical and skin camps are arranged on regular basis in District Lasbela.



Medical, Eye & Skin Camp

Medicines are also provided to the government hospital in Hub and to 4 government dispensaries in Gadani and surrounding areas.

The Company conducted Free Eye Camp in Jam Ghulam Qadir Hospital, Hub, providing an opportunity for the less privileged villagers of surrounding areas. This year 1,234 OPD patients were treated and 143 operations were carried out.

The Company organized Hepatitis-B vaccination program in the 3 surrounding villages in collaboration with The Health Foundation.

Hubco, in collaboration with Ansaar Management Company (AMC), has established a dispensary in Narowal to provide appropriate medical facilities to the local residents. The facility is also providing benefits to numerous neighboring villages. In order to ensure quality and quantity of required medicines dispensary was periodically visited by concerned official. Besides other routine checkups and medications the doctor held several awareness sessions with the community to brief them on seasonal diseases and ways to protect themselves. More than 4,000 patients benefited from this dispensary during the year

Laraib Energy arranged eye screening camps in collaboration with Al-Shifa Eye Trust from which 700 students & 650 community adults got benefitted.

Education:

TCF School at Hub

Continuing support in terms of a fully funded TCF School in Hub, arranging free transportation to the students, in addition to providing them free school bags and uniforms. Approximately 450 students from Hub & Gadani areas are studying in this school.

MoU signed with TCF for establishing an additional primary unit in the existing TCF Hubco Campus. Construction has been started and the school will commence operation in next session in April-2017.



Adopted Government School at Narowal

Land has been acquired from GoB for establishing another TCF Hubco campus at Pirkas-Hub. Construction has started there as well.

Supporting Local Government Schools

The Company supported local government schools in Hub and Gadani area by providing free school bags, furniture and supply of water through tankers,

The Company sponsored Balochi students in the Young Leaders Conference held in Karachi. The sponsorship covered participation fee, accommodation and meals.

The Company adopted government primary school in village Poong in Narowal. In addition to providing value added infrastructure, several other initiatives were also taken that included but are not limited to conducting periodic training sessions for teachers, co-curricular activities for students, health and hygiene awareness sessions for students etc.

Keeping in view growing needs, construction of two new classrooms was initiated by the Company and the building is also being provided with solar panels for uninterrupted power supply.

Laraib Energy has conducted a seminar on hydro technology for students of Mirpur University of Science and Technology which was participated by more than 150 students in presence of their Vice Chancellors and Departmental Heads.

Scholarships and Sponsorships

Scholarships are being provided to 30 female students of Province of Balochistan, for studying at Sardar Bahadur Khan Women University (SBKWU) Quetta, The scholarship covers semester fee, stipend and hostel charges.

Laraib Energy has initiated an Institute scholarship program under which 18 girls and 9 boys were awarded scholarships in 3 different community schools. The scholarship covers 100% tuition fee, uniform and syllabus.

Apprenticeship Training Scheme

Apprenticeship training program of the Company is carried out at Hub for "Young Balochi Boys" from the Province of Balochistan. This is 100% local populace scheme where only local boys of the province are inducted.

Apprentices are hired on merit, after thorough assessments. The company provides free technical training for a period of 2-years and also provides all necessary support including boarding and lodging, onsite housing and transportation. Stipend is also paid to these boys. During the course of apprenticeship, the apprentices receive training in various technical (electrical, mechanical, instrumentation, plant operations and HVAC) and social skills.

So far, 13 batches comprising 156 local boys have graduated from the program of which 86% are working in the industry in Pakistan and Middle East. (14% in Middle East/GCC countries; 29% in other industries including government organizations; 43% are working at Hub Plant either directly or with various services contractors on site). The Company has increased the number of admissions from 14 to 24 from this year.

Recreation

The Company sponsors a number of local football and cricket tournaments by providing sports gear, to support and promote healthy activities among the communities.

Livelihood Interventions

The Company always strives on giving employment to the locals and encourages its contractors to hire local people according to their ability and skills. The company has been successfully running various programs for the economic well-being of the local communities.

An MoU has been signed with M/s. CARD (a local NGO of District Lasbela) to provide training and development to fishermen of neighboring villages along with providing the fishing boxes

Laraib Energy conducted a six-month electrician certificate course approved from TEVTA at Mirpur Institute of Technology. 10 local unemployed youth was sponsored in the training.

Community Physical Infrastructure

The Company has installed Solar Lights in neighboring villages and a Solar System installed at Jam Ghulam Qadir Hospital-Hub to cover its emergency and labor wards.

Pure drinking water is supplied through water tanker to Jam Ghulam Qadir Hospital.

Corporate Social Responsibility (CSR)

RO Plant is being installed at TCF Hubco Campus for providing safe and pure drinking water to the school children.

The Company completed construction of sewerage waste water treatment facility in village Poong Narowal which was inaugurated by DCO Narowal Mr. Rafaqat Ali. The sewerage water from village is collected in this facility that spreads over four kanals of land and comprises of one underground tank and five ponds. Sewerage waste water is treated through biological consortia and aquatic plants. This treatment kills the odor and dissolves solids eventually making it fit for irrigation purposes. The success of this project shall achieve a major milestone in health & hygiene of this area.

Laraib Energy has also initiated a program to upgrade the sewage network in the nearby village. Second phase of the project has been completed and a 1.6 km length of underground network has been laid for households of the largest village of the area, Lehri.

Vocational Training Program

Hubco signed an MoU with Hunar Foundation for providing vocational training to bright students passing out from TCF school at Hub, District Lasbela. The company provides scholarship to the students to cover the training fee, accommodation and meal expenses. Currently 10 students are studying in Hunar Foundation Karachi campus and 30 in Rashidabad campus. The latter has been sponsored by China Power Hub Generation Company (CPHGC)

Other Interventions

Donation to various organizations were provided as part of Hubco CSR Program. These included Dinshaw Eduljee Road Project Trust, Professional Education Foundation, Sindh Engro Coal Project, Institute of Business Administration, The Health Foundation, Karwan-e-Hayat, Patients Aid Foundation and Markaz-e-Umeed.

Community Awareness Campaign for flood awareness was conducted by Laraib. The campaign targeted 11 downstream villages with a cumulative population around 18-20 thousand people living on the banks of the Jhelum river and within the reach of spillway releases from Mangla.

Laraib Energy sponsored local sports tournament

including a Volleyball tournament in November 2015 and Cricket tournament in May 2016.

Laraib Energy donated to various organizations comprising Al-Shifa Eye Trust, Provincial Disaster Management Agency (PDMA), KPK for earthquake relief, Pakistan Foundation Fighting Blindness and Kashmir Institute for Special Education.

Phase 1 completed for the plantation of 400 trees in Mirpur city in collaboration with EPA as part of 6-year plan.

A relief effort was launched by Hubco in lieu of 2015 Earthquake Relief Drive. With and through a generous contribution by all of the employees and Hubco Management 95 water proof tanks, 401 polyester quilts, 400 cotton mattress and 100 tarpaulin sheets were distributed among earthquake victims through Provincial Disaster Management Authority.



Tree Plantation at a Local School

TCF School at Hub Plant



Power for **PEOPLE** with SUSTAINABILITY

Sustainability is the most dynamic path to gear up our environmental strategy and step up the ladder of Leadership and Development. We strongly believe that through a comprehensive management system for Occupational Health, Safety and Environment, we can achieve unceasing growth.





Health, Safety and Environment (HSE)

Plant Managers are primarily accountable for executing corporate HSE policies at plants. We believe that it is our responsibility to protect the health, safety and welfare of our employees and other people who might be affected by our business, on-duty or off-duty. This means we make sure that all stakeholders are protected from anything that may cause harm due to our operations and that we effectively control any risks to injury or health that could arise at the workplace.

HSE is Company's first and foremost priority. Company continued its zero lost work-day injury record and completed 15 million safe manhours, at the end of the fiscal year. Total Recordable Injury Rate (TRIR) for the fiscal year was 0.33

The scope of our HSE policy is not limited to just our employees. We ensure that all our stakeholders are protected from any potential hazards. We take every measure to ensure protection of health and safety of our employees, contractors, our business partners and the communities in which we operate.

Our Environmental initiatives have also been recognized by various prestigious awarding bodies. All of our Plants have been certified in Environmental Management System (ISO 14001) and Safety Management System (OHSAS 18001).

We take pride in the fact that we operate the first power station in Pakistan, which is recognized by RO SPA (Royal Society for the Prevention of Accident) for its excellent performance in the management of Occupational Health and Safety. Our Hub Plant received 2nd International Award on Environment, Health, Safety and Security.

DuPont Safety Management System

Continuing with its initiative of implementing DuPont Safety Standards – one of the world's best OSHA (Occupational Health and Safety Administration)

based safety standards for personnel and plant safety, displaying Management's visible commitment to not only ensure effective implementation and compliance of the HSE system but to enhance it to world class excellence. DuPont's Process Safety Management System has been acknowledged as one of the top safety management systems worldwide. Our three major plant sites are currently progressing on the development of DuPont Process Safety Management (Level 2) Procedures. The initiating workshop was conducted in the month of February since then the trainings on DuPont Safety Management Elements are still in progress.

Reduction in Carbon Footprint

Hubco is an environmentally aware company. Our 84 MW New Bong Escape Hydropower Project, Laraib Energy, is registered under Clean Development Mechanism (CDM) project under the United Nations Framework Convention on Climate Change (UNFCCC), Company continues to ensure compliance to ESMP (Environment & Social Management Plan).

Workplace Safety and Security

Hubco provides information to employees about workplace safety and health issues at all sites. The employees are informed about best HSE practices through regular internal communication channels such as transformation forums and internal safety workshops. Each employee is also trained to follow safety rules and to exercise caution in all work activities. We conduct risk assessments that address all the hazards that might cause harm in workplace. We train all our employees about the risks in the workplace and instruct them on how to deal with those risks. Effective Management Safety Audits and ToolBox Talks are carried out at our sites to ensure a proactive approach towards HSE.

Waste Water Effluent and Air Emissions Management

Waste Water Effluent and Air Emissions from our sites strictly conform to National Environmental Quality Standards (NEQS). We regularly report our effluent and emission results to Provincial Government on Self-Monitoring and Reporting Technique (SMART).

Green Office Certification

In the course of taking environment initiatives at each plant site, the Company is currently working on getting certified as Green Office by WWF. Three (3) indicators are said to be audited for the said purpose: paper, energy and waste, which will give us a baseline for further reduction for the upcoming year to achieve our targets. Presentation of Jade Plants to each employee, installation of duplex printers to save paper, replacement of bulb to LEDs, installation of motion sensors and using 3M films on glass windows to reduce indoor ambient temperature, are the kind of initiatives taken to yield better results.



HSE is HUBCO's Foremost Priority

HSE Initiatives for the New Coal Project

Our new Coal Project of 2x660MW and a Coal Jetty is a Joint Venture Agreement (JVA) with China Power Hub Generation Company Pvt. Ltd. (CPHGC). The project has undergone an Environment, and Social Impact Assessment (ESIA) study conducted by Haigler Bailly upon which we received the NOC.



Management Trainees Observe HSE Activities



Green Office Initiative by WWF

Power for **PEOPLE** with **JOB CREATIONS**

We are not only bringing Power as solid solutions to the energy crisis of our country and make us the biggest contributors in the private sector, but also bringing prosperity to the region. Once the shortfall is met, the economic index is going to rise substantially, especially in the industrial sector.





Human Resources

While focusing on the development of our greatest asset – our employees, HUBCO's HR department has played an instrumental role in managing strategic initiatives. With our assets in place, it is possible for us to achieve growth through energy.

HUBCO – Culture & People

A friendly and conducive work environment has enabled us to come together as the backbone of HUBCO. We offer unparalleled learning and development opportunities along with market competitive remuneration to Human Resources by virtue of being in current business growth & transformation phase. We provide a platform where individuals can unleash their potential by becoming part of a committed and devoted group striving to eliminate electricity shortage from our country.

Adaptability

Employees at Narowal plant who have worked with Malaysian O&M Contractor have readily adapted to the culture brought in by HUBCO after the takeover of Operations and Maintenance of Narowal Plant. As part of joint venture agreement with the Chinese, we are working in a cross cultural environment to achieve a common goal – to light up Pakistan. This is a reflection of cultural adaptability.

Employee Engagement

Throughout the year, we reach out to our extended family by way of identifying their support during this period of growth. This Women's Day we thanked the

women in our lives who keep us going and serve as our support function. Employee Birthdays, New Year and Festivals are celebrated with great zeal and fervor.

Diversity

Females constitute an essential part of our workforce and occupy important positions in the organization. This enables us to attract top talent and promotes a culture that is equally appealing for both males and females.

Achievements

HR provided the support that was needed to successfully complete the O&M Takeover of Narowal Plant, by providing the right mix of resources while ensuring smooth transition.

Another HR initiative was the launch of HUBCO's Policy Manual, an interactive interface where employees can easily access the Company's policies and HR guidelines.

Talent Acquisition

HUBCO focuses on developing the right talent pool to support its base business and new projects.



IBA Career Fair

Recruitment drives were conducted in educational institutions to bring the brand in spotlight – to attract the right talent and make our presence felt among young, aspiring individuals. Our HR professionals also guide students through career counselling sessions to help them in identifying the right career path. Our interaction with students at various networking events has helped us in identifying the most talented of resources.

Management Trainee Program

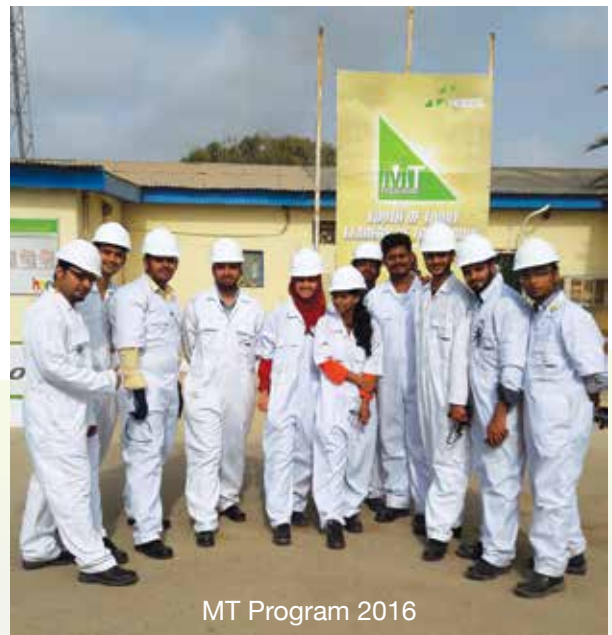
In early 2014 we kicked off HUBCO's flagship Management Trainee (MT) program. The program has evolved since then. This year we inducted a batch of 15 MTs who will be part of a disciplined training program, in place, at Hub site. The program offers well planned training sessions and on-job rotation to young professionals who are the future of Pakistan.

Internship Opportunities

HUBCO encourages students to gain the relevant corporate exposure by offering internship opportunities during their academic program. Each intern is assigned work by a mentor who guides them during the internship period.

Learning and Training

We focus on polishing technical as well as managerial skills of our valued resources. A total of 522 Man Days of training were logged during the year 2015-16. We have also encouraged our employees to step forth and share their valuable knowledge with the HUBCO family through knowledge sharing sessions.



MT Program 2016

Speak Up Policy

The Company believes in the conduct of the affairs of its constituents in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behavior. The Company is committed to developing a culture where it is safe for all employees, customers and vendors to raise concerns about any poor or unacceptable practice and any event of misconduct. The purpose of the policy is to provide a framework to promote responsible and secure manner to speak up. It protects employees, customers and vendors wishing to raise any concern they have regarding business ethics, safety, environmental performance, harassment and other possible breaches of compliance. The policy neither releases employees from their duty of confidentiality in the course of their work, nor is it a route for taking up a grievance about a personal situation. The policy is available on the Company's website.

IT Policy

Our IT policy defines the responsibilities of all the users at the Hub Power Company. The policy ensures the security of information when it is stored and transmitted, and protects the data from unauthorized or accidental modification or destruction, and disclosure. The purpose of our IT Governance Policy is to ensure continuity of IT operations and electronic communication, keep the IT infrastructure up to date with relevant updates and system upgrades and to enhance system security to minimize risk of malicious attacks. The policy also provides a framework for effective and efficient data and infrastructure backup system as part of Disaster Recovery Management.

HR Policy and Succession Planning

A comprehensive HR policy is part of terms of employment and is applicable to all the permanent employees. The key objectives of the HR policy is to develop a high performance culture providing a critical link between an employee's performance and company's goals. The policy also supports in maintaining the desired organizational culture.

In order to ensure the continued business performance, The Hub Power Company has developed a robust Succession Plan for the positions of CEO, CEO Direct Reports and Business Critical Roles. The Succession Plan is approved & managed by the Board Compensation Committee (BCC) whereby the successors are categorized into the following categories:

- Immediate: Candidates ready to take the leadership positions
- Medium Term: Candidates ready in 1 to 2 Years
- Long Term: Candidates ready in 3 to 5 years

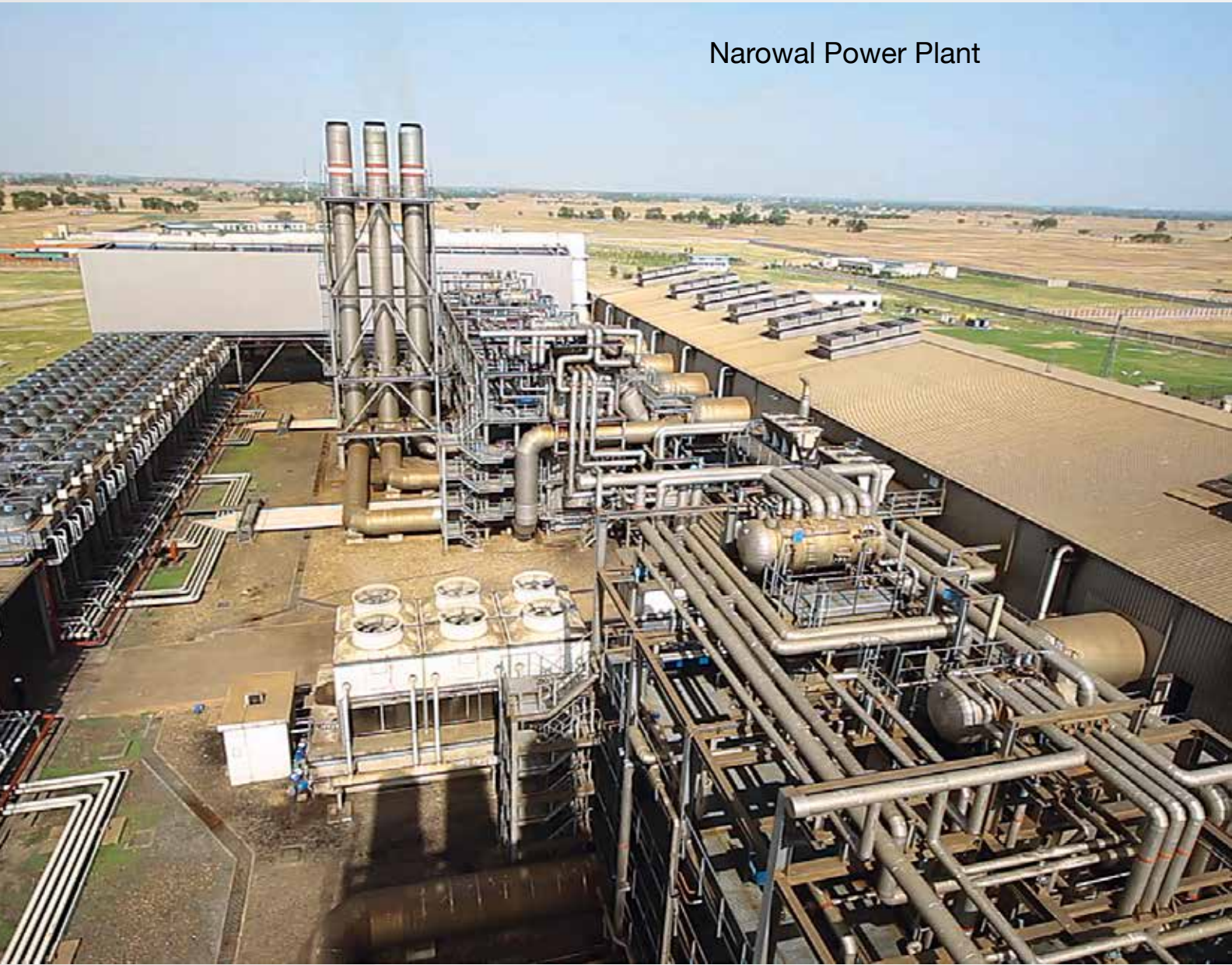
Power for **PEOPLE** with PERFORMANCE

Hubco over the years have been the influential corporate player committed to the highest standards and consistently delivering excellence in every aspect of business. We have maintained our position in the industry and have posted impressive growth, to which our performance and position in the industry are a testimony.





Narowal Power Plant



Financial Ratios

		2016	2015	2014	2013	2012	2011
Profitability Ratios					Restated		
Gross Profit margin	%	17.11	10.94	7.25	9.84	8.96	7.47
Net Profit margin	%	13.40	7.49	4.05	5.66	4.69	4.40
Operating cost to turnover	%	82.89	89.06	92.75	90.16	91.04	92.53
Fuel cost to turnover	%	73.27	81.97	86.60	85.03	86.80	87.70
EBITDA Margin to Sales	%	20.47	13.16	8.57	11.24	10.28	8.73
Operating Leverage Ratio	Times	(0.06)	(1.63)	12.28	(0.86)	1.76	0.84
Return on Equity	%	39.10	31.44	20.58	29.63	27.17	18.27
Return on Capital Employed	%	28.85	26.76	19.73	27.71	25.99	15.49
Liquidity Ratios							
Current Ratio	Times	1.03	1.08	1.06	1.18	1.04	1.04
Quick / Acid Test Ratio	Times	0.97	1.01	1.01	1.05	1.02	0.99
Cash to Current Liabilities	Times	0.037	0.006	0.032	0.396	0.003	0.018
Cash Flow from Operations to Sales	%	14.93	10.24	(9.83)	25.06	(0.18)	0.51
Working capital	Rs. in million	2,352	6,296	5,086	7,902	5,824	3,152
Activity / Turnover Ratios							
No. of Days in Inventory	Days	15	9	8	7	6	9
Inventory Turnover	Times	23.75	39.98	45.23	49.67	57.34	42.78
No. of Days in Receivables	Days	318	212	118	194	248	226
Receivables Turnover	Times	1.15	1.72	3.09	1.89	1.47	1.62
No. of Days in Payables	Days	351	196	122	200	239	209
Payables Turnover	Times	1.04	1.86	3.00	1.82	1.53	1.75
Operating Cycle	Days	(18)	25	4	1	15	26
Total Asset Turnover	Times	0.64	1.04	1.19	1.67	0.84	0.84
Fixed Assets Turnover	Times	2.36	3.39	3.93	3.82	3.79	2.52
Working Capital Turnover	Times	36.75	20.88	31.81	20.99	30.00	39.12
Investment / Market Ratios							
Earnings Per Share	Rs.	10.00	8.51	5.66	8.11	7.08	4.69
Price Earning Ratio	Times	12.01	11.00	10.28	7.60	5.92	8.00
Dividend Yield	%	9.16	10.15	11.18	12.98	14.32	14.67
Dividend Payout Ratio	Times	1.10	1.12	1.15	0.99	0.85	1.17
Dividend Cover Ratio	Times	0.91	0.90	0.87	1.01	1.18	0.85
Cash Dividend Per Share - Interims	Rs.	8.00	4.00	2.50	3.50	3.00	2.50
Cash Dividend per share - Final	Rs.	3.00	5.50	4.00	4.50	3.00	3.00
Cash Dividend per share - Total	Rs.	11.00	9.50	6.50	8.00	6.00	5.50
Market Value Per Share							
Year end	Rs.	120.06	93.57	58.16	61.65	41.89	37.50
High	Rs.	122.88	97.84	59.05	65.65	40.87	42.24
Low	Rs.	96.03	57.60	57.77	44.01	30.14	35.90
Breakup Value /(Net assets/share)	Rs.	23.83	27.34	26.83	28.18	26.59	25.52
Capital Structure Ratios							
Financial Leverage Ratio	Times	0.76	0.71	0.76	0.79	0.91	0.99
Weighted Average Cost of Debt	%	8.30	11.77	12.50	16.31	15.44	15.21
Debt to Equity Ratio	Ratio	43:57	42:58	43:57	44:56	48:52	50:50
Interest Cover Ratio	Times	4.77	3.21	2.42	2.43	2.16	2.60
No. of Ordinary Shares	No. in million	1157	1157	1157	1157	1157	1157

DuPont Analysis

Ratios		2016	2015	Comments
Tax Burden/Efficiency (Net Income/PBT)	%	98.74	98.40	Improved due to lower tax expense.
Interest Burden/Efficiency (PBT/EBIT)	%	79.03	68.81	Improved mainly due to decrease in finance cost due to lower interest rates and repayment of long term loans.
Operating Income Margin (EBIT/Sales)	%	17.17	11.07	Improved mainly due to reduced repair and maintenance expenses and savings due to self O&M.
Asset Turnover (Sales/Assets)	Times	0.64	1.04	Declined mainly due to decrease in turnover due to lower RFO price.
Leverage Ratio (Assets/Equity)	Times	4.86	3.98	Increased mainly due to increase in trade debts due to delayed payments by the Power Purchaser.
Return on Equity (ROE)	%	39.10	31.44	Improved mainly due to increase in net profit after tax.

Horizontal and Vertical Analysis of Profit and Loss Account

Horizontal Analysis

	2016		2015	15 Vs. 14		2014	14 Vs. 13	
	(Rs. Million)	%		(Rs. Million)	%		(Rs. Million)	%
Turnover	86,415	(34.28)	131,484	(18.74)	161,807	(2.44)		
Operating costs	(71,627)	(38.83)	(117,093)	(21.97)	(150,071)	0.35		
Gross profit	14,788	2.76	14,391	22.61	11,736	(28.08)		
General and administration expenses	(925)	0.43	(921)	39.33	(661)	59.28		
Other income	1,444	(5.74)	1,532	1,745.78	83	144.12		
Other operating expenses	(473)	4.88	(451)	100.00	-	-		
Profit from operations	14,834	1.94	14,551	30.41	11,158	(29.99)		
Finance costs	(3,109)	(31.49)	(4,538)	(1.45)	(4,605)	(29.66)		
Profit before taxation	11,725	17.10	10,013	52.80	6,553	(30.21)		
Taxation	(149)	(6.88)	(160)	3,900.00	(4)	100.00		
Profit for the year	11,576	17.49	9,853	50.45	6,549	(30.24)		

Vertical Analysis

	2016		2015		2014	
	(Rs. Million)	% of turnover	(Rs. Million)	% of turnover	(Rs. Million)	% of turnover
Turnover	86,415	100.00	131,484	100.00	161,807	100.00
Operating costs	(71,627)	(82.89)	(117,093)	(89.05)	(150,071)	(92.75)
Gross profit	14,788	17.11	14,391	10.95	11,736	7.25
General and administration expenses	(925)	(1.07)	(921)	(0.70)	(661)	(0.41)
Other income	1,444	1.67	1,532	1.17	83	0.05
Other operating expenses	(473)	(0.55)	(451)	(0.34)	-	-
Profit from operations	14,834	17.17	14,551	11.07	11,158	6.90
Finance costs	(3,109)	(3.60)	(4,538)	(3.45)	(4,605)	(2.85)
Profit before taxation	11,725	13.57	10,013	7.62	6,553	4.05
Taxation	(149)	(0.17)	(160)	(0.12)	(4)	(0.00)
Profit for the year	11,576	13.40	9,853	7.49	6,549	4.05

2013 (Rs. Million)	13 Vs. 12 %	2012 (Rs. Million)	12 Vs. 11 %	2011 (Rs. Million)	11 Vs. 10 %	2010 (Rs. Million)
165,862	(5.07)	174,712	41.69	123,310	23.69	99,694
(149,544)	(5.98)	(159,061)	39.41	(114,093)	24.01	(92,006)
16,318	4.26	15,651	69.81	9,217	19.89	7,688
(415)	0.48	(413)	(5.49)	(437)	11.76	(391)
34	(2.86)	35	29.63	27	(49.06)	53
-	-	-	-	-	-	-
15,937	4.35	15,273	73.42	8,807	19.82	7,350
(6,547)	(7.57)	(7,083)	109.43	(3,382)	88.52	(1,794)
9,390	14.65	8,190	50.97	5,425	(2.36)	5,556
(2)	(100.00)	-	-	-	-	-
9,388	14.63	8,190	50.97	5,425	(2.36)	5,556

2013 (Rs. Million) % of turnover		2012 (Rs. Million) % of turnover		2011 (Rs. Million) % of turnover		2010 (Rs. Million)
165,862	100.00	174,712	100.00	123,310	100.00	99,694
(149,544)	(90.16)	(159,061)	(91.04)	(114,093)	(92.53)	(92,006)
16,318	9.84	15,651	8.96	9,217	7.47	7,688
(415)	(0.25)	(413)	(0.24)	(437)	(0.35)	(391)
34	0.02	35	0.02	27	0.02	53
-	-	-	-	-	-	-
15,937	9.61	15,273	8.74	8,807	7.14	7,350
(6,547)	(3.95)	(7,083)	(4.05)	(3,382)	(2.74)	(1,794)
9,390	5.66	8,190	4.69	5,425	4.40	5,556
(2)	(0.00)	-	-	-	-	-
9,388	5.66	8,190	4.69	5,425	4.40	5,556

Balance Sheet Horizontal Analysis

	2016 (Rs.Million)	16 Vs. 15 %	2015 (Rs.Million)	15 Vs. 14 %
ASSETS				
NON-CURRENT ASSETS				
Fixed Assets				
Property, Plant and equipments	36,587	(5.75)	38,818	(5.83)
Intangibles	44	1,366.67	3	(75.00)
Stores and spares	-	-	-	-
Long term investments	5,876	19.48	4,918	5.22
Long term loan and advance	-	-	-	(100.00)
Long term deposits and prepayments	21	10.53	19	(9.52)
	42,528	(2.81)	43,758	(4.86)
CURRENT ASSETS				
Stores, spares and consumables	2,460	16.53	2,111	32.02
Stock-in-trade	2,563	(26.14)	3,470	45.25
Trade debts	77,747	6.97	72,683	(9.01)
Loan and advances	247	128.70	108	38.46
Advances, prepayments and other receivables	5,181	55.35	3,335	18.35
Cash and bank balances	3,280	577.69	484	(81.91)
	91,478	11.30	82,191	(8.10)
TOTAL ASSETS	134,006	6.40	125,949	(7.00)
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVE				
Share Capital				
Authorised	12,000	-	12,000	-
Issued, subscribed and paid-up	11,572	-	11,572	-
Revenue Reserve				
Unappropriated profit	16,007	(20.22)	20,063	3.03
Total equity	27,579	(12.82)	31,635	1.90
NON-CURRENT LIABILITIES				
Long term loans	17,301	(6.07)	18,419	(8.06)
Share premium payable	-	-	-	-
Deferred liability - Gratuity	-	-	-	-
CURRENT LIABILITIES				
Trade and other payables	68,291	13.72	60,053	(4.37)
Interest/mark-up accrued	515	(32.50)	763	(34.11)
Short term borrowings	16,540	50.87	10,963	(35.05)
Current maturity of long term loans	3,780	(8.16)	4,116	16.83
	89,126	17.43	75,895	(10.03)
TOTAL EQUITY AND LIABILITIES	134,006	6.40	125,949	(7.00)

2014 (Rs. Million)	14 Vs. 13 %	2013 (Rs. Million) Restated	13 Vs. 12 %	2012 (Rs. Million)	12 Vs. 11 %	2011 (Rs. Million)	11 Vs. 10 %	2010 (Rs. Million)
41,223	(5.15)	43,463	(5.59)	46,038	(5.83)	48,890	(1.46)	49,615
12	(55.56)	27	8.00	25	257.14	7	(12.50)	8
-	-	-	-	-	(100.00)	637	-	637
4,674	-	4,674	-	4,674	15.87	4,034	54.56	2,610
63	(27.59)	87	171.88	32	(28.89)	45	100.00	-
21	162.50	8	-	8	33.33	6	50.00	4
45,993	(4.70)	48,259	(4.96)	50,777	(5.30)	53,619	1.41	52,874
1,599	1.59	1,574	45.07	1,085	202.23	359	100.00	-
2,389	(43.76)	4,248	139.46	1,774	(52.99)	3,774	141.92	1,560
79,879	222.11	24,799	(83.59)	151,161	76.17	85,806	28.62	66,712
78	(27.78)	108	332.00	25	(37.50)	40	700.00	5
2,818	(13.45)	3,256	30.34	2,498	143.23	1,027	39.54	736
2,676	(84.32)	17,069	3334.41	497	(69.23)	1,615	99.63	809
89,439	75.19	51,054	(67.49)	157,040	69.55	92,621	32.65	69,822
135,432	36.37	99,313	(52.21)	207,817	42.11	146,240	19.19	122,696
12,000	-	12,000	-	12,000	-	12,000	-	12,000
11,572	-	11,572	-	11,572	-	11,572	-	11,572
19,473	(7.44)	21,038	9.60	19,195	6.94	17,949	(1.97)	18,310
31,045	(4.80)	32,610	5.99	30,767	4.22	29,521	(1.21)	29,882
20,034	(14.93)	23,551	(8.84)	25,834	(5.13)	27,231	16.15	23,445
-	-	-	-	-	-	-	(100.00)	41
-	-	-	-	-	(100.00)	19	26.67	15
62,794	80.25	34,838	(72.72)	127,723	72.19	74,177	24.47	59,595
1,158	(18.57)	1,422	(13.24)	1,639	2.63	1,597	21.17	1,318
16,878	272.83	4,527	(77.01)	19,688	68.53	11,682	73.22	6,744
3,523	48.96	2,365	9.19	2,166	7.60	2,013	21.56	1,656
84,353	95.48	43,152	(71.46)	151,216	69.01	89,469	29.08	69,313
135,432	36.37	99,313	(52.21)	207,817	42.11	146,240	19.19	122,696

Balance Sheet Vertical Analysis

	2016 (Rs. Million)		2015 (Rs. Million)	
		%		%
ASSETS				
NON-CURRENT ASSETS				
Fixed Assets				
Property, Plant and equipments	36,587	27.30	38,818	30.82
Intangibles	44	0.03	3	0.00
Stores and spares	-	-	-	-
Long term investments	5,876	4.38	4,918	3.90
Long term loan and advance	-	-	-	-
Long term deposits and prepayments	21	0.02	19	0.02
	42,528	31.73	43,758	34.74
CURRENT ASSETS				
Stores, spares and consumables	2,460	1.84	2,111	1.68
Stock-in-trade	2,563	1.91	3,470	2.76
Trade debts	77,747	58.02	72,683	57.71
Loan and advances	247	0.18	108	0.09
Advances, prepayments and other receivables	5,181	3.87	3,335	2.65
Cash and bank balances	3,280	2.45	484	0.38
	91,478	68.27	82,191	65.26
TOTAL ASSETS	134,006	100.00	125,949	100.00
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVE				
Share Capital				
Authorised	12,000	-	12,000	-
Issued, subscribed and paid-up	11,572	8.64	11,572	9.19
Revenue Reserve				
Unappropriated profit	16,007	11.94	20,063	15.93
	27,579	20.58	31,635	25.12
NON-CURRENT LIABILITIES				
Long term loans	17,301	12.91	18,419	14.62
Deferred liability - Gratuity	-	-	-	-
CURRENT LIABILITIES				
Trade and other payables	68,291	50.96	60,053	47.68
Interest/mark-up accrued	515	0.38	763	0.61
Short term borrowings	16,540	12.34	10,963	8.70
Current maturity of long term loans	3,780	2.83	4,116	3.27
	89,126	66.51	75,895	60.26
TOTAL EQUITY AND LIABILITIES	134,006	100.00	125,949	100.00

2014		2013		2012		2011	
(Rs. Million)	%	(Rs. Million)	%	(Rs. Million)	%	(Rs. Million)	%

Restated

41,223	30.44	43,463	43.76	46,038	22.15	48,890	33.43
12	0.01	27	0.03	25	0.01	7	0.00
-	-	-	-	-	-	637	0.44
4,674	3.45	4,674	4.71	4,674	2.25	4,034	2.76
63	0.05	87	0.09	32	0.02	45	0.03
21	0.02	8	0.01	8	0.00	6	0.00
45,993	33.96	48,259	48.59	50,777	24.43	53,619	36.67

1,599	1.18	1,574	1.58	1,085	0.52	359	0.25
2,389	1.76	4,248	4.28	1,774	0.85	3,774	2.58
79,879	58.98	24,799	24.97	151,161	72.74	85,806	58.67
78	0.06	108	0.11	25	0.01	40	0.03
2,818	2.08	3,256	3.28	2,498	1.20	1,027	0.70
2,676	1.98	17,069	17.19	497	0.24	1,615	1.10
89,439	66.04	51,054	51.41	157,040	75.57	92,621	63.33
135,432	100.00	99,313	100.00	207,817	100.00	146,240	100.00

12,000	-	12,000	-	12,000	-	12,000	-
11,572	8.54	11,572	11.65	11,572	5.57	11,572	7.91

19,473	14.38	21,038	21.18	19,195	9.24	17,949	12.27
31,045	22.92	32,610	32.84	30,767	14.80	29,521	20.19

20,034	14.79	23,551	23.71	25,834	12.43	27,231	18.62
-	-	-	-	-	-	19	0.01

62,794	46.37	34,838	35.08	127,723	61.46	74,177	50.72
1,158	0.86	1,422	1.43	1,639	0.79	1,597	1.09
16,878	12.46	4,527	4.56	19,688	9.47	11,682	7.99
3,523	2.60	2,365	2.38	2,166	1.04	2,013	1.38
84,353	62.28	43,152	43.45	151,216	72.76	89,469	61.18
135,432	100.00	99,313	100.00	207,817	100.00	146,240	100.00

Six years Profit & Loss Account at a glance

	2016	2015	2014	2013	2012	2011
	----- (Rs. Millions) -----					
Turnover	86,415	131,484	161,807	165,862	174,712	123,310
Operating costs	(71,627)	(117,093)	(150,071)	(149,544)	(159,061)	(114,093)
GROSS PROFIT	14,788	14,391	11,736	16,318	15,651	9,217
General and administration expenses	(925)	(921)	(661)	(415)	(413)	(437)
Other income	1,444	1,532	83	34	35	27
Other operating expenses	(473)	(451)	-	-	-	-
PROFIT FROM OPERATIONS	14,834	14,551	11,158	15,937	15,273	8,807
Finance costs	(3,109)	(4,538)	(4,605)	(6,547)	(7,083)	(3,382)
PROFIT BEFORE TAXATION	11,725	10,013	6,553	9,390	8,190	5,425
Taxation	(149)	(160)	(4)	(2)	-	-
PROFIT FOR THE YEAR	11,576	9,853	6,549	9,388	8,190	5,425
Basic and diluted earnings per share (Rupees)	10.00	8.51	5.66	8.11	7.08	4.69

	2016	2015	2014	2013	2012	2011
	----- (Rs. Millions) -----					
EBITDA						
Profit for the year	11,576	9,853	6,549	9,388	8,190	5,425
Finance costs	3,109	4,538	4,605	6,547	7,083	3,382
Taxation	149	160	4	2	-	-
Depreciation	2,837	2,741	2,694	2,684	2,673	1,954
Amortisation	20	8	15	15	16	4
EBITDA	17,691	17,300	13,867	18,636	17,962	10,765

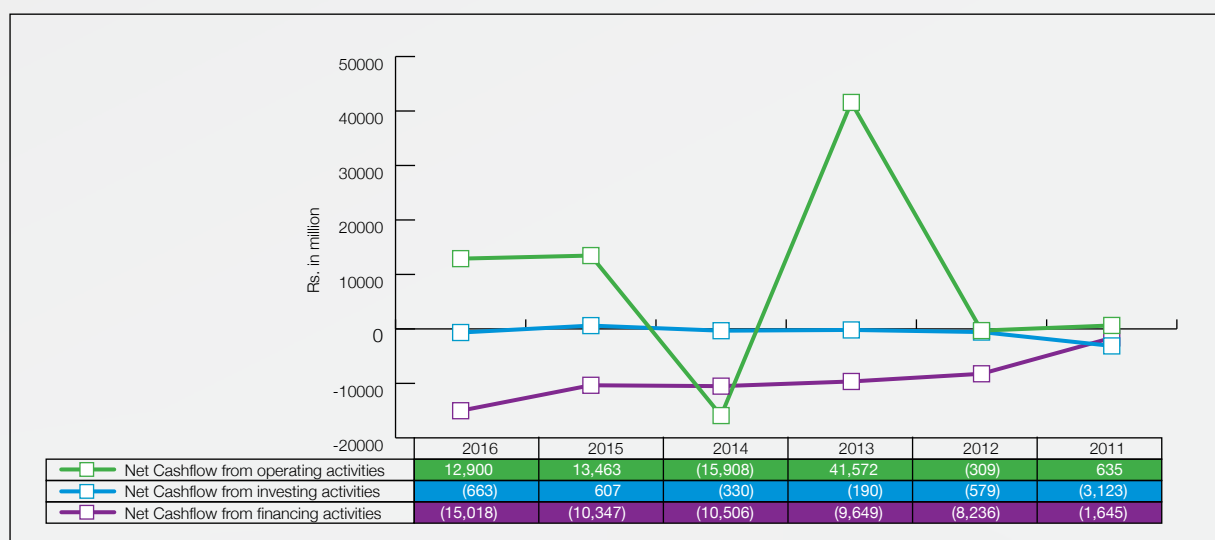
	2016	2015	2014	2013	2012	2011
	----- (Rs. Millions) -----					
EBIT						
Profit for the year	11,576	9,853	6,549	9,388	8,190	5,425
Finance costs	3,109	4,538	4,605	6,547	7,083	3,382
Taxation	149	160	4	2	-	-
EBIT	14,834	14,551	11,158	15,937	15,273	8,807

Six years Balance Sheet at a glance

	2016 (Rs. Millions)	2015 (Rs. Millions)	2014 (Rs. Millions)	2013 (Rs. Millions) Restated	2012 (Rs. Millions)	2011 (Rs. Millions)
ASSETS						
NON-CURRENT ASSETS						
Fixed Assets						
Property, Plant and equipments	36,587	38,818	41,223	43,463	46,038	48,890
Intangibles	44	3	12	27	25	7
Stores and spares	-	-	-	-	-	637
Long term investments	5,876	4,918	4,674	4,674	4,674	4,034
Long term loan and advance	-	-	63	87	32	45
Long term deposits and prepayments	21	19	21	8	8	6
	42,528	43,758	45,993	48,259	50,777	53,619
CURRENT ASSETS						
Stores, spares and consumables	2,460	2,111	1,599	1,574	1,085	359
Stock-in-trade	2,563	3,470	2,389	4,248	1,774	3,774
Trade debts	77,747	72,683	79,879	24,799	151,161	85,806
Loan and advances	247	108	78	108	25	40
Prepayments and other receivables	5,181	3,335	2,818	3,256	2,498	1,027
Cash and bank balances	3,280	484	2,676	17,069	497	1,615
	91,478	82,191	89,439	51,054	157,040	92,621
TOTAL ASSETS	134,006	125,949	135,432	99,313	207,817	146,240
EQUITY AND LIABILITIES						
SHARE CAPITAL AND RESERVE						
Share Capital						
Authorised	12,000	12,000	12,000	12,000	12,000	12,000
Issued, subscribed and paid-up	11,572	11,572	11,572	11,572	11,572	11,572
Revenue Reserve						
Unappropriated profit	16,007	20,063	19,473	21,038	19,195	17,949
TOTAL EQUITY	27,579	31,635	31,045	32,610	30,767	29,521
NON-CURRENT LIABILITIES						
Long term loans	17,301	18,419	20,034	23,551	25,834	27,231
Deferred liability - Gratuity	-	-	-	-	-	19
CURRENT LIABILITIES						
Trade and other payables	68,291	60,053	62,794	34,838	127,723	74,177
Interest/mark-up accrued	515	763	1,158	1,422	1,639	1,597
Short term borrowings	16,540	10,963	16,878	4,527	19,688	11,682
Current maturity of long term loans	3,780	4,116	3,523	2,365	2,166	2,013
	89,126	75,895	84,353	43,152	151,216	89,469
TOTAL EQUITY AND LIABILITIES	134,006	125,949	135,432	99,313	207,817	146,240

Summary of six years Cash Flow at a glance

	2016 (Rs. Millions)	2015	2014	2013	2012	2011
Opening	(10,479)	(14,202)	12,542	(19,191)	(10,067)	(5,934)
Net Cashflow from operating activities	12,900	13,463	(15,908)	41,572	(309)	635
Net Cashflow from investing activities	(663)	607	(330)	(190)	(579)	(3,123)
Net Cashflow from financing activities	(15,018)	(10,347)	(10,506)	(9,649)	(8,236)	(1,645)
Closing	(13,260)	(10,479)	(14,202)	12,542	(19,191)	(10,067)



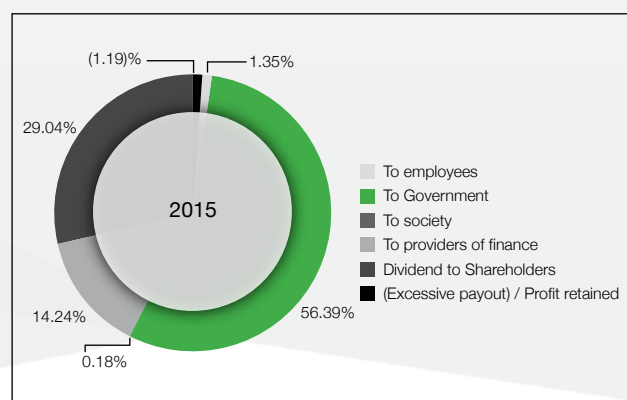
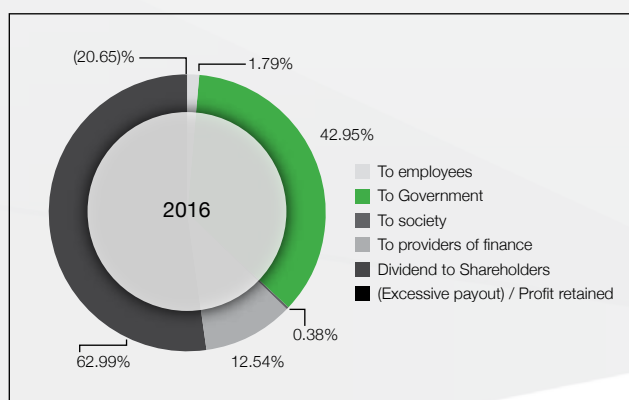
Comments on Analysis

- The decrease in turnover by 34.28% compared to last year is mainly due to lower RFO prices, lower generation bonus and lower Net Electrical Output (NEO) due to low load demanded by NTDC.
- The decrease in operating cost by 38.83% compared to last year is mainly due to net effect of lower RFO prices, lower operations and maintenance expenses due to O&M takeover by Hub Power Services Limited, higher consumption of stores & spares due to major overhauling of engines and efficiency loss.
- The decrease in other income was mainly due to lower dividend from Laraib Energy Limited – a subsidiary.
- The increase in other expenses was mainly due to net effect of lower write off of damaged assets at Narowal plant and termination compensation paid to IPGDL (ex-operations and maintenance operator of Hub Plant).
- The current year net profit increased by 17.48% compared to last year resulting in an increase in earnings per share from Rs. 8.51 to Rs. 10.0. The increase in profit is mainly due to the net effect of lower repair and maintenance expenditures, lower generation bonus, lower liquidated damages (LDs), lower write-off of damaged assets, lower dividend income from Subsidiary and payment of termination compensation to IPGDL.
- Because of increase in earnings this year, the dividend per share was also higher from previous year.
- Due to problems in recovering trade debts, Company is facing difficulties in maintaining current ratio and quick ratio and its working capital in terms of absolute amount has also decreased from Rs. 6,296 million to Rs. 2,352 million. The Company is currently managing the working capital through running finance facilities.

Statement of Value Addition

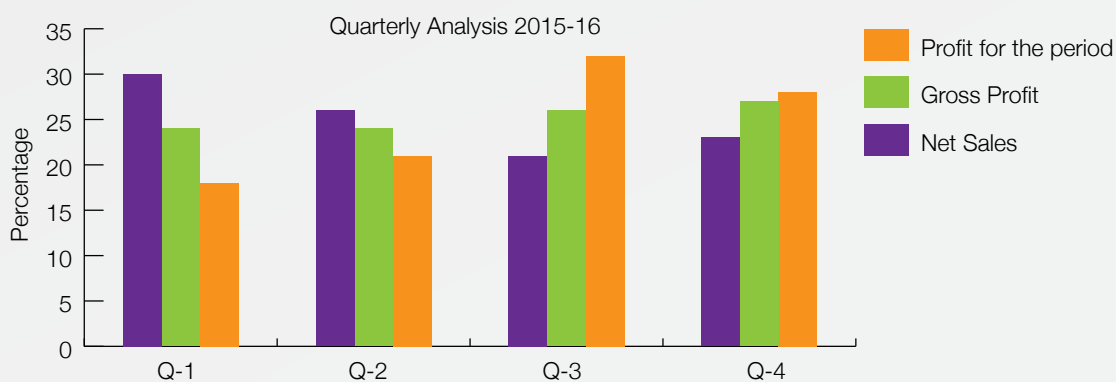
	2016 (Rs. Million)		2015 (Rs. Million)	
		%		%
Wealth Created				
Total Revenue inclusive sales tax and other income	98,362	380.17	150,831	459.11
Less: Operating cost & other general expenses	(72,489)	(280.17)	(117,978)	(359.11)
	25,873	100.00	32,853	100.00
Wealth distributed				
To employees				
Salaries, wages and other benefits	443	1.71	429	1.31
To Government				
Sales tax	10,502	40.59	17,815	54.23
Income tax	149	0.58	160	0.49
To society				
Donation	94	0.36	58	0.18
To providers of finance as financial charges				
	3,109	12.02	4,538	13.81
Dividend to Shareholders				
	15,622	60.38	9,257	28.18
(Excessive payout from) / Retained in the Company				
	(4,046)	(15.64)	596	1.80
	25,873	100.00	32,853	100.00

WEALTH DISTRIBUTION



Quarterly Financial Analysis

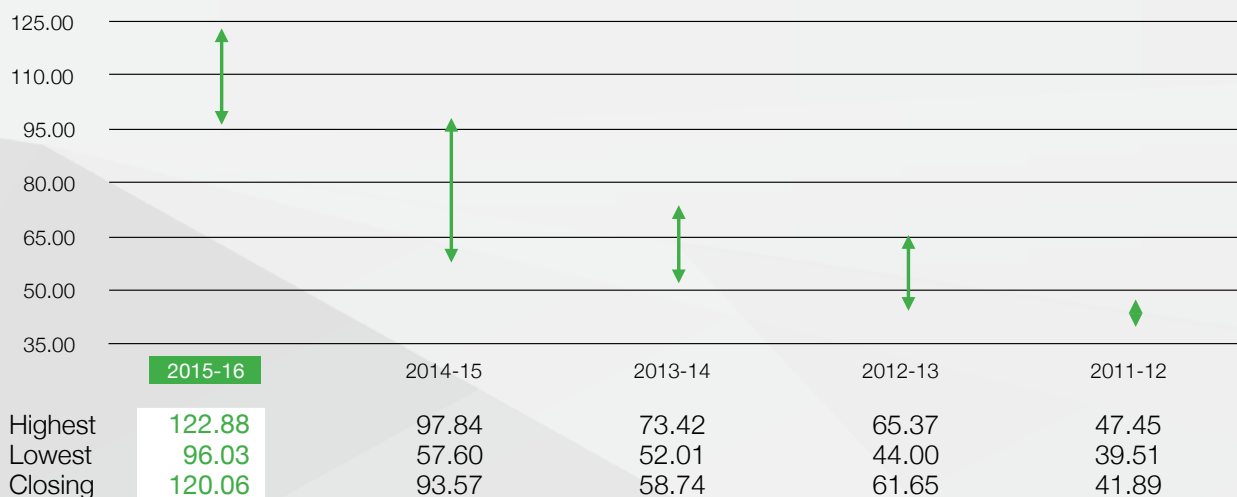
	Jul - Sep 2015		Oct - Dec 2015		Jan - Mar 2016		Apr - Jun 2016		Jul 2015 - Jun 2016	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
Net Sales	25,662,080	30%	22,239,379	26%	18,564,802	21%	19,948,948	23%	86,415,209	100%
Gross Profit	3,479,201	24%	3,533,239	24%	3,852,613	26%	3,922,731	27%	14,787,784	100%
Profit for the period	2,042,087	18%	2,480,285	21%	3,758,006	32%	3,295,427	28%	11,575,805	100%



Share Price Sensitivity

Share price in the stock market moves due to various factors such as company performance, general market sentiments, economic events and interest rates, etc. Being a responsible and law-compliant Company, Hubco circulates price sensitive information to the stock exchange in accordance with the requirements of listing regulations on timely manner. During the year 2015-16, Company's share price has touched the peak of Rs. 122.88 while the lowest recorded price was Rs. 96.03 with a closing price of Rs. 120.06 at the end of the year.

Share Price Sensitivity



Cash Flow Statement - Direct Method

For the year ended June 30, 2016

	2016	2015
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	91,854,112	156,495,117
Paid to suppliers / service provider - net	(75,275,966)	(137,764,579)
Paid to employees	(371,399)	(397,919)
Interest income received	21,448	50,584
Interest / mark-up paid	(3,198,383)	(4,746,929)
Staff gratuity paid	(18,446)	(13,247)
Taxes paid	(111,135)	(160,089)
Net cash inflow from operating activities	12,900,231	13,462,938
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(678,092)	(720,712)
Sale proceeds from disposal of Fixed Assets	21,532	11,080
Long term investment made	(908,305)	(243,787)
Dividend received from LEL	904,015	1,495,102
Long-term loan and advances	-	62,529
Long-term deposits and prepayments	(2,215)	2,710
Net cash (outflow) / inflow from investing activities	(663,065)	606,922
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(13,484,847)	(9,239,418)
Proceeds from long term loan - Syndicated term finance	3,100,000	-
Proceeds from long term loan - Musharaka finance facility	-	2,500,000
Repayment of long term loans	(4,633,189)	(3,607,779)
Net cash outflow from financing activities	(15,018,036)	(10,347,197)
Net (decrease) / increase in cash and cash equivalents	(2,780,870)	3,722,663
Cash and cash equivalents at the beginning of the year	(10,479,278)	(14,201,941)
Cash and cash equivalents at the end of the year	(13,260,148)	(10,479,278)

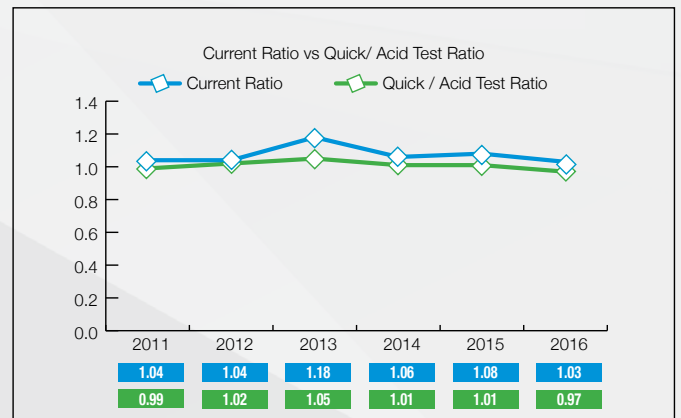
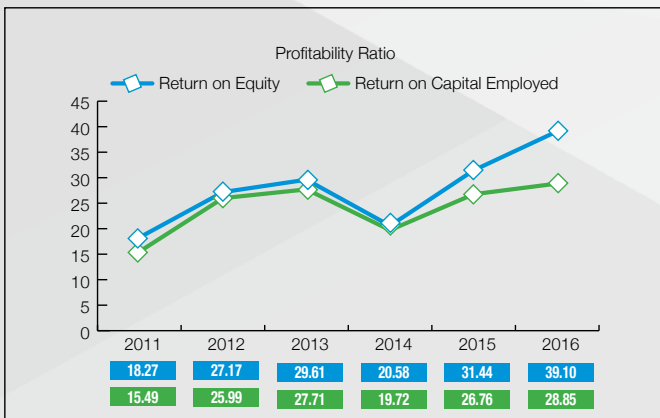
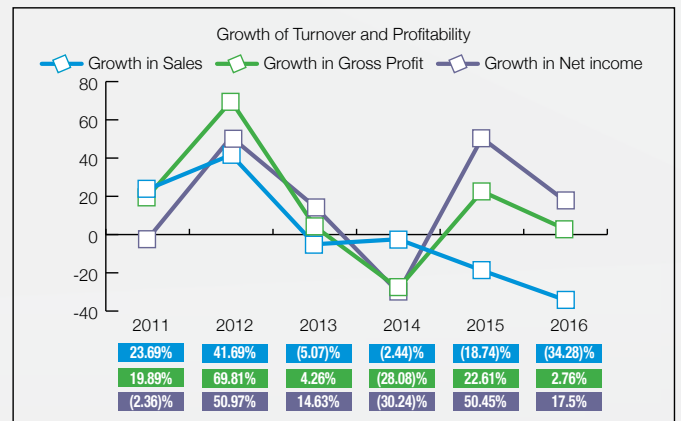
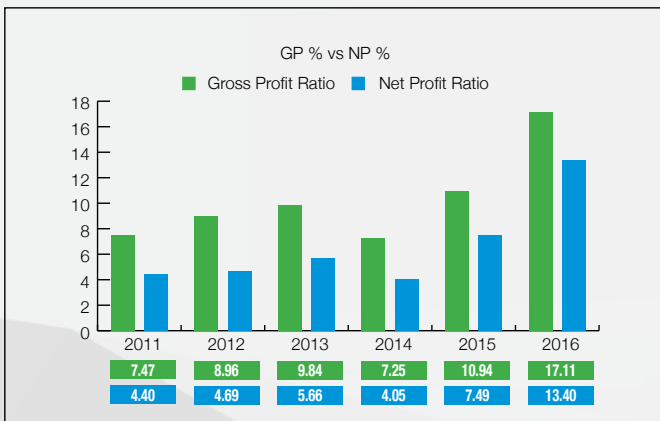
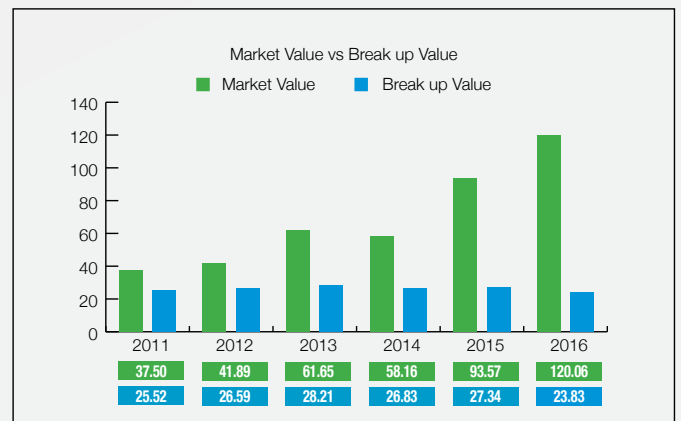
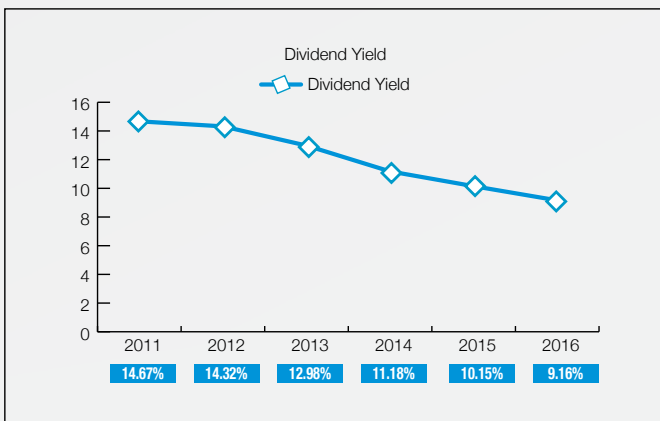
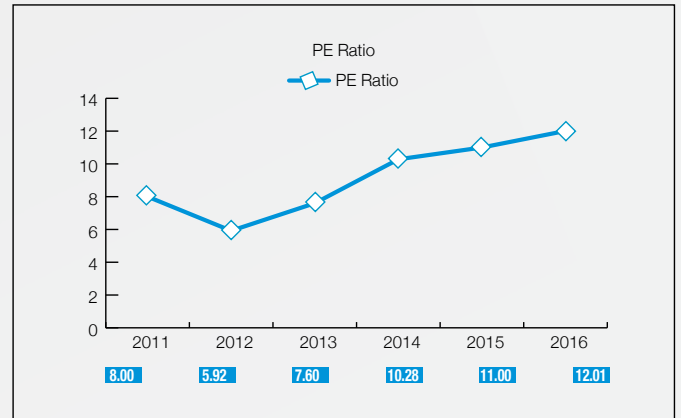
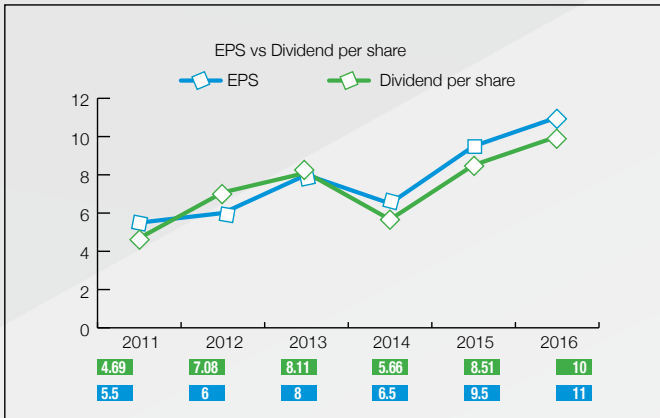
Materiality Approach Adopted by the Management

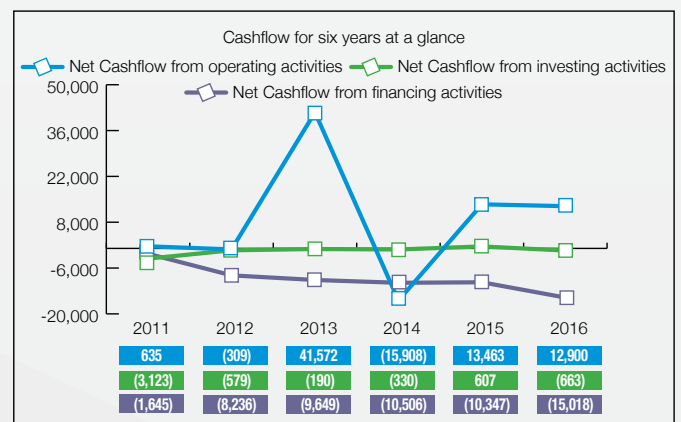
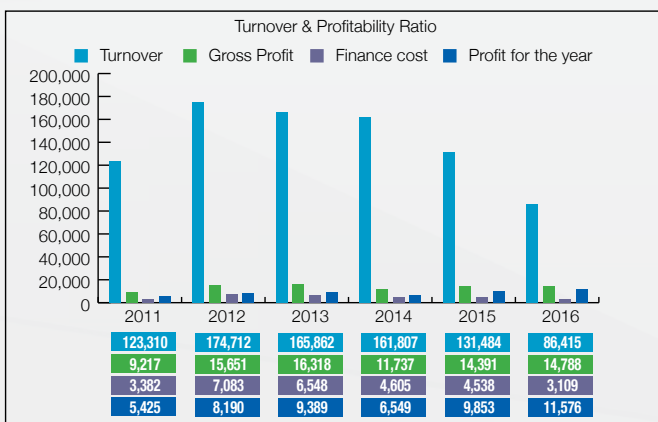
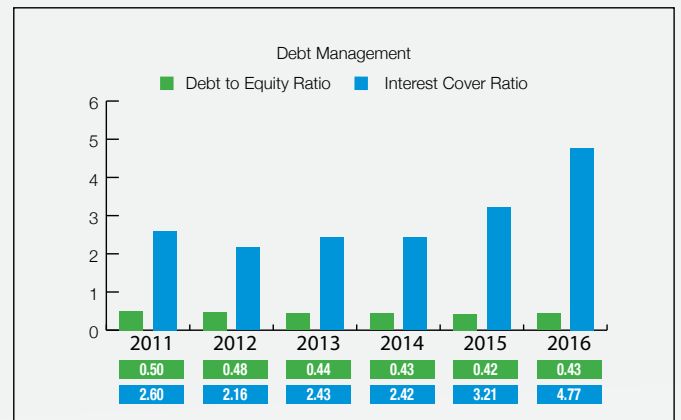
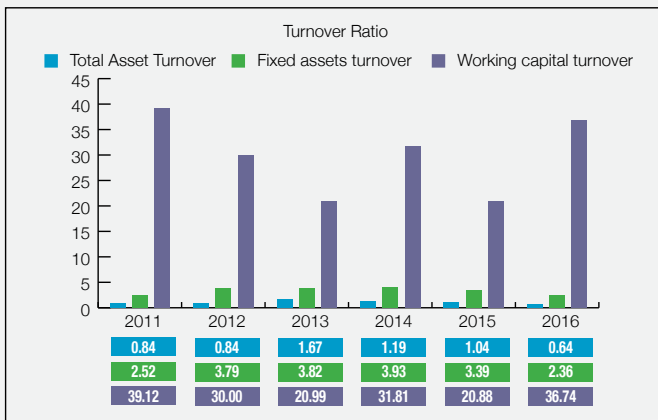
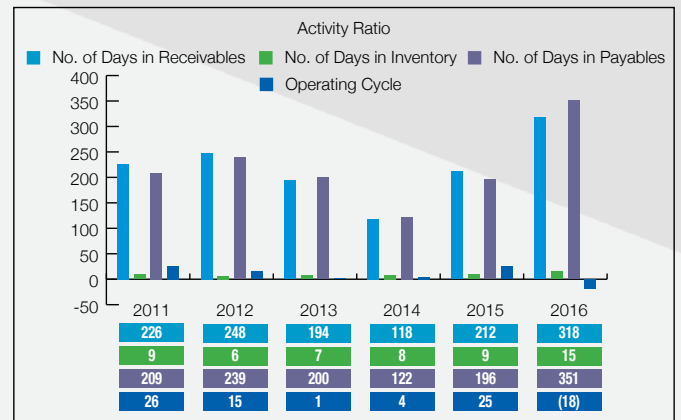
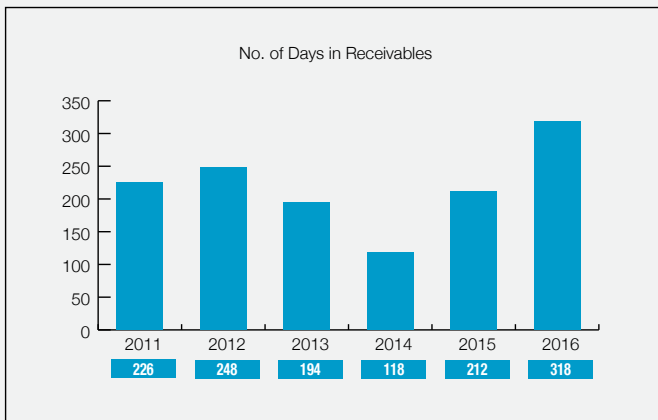
Determination of materiality levels, other than those provided under the regulations, is judgmental and varies between organizations. In general, matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the company. Materiality levels are reviewed periodically and are appropriately updated.

Powers of the Board of Directors and the Management of the Company have been defined with special reference to, and in compliance with the Companies Ordinance, 1984, the Code of Corporate Governance, the Articles of Association of the Company, guidelines and frameworks issued by professional bodies and best practices. The Board powers include approvals for capital expenditure, disposal of fixed assets, annual business plans, policy formulation, risk management, human resource management, donations, matters relating to health safety and the environment, and other matters required by law or internal policies.

Authorizations for transactions and delegation of powers have also been defined clearly and carried out through formalized processes keeping in view defined materiality levels.

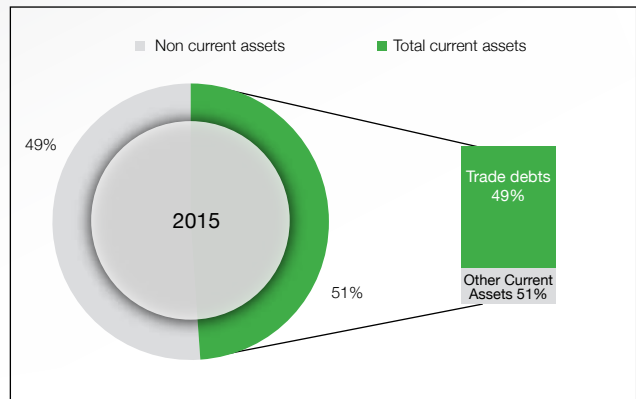
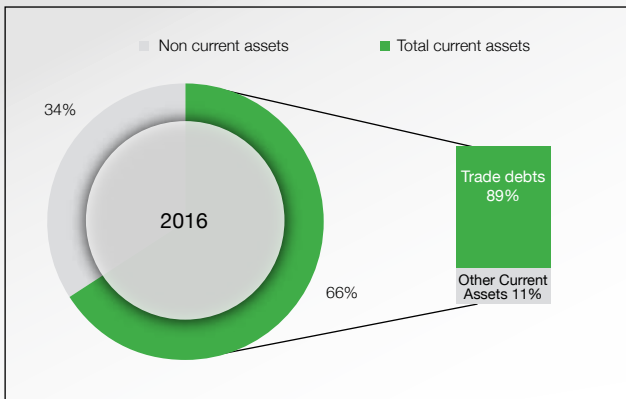
Graphical Presentation



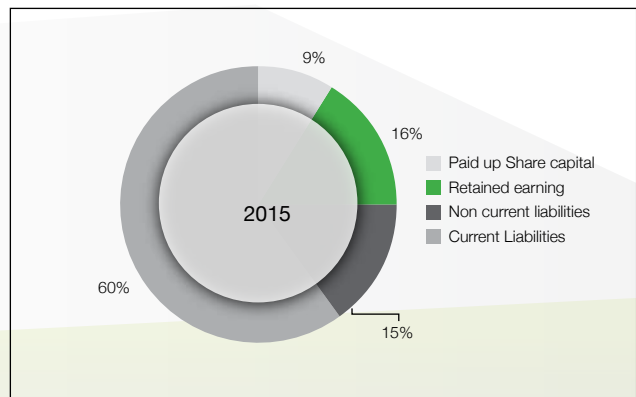
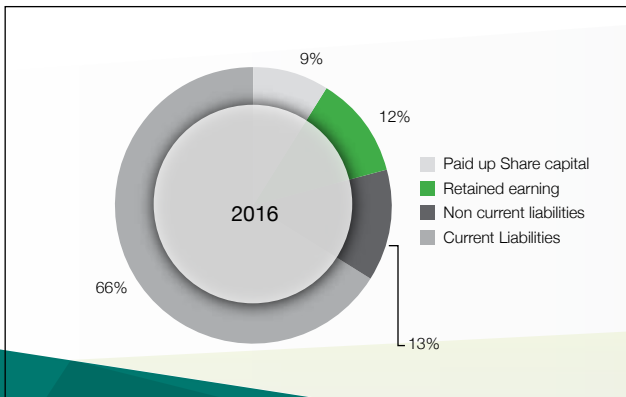


Graphical Presentation

COMPOSITION OF TOTAL ASSETS



CAPITAL STRUCTURE



UNCONSOLIDATED
FINANCIAL
STATEMENTS



Auditors' Report to the Members

We have audited the annexed balance sheet of **The Hub Power Company Limited** as at **30 June 2016** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

EYFR



- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **30 June 2016** and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

EY Fird Khawaja
Chartered Accountants

Engagement Partner: Riaz A. Rehman Chamdia

Date: 24 August 2016

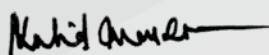
Place: Karachi

Unconsolidated Profit And Loss Account

For the year ended June 30, 2016

	Note	2016 (Rupees in '000)	2015
Turnover	3	86,415,209	131,483,801
Operating costs	4	(71,627,425)	(117,093,140)
GROSS PROFIT		14,787,784	14,390,661
General and administration expenses	5	(925,308)	(920,516)
Other income	6	1,444,497	1,532,077
Other operating expenses	7	(473,277)	(450,813)
PROFIT FROM OPERATIONS		14,833,696	14,551,409
Finance costs	8	(3,109,205)	(4,538,184)
PROFIT BEFORE TAXATION		11,724,491	10,013,225
Taxation	9	(148,686)	(160,089)
PROFIT FOR THE YEAR		11,575,805	9,853,136
Basic and diluted earnings per share (Rupees)	32	10.00	8.51

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



Khalid Mansoor
Chief Executive



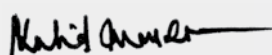
Iqbal Alimohamed
Director

Unconsolidated Statement of Comprehensive Income

For the year ended June 30, 2016

	Note	2016 (Rupees in '000)	2015
Profit for the year		11,575,805	9,853,136
Other comprehensive income for the year			
<i>Items that will not be reclassified to Profit or Loss in subsequent periods</i>			
Loss on remeasurements of post employment benefit obligation	22.5	(10,461)	(5,761)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		11,565,344	9,847,375

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



Khalid Mansoor
Chief Executive



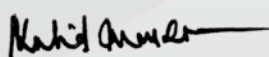
Iqbal Alimohamed
Director

Unconsolidated Balance Sheet

As at June 30, 2016

	Note	2016 (Rupees in '000)	2015
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	10	36,586,896	38,818,196
Intangibles	11	44,236	3,395
Long term investments	12	5,876,381	4,917,976
Long term deposits and prepayments	13	20,808	18,593
CURRENT ASSETS			
Stores, spares and consumables	14	2,459,522	2,110,612
Stock-in-trade	15	2,563,327	3,469,528
Trade debts	16	77,746,623	72,683,318
Loans and advances	17	247,175	108,516
Prepayments and other receivables	18	5,180,572	3,335,174
Cash and bank balances	19	3,280,071	483,767
		91,477,290	82,190,915
TOTAL ASSETS		134,005,611	125,949,075
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised	20	12,000,000	12,000,000
Issued, subscribed and paid-up	20	11,571,544	11,571,544
Revenue Reserve			
Unappropriated profit		16,007,117	20,063,357
		27,578,661	31,634,901
NON-CURRENT LIABILITIES			
Long term loans	21	17,301,209	18,418,942
CURRENT LIABILITIES			
Trade and other payables	22	68,291,054	60,053,365
Interest / mark-up accrued	23	514,698	762,679
Short term borrowings	24	16,540,219	10,963,045
Current maturity of long term loans	21	3,779,770	4,116,143
		89,125,741	75,895,232
TOTAL EQUITY AND LIABILITIES		134,005,611	125,949,075
COMMITMENTS AND CONTINGENCIES			
	25		

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



Khalid Mansoor
Chief Executive



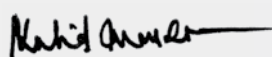
Iqbal Alimohamed
Director

Unconsolidated Cash Flow Statement

For the year ended June 30, 2016

	Note	2016 (Rupees in '000)	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		11,724,491	10,013,225
Adjustments for:			
Depreciation		2,836,699	2,741,228
Amortisation		20,075	8,462
Dividend income from LEL		(1,404,701)	(1,495,102)
Gain on disposal of fixed assets		(11,083)	(2,654)
Provision against stores, spares and consumables		25,449	-
Write-off of fixed assets		63,924	376,058
Staff gratuity		28,742	20,734
Interest income		(21,290)	(32,268)
Interest / mark-up		2,950,402	4,351,852
Amortisation of transaction costs		79,083	85,820
Operating profit before working capital changes		16,291,791	16,067,355
Working capital changes	30	(85,044)	2,265,264
Cash generated from operations		16,206,747	18,332,619
Interest income received		21,448	50,584
Interest / mark-up paid		(3,198,383)	(4,746,929)
Staff gratuity paid		(18,446)	(13,247)
Taxes paid		(111,135)	(160,089)
Net cash generated from operating activities		12,900,231	13,462,938
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from LEL		904,015	1,495,102
Fixed capital expenditure		(678,092)	(720,712)
Proceeds from disposal of fixed assets		21,532	11,080
Long term investments made		(908,305)	(243,787)
Long term loan and advance		-	62,529
Long term deposits and prepayments		(2,215)	2,710
Net cash (used in) / generated from investing activities		(663,065)	606,922
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(13,484,847)	(9,239,418)
Proceeds from long term loan - Syndicated term finance		3,100,000	-
Proceeds from long term loan - Musharaka finance facility		-	2,500,000
Repayment of long term loans		(4,633,189)	(3,607,779)
Net cash used in financing activities		(15,018,036)	(10,347,197)
Net (decrease) / increase in cash and cash equivalents		(2,780,870)	3,722,663
Cash and cash equivalents at the beginning of the year		(10,479,278)	(14,201,941)
Cash and cash equivalents at the end of the year	31	(13,260,148)	(10,479,278)

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



Khalid Mansoor
Chief Executive



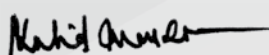
Iqbal Alimohamed
Director

Unconsolidated Statement of Changes in Equity

For the year ended June 30, 2016

	Note	2016 (Rupees in '000)	2015
Issued capital			
Balance at the beginning of the year		11,571,544	11,571,544
Balance at the end of the year	20	11,571,544	11,571,544
Unappropriated profit			
Balance at the beginning of the year		20,063,357	19,473,218
Profit for the year		11,575,805	9,853,136
Other comprehensive income for the year		(10,461)	(5,761)
Total comprehensive income for the year		11,565,344	9,847,375
Transactions with owners in their capacity as owners			
Final dividend for the fiscal year 2014-2015 @ Rs. 5.50 (2013-2014 @ Rs. 4.00) per share		(6,364,349)	(4,628,618)
First interim dividend for the fiscal year 2015-2016 @ Rs. 4.50 (2014-2015 @ Rs. 4.00) per share		(5,207,195)	(4,628,618)
Second interim dividend for the fiscal year 2015-2016 @ Rs. 3.50 (2014-2015 @ Rs. nil) per share		(4,050,040)	-
		(15,621,584)	(9,257,236)
Balance at the end of the year		16,007,117	20,063,357
Total equity		27,578,661	31,634,901

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



Khalid Mansoor
Chief Executive



Iqbal Alimohamed
Director

Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2016

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 “Ordinance”). The shares of the Company are listed on the Pakistan Stock Exchange (PSX) and its Global Depository Receipts are listed on the Luxembourg Stock Exchange. The principal activities of the Company are to develop, own, operate and maintain power stations. The Company owns an oil-fired power station of 1,200 MW (net) in Balochistan (Hub plant) and a 214 MW (net) oil-fired power station in Punjab (Narowal plant).

The Company has the following subsidiaries:

- Larailb Energy Limited (LEL)
- Hub Power Services Limited (HPSL)
- Hub Power Holdings Limited (HPHL)
- Narowal Energy Limited (NEL)
- Thar Energy Limited (TEL)

Further information of subsidiaries is disclosed in note 12.1 to 12.5 to these unconsolidated financial statements.

Proposed Narowal Demerger

Under the tax laws of Pakistan, if Narowal were demerged into a separate legal entity, it would have lost its tax exempt status from taxation on the income from power generation. The Company requested the Private Power and Infrastructure Board (PPIB) for the appropriate changes in the tax laws so that Narowal could be demerged into a separate legal entity. The Company has received the Economic Coordination Committee’s (ECC) approval for the changes in tax laws enabling the Company to demerge Narowal into a separate legal entity having the same tax exempt status, after demerger, as it enjoys now. During the year, the Company has incorporated a wholly owned subsidiary, NEL.

Subsequent to year end, the Board of Directors approved the scheme of arrangement for demerger of Narowal plant alongwith related assets, liabilities, commitment and contingencies (Narowal Undertaking). Pursuant to the scheme of arrangement, Hubco will transfer Narowal Undertaking into a separate legal entity - NEL against subscriptions of share capital at book value with effect from July 01, 2016.

However, the said demerger is subject to approval of the Scheme of Arrangement for demerger by the shareholders and the High Court of Sindh. The said demerger, subject to the approvals, is expected to be completed during the financial year 2016-17.

Operation & Maintenance (O&M) Takeovers

During the year, HPSL started providing operation and maintenance services to the Hub Plant under the terms of ‘Operations and Maintenance Agreement’ (the “O&M Agreement”) dated November 2, 2015 for the term until March 31, 2027, unless terminated earlier. The service commencement date as per the O&M Agreement was August 1, 2015. HPSL is also providing operation and maintenance services to the Narowal Plant with effect from April 22, 2016 under the O&M Agreement dated June 30, 2016 for the term until April 20, 2028, unless terminated earlier.

Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2016

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention, except for the recognition of defined benefit plan at present value.

2.3 Property, plant and equipment

(a) Operating property, plant, equipment and depreciation

These are stated at cost less accumulated depreciation and impairment losses, if any, 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 at the rates shown in note 10.1 to these unconsolidated financial statements. Depreciation on additions is charged for the full month in which an asset is available for use and on disposals up to the month immediately preceding the disposals. Gains and losses on disposals are taken to the profit and loss account.

Maintenance and repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised.

Spare parts and servicing equipment are classified as property, plant and equipment under plant and machinery rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. Available for use capital spares and servicing equipment are depreciated over their useful lives, or the remaining life of principal asset, whichever is lower.

The residual value, depreciation method and the useful lives of the significant items of property, plant and equipment are reviewed and adjusted if required, at each balance sheet date.

(b) Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any. Items are transferred to operating property, plant and equipment as and when they are available for use.

2.4 Intangible assets and amortisation

These are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is computed using the straight-line method over the estimated useful lives of the assets at the rate shown in note 11 to these unconsolidated financial statements.

2.5 Impairment of non-current assets

The carrying amounts of non-current assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to assess whether asset's carrying value exceeds its recoverable amount. Where carrying value exceeds the estimated recoverable amount, asset is written down to its recoverable amount. Impairment losses are recognised as expense in the profit and loss account. 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.

2.6 Impairment of financial assets

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

2.7 Investment in subsidiaries and associates

Investment in subsidiaries and associates are recognised at cost less impairment losses, if any.

2.8 Stores, spares and consumables

These are valued at the lower of moving average cost and net realisable value except for the items in transit which are stated at cost. Cost of stock-in-transit represents the invoice value plus other charges incurred thereon till the balance sheet date. Provision is made for slow moving and obsolete items, if any.

2.9 Stock-in-trade

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

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, payorders in hand, cash with banks on savings, call and term deposit accounts and running finance under mark-up arrangements. Running finance under mark-up arrangements are shown in current liabilities.

2.11 Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

2.12 Staff retirement benefits

The Company operates a funded defined benefit gratuity plan covering eligible employees whose period of service with the Company is at least five years. The liabilities relating to defined benefit plans are determined through actuarial valuation using the Projected Unit Credit Method. The method involves making assumptions about discount rates, future salary increases and mortality rates. Due to

Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2016

the long-term nature of these benefits, such estimates are subject to certain uncertainties. Significant assumptions used to carry out the actuarial valuation have been disclosed in note 22.5 to these unconsolidated financial statements.

The Company operates a recognised contributory provident fund covering all its employees who are eligible for the plan. Equal monthly contributions are made by the Company and the employees in accordance with fund's rules. Effective July 2015 contribution was transferred to Meezan Tahaffuz Pension Fund as more fully explained in note 28.1.

2.13 Revenue recognition

Revenue from the sale of electricity to the Water and Power Development Authority (WAPDA), the sole customer of the Company for Hub plant, is recorded based upon the output delivered and capacity available at rates as specified under the Power Purchase Agreement (PPA) with WAPDA, as amended from time to time. PPA with WAPDA is a contract over a period of 30 years starting from 1997.

Revenue from the sale of electricity to the National Transmission and Despatch Company Limited (NTDC), the sole customer of the Company for Narowal plant, is recorded based upon the output delivered and capacity available at rates as specified under the PPA with NTDC. PPA with NTDC is a contract over a period of 25 years starting from 2011.

2.14 Interest income

Interest income is recorded on accrual basis.

2.15 Dividend income

Dividend income is recognised when the Company's right to receive payment has been established.

2.16 Functional and presentation currency

Items included in these unconsolidated financial statements are measured using the currency of the primary economic environment in which the Company operates. These unconsolidated financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

2.17 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees equivalents using balance sheet date exchange rates. Non-monetary assets and liabilities are stated using exchange rates that existed when the values were determined. Exchange differences on foreign currency transactions and translation are included in profit and loss account.

2.18 Taxation

Income of the Company is not liable to taxation in Pakistan to the extent provided in the Implementation Agreements signed with the Government of Pakistan (GOP) and the Income Tax Ordinance, 2001 (ITO 2001). Accordingly, provision for taxation, if any, is made only on the income liable to tax at the applicable rates of tax after taking into account tax credits, rebates etc. allowable under the ITO 2001.

2.19 Dividend distribution

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

2.20 Financial instruments

(a) Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value plus directly attributable transaction cost, if any, and subsequently measured at amortised cost using the effective interest rate method less provision for impairment, if any.

(b) Borrowings

Borrowings are recognised initially at fair value, net of attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest rate method.

(c) Trade and other payables

Liabilities for trade and other amounts payable are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method.

2.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised. All other borrowing costs are recognised as an expense in the period in which they are incurred. Qualifying assets are assets that necessarily take substantial period of time to get ready for their intended use.

2.22 Off-setting

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

2.23 Use of estimates and judgements

The preparation of unconsolidated financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the periods in which the estimates are revised and in any future periods affected. Significant estimates, assumptions and judgements are disclosed in the relevant accounting policies and notes to these unconsolidated financial statements.

Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2016

Following are some significant areas where management used estimates and judgements other than those which have been disclosed elsewhere in these unconsolidated financial statements.

- Determining the residual values and useful lives of property, plant and equipment and intangibles;
- Distinguish between capital spares, servicing equipment and stores and spares;
- Determining significant influence in an associate;
- Provisions;
- Disclosures related to IFRIC 4;
- Recognition of taxation;
- Recognition of provision for staff retirement benefits;
- Impairment of trade debts and other receivables; and
- Commitments and contingencies.

3. TURNOVER	2016	2015	2016	2015	2016	2015
	Hub Plant	Hub Plant	Narowal Plant	Narowal Plant	Total	Total
	------(Rupees in '000)-----					
Turnover	80,919,365	122,050,781	15,998,052	27,248,418	96,917,417	149,299,199
Less: Sales tax	(8,994,037)	(14,736,345)	(1,508,171)	(3,079,053)	(10,502,208)	(17,815,398)
	<u>71,925,328</u>	<u>107,314,436</u>	<u>14,489,881</u>	<u>24,169,365</u>	<u>86,415,209</u>	<u>131,483,801</u>

4. OPERATING COSTS	Note	2016	2015
		(Rupees in '000)	
Fuel cost		63,313,631	107,771,532
Stores and spares		950,129	249,925
Operations and maintenance	4.1	1,837,501	3,910,400
Insurance		822,810	830,473
Depreciation	10.3	2,784,933	2,704,973
Amortisation	11.1	17,325	8,160
Repairs, maintenance and other costs		1,901,096	1,617,677
		<u>71,627,425</u>	<u>117,093,140</u>

4.1 This includes Rs. 1,301.217 million (2015: Rs. nil) representing services rendered by HPSL (a subsidiary company) for Hub plant and Narowal plant under their respective O&M Agreements.

5. GENERAL AND ADMINISTRATION EXPENSES	Note	2016	2015
		(Rupees in '000)	
Salaries, benefits and other allowances	5.1 to 5.3	443,094	429,110
Travel and transportation		67,206	68,184
Fuel and power		8,343	7,866
Property, vehicles and equipment rentals		27,054	26,264
Office running cost		25,389	29,509
Repairs and maintenance		21,623	15,800
Legal and professional charges		96,929	141,542
Insurance		12,352	12,428
Auditors' remuneration	5.4	9,709	16,757
Donations	5.5	94,394	58,335
Printing and stationery		12,524	10,407
Depreciation	10.3	51,766	36,255
Amortisation	11.1	2,750	302
Miscellaneous		52,175	67,757
		<u>925,308</u>	<u>920,516</u>

5.1 This is net off cost allocated to subsidiary companies amounting to Rs. 294.745 million (2015: Rs. 10.490 million).

5.2 This includes Rs. 46.384 million (2015: Rs. 33.002 million) in respect of staff retirement benefits.

5.3 Number of persons employed as at year end were 140 (2015: 104) and the average number of persons employed during the year were 129 (2015: 72).

5.4 **Auditors' remuneration**

	2016	2015
	(Rupees in '000)	
Statutory audit	2,797	2,389
Half yearly review	866	780
Tax and other services	5,626	12,984
Out-of-pocket expenses	420	604
	9,709	16,757

5.5 Donations include the following in which a director or his spouse is interested:

<i>Name of Director</i>	<i>Name / Address of Donee</i>	<i>Interest in Donee</i>		
Mr. Ruhail Mohammed / Syed Muhammad Ali	Engro Foundation / 8th Floor, Harbor Front Building, Marine Drive, Clifton Block 4 Karachi	Trustee	1,500	-
Mr. Hussain Dawood	Karachi Education Initiative / National Stadium Road, Opp. Liaquat National Hospital, Karachi	Chairman	-	5,000

Note 2016 2015
(Rupees in '000)

6. **OTHER INCOME**

Financial assets

Interest income - conventional 6.1 21,290 32,268

Non-financial assets

Gain on disposal of fixed assets 6.2 11,083 2,654

Dividend income from LEL 1,404,701 1,495,102

Exchange gain on non derivative financial instrument 7,423 1,726

Other 6.3 - 327

1,423,207 1,499,809

1,444,497 1,532,077

6.1 This includes Rs. nil (2015: Rs. 13.345 million) relating to a subordinated loan to LEL.

6.2 This includes Rs. 6.625 million (2015: Rs. nil) gain on disposal of an asset to Chief Executive.

6.3 This represents capital gain on sale of Company's shares surrendered by an executive.

Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2016

	Note	2016 (Rupees in '000)	2015
7. OTHER OPERATING EXPENSES			
Write-off of fixed assets	7.1	63,924	376,058
Workers' profit participation fund	7.2	70,235	74,755
Termination compensation	7.3	339,118	-
		<u>473,277</u>	<u>450,813</u>

7.1 This includes write-off of two damaged assets at Narowal plant. The incidents took place during the year and consequently resulted in shut down of two engines. These incidents are covered under the Company's insurance policies and are subject to the final assessments and approval by the insurers. Engines have been brought back in service.

	Note	2016 (Rupees in '000)	2015
7.2 Workers' profit participation fund			
Provision for Workers' profit participation fund	22	589,736	500,661
Workers' profit participation fund recoverable from WAPDA / NTDC	18	(519,501)	(425,906)
		<u>70,235</u>	<u>74,755</u>

The Company is required to pay 5% of its profit to the Workers' profit participation fund (the "Fund"). The Company is entitled to claim majority of this expense from Water and Power Development Authority (WAPDA) / National Transmission and Despatch Company Limited (NTDC) as a pass through item.

7.3 This represents early Termination Compensation to the ex-operator of the Hub plant as per the terms of Termination Agreement.

	Note	2016 (Rupees in '000)	2015
8. FINANCE COSTS			
Interest / mark-up on long term loans		1,867,667	2,787,376
Mark-up on short term borrowings		1,082,735	1,564,476
Amortisation of transaction costs		79,083	85,820
Other finance costs		79,720	100,512
		<u>3,109,205</u>	<u>4,538,184</u>

9. TAXATION

<i>Current</i>			
- For the year	9.1	148,686	160,089

9.1 Relationship between tax expense and accounting profit

Profit before taxation		11,724,491	10,013,225
Tax calculated at the rate of 32% (2015: 33%)		3,751,837	3,304,364
Effect of reduced rate of tax on dividend income		(344,152)	(381,251)
Effect of exempt income		(3,301,243)	(2,808,136)
Impact of super tax		42,244	45,112
		<u>148,686</u>	<u>160,089</u>

	Note	2016 (Rupees in '000)	2015
10. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	10.1	36,453,125	38,732,105
Capital work-in-progress			
Hub plant	10.4	124,271	42,561
Narowal plant	10.5	9,500	43,530
		133,771	86,091
		36,586,896	38,818,196

10.1 Operating property, plant and equipment

	Freehold land	Building on freehold land	Leasehold property	Plant & machinery	Furniture & fixtures	Vehicles	Office equipment	Total
	(Rs. '000s)							
Cost:								
As at July 1, 2014	68,624	966,919	862	71,924,676	41,344	143,457	7,565	73,153,447
Additions / Transfers	906	42,812	-	607,412	68,558	35,418	6,911	762,017
Disposals	-	-	-	(455,951)	-	(18,599)	(328)	(474,878)
As at June 30, 2015	69,530	1,009,731	862	72,076,137	109,902	160,276	14,148	73,440,586
Additions / Transfers	1,258	61,712	-	408,083	2,494	134,219	6,010	613,776
Adjustments	-	-	-	24,860	(2,830)	-	-	22,030
Disposals	-	-	-	(107,486)	-	(47,569)	(854)	(155,909)
As at June 30, 2016	70,788	1,071,443	862	72,401,594	109,566	246,926	19,304	73,920,483
Depreciation:								
Depreciation rate % per annum	-	3.33 to 25	3.33	3.33 to 33.33	20	25	20	-
As at July 1, 2014	-	206,562	567	31,726,320	33,879	83,629	6,690	32,057,647
Charge for the year	-	53,329	29	2,653,968	9,122	23,564	1,216	2,741,228
Disposals	-	-	-	(79,560)	-	(10,506)	(328)	(90,394)
As at June 30, 2015	-	259,891	596	34,300,728	43,001	96,687	7,578	34,708,481
Charge for the year	-	73,691	29	2,691,153	15,440	54,149	2,237	2,836,699
Adjustments	-	-	-	3,714	-	-	-	3,714
Disposals	-	-	-	(43,452)	-	(37,230)	(854)	(81,536)
As at June 30, 2016	-	333,582	625	36,952,143	58,441	113,606	8,961	37,467,358
Net book value as at June 30, 2016	70,788	737,861	237	35,449,451	51,125	133,320	10,343	36,453,125
Net book value as at June 30, 2015	69,530	749,840	266	37,775,409	66,901	63,589	6,570	38,732,105
Cost of fully depreciated assets as at June 30, 2016	-	21,010	-	373,402	27,535	37,967	6,099	466,013
Cost of fully depreciated assets as at June 30, 2015	-	21,010	-	337,440	27,535	58,877	5,917	450,779

Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2016

10.2 Disposal of operating property, plant and equipment

Assets	Cost	Accumulated depreciation	Net book value	Sale price	Mode of disposal	Particulars of buyer
	----- (Rs. '000s) -----					
Plant & machinery	30,719	5,888	24,831	-	Write-off	N/A
Plant & machinery	14,078	2,487	11,591	-	Write-off	N/A
Plant & machinery	14,111	2,540	11,571	-	Write-off	N/A
Plant & machinery	44,806	28,875	15,931	-	Write-off	N/A
Vehicle	1,713	1,035	678	688	Company policy	Mr. Muhammad Irfan Iqbal - employee
Vehicle	1,562	1,464	98	108	Company policy	Ms. Fatima Maryam - employee
Vehicle	2,074	864	1,210	1,220	Company policy	Mr. Amjad Raja - employee
Vehicle	1,648	412	1,236	1,246	Company policy	Ms. Laila Bhatia - Ex-employee
Vehicle	1,543	482	1,061	1,071	Company policy	Ms. Mariam Shirazee - employee
Vehicle	1,741	1,015	726	735	Company policy	Mr. Malik Mohsin - employee
Vehicle	1,457	1,305	152	1,232	Tender	Mr. Amad Ali
Vehicle	2,133	1,111	1,022	1,032	Company policy	Mr. Farrukh Rasheed - employee
Vehicle	2,524	105	2,419	2,463	Insurance Claim	EFU General Insurance Limited
Vehicle	2,087	913	1,174	1,184	Company policy	Mr. Omer Sarood - employee
Vehicle	1,603	1,069	534	544	Company policy	Mr. Hassan Karim - employee
Items having a net book value not exceeding Rs. 50,000 each						
Vehicles	27,484	27,455	29	9,667	Various	Various
Office equipment	854	854	-	-	Various	Various
Computers	3,772	3,662	110	342	Various	Various
Total - June 30, 2016	155,909	81,536	74,373	21,532		
Total - June 30, 2015	474,878	90,394	384,484	11,080		

10.3 Depreciation charge for the year has been allocated as follows:

	Note	2016	2015
(Rupees in '000)			
Operating costs	4	2,784,933	2,704,973
General and administration expenses	5	51,766	36,255
		2,836,699	2,741,228

10.4 Capital work-in-progress - Hub plant

Opening balance	42,561	90,611
Additions during the year	195,892	345,589
Transfers during the year	(114,182)	(393,639)
	124,271	42,561

10.5 Capital work-in-progress - Narowal plant

Opening balance	43,530	36,785
Additions during the year	194,242	316,655
Transfers during the year	(228,272)	(309,910)
	9,500	43,530

	Note	2016 (Rupees in '000)	2015
11. INTANGIBLES - Computer software			
Cost			
Opening balance		89,113	90,203
Additions at cost		60,916	-
Write-offs		(28,003)	(1,090)
		<u>122,026</u>	<u>89,113</u>
Amortisation			
Opening balance		(85,718)	(78,346)
Charge for the year	11.1	(20,075)	(8,462)
Write-offs		28,003	1,090
		<u>(77,790)</u>	<u>(85,718)</u>
Net book value		<u>44,236</u>	<u>3,395</u>
Cost of fully amortised intangibles		<u>61,110</u>	<u>71,603</u>
Amortisation rate % per annum		<u>33.33</u>	<u>33.33</u>
11.1 Amortisation charge for the year has been allocated as follows:			
Operating costs	4	17,325	8,160
General and administration expenses	5	2,750	302
		<u>20,075</u>	<u>8,462</u>
12. LONG TERM INVESTMENTS			
Investment in subsidiaries	12.1 to 12.5	5,300,389	4,674,889
Investment in an associate	12.6	575,992	243,087
		<u>5,876,381</u>	<u>4,917,976</u>

12.1 Laraib Energy Limited (LEL)

Investment in LEL is Rs. 4,674.189 million which represents 74.95% controlling interest. The investment is recognised at cost less impairment losses, if any. LEL was incorporated in Pakistan on August 9, 1995 as a public limited company under the Ordinance. The subsidiary owns a 84 MW hydropower generating complex near the New Bong Escape, which is 8 KM downstream of the Mangla Dam in Azad Jammu & Kashmir. The plant commenced operations on March 23, 2013.

12.2 Hub Power Services Limited (HPSL)

The Company's investment in HPSL is Rs. 0.1 million. The investment in wholly owned subsidiary is recognised at cost less impairment losses, if any. HPSL was incorporated in Pakistan on March 26, 2015 as a public limited company under the Ordinance. The principal activities of the subsidiary are to manage operations & maintenance of the power plants.

During the year, HPSL has taken over the operations and maintenance of Hub plant and Narowal plant on August 1, 2015 and April 22, 2016 respectively (refer note 1).

Notes to the Unconsolidated Financial Statements

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12.3 Hub Power Holdings Limited (HPhL)

The Company's investment in HPhL is Rs. 576 million as at the balance sheet date. Subsequent to the year end, the Company further invested Rs. 424 million in HPhL. The investment in wholly owned subsidiary is recognised at cost less impairment losses, if any. HPhL was incorporated in Pakistan on March 10, 2015 as a public limited company under the Ordinance. The principal activities of the subsidiary are to invest in new business opportunities.

As at the balance sheet date, HPhL has 26% ownership interest in China Power Hub Generation Company (Private) Limited (CPHGC) (an associate of HPhL), the principal business of which is to construct, finance, own and operate two coal-fired power generation units of 660 MW each with ancillary Jetty in the province of Balochistan.

CPHGC was established consequent to a Joint Venture Agreement (JVA) dated April 20, 2015 between China Power International Holding Limited (CPIHL) and the Company. As per the terms of the JVA, CPIHL through its wholly owned subsidiary China Power International (Pakistan) Investment Limited (CPIIL) and the Company through HPhL invested in CPHGC in the proportion of 51% and 49% respectively in accordance with the Shareholders Agreement (SHA) dated June 12, 2015. CPIIL and HPhL entered into an Amended and Restated Shareholders' Agreement (A&RSHA) on March 9, 2016 through which, among other amendments, it was agreed that HPhL will reduce its shareholding in CPHGC by way of renunciation of its rights shares in the next rights issue offered by CPHGC, so that the shareholding percentages of CPIIL and HPhL shall become 74% and 26% respectively. Further, subject to certain conditions as stated in the A&RSHA, at any time on or before the Call Option Exercise Date (i.e., a date falling no later than 200 days prior to Required Commercial Operations Date), HPhL has the right but not the obligation to increase its shareholding in CPHGC from 26% up to a minimum of 43% and a maximum of 49%, by acquiring shares from CPIIL, the price of which shares will be calculated as per the provisions of the A&RSHA.

On February 12, 2016, National Electric Power Regulatory Authority (NEPRA) approved CPHGC's application for upfront tariff. However, in order to seek further clarification on certain items, CPHGC has filed a review petition with NEPRA, the response of which is awaited. CPHGC has also filed application for generation license before NEPRA which is pending for approval and has signed Equipment Procurement and Construction (EPC) contract for coal importation jetty on June 14, 2016.

On April 12, 2016, the Private Power & Infrastructure Board (PPIB) issued Letter of Support (LOS) to CPHGC. As per the terms of the LOS, CPIHL and HPhL provided performance guarantees in favour of PPIB which require CPHGC to (i) achieve Financial Closing no later than nine months from the date of LOS, and (ii) enter into the Implementation Agreement and Power Purchase Agreement no later than three months prior to the financial closing date. PPIB is entitled to encash the performance guarantees in case CPHGC is not able to meet the above conditions or CPHGC decides to exercise termination option as defined in the LOS.

On the basis of current estimated project cost of 2x660MW coal project with ancillary jetty, HPhL's total maximum equity commitment is USD 130 million for 26% equity stake in CPHGC.

12.4 Narowal Energy Limited (NEL)

The Company's investment in NEL is Rs. 0.1 million. The investment in wholly owned subsidiary is recognised at cost less impairment losses, if any. NEL was incorporated in Pakistan on November 03, 2015 as a public limited company under the Ordinance. The principal activities of the subsidiary will be to own, operate and maintain power plant (Refer note 1).

12.5 Thar Energy Limited (TEL)

The Company's investment in TEL is Rs. 50 million. The investment in wholly owned subsidiary is recognised at cost less impairment losses, if any. TEL was incorporated in Pakistan on May 17, 2016 as a public limited company under the Ordinance. The principal activities of TEL are to develop, own, operate and maintain a 1x330 MW mine-mouth coal fired power plant to be established at Thar Block II, Thar Coal Mine, Sindh.

Pursuant to the proposal submitted by the Company on April 5, 2016 for setting up 1X330 MW mine-mouth Coal Power Plant, Private Power & Infrastructure Board (PPIB) issued Notice to Proceed (NTP) on May 13, 2016 and accordingly TEL submitted application for Letter of Intent (LOI) along with performance guarantee.

On, August 2, 2016, PPIB issued LOI to TEL which requires TEL to submit within two months from the date of the LOI, petitions before NEPRA to obtain tariff determination and generation license. Further, TEL is also required to obtain LOS from PPIB within one month of the tariff determination by NEPRA.

In case TEL fails to perform its obligation under the LOI, as stipulated above, PPIB is entitled to encash the performance guarantee and terminate the LOI (refer note 25.13). On August 11, 2016, TEL has submitted application for generation license and tariff determination before NEPRA.

12.6 Sindh Engro Coal Mining Company Limited (SECMC)

Pursuant to the Shareholders' Agreement dated July 21, 2014 between Engro Powergen Limited (EPL), Thal Limited (TL) and the Company, the parties agreed to make investments in Sindh Engro Coal Mining Company Limited (SECMC). The Company undertook to invest USD 20 million in PKR equivalent and has invested Rs. 240 million in December 2014 acquiring 16,194,332 ordinary shares having face value of Rs. 10 each, at a price of Rs. 14.82 per share. Subsequently, Habib Bank Limited (HBL) and China Everbest Development International Limited (CEDIL) were inducted as investors in SECMC. Accordingly, a Shareholders' Agreement ('SHA') was entered into on August 17, 2015 between the Company, EPL, TL, HBL, and CEDIL, which terminated and superseded the previous shareholders' agreement dated July 21, 2014.

Pursuant to SHA, the Company has agreed to invest the equivalent of USD 20 million at or soon after Financial Close of SECMC or at such later time or times as required by the Financing Agreements of SECMC at a share price of Rs. 14.82 per share. The number of shares to be acquired shall be subject to the rate of conversion prevailing on the date of payment of each tranche of subscription amounts. On March 21, 2016, the Company further invested Rs. 332.905 million, and acquired 22,463,267 ordinary shares having face value of Rs. 10 each at a price of Rs. 14.82 per share in SECMC. SECMC achieved the financial close on April 4, 2016. Subsequent to the year end, on August 09, 2016 the Company further invested Rs. 31.929 million acquiring 2,154,438 ordinary shares having face value of Rs. 10 each at a price of Rs. 14.82 per share.

In addition to the USD 20 million equity, the Company may, pursuant to the terms of the Sponsor Support Agreement (SSA), make the following investments in SECMC:

12.6.1 Sponsor Support Guarantee to cover cost overruns – for an amount not exceeding USD 4 million (in equivalent Pakistan Rupees), if at any time prior to the Project Completion Date a funding shortfall occurs. Each Sponsor is obligated to pay the cost overrun amount in cash, by way of subscription of SECMC shares or at the option of the Sponsors collectively, by way of a subordinated debt to SECMC. During the Extraordinary General Meeting held on January 14, 2016, this cost overrun support was approved by the members of the Company.

Notes to the Unconsolidated Financial Statements

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12.6.2 Letter of credit to cover for the Initial Payment Service Reserve Account Shortfall ('PSRA') – an amount estimated not to exceed USD 6 million (which could be higher). If there is an Initial PSRA Shortfall, each Sponsor shall procure and issue a PSRA Letter of Credit (LC) in proportion to its shareholding of Ordinary shares in SECMC. Upon a demand being made for payment under the PSRA LC and receiving such payment, the said amount may be treated as equity or at the option of the Sponsors collectively, subordinated debt advanced in favor of SECMC in an amount equal to such portion of the PSRA LC that is called upon. During the Extraordinary General Meeting held on January 14, 2016, the PSRA support was approved by the members of the Company.

The investment in SECMC for the purposes of cost overrun and PSRA will only be made in the event that an overrun and shortfall occur, respectively. If the entire amount of Sponsor Support guarantee to cover cost overrun is called and the entirety of the payment under the standby letter of credit for PSRA shortfall is demanded, the maximum investment of the Company in SECMC shall be USD 30 million (in equivalent PKR).

On February 26, 2016, the sponsors, including the Company, entered into a SSA with HBL as a condition precedent for the availability of loan facilities to SECMC in connection with the project to develop, construct, operate and maintain an open pit coal mine in Sindh, Pakistan. Pursuant to the terms and conditions set forth in the SSA, the Company has provided Sponsor Equity Contribution Letter of Credit in the form of an Irrevocable Standby letter of Credit (SBLC) in favour of HBL, dated March 18, 2016 for a total amount not exceeding USD 12.650 million. Additionally, a Share Pledge Agreement was also executed by the Company with United Bank Limited on March 09, 2016, pursuant to the decision by the shareholders of the Company in an Extraordinary General Meeting held on January 14, 2016.

In order to provide bank guarantee for the issuance of Equity Standby Letter of Credit, the Company entered into a facility agreement with HBL for an amount of USD 12.65 million on March 02, 2016. This SBLC facility is valid for five years from effective date or four years from financial close whichever occurs earlier and is secured by second ranking charge over present and future plant and machinery of Hub Project with 25% margin. The first SBLC will be valid for a period of twelve months from the date of issuance and will be renewable by the Company prior to expiry date of the SBLC.

The effective shareholding of the Company in SECMC as at the balance sheet date is 8.50%. Although the Company has less than 20% equity interest in SECMC, the management believes that the significant influence over the associate exists as a result of Company's representation on the Board of Directors of SECMC and participation in policy making process by virtue of SHA, hence, classified as an associate.

	Note	2016 (Rupees in '000)	2015
13. LONG TERM DEPOSITS AND PREPAYMENTS			
Deposits - non interest bearing		17,278	16,429
Prepayments		3,530	2,164
		<u>20,808</u>	<u>18,593</u>
14. STORES, SPARES AND CONSUMABLES			
In hand		2,433,794	2,110,612
In-transit		51,177	-
		<u>2,484,971</u>	<u>2,110,612</u>
Provision against stores, spares and consumables	14.1	(25,449)	-
	14.2 & 14.3	<u>2,459,522</u>	<u>2,110,612</u>

2016 2015
(Rupees in '000)

14.1 Provision against stores, spares and consumables

Opening balance	-	-
Provision for the year	25,449	-
Closing balance	25,449	-

14.2 Most of the items of stores and spares are of interchangeable nature and can be used as machine spares or consumed as stores. Accordingly, it is not practicable to distinguish stores from spares until their actual usage.

14.3 This includes material and consumables purchased for various repair and maintenance works amounting to Rs. 329.365 million (2015: Rs. 406.994 million) which will be charged to profit and loss account when consumed.

2016 2015
(Rupees in '000)

15. STOCK-IN-TRADE

Furnace oil	2,527,008	3,423,080
Diesel	8,588	14,625
Lubricating oil	18,802	19,917
Light diesel oil	8,929	11,906
	2,563,327	3,469,528

16. TRADE DEBTS - Secured

Considered good	16.1 & 16.2	77,746,623	72,683,318
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16.1 This includes an amount of Rs. 65,296 million (2015: Rs. 56,898 million) receivable from WAPDA and Rs. 4,440 million (2015: Rs. 5,586 million) receivable from NTDC which are overdue but not impaired because the trade debts are secured by a guarantee from the GOP under Implementation Agreements.

The delay in payments from WAPDA carries mark-up at SBP discount rate plus 2% per annum compounded semi-annually and the delay in payments from NTDC carries mark-up at a rate of 3 month KIBOR plus 4.5% per annum compounded semi-annually.

The aging of these receivables are as follows:

2016 2015
(Rupees in '000)

Not yet due	8,010,729	10,199,505
Up to 3 months	14,768,008	23,075,789
3 to 6 months	15,616,659	19,226,235
Over 6 months	39,351,227	20,181,789
	77,746,623	72,683,318

16.2 This includes Rs. 373 million (2015: Rs. 373 million) relating to a tax matter (Refer note 25.7).

Notes to the Unconsolidated Financial Statements

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	Note	2016 (Rupees in '000)	2015
17. LOANS AND ADVANCES			
<i>Considered good - non interest bearing</i>			
Loans - unsecured			
Executives		9,409	6,579
Advances - unsecured			
Executives		422	4,446
Employees		969	157
Suppliers		236,375	97,334
		237,766	101,937
		247,175	108,516
18. PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments			
LC commission and other loan related costs		16,484	22,350
Miscellaneous		13,523	19,976
		30,007	42,326
Other receivables			
Interest accrued		-	158
Income tax	25.6	1,912,347	1,912,347
Sales tax		1,627,959	325,011
Dividend receivable from LEL - net		463,134	-
Receivable from LEL		158,913	123,375
Receivable from HPSL		86,670	-
Receivable from HPHL		72,298	159,524
Receivable from NEL		24	-
Receivable from TEL		4,464	-
Workers' profit participation fund recoverable from WAPDA / NTDC	7.2	519,501	425,906
Miscellaneous		305,255	346,527
		5,150,565	3,292,848
		5,180,572	3,335,174
19. CASH AND BANK BALANCES			
Savings accounts - conventional	19.1 & 19.2	2,302,587	287,487
In hand			
Cash		419	305
Payorders		977,065	195,975
		977,484	196,280
		3,280,071	483,767

19.1 Savings and deposits accounts carry mark-up rates up to 3.75% (2015: 4.50%) per annum.

19.2 This includes Rs. 2,299.596 million (2015: Rs. 162.791 million) restricted for dividend payable.

20. AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2016	2015		2016	2015
(No. of Shares)			(Rupees in '000)	
		Authorised :		
<u>1,200,000,000</u>	<u>1,200,000,000</u>	Ordinary shares of Rs.10/- each	<u>12,000,000</u>	<u>12,000,000</u>
		Issued, subscribed and paid-up :		
		Ordinary shares of Rs.10/- each		
818,773,317	818,773,317	For cash	8,187,733	8,187,733
		For consideration other than cash		
338,022,463	338,022,463	- against project development cost	3,380,225	3,380,225
358,607	358,607	- against land	3,586	3,586
<u>338,381,070</u>	<u>338,381,070</u>		<u>3,383,811</u>	<u>3,383,811</u>
<u>1,157,154,387</u>	<u>1,157,154,387</u>		<u>11,571,544</u>	<u>11,571,544</u>

20.1 The shareholders are entitled to receive all distributions including dividends and other entitlements in the form of bonus and right shares as and when declared by the Company. All shares carry one vote per share without restriction. The Company may not pay dividend until certain financial requirements under its long term debt facilities are satisfied.

20.2 Associated undertakings held 409,713,697 (2015: 309,039,482) shares in the Company as at year end.

Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2016

21. LONG TERM LOANS - Secured

From Banks / Financial Institutions

		As at July 01, 2015	Drawn	Repaid	Current portion	Amortisation of transaction costs	As at June 30, 2016
	Note	(Rs. '000s)					
Hub plant							
Under the Private Sector Energy Development Fund's (PSEDF I) Facility	21.1 & 21.1.1	1,045,647	-	(1,045,647)	-	-	-
Under the Private Sector Energy Development Fund's (PSEDF II) Facility	21.1 & 21.1.2	372,082	-	(372,082)	-	-	-
Musharaka finance facility	21.2	2,500,000	-	(312,500)	(625,000)	-	1,562,500
Commercial Facility	21.3	4,523,745	-	(601,961)	(685,292)	-	3,236,492
Sub Total		8,441,474	-	(2,332,190)	(1,310,292)	-	4,798,992
Narowal plant							
Expansion Facility	21.4.1	11,034,317	-	(1,354,436)	(1,590,556)	-	8,089,325
Syndicated term finance facility	21.4.2	-	3,100,000	-	-	-	3,100,000
Transaction costs		(212,208)	-	-	53,967	59,530	(98,711)
Sub Total		10,822,109	3,100,000	(1,354,436)	(1,536,589)	59,530	11,090,614
Laraiab's investment							
Syndicated term finance facility	21.5.1	2,722,636	-	(777,896)	(777,896)	-	1,166,844
Islamic finance facility	21.5.2	590,334	-	(168,667)	(168,667)	-	253,000
Transaction costs		(41,468)	-	-	13,674	19,553	(8,241)
Sub Total		3,271,502	-	(946,563)	(932,889)	19,553	1,411,603
Total		22,535,085	3,100,000	(4,633,189)	(3,779,770)	79,083	17,301,209

From Banks / Financial Institutions

		As at July 01, 2014	Drawn	Repaid	Current portion	Amortisation of transaction costs	As at June 30, 2015
	Note	(Rs. '000s)					
Hub plant							
Under the Private Sector Energy Development Fund's (PSEDF I) Facility	21.1 & 21.1.1	1,767,754	-	(722,107)	(722,107)	-	323,540
Under the Private Sector Energy Development Fund's (PSEDF II) Facility	21.1 & 21.1.2	629,037	-	(256,955)	(256,954)	-	115,128
Musharaka finance facility	21.2	-	2,500,000	-	(312,500)	-	2,187,500
Sub Total		2,396,791	2,500,000	(979,062)	(1,291,561)	-	2,626,168
Narowal plant							
Commercial Facility	21.3	5,052,516	-	(528,771)	(601,961)	-	3,921,784
Expansion Facility	21.4.1	12,187,701	-	(1,153,384)	(1,354,436)	-	9,679,881
Transaction costs		(272,431)	-	-	58,882	60,223	(153,326)
Sub Total		16,967,786	-	(1,682,155)	(1,897,515)	60,223	13,448,339
Laraiab's investment							
Syndicated term finance facility	21.5.1	3,500,532	-	(777,896)	(777,896)	-	1,944,740
Islamic finance facility	21.5.2	759,000	-	(168,666)	(168,667)	-	421,667
Transaction costs		(67,065)	-	-	19,496	25,597	(21,972)
Sub Total		4,192,467	-	(946,562)	(927,067)	25,597	2,344,435
Total		23,557,044	2,500,000	(3,607,779)	(4,116,143)	85,820	18,418,942

21.1 These loans were repayable in 30 equal installments on semi-annual payment dates starting from January 10, 2002. Any late payment by the Company is subject to payment of interest at 3% per annum above the normal rate of interest. The Company may not pay dividend until certain financial requirements under these facilities are satisfied. In April 2016, the loans were fully repaid, as per the terms of the agreements and accordingly the below mentioned securities were released. These loans were secured pari passu by way of:

(a) a 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.

excluding (i) those relating or pertaining to the Narowal plant; (ii) the Commercial Facility Disbursement Account; and (iii) present and future shares acquired in LEL including bonus shares and right shares.

(b) a floating charge on the whole of the Company's undertaking and assets, present and future, other than:

- (i) any assets for the time being effectively charged by way of fixed charge; (ii) any undertaking and assets, present and future, relating or pertaining to the Narowal plant; (iii) any shares in Demerged Company (special purpose vehicle that the Company may incorporate under the laws of Pakistan for the purpose of construction, ownership, operations & maintenance of Narowal plant); (iv) the Commercial Facility Disbursement Account; and (v) present and future shares acquired in LEL including bonus shares and right shares.

(c) an assignment of all rights, title and interest, present and future, in relation to the Assigned Documents, Tangible Moveable Property, book and other debt and monetary claims (which are not otherwise subject to a fixed charge), uncalled capital, all Investments, Assigned Accounts and Insurances but excluding rights, interests and claims relating to or arising out of the documents executed for the Narowal plant; and

(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.

21.1.1 Interest was payable @ 14% per annum.

21.1.2 Interest rate per annum was equal to the greater of the sum of (i) One year United States Treasury Bill Rate, the FERl Margin and 4.00% or (ii) World Bank Lending Rate, the FERl Margin and 3.50%.

21.2 The Company entered into a long term Musharaka arrangement with a bank for an amount of Rs. 2,500 million (2015: Rs. 2,500 million) to finance boiler rehabilitation works at Hub Plant. The facility is repayable in sixteen equal installments on quarterly basis starting from March 30, 2016 at a mark-up rate of 3 month KIBOR plus 1.10% per annum. The mark-up is payable on quarterly basis in arrear. Any late payment by the Company is subject to a markup of 14% per annum. This loan is secured by way of second ranking / subordinated charge over all present and future assets excluding (i) land and buildings pertaining to Hub River Project of the Company; (ii) assets relating to the Narowal power plant; (iii) Commercial Facility Disbursement Account; (iv) any shares in Demerged Company (special purpose vehicle that the Company may incorporate under the laws of Pakistan for the purpose of construction, ownership, operations & maintenance of Narowal project); and (v) present and future shares acquired in LEL including bonus shares and right shares.

21.3 In order to finance the equity proportion of the project cost of Narowal plant, the Company obtained this loan which is repayable in 40 installments on quarterly basis starting from January 16, 2011 and then on each mark-up payment date at a mark-up rate of three month KIBOR plus 0.25% per annum.

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The mark-up is payable on quarterly basis in arrear. The loan is secured *pari passu* by way of same securities as mentioned in note 21.1 and a first ranking floating charge over the Commercial Facility Disbursement Account and all credit balances held therein from time to time and all rights, property and benefits arising therefrom at any time and from time to time.

The Company shall not pay dividends until certain requirements under these facilities are satisfied. Any late payment by the Company is subject to an additional payment of 2% per annum above the normal mark-up rate.

The outstanding balance of long term loans include Rs. 678 million (2015: Rs. 279 million) repayable to associated undertakings.

21.4 In connection with Narowal plant:

21.4.1 The loan is repayable in 40 installments on quarterly basis starting from January 16, 2011 and then on each mark-up payment date at a mark-up rate of three month KIBOR plus 3.47% per annum. The mark-up is payable on quarterly basis in arrear.

The loan is secured *pari passu* by way of:

- (a) mortgage by Deposit of Title Deeds over the immovable properties of the Company situated at Narowal and acquired for the purposes of Narowal plant;
- (b) a first ranking floating charge over the Project Company's undertaking and assets (both present and future), fixed and current [other than those referred in note 24.1.2(a)], tangible and intangible, wherever situated and all present and future trade deposits, trade debts, loans and advances, bills and other receivables in relation to the Narowal plant;
- (c) by way of hypothecation, the creation of a first fixed charge over the present and future properties purchased for the purposes of Narowal plant;
- (d) mortgage and assignment of the Company's rights, titles and interests, present and future, actual and contingent under and in connection with the Narowal Project Documents and all rights of the Company to make recovery under the Narowal Project Documents and all proceeds of whatsoever nature receivable by the Company under the Narowal Project Documents; and
- (e) by way of first priority security, the Company has assigned, charged and granted a security interest on all and each of the Project Company's rights, title, interest and benefit, present and future, under and in connection with the GOP Guarantee (for Narowal plant) and all rights of the Project Company to make recovery under the GOP Guarantee and any proceeds thereof receivable by the Project Company under the GOP Guarantee.

The Company shall not pay dividends until certain requirements under these facilities are satisfied. Any late payment by the Company is subject to an additional payment of 2% per annum above the normal mark-up rate.

The outstanding balance of long term loan includes Rs. 1,674 million (2015: Rs. 682 million) repayable to associated undertakings.

21.4.2 During the year, the Company has entered into a long term financing arrangement with various banks for an amount of Rs. 3,100 million to fund the project cost overruns of Narowal plant. The loan is repayable in 16 equal installments on quarterly basis at a mark-up rate of three month KIBOR plus 0.20% per annum. The facility became effective on June 16, 2016.

The mark-up is payable on quarterly basis in arrear starting from the date of disbursement, i.e. June 24, 2016. Any late payment by the Company is subject to an additional payment of 2% per annum above the normal mark-up rate. The loan is secured by way of second ranking / subordinated charge over fixed assets (excluding land & building) of Hub Plant.

The outstanding balance of long term loan includes Rs. 2,700 million (2015: Rs. nil) repayable to an associated undertaking.

21.5 In order to meet its investment obligation in LEL:

21.5.1 The Company has entered into a long term financing arrangement with various banks / financial institution for an amount of Rs. 3,741 million. The loan is repayable in 9 equal installments on semi-annual basis following the six months after the end of availability period which is 42 months from the facility effective date at a mark-up rate of six month KIBOR plus 2.20% per annum. The facility became effective on October 01, 2010. The mark-up is payable on semi-annual basis in arrear starting from the availability period. Any late payment by the Company is subject to an additional payment of 2% per annum above the normal mark-up rate. The loan is secured by way of second ranking / subordinated charge over all present and future undertaking and assets excluding land and buildings of the Company other than: (i) assets relating to the Narowal plant; (ii) Commercial Facility Disbursement Account; (iii) any shares in Demerged Company (special purpose vehicle that the Company may incorporate under the laws of Pakistan for the purpose of construction, ownership, operations & maintenance of Narowal plant); and (iv) present and future shares acquired in LEL including bonus shares and right shares.

21.5.2 The Company has also entered into a long term Islamic financing arrangement with a bank for an amount of Rs. 759 million. The loan is repayable in 9 equal installments on semi-annual basis following the six months after the end of availability period which is 42 months from the facility effective date at a mark-up rate of six month KIBOR plus 2.20% per annum. The facility became effective on November 24, 2010. The mark-up is payable on semi-annual basis in arrear starting from the availability period. Any late payment by the Company is subject to an additional payment of 2% per annum above the normal mark-up rate. The loan is secured by way of securities mentioned in note 21.5.1.

The outstanding balance of long term loans also include Rs. 583 million (2015: Rs. 156 million) repayable to associated undertakings.

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	Note	2016 (Rupees in '000)	2015
22. TRADE AND OTHER PAYABLES			
Creditors			
Trade	22.1	63,057,139	56,979,908
Other	22.2	349,411	48,585
		<u>63,406,550</u>	<u>57,028,493</u>
Accrued liabilities			
Operation & Maintenance fee and services	22.2	6,830	222,241
Finance costs		9,773	9,229
Miscellaneous	22.3	715,156	863,764
		<u>731,759</u>	<u>1,095,234</u>
Unearned income	22.4	1,177,057	1,184,323
Dividend payable		2,294,372	157,635
Other payables			
Provision for Workers' profit participation fund	7.2	589,736	500,661
Staff gratuity	22.5	75,439	54,682
Retention money		6,594	31,499
Withholding tax		9,547	838
		<u>681,316</u>	<u>587,680</u>
		<u>68,291,054</u>	<u>60,053,365</u>

22.1 This includes Rs. 62,072 million (2015: Rs. 55,595 million) payable to Pakistan State Oil Company Limited (PSO), out of which overdue amount is Rs. 56,668 million (2015: Rs. 49,563 million).

The delay in payments to PSO carries mark-up at SBP discount rate plus 2% per annum compounded semi-annually.

22.2 This includes payable to HPSL (a subsidiary company) and Engro Polymer & Chemicals Limited (an associated undertaking) amounting to Rs. 63.437 million and Rs. 0.617 million, respectively.

22.3 This includes payable to NEL and TEL amounting to Rs. 0.100 million and Rs. 50 million against initial subscription of shares, respectively. Subsequent to the year end Rs. 50 million was injected in TEL.

22.4 This represents Capacity Purchase Price invoiced for the succeeding month under the terms of PPA for Hub plant.

	2016 (Rupees in '000)	2015
22.5 STAFF GRATUITY	<u>75,439</u>	<u>54,682</u>

Actuarial valuation was carried out as on June 30, 2016. The present value of defined benefit obligation has been calculated using the Projected Unit Credit Actuarial Cost method.

	2016	2015
	(Rupees in '000)	
Reconciliation of the net liability recognised in the balance sheet		
Present value of defined benefit obligation	214,588	178,847
Fair value of plan assets	(139,149)	(124,165)
Net liability recognised in the balance sheet	75,439	54,682
Reconciliation of the movements during the year in the net liability recognised in the balance sheet		
Opening net liability	54,682	41,434
Expense recognised	28,742	20,734
Remeasurement loss recognised in Other Comprehensive Income (OCI)	10,461	5,761
Contributions to the fund made during the year	(18,446)	(13,247)
Closing net liability	75,439	54,682
Expense recognised		
Current service cost	23,821	15,244
Net Interest	4,921	5,490
Expense recognised	28,742	20,734
Re-measurements recognised in OCI during the year		
Remeasurement loss on obligation	620	13,719
Remeasurement loss/(gain) on plan assets	9,841	(7,958)
	10,461	5,761
The movement in the defined benefit obligations are as follows		
Present value of defined benefit obligation at beginning	178,847	142,975
Current service cost	23,821	15,244
Interest cost	15,890	18,196
Benefits paid	(4,590)	(11,287)
Remeasurement loss recognised in OCI	620	13,719
Present value of defined benefit obligation at closing	214,588	178,847
The movement in fair value of plan assets		
Fair value of plan assets at beginning	124,165	101,541
Expected return on plan assets	10,969	12,706
Contributions made	18,446	13,247
Benefits paid	(4,590)	(11,287)
Remeasurement (loss) / gain recognised in OCI	(9,841)	7,958
Fair value of plan assets at closing	139,149	124,165
Actual return on plan assets	1,128	20,665
Contribution expected to be paid to the plan during the next year	31,964	24,980

Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2016

Significant actuarial assumptions used in the actuarial valuation were as follows:

	2016	2015
- Valuation discount rate per annum	7.25%	9.00%
- Expected return on plan assets per annum	7.25%	9.00%
- Expected rate of increase in salary level per annum	7.25%	10.00%
- Mortality rates	SLIC 2001-05	SLIC 2001-05

Expected maturity analysis of undiscounted retirement benefit plans:

	Less than 1 year	Between 2- 5 years	Between 6 - 10 years	Over 10 years	Total
	----- (Rs. '000s) -----				
Retirement benefit plan	29,085	24,125	141,545	258,576	453,331
	----- (Rs. '000s) -----				
	2016	2015	2014	2013	2012
As at June 30					
Present value of defined benefit obligation	214,588	178,847	142,975	110,181	108,968
Fair value of plan assets	(139,149)	(124,165)	(101,541)	(84,962)	(88,253)
Deficit	75,439	54,682	41,434	25,219	20,715
	----- (Rupees in '000) -----				
	2016	2015			

Sensitivity analysis on significant actuarial assumptions - Impact on defined benefit obligation

- Discount rate +1%	17,425	15,023
- Discount rate -1%	(19,897)	(17,078)
- Salary increases +1%	(20,790)	(17,792)
- Salary increases -1%	18,499	15,892

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

23. INTEREST / MARK-UP ACCRUED

	2016	2015
	----- (Rupees in '000) -----	
Interest / mark-up accrued on long term loans	350,873	585,325
Mark-up accrued on short term borrowings	163,825	177,354
23.1	514,698	762,679

23.1 Included herein is a sum of Rs. 93.279 million (2015: Rs. 31.280 million) payable to associated undertakings.

Note	2016 (Rupees in '000)	2015
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24. SHORT TERM BORROWINGS - Secured

Finances under mark-up arrangements	24.1 to 24.4	<u>16,540,219</u>	<u>10,963,045</u>
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24.1 The facilities for running finance available from various banks / financial institutions amounted to Rs. 26,825 million (2015: Rs. 27,365 million) at mark-up ranging between 0.50% to 3.00% per annum above one / three month KIBOR. The mark-up on the facilities is payable on monthly / quarterly basis in arrear. The facilities will expire during the period from August 26, 2016 to March 31, 2017. Any late payment by the Company is subject to an additional payment of 2.00% per annum above the normal mark-up rate.

24.1.1 The facilities amounting to Rs. 22,400 million (2015: Rs. 22,440 million) are secured by way of charge over the trade debts and stocks of the Company for the Hub plant pari passu with the existing charge.

24.1.2 The facilities amounting to Rs. 4,425 million (2015: Rs. 4,925 million) are secured by way of:

- (a) a first ranking charge on all present and future (i) amounts standing to the credit of the Energy Payment Collection Account and the Master Facility Account, (ii) Fuel, lube, fuel stocks at the Narowal plant; and (iii) the Energy Payment Receivables of Narowal plant.
- (b) a subordinated charge on all present and future plant, machinery and equipment and other moveable assets of the Narowal plant excluding; (i) the immoveable properties; (ii) Hypothecated Assets under first ranking charge; (iii) the Energy Payment Collection Account, Working Capital Facility Accounts and the Master Facility Account; (iv) the Energy Payment Receivables; (v) all of the Project Company's right, title and interest in the Project Documents (including any receivables thereunder); and (vi) all current assets.

24.1.3 This includes a sum of Rs. 1,353 million (2015: Rs. 275 million) payable to associated undertakings. The available facilities amounted to Rs. 2,275 million (2015: Rs. 775 million). These facilities are secured by way of securities mentioned in note 24.1.1 and 24.1.2.

24.2 The Company also has Murabaha facility agreements with banks for an amount of Rs. 625 million (2015: Rs. 625 million) at a mark-up of 2.00% per annum above three month KIBOR. The mark-up on the facilities is payable on quarterly basis in arrear. These facilities will expire on August 26, 2016. Any late payment by the Company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. These facilities are secured by way of securities mentioned in note 24.1.2.

24.3 The Company also entered into a Musharaka agreements amounting to Rs. 1,135 million (2015: Rs. 635 million) at a mark-up of upto 2.00% per annum above three month KIBOR. The mark-up on the facilities are payable on quarterly basis in arrear. These facility will expire during the period from September 30, 2016 to November 30, 2016. Any late payment by the Company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. These facilities are secured by way of securities mentioned in note 24.1.2.

24.4 The Company entered into a Musharaka agreement amounting to Rs. 400 million (2015: Rs. 400 million) at a mark-up of 0.5% per annum above three month KIBOR. The mark-up on the facility is payable on quarterly basis in arrear. This facility will expire on June 30, 2017. Any late payment by the Company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. This facility is secured by way of securities mentioned in note 24.1.1.

Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2016

25. COMMITMENTS AND CONTINGENCIES

25.1 Commitments in respect of capital and revenue expenditures amounted to Rs. 1,168.672 million (2015: Rs. 832.196 million). This includes commitments of Rs. 429.716 million (June 2015: Rs. nil) to associated undertakings.

25.2 In connection with investment in the Larai Energy Limited (LEL), the Company entered into an Sponsor Support Agreement (SSA). In accordance with the terms of the SSA, the Company entered into a Sponsor Charge and Assignment Deed with LEL's lenders pursuant to which the Company has:

(i) charged, by way of first fixed charge:

(a) all its right, title and interest from time to time in and to the Shares and Related Rights of LEL; and

(b) all its rights, title and interest from time to time (whether present or future) in the Assigned Subordinated Loans and all claims in relation thereto.

(ii) assigned and has agreed to assign absolutely all rights, title and interest present or future of the Company in respect of the Assigned Subordinated Loans.

Accordingly, all the present and future shares which the Company holds or owns in LEL and the loans, if any, to be provided to LEL are subject to Security Interest created by Sponsor Charge and Assignment Deed above.

Further, the Company is committed to maintain a minimum of 75% equity interest in LEL.

25.3 Pursuant to the SSA in connection with the investment in LEL, the Company entered into a facility agreement with a bank which is also an associated undertaking and has provided an LC of USD 23 million to LEL's lenders for cost overruns and debt repayment. After meeting certain conditions by the subsidiary, the LC amount will be reduced to USD 17 million which the Company is committed to continue to maintain till the last repayment of debt (expected in 2024). Any default in payment by the Company is subject to a mark-up of six month KIBOR plus a margin of 4%. This LC is secured by way of second ranking / subordinated charge over all present and future undertaking and assets of the Company other than: (i) assets relating to the Narowal plant; (ii) Commercial Facility Disbursement Account; (iii) any shares in Demerged Company (special purpose vehicle that the Company may incorporate under the laws of Pakistan for the purpose of construction, ownership, operations & maintenance of Narowal project); and (iv) present and future shares acquired in LEL including bonus shares and right shares.

25.4 Pursuant to Fuel Supply Agreement (FSA) with Bakri Trading Company Pakistan (Pvt) Limited for the Narowal plant, the Company has provided Stand-by Letter of Credit (SBLC) for an amount of Rs. 1,600 million. Any default in payment by the Company is subject to a mark-up rate of three month KIBOR plus 4% per annum. This SBLC is secured by way of securities mentioned in note 24.1.2.

25.5 Due to continuous delay in payments by NTDC in connection with the Narowal plant, the Company had called on the Sovereign Guarantee for recovery of overdue receivables. Subsequently, the Company also filed a petition in the Honourable Supreme Court of Pakistan (SCP) seeking an immediate recovery of these overdue receivables and to protect itself against reduction in capacity purchase price in the form of Liquidated Damages (LDs) due to non-availability of power plant for electricity generation because of lack of fuel caused by delay in payments by NTDC. On February 15, 2013, the SCP passed an interim order that there shall be no reduction in capacity payment. On June 28, 2013, the Company and other IPPs agreed with GOP that on settlement of all overdue amounts, the Company and other Independent Power Producers (IPPs) would withdraw the SCP case and pursue

expert adjudication and arbitration in accordance with the PPA with regards to the LDs imposed by power purchaser. Expert's decision is non-binding on both the Company as well as NTDC and any party may decide to pursue arbitration pursuant to the PPA. During the year, the decision of the expert was received which was generally in favour of IPPs. However, due to NTDC/GOP's unwillingness to implement the expert's decision, the IPPs commenced arbitration proceedings in the London Court of International Arbitration (LCIA) which has appointed an arbitrator and proceedings are in progress. If the matter is decided in favour of the Company, an amount of Rs. 967 million (out of which LDs amounting to Rs. 567 million pertaining to the period prior to January 2013 charged to Profit & Loss account as a matter of prudence) will become refundable from power purchaser.

The management and their legal advisors are of the opinion that the position of the Company is sound and eventual outcome ought to be in favour of the Company.

- 25.6** In 1998, the Federal Board of Revenue ("FBR") made assessments under section 52/86 of the Income Tax Ordinance, 1979 ["ITO,79"] amounting to Rs. 1,896 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 deposited Rs. 297 million against the above assessments in accordance with the departmental procedures prevalent at that time. Appeals filed by the Company before the Commissioner of Income tax (Appeals) [the "CIT (A)"] and thereafter with the Income Tax Appellate Tribunal ("ITAT") were decided against the Company. Against the decision of the ITAT, the Company filed appeals before the High Court ("HC") which were also decided against the Company in March 2012. Against the decision of the HC, the Company filed further appeals before the Honorable Supreme Court of Pakistan (SCP).

In order to restrict the penal exposure of the Company, in May 2012 the Company availed the scheme offered by the FBR vide SRO 547(I)/2012 dated May 22, 2012 and made payment of Rs. 1,615 million.

In July 2014, the SCP decided the case in favor of the Company. Against the decision of the SCP, FBR filed review petitions which were dismissed by the SCP in June 2015. Consequently, an amount of Rs. 1,912 million is refundable from FBR. The Company is pursuing the FBR and Government of Pakistan for the refund.

- 25.7** The Company and the power plant construction contractors had entered into a Turnkey Construction Contract (TKC). Under the terms of the TKC, the Company was required to pay all income tax liability on payments to contractors and sub-contractors. Under the PPA with WAPDA, any tax paid by the Company on behalf of construction contractors and sub-contractors was to be reimbursed by WAPDA.

Under the provisions of the Implementation Agreement (IA) between the Company and GOP it was agreed that payments to contractors and sub-contractors would be subject to 4% tax which would be full and final liability on account of income tax. Accordingly, the provisions of tax law were amended. However in 1998, few years after the tax had been paid, the FBR contended that Company was liable to pay tax at 8% instead of the agreed rate of 4% and was also liable to pay tax on taxes paid on behalf of contractors and sub-contractors on "tax on tax" basis at the corporate rates ranging from 52% to 58% instead of 4%. Accordingly, demand notices were issued and the Company was required to pay Rs. 966 million. On payment of Rs. 966 million, the Company immediately billed these amounts to WAPDA. Against these demands by FBR, appeals were filed by the Contractors and Sub-Contractors which were decided in their favour. The FBR has filed appeals before the courts which are pending adjudication.

On Company's and other IPPs representation, the Economic Coordination Committee (ECC) of the Federal Cabinet of the GOP directed the FBR to refund the tax recovered by it over and above 4%. The FBR has so far refunded Rs. 593 million but withheld Rs. 373 million on the pretext that the ECC

Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2016

decision was not applicable on “tax on tax” issue and also because the FBR has filed appeals before the courts which are pending adjudication.

The Company continued its discussions with the GOP and the FBR for the balance refund of Rs. 373 million. As a result, the tax department passed revised orders recognising refunds aggregating to Rs. 300.5 million. The tax law specifies that once an order recognising refund is passed, only then a taxpayer can apply for issuance of refund order and refund cheque. Accordingly, the Company has filed applications with the tax department for issuance of refund orders and cheques for the above amounts. The Company is also pursuing the tax department for issuance of revised orders recognising the balance refund amounting to Rs. 72.5 million.

The management and their tax advisors are of the opinion that the position of the Contractors and the Company is strong on legal grounds and on the basis of the above referred orders, therefore, tax of Rs. 373 million will be refunded.

Pending the resolution of the matter stated above, no provision has been made in these unconsolidated financial statements.

- 25.8** The Company had filed a petition in the Sindh High Court (HC) on June 28, 2000 challenging the application of the Companies Profits (Workers’ Participation) Act, 1968 (the Act) on the Company on the grounds, that since its inception, the Company has not employed any person who falls within the definition of the term “Worker” as it has been defined in the Act.

The petition was filed subsequent to the service on the Company of a letter of March 14, 2000 by the Labour, Manpower and Overseas Pakistanis’ Division, directing the Company to allocate 5% of its net profit (since its establishment) amounting to Rs. 3,136 million towards the Workers’ Profit Participation Fund. The said notice demanded that the Company deposit the entire amount of the Fund in the Federal Treasury. The petition had been filed against the Federation of Pakistan through the Secretary, Ministry of Labour, Manpower and Overseas Pakistanis, Labour, Manpower and Overseas Pakistanis Division and, in view of the fact that any payment made by the Company to the Fund is a pass through item under the PPA and against the WAPDA as a pro forma party in the matter.

In December 2003, the Company decided on a fresh legal review of the petition and thereafter was advised by counsel to withdraw the petition and to immediately file a fresh petition incorporating all the available grounds. Accordingly, on December 17, 2003 the Company withdrew the petition and immediately refiled a petition, which incorporated all the available grounds.

Both the Company and WAPDA agreed that this petition should proceed and a judgement obtained on merits. During the year ended June 30, 2011, the petition was dismissed by the HC. Against the decision of the HC, the Company filed petition for leave to appeal before the Supreme Court of Pakistan (SCP). In December 2011, the SCP set aside the judgement of the HC and directed it to decide the case afresh. The matter is pending adjudication before the HC.

As at June 30, 2016, the total financial exposure relating to the above case is Rs. 22,050 million (Rs. 3,136 million being the 5% of the profit and Rs. 18,914 million interest component on delayed payment). No provision has been made in these unconsolidated financial statements as any payment made by the Company is a pass through item under the PPA.

Following the amendments made by the Finance Act 2006 to the Companies Profits (Workers’ Participation) Act, 1968 (the Act), the Company established the Hubco Workers’ Participation Fund on August 03, 2007 to allocate the amount of annual profits stipulated by the Act for distribution amongst worker(s) eligible to receive such benefits under the Act and any amendments thereto from time to time (Refer note 7.2).

- 25.9 (i) Under the IA with GOP and under the tax laws, the Company's interest income is exempt from income tax. However, the tax authorities issued a tax demand for the tax years 2006-2010 amounting to Rs. 143 million on the grounds that interest income from term deposits is not covered under the exemption allowed under the tax law. The Company's appeal before the Commissioner of Inland Revenue Appeals (CIR-A) and the Appellate Tribunal Inland Revenue (ATIR) were rejected. Against the order of the ATIR the Company filed appeals before the Honorable Islamabad High Court (IHC) which were also decided against the Company. Against the decision of the IHC, the Company filed appeals before the SCP which are pending adjudication. The Company's maximum exposure as at June 30, 2016 including the principal amount, penalty and default surcharge is approximately Rs. 265 million.
- (ii) FBR also imposed 2% Workers Welfare Fund (WWF) for tax years 2006-2010 and issued a demand for Rs. 191 million which was subsequently reduced to Rs. 8 million by the CIR-A. The Company filed appeals before the ATIR which were rejected. Against the order of the ATIR, the Company filed appeals before the IHC which held that the orders on WWF were void. The IHC also held that WWF would be applicable in accordance with the law prior to the changes made through Finance Act 2006 & 2008. Against the decision of the IHC, the Company filed appeals before the SCP which are pending adjudication. The Company's maximum exposure as at June 30, 2016 including the principal amount, penalty and default surcharge is approximately Rs. 13 million.

WWF is a pass through under the PPA and is recoverable from the WAPDA. No provision has been made in these unconsolidated financial statements as any payment made by the Company is a pass through item under the PPA.

- (iii) Under the IA with GOP and under the tax laws, the Company's interest income is exempt from income tax. However, during March 2014, the FBR issued tax demand for the tax year 2011 amounting to Rs. 3.2 million on the grounds that interest income from term deposits is not covered under the exemption allowed under the tax law. Appeals filed by the Company before the CIR-A and thereafter with the ATIR were decided against the Company. Against the order of the ATIR, the Company filed appeal before the IHC which was also decided against the Company. Against the decision of the IHC, the Company filed appeal before the SCP which is pending adjudication. The Company's maximum exposure as at June 30, 2016 including the principal amount, penalty and default surcharge is approximately Rs. 4 million.
- (iv) FBR also imposed 2% WWF for the tax year 2011 and issued a demand for Rs. 108.5 million. Appeals filed by the Company before the CIR-A and thereafter with the ATIR were decided against the Company. Against the order of the ATIR the Company filed appeal before the IHC which held that the order on WWF was void. The IHC also held that WWF would be applicable in accordance with the law prior to the changes made through Finance Act 2006 & 2008. Against the decision of the IHC the Company filed appeal before the SCP which is pending adjudication. The Company's maximum exposure as at June 30, 2016 including the principal amount, penalty and default surcharge is approximately Rs. 138 million.

WWF is a pass through under the PPA and is recoverable from WAPDA. No provision has been made in these unconsolidated financial statements as any payment made by the Company is a pass through item under the PPA.

- (v) Under the IA with GOP and under the tax laws, the Company's interest income is exempt from income tax. However, during March 2015, the FBR issued tax demand for the tax year 2013 amounting to Rs. 4 million on the grounds that interest income from term deposits is not covered under the exemption allowed under the tax law. The Company filed appeal before the CIR-A who deleted the tax demand. Against the order of CIR-A, the FBR filed appeal before the ATIR which is pending adjudication. The Company's maximum exposure as at June 30, 2016 including the principal amount, penalty and default surcharge is approximately Rs. 5 million.

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For the year ended June 30, 2016

- (vi) FBR also imposed 2% WWF for the tax year 2013 and issued a demand for Rs. 188 million. The Company filed appeal before the CIR-A who remanded back the case to FBR for a fresh assessment. Against the order of CIR-A, the FBR filed appeal before the ATIR which is pending adjudication. The Company's maximum exposure as at June 30, 2016 including the principal amount, penalty and default surcharge is approximately Rs. 231 million.

WWF is a pass through under the PPA and is recoverable from WAPDA. No provision has been made in these unconsolidated financial statements as any payment made by the Company is a pass through item under the PPA.

The management and their tax advisors are of the opinion that the position of the Company is sound on technical basis and eventual outcome ought to be in favour of the Company. Pending the resolution of the matters stated above, no provision has been made in these unconsolidated financial statements.

- 25.10**
- (i) Under the IA with the GOP and under the tax law, the Company is exempt from the levy of minimum tax. However, the FBR issued demand notices amounting to Rs. 443 million relating to the tax years 2006 to 2008, 2010 and 2011. After the Company's appeals were rejected by the CIR-A, Islamabad, further appeals were filed with the ATIR, Islamabad which has decided the appeals in favour of the Company. Against ATIR orders, FBR has filed appeals in the IHC which are pending adjudication. The Company's maximum exposure as at June 30, 2016 including the principal amount, penalty and default surcharge is approximately Rs. 704 million.
 - (ii) The FBR passed an order for the recovery of sales tax amounting to Rs. 8,691 million relating to fiscal years ended June 2008 to 2011. In FBR's view the Company had claimed input tax in excess of what was allowed under the law. After dismissal of the Company's appeal at the CIR-A level, the Company filed appeal with the ATIR which decided the case in favour of the Company. Against the judgment of the ATIR, the FBR filed a case with the IHC which is pending adjudication. The Company's maximum exposure as at June 30, 2016 including the principal amount, penalty and default surcharge is approximately Rs. 18,230 million.
 - (iii) The FBR passed an order for the recovery of sales tax amounting to Rs. 4,001 million relating to fiscal year ended June 2012. In FBR's view the Company had claimed input tax in excess of what was allowed under the law. After dismissal of the Company's appeal at the CIR-A level, the Company filed appeal with the ATIR which also decided the case against the Company. Against the decision of the ATIR, the Company filed appeal with IHC which is pending adjudication. The Company's maximum exposure as at June 30, 2016 including the principal amount, penalty and default surcharge is approximately Rs. 6,959 million.
 - (iv) The FBR issued a Show Cause Notice to recover sales tax amounting to Rs. 4,044 million relating to fiscal year ended June 2013. In FBR's view, the Company had claimed input tax in excess of what was allowed under the law. The Company filed a Writ Petition in the IHC which remanded back the case to FBR with a direction to finalise the matter once identical issue is decided by IHC / LHC in other cases. Against this decision, the FBR has filed appeal with IHC which is pending adjudication. The Company's maximum exposure as at June 30, 2016 is approximately Rs. 4,044 million.
 - (v) The FBR issued a show cause notice to recover sales tax amounting to Rs. 5,008 million relating to fiscal year ended June 2014. In FBR's view, the Company had claimed input tax in excess of what was allowed under the law. The Company filed a Writ Petition in the IHC which remanded back the case to FBR with a direction to finalise the matter once identical issue is decided by IHC / LHC in other cases. Against this decision, the FBR has filed appeal with IHC which is pending adjudication. The Company's maximum exposure as at June 30, 2016 is approximately Rs. 5,008 million.

- (vi) Payment to PSO under the FSA including payment of Late Payment Interest (LPI) are exempt from withholding of income tax under the provisions of the tax law. During 2014, the FBR issued show cause notices to recover tax amounting to Rs. 1,677 million on the pretext that LPI paid to PSO under the FSA is a payment of “profit on debt”. The Company filed Writ Petitions before the IHC which were decided against the Company. The Company filed further appeals with IHC which are pending adjudication.
- (vii) Under the O&M agreement with the ex-operator for the Hub plant, the Company used to pay fixed and variable fees to the operator. In January 17, 2015, the FBR passed an order amounting to Rs. 1,034 million relating to the tax years 2010 to 2013 for the recovery of Federal Excise Duty (FED). The FBR viewed O&M as a franchise agreement and not a service agreement and decided that payments made thereon were in nature of technical fees which were subject to FED. After dismissal of the Company’s appeal at the Commissioner Inland Revenue – Appeal & the ATIR, the Company filed appeals with the IHC which is pending adjudication. The Company’s maximum exposure as at June 30, 2016 including the principal amount, penalty and default surcharge is approximately Rs. 1,787 million.
- (viii) Under the provisions of the Sales Tax Act, 1990 (STA), the Company is entitled to claim from FBR the Provincial Sales Tax (PST) on services paid under the provincial sales tax law. However after the imposition of Balochistan Sales Tax (BST), the FBR did not allow the adjustment of BST in the Federal Sales Tax return. Against this, the Company filed appeal before the IHC which is pending adjudication. In the meantime, the IHC has allowed the Company to claim such BST paid till a final decision is made. The Company’s maximum exposure as at June 30, 2016 including the principal amount, penalty and default surcharge is approximately Rs. 221 million.

The management and their tax advisor are of the opinion that the position of the Company is sound on technical basis and eventual outcome ought to be in favour of the Company. Pending the resolution of the matters stated above, no provision has been made in these unconsolidated financial statements.

- 25.11** The power purchaser of the Hub Plant was unable to meet its obligation to provide a stand by letter of credit as required under the PPA. Consequently, the Company was unable to meet its obligation to provide a stand by letter of credit to PSO under the FSA.
- 25.12** In order to provide financing facilities to HPHL, the Company entered into a facility agreement with Habib Bank Limited on February 19, 2016 for issuance of guarantee of USD 3.234 million with a validity of two years and 1 month which is secured against a third ranking charge over present and future plant and machinery of Hub Project with 25% margin.
- 25.13** Pursuant to the terms of SSA and SHA signed for the investment in SECMC, the Company has an option to build 1x330 MW coal based mine mouth power plant. In order to provide bank guarantee for applying to PPIB for LOI, the Company in April 2016 entered into a facility agreement with MCB Bank Limited for an amount of USD 0.330 million. This facility is valid for one year and is secured by way of securities mentioned in note 24.1.1.
- 25.14** Pursuant to the terms of JDF and SHA, the Company and its affiliates are committed to provide the required Land for the development of 2X660 MW Coal Plant and ancillary jetty at Hub Plant Site in the form of sale or lease to CPHGC at the mutually agreed terms and conditions. This lease or sale shall be subject to the Laws of Pakistan and such other conditions as may be applicable upon the Company and its affiliates.
- 25.15** Pursuant to the terms of Limited Notice to Proceed Undertaking Agreement (LNTP Undertaking) entered into between the Company, Hub Power Holdings Limited, China Power International Holding

Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2016

Limited, China Power International (Pakistan) Investment Limited and China Power Hub Generation Company (Pvt.) Limited (CPHGC), for the construction of 2x660 MW Coal Project, on August 02, 2016, the Company entered into the Agreement of Land Use Right with CPHGC for providing CPHGC rights to commence construction activities of 2x660 MW power plant along with ancillary jetty and staff housing facilities, on certain portions of land within the Hub Site presently owned by the Company (the "Proposed Land") at mutually agreed terms. In accordance with the Agreement of Land Use Right, the Company is required to legally transfer the Proposed Land within thirty days following the Financial Close of CPHGC i.e. the expiry date of the Agreement, the Company shall compensate for any loss that might result out of the use or transfer of Proposed Land due to related legal issues or delay in transfer of Proposed Land during the LNTP work. Further, prior to the transfer of ownership of Proposed Land to CPHGC, the Company also committed not to pledge, place on rent or otherwise transfer the Proposed Land in any manner to any third party.

25.16 Pursuant to the terms of JDF and SHA, the Company and its affiliates are committed to assist CPHGC in obtaining the required permits including environmental NOCs and approvals from government agencies. During the year, two local residents have filed constitution petitions in the Honorable High Court of Balochistan, challenging the establishment of the Coal Power Plant along with an ancillary jetty in Balochistan (Project) on the grounds that the project will have adverse effects on the environment. Counter affidavits to the petitioners' application for interim relief have also been filed by the Company against the said petitions. During the year, the Company has obtained the requisite NOCs from government agencies for the development of the Project. The management and their legal advisors are of the view that the position of the Company is sound on technical ground and ultimate outcome of case ought to be in favour of the Company.

25.17 On May 27, 2016, another petition was filed in the Honorable High Court of Balochistan against Government of Balochistan (GoB) and others including the Company requesting the court to declare the agreement entered into between the Company, GoB and others with regard to sale of land for the Project and the related vicinity situated at Monza Khund Tehsil Hub, District Lasbela, Balochistan, dated January 22, 1992 to be void on the grounds of malafide intention and alleged legal deficiencies prior to the signing of the aforementioned agreement. The management and their legal advisors are of the view that the position of the Company is sound on technical ground and ultimate outcome of case ought to be in favour of the Company.

26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Note	2016 (Rupees in '000)	2015
		Chief Executive	
Managerial remuneration		38,048	20,838
Bonus		42,863	9,332
Utilities		1,614	2,084
Other benefits	26.1	10,098	14,247
		<u>92,623</u>	<u>46,501</u>
Number of persons		<u>1</u>	<u>1</u>

	Note	2016 (Rupees in '000)	2015
Directors			
Fees	26.2	22,200	16,100
Number of persons		14	14
Executives			
Managerial remuneration		274,729	133,806
Ex-gratia payment		-	1,086
Bonus		106,756	30,420
House rent		76,787	51,656
Utilities		18,753	13,689
Retirement benefits		44,989	31,083
Other benefits	26.1	81,564	88,485
		603,578	350,225
Number of persons		106	70
Total			
Managerial remuneration / Fees		334,977	170,744
Ex-gratia payment		-	1,086
Bonus		149,619	39,752
House rent		76,787	51,656
Utilities		20,367	15,773
Retirement benefits		44,989	31,083
Other benefits		91,662	102,732
		718,401	412,826
Number of persons		121	85

26.1 Retirement benefits to the Chief Executive and certain Executives are paid as a part of monthly emoluments.

26.2 This represents fee paid to Board of Directors for attending meetings.

26.3 The Chief Executive and certain Executives are provided with the use of Company maintained automobiles and certain other benefits.

26.4 The number of persons does not include those who resigned during the year but remuneration paid to them is included in the above amounts.

26.5 The above figures do not include cost allocated to subsidiary companies amounting to Rs. 274.954 million (2015: Rs. 10.490 million).

Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2016

27. RELATED PARTY TRANSACTIONS

Related party comprises of subsidiaries, associated companies, companies where directors also hold directorship, retirement benefit funds and key management personnel. Significant transactions with related parties during the year, other than those which have been disclosed elsewhere in these unconsolidated financial statements are as follows:

	2016	2015
	(Rupees in '000)	
Subsidiary - Laraib Energy Limited		
Interest income on subordinated loan	-	13,345
Reimbursable expenses incurred on behalf of subsidiary	55,220	35,098
Dividend received	904,015	1,495,102
Repayment of subordinated loan by subsidiary	-	80,395
Receipts against interest income on subordinated loan	-	30,182
Receipts against reimbursement of expenses from subsidiary	25,617	14,938
Subsidiary - Hub Power Holdings Limited		
Investment in subsidiary	575,300	700
Reimbursable expenses incurred on behalf of subsidiary	465,456	2,401
Receipts against reimbursement of expenses from subsidiary	395,559	-
Subsidiary - Hub Power Services Limited		
Investment in subsidiary	100	-
Reimbursable expenses incurred on behalf of subsidiary	132,184	-
Receipts against reimbursement of expenses from subsidiary	30,602	-
Amount paid / payable for O&M Services rendered	1,487,746	-
Advances to HPSL	281,379	-
Advances repaid by HPSL	261,379	-
Subsidiary - Narowal Energy Limited		
Investment in subsidiary	100	-
Reimbursable expenses incurred on behalf of subsidiary	24	-
Subsidiary - Thar Energy Limited		
Investment in subsidiary	50,000	-
Reimbursable expenses incurred on behalf of subsidiary	4,464	-

	Note	2016 (Rupees in '000)	2015
Associate - SECMC			
Investment in SECMC		332,905	243,087
Associated Undertakings due to common directorship			
Proceeds from long term loan		2,700,000	-
Procurement of stores, spares and consumables		2,582	-
Amounts paid for services rendered		2,314	6,785
Reimbursement of expenses and others		-	659
Donation paid to Engro Foundation		1,500	-
Donation paid to Karachi Education Initiative		-	5,000
Repayment of long term loans		372,472	148,364
Interest / mark-up on long term loans		236,246	141,876
Mark-up on short term borrowings		112,641	54,021
Other finance costs		2,227	738
Other related parties			
Proceeds from disposal of an asset to Chief Executive		6,625	-
Other income		-	327
Remuneration to key management personnel			
Salaries, benefits and other allowances		219,083	131,954
Retirement benefits		8,974	6,305
	27.1.1 & 27.1.3	228,057	138,259
Directors' fee	26.2	22,200	16,100
Contribution to staff retirement benefit plans		36,088	25,515

27.1.1 Transactions with key management personnel are carried out under the terms of their employment. Key management personnel are also provided with the use of Company maintained automobiles and certain other benefits.

27.1.2 The transactions with related parties are made under mutually agreed terms and conditions.

27.1.3 The above figures do not include cost allocated to subsidiary companies amounting to Rs. 51.225 million (2015: Rs. 9.872 million).

Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2016

28. PROVIDENT FUND TRUST

The following information is based on latest un-audited financial statements of the provident fund established by the Company:

	2016	2015
Size of the trust (Rupees in thousands)	3,272	125,635
Cost of investments made (Rupees in thousands)	3,272	89,893
Percentage of investments made (%)	100%	71.55%
Fair value of investments made (Rupees in thousands)	3,272	99,118
	2016	2015
	(Rupees in '000)	

Break-up of Investments

Pakistan Investment Bonds	-	1,125
Treasury Bills	-	3,309
Short term Deposit	-	10,257
Mutual Fund	-	68,594
Other	3,272	15,833
	3,272	99,118

28.1 Contribution to defined contribution plan was transferred to Meezan Tahaffuz Pension Fund (MTPF), the voluntary pension system (VPS) with the consent of all members of provident fund with effect from July 2015 as allowed under clause (aa) of sub-rule (1) of Rule 103 of the Income Tax Rules, 2002.

28.2 Investments out of provident fund have been made in accordance with the provisions of the Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

29. PLANT CAPACITY AND PRODUCTION

HUB PLANT

	2016	2015
Theoretical Maximum Output	10,541 GWh	10,512 GWh
Total Output	7,547 GWh	6,809 GWh
Load Factor	72%	65%

Practical maximum output for the power plant taking into account all the scheduled outages is 9,245 GWh (2015: 9,216 GWh). Output produced by the plant is dependent on the load demanded by WAPDA and the plant availability.

NAROWAL PLANT

	2016	2015
Theoretical Maximum Output	1,878 GWh	1,873 GWh
Total Output	1,162 GWh	1,418 GWh
Load Factor	62%	76%

Practical maximum output for the power plant taking into account all the scheduled outages is 1,728 GWh (2015: 1,723 GWh). Output produced by the plant is dependent on the load demanded by NTDC and the plant availability.

	Note	2016 (Rupees in '000)	2015
30. WORKING CAPITAL CHANGES			
(Increase) / decrease in current assets			
Stores, spares and consumables		(436,955)	(511,451)
Stock-in-trade		906,201	(1,081,093)
Trade debts		(5,063,305)	7,195,918
Loans, advances, prepayments and other receivables		(1,521,079)	(566,262)
		<u>(6,115,138)</u>	<u>5,037,112</u>
Increase / (decrease) in current liabilities			
Trade and other payables		6,030,094	(2,771,848)
		<u>(85,044)</u>	<u>2,265,264</u>
31. CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	3,280,071	483,767
Finances under mark-up arrangements	24	(16,540,219)	(10,963,045)
		<u>(13,260,148)</u>	<u>(10,479,278)</u>
32. BASIC AND DILUTED EARNINGS PER SHARE			
32.1 Basic			
Profit for the year (Rupees in thousands)		11,575,805	9,853,136
Number of shares in issue during the year		1,157,154,387	1,157,154,387
Basic earnings per share (Rupees)		10.00	8.51

32.2 There is no dilutive effect on the earnings per share of the Company.

33. PROPOSED FINAL DIVIDEND

The Board of Directors proposed a final dividend for the year ended June 30, 2016 of Rs. 3.00 per share, amounting to Rs. 3,471.463 million, at their meeting held on August 24, 2016 for approval of the members at the Annual General Meeting to be held on October 18, 2016. These unconsolidated financial statements do not reflect this dividend payable which will be accounted for in the period in which it is approved.

34. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The overall risk management of the Company is carried out under policies approved by the Board of Directors. Such policies entail identifying, evaluating and addressing financial risks of the Company.

The Company's overall risk management procedures to minimize the potential adverse effects of financial market on the Company's performance are as follows:

Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2016

(a) Market risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of holdings of financial instruments. The Company is not exposed to equity price risk. The exposure to other two risks and their management is explained below:

(i) Foreign exchange risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Financial assets of the Company include Rs. 373.546 million (2015: Rs. 278.896 million) in foreign currencies which are subject to currency risk exposure and financial liabilities of the Company include Rs. 269.581 million (2015: Rs. 212.392 million) in foreign currencies which are subject to currency risk exposure.

The Company believes that the foreign exchange risk exposure on financial assets and liabilities is immaterial.

(ii) 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.

Cash flow and fair value interest rate risks

The Company's exposure to the risk of changes in interest rates relates primarily to the following:

	2016	2015
	(Rupees in '000)	
<u>Fixed rate instruments at carrying amount:</u>		
Financial assets		
Bank balances	<u>2,302,587</u>	<u>287,487</u>
Financial liabilities		
Long term loans	<u>-</u>	<u>1,045,647</u>
<u>Variable rate instruments at carrying amount:</u>		
Financial assets		
Trade debts	<u>45,029,663</u>	<u>39,878,848</u>
Financial liabilities		
Long term loans	21,080,979	21,489,438
Trade and other payables	36,288,201	30,516,175
Short term borrowings	16,540,219	10,963,045
Total	<u>73,909,399</u>	<u>62,968,658</u>

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest / mark-up would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

Owing to cash flow difficulties and delays in payment by WAPDA and NTDC, the Company has delayed payments to PSO (fuel supplier for Hub plant). The Company has also obtained short term running finances to meet its short term funding requirements. The Company receives interest on delayed payments from WAPDA and NTDC at variable rate provided under the relevant PPAs and pays interest on delayed payments to PSO at variable rate provided under the FSA for Hub plant. The rates on all these four financial instruments are almost similar and move in the same direction, therefore, any change in the variable rate does not significantly affect profit or loss.

The Company has a long term loan for Narowal plant (Refer note 21.4.1). Under the Narowal PPA, the related finance cost up to a mark-up rate of 3 month KIBOR is allowed as a pass through to the Power Purchaser. Therefore, there is no significant impact of any change in interest rates on profit or loss.

The Company has another long term loan (Refer note 21.3). The Company has to manage the related finance cost from its own sources which exposes the Company to the risk of change in 3 month KIBOR. As at June 30, 2016, if interest rate on the Company's borrowings were 1% higher / lower with all other variables held constant, the profit for the year would have been lower / higher by Rs. 41.671 million.

In order to meet its investment obligations in LEL, the Company has entered into long term loan facilities (Refer note 21.5). The Company has to manage related finance cost from its own sources which exposes the Company to the risk of change in 6 month KIBOR. As at June 30, 2016, if interest rate on the Company's borrowings was 1% higher / lower with all other variables held constant, the profit for the year would have been lower / higher by Rs. 33.507 million.

In order to finance boiler rehabilitation works at Hub Plant, the Company has entered into long term Musharaka arrangement (Refer note 21.2). The Company has to manage the related finance cost from its own sources which exposes the Company to the risk of change in 3 month KIBOR. As at June 30, 2016, if interest rate on the Company's borrowings were 1% higher / lower with all other variables held constant, the profit for the year would have been lower / higher by Rs. 24.675 million.

In order to fund cost overruns of Narowal Plant, the Company has entered into syndicated term finance facility (Refer note 21.4.2). The Company has to manage the related finance cost from its own sources which expose the Company to the risk of change in 3 month KIBOR. As at June 30, 2016, if interest rate on the Company's borrowings was 1% higher / lower with all other variables held constant, the profit for the year would have been lower / higher by Rs. 0.595 million.

Since the impact of interest rate exposure is not significant to the Company, the management believes that consideration of alternative arrangement to hedge interest rate exposure is not cost effective.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's exposure to credit risk is not significant for reasons provided below.

Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2016

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was as follows:

	2016	2015
	(Rupees in '000)	
Deposits	17,278	16,429
Trade debts	77,746,623	72,683,318
Loans and other receivables	1,619,668	1,062,069
Bank balances	2,302,587	287,487
Total	81,686,156	74,049,303

Trade debts are recoverable from WAPDA / NTDC under the PPAs and are secured by guarantees from GOP under the IAs.

The significant amount of other receivables is also recoverable from WAPDA and is secured as mentioned above.

Credit risk on bank balances is limited as they are maintained with foreign and local banks having good credit ratings assigned by local and international credit rating agencies. The Company is also required under the concession documents to keep project accounts with certain banks.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient funds to meet its liabilities when due without incurring unacceptable losses.

The Company maintains running finance facilities (Refer note 24) to meet the short term funding requirements due to delay in payments by WAPDA and NTDC. The delay in payments by WAPDA is mainly offset by the delay in payments to PSO whereas the delay in payments by NTDC is managed through bank borrowings.

The Company is exposed to liquidity risk to the extent that the returns from the Narowal plant are not sufficient to meet the funding requirement for the Narowal plant's long term loans mentioned in note 21.3, 21.4.1 and 21.4.2. The Company is also exposed to liquidity risk for the differential margin not allowed by NEPRA above the 3 month KIBOR as mentioned in note 21.4.1. The Company will manage this liquidity risk on remaining term of the loans from its own sources and future earnings.

The Company is exposed to liquidity risk to the extent that the returns in form of dividends received from LEL may not be sufficient to meet the funding requirement for the long term loan obtained for equity investment in LEL as mentioned in note 21.5. The Company will manage this liquidity risk on remaining term of the loans from its own sources and future earnings.

The Company will manage the liquidity risk on remaining term of the loan obtained for boiler rehabilitation work (Refer note 21.2) from its own sources and future earnings.

Following are the contractual maturities of financial liabilities, including estimated interest payments:

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 5 to 10 years	Total
	------(Rs. '000s)-----				
2015-16					
Long term loans	2,752,566	2,888,027	20,424,480	-	26,065,073
Trade and other payables	66,439,275	-	-	-	66,439,275
Short term borrowings	16,704,044	-	-	-	16,704,044
Total	85,895,885	2,888,027	20,424,480	-	109,208,392
2014-15					
Long term loans	3,038,201	3,286,577	20,625,277	2,083,334	29,033,389
Trade and other payables	58,312,861	-	-	-	58,312,861
Short term borrowings	11,140,399	-	-	-	11,140,399
Total	72,491,461	3,286,577	20,625,277	2,083,334	98,486,649

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying amounts of all the financial instruments reflected in these unconsolidated financial statements approximate their fair value.

Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, as required under various project agreements, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders. The Company also monitors capital using a gearing ratio, which is net debt, interest bearing loans and borrowings including finance cost thereon, less cash and bank balances.

Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2016

35. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	Total June 30, 2016
	(Rupees in '000)	
Financial assets		
Deposits	17,278	17,278
Trade debts	77,746,623	77,746,623
Loans and other receivables	1,619,668	1,619,668
Cash and bank balances	3,280,071	3,280,071
Total	82,663,640	82,663,640

	Financial liabilities measured at amortised cost	Total June 30, 2016
	(Rupees in '000)	
Financial liabilities		
Long term loans	21,431,852	21,431,852
Trade and other payables	66,439,275	66,439,275
Short term borrowings	16,704,044	16,704,044
Total	104,575,171	104,575,171

	Loans and receivables	Total June 30, 2015
	(Rupees in '000)	
Financial assets		
Deposits	16,429	16,429
Trade debts	72,683,318	72,683,318
Loans and other receivables	1,062,069	1,062,069
Cash and bank balances	483,767	483,767
Total	74,245,583	74,245,583

	Financial liabilities measured at amortised cost	Total June 30, 2015
	(Rupees in '000)	
Financial liabilities		
Long term loans	23,120,410	23,120,410
Trade and other payables	58,387,616	58,387,616
Short term borrowings	11,140,399	11,140,399
Total	92,648,425	92,648,425

36. INITIAL APPLICATION / WAIVER FROM APPLICATION OF STANDARDS AND INTERPRETATIONS

Revised and amended standards and interpretation effective and adopted in 2016

The Company has adopted the following accounting standards and amendments of IFRSs which became effective for the current year

IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IFRS 13 – Fair Value Measurement

The adoption of the above accounting standards did not have any material effect on these unconsolidated financial statements.

Revised and amended standards and interpretation that are not yet effective and adopted in 2016

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods Beginning on or after)
IFRS 2: Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	January 1, 2018
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates – Investment Entities: Applying the Consolidation Exception (Amendment)	January 1, 2016
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 1, 2016
IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)	January 1, 2016
IAS 7 Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	January 1, 2017
IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	January 1, 2017
IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	January 1, 2016
IAS 16 Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	January 1, 2016
IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	January 1, 2016

The above standards and amendments are not expected to have any material impact on the Company's unconsolidated financial statements in the period of initial application.

Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2016

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's unconsolidated financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods Beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 14 – Regulatory Deferral Accounts	January 1, 2016
IFRS 15 – Revenue from Contracts with Customers	January 1, 2018
IFRS 16 – Leases	January 1, 2019

Waiver from application of IFRIC - 4 “Determining Whether an Arrangement Contains a Lease”

The Securities and Exchange Commission of Pakistan (SECP) granted waiver from the application of International Financial Reporting Interpretation Committee (IFRIC) - 4 “Determining Whether an Arrangement Contains a Lease” to all companies including Power Sector Companies. However, the SECP made it mandatory to disclose the impact on the results of the application of IFRIC - 4.

Under IFRIC - 4, the consideration required to be made by lessees (WAPDA and NTDC) for the right to use the asset is to be accounted for as finance lease under IAS - 17 “Leases”. If the Company were to follow IFRIC - 4 and IAS - 17, the effect on the unconsolidated financial statements would be as follows:

	2016	2015
	(Rupees in '000)	
Decrease in unappropriated profit at the beginning of the year	(8,459,545)	(8,135,196)
Increase / (decrease) in profit for the year	211,548	(324,349)
Decrease in unappropriated profit at the end of the year	<u>(8,247,997)</u>	<u>(8,459,545)</u>

37. RECLASSIFICATION

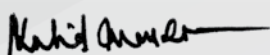
Certain prior year's figures have been re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparisons. However, there are no material reclassification to report.

38. DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue on August 24, 2016 in accordance with the resolution of the Board of Directors.

39. GENERAL

Figures have been rounded off to the nearest thousand rupees.



Khalid Mansoor
Chief Executive



Iqbal Alimohamed
Director

CONSOLIDATED
**FINANCIAL
STATEMENTS**





EY Ford Rhodes
Chartered Accountants
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Auditors' Report on Consolidated Financial Statements to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **The Hub Power Company Limited (the Holding Company)** and its subsidiary companies (the Group) as at **30 June 2016** and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary company **Laraib Energy Limited**. The financial statements of the subsidiary companies, **Hub Power Services Limited, Hub Power Holdings Limited, Narowal Energy Limited and Thar Energy Limited** were audited by another firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the report of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its subsidiary companies as at **30 June 2016** and the results of their operations for the year then ended.

EY Ford Rhodes
Chartered Accountants

Audit Engagement Partner: Riaz A. Rehman Chamdia

Date: 24 August 2016

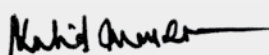
Place: Karachi

Consolidated Profit And Loss Account

For the year ended June 30, 2016

	Note	2016 (Rupees in '000)	2015
Turnover	3	91,594,876	137,836,254
Operating costs	4	(73,012,704)	(118,588,280)
GROSS PROFIT		18,582,172	19,247,974
General and administration expenses	5	(1,262,467)	(1,077,270)
Other income	6	167,135	129,393
Other operating expenses	7	(473,277)	(450,813)
PROFIT FROM OPERATIONS		17,013,563	17,849,284
Finance costs	8	(4,134,576)	(5,689,608)
Gain / (loss) on dilution of interest in associates - net	12	61,876	(569)
Share of (loss) / profit from associates	12	(169,610)	1,716
PROFIT BEFORE TAXATION		12,771,253	12,160,823
Taxation	9	(270,659)	(160,089)
PROFIT FOR THE YEAR		12,500,594	12,000,734
Attributable to:			
- Owners of the holding company		11,902,585	11,077,696
- Non-controlling interest		598,009	923,038
		12,500,594	12,000,734
Basic and diluted earnings per share attributable to owners of the holding company (Rupees)	35	10.29	9.57

The annexed notes from 1 to 42 form an integral part of these consolidated financial statements.



Khalid Mansoor
Chief Executive



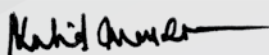
Iqbal Alimohamed
Director

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2016

	2016	2015
Note	(Rupees in '000)	
Profit for the year	12,500,594	12,000,734
Other comprehensive income for the year		
<i>Items that will not be reclassified to Profit or Loss in subsequent periods</i>		
Loss on remeasurement of post employment benefit obligations - net	24.4 (3,195)	(5,761)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	12,497,399	11,994,973
Attributable to:		
- Owners of the holding company	11,899,390	11,071,935
- Non-controlling interest	598,009	923,038
	12,497,399	11,994,973

The annexed notes from 1 to 42 form an integral part of these consolidated financial statements.



Khalid Mansoor
Chief Executive



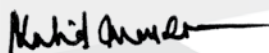
Iqbal Alimohamed
Director

Consolidated Balance Sheet

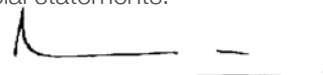
As at June 30, 2016

	Note	2016 (Rupees in '000)	2015
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	10	55,274,043	58,038,964
Intangibles	11	1,459,290	1,418,377
Investment in associates	12	989,405	244,234
Long term deposits and prepayments	13	36,025	28,183
CURRENT ASSETS			
Stores, spares and consumables	14	2,615,694	2,218,881
Stock-in-trade	15	2,563,327	3,469,528
Trade debts	16	79,542,544	74,895,994
Loans and advances	17	268,842	187,469
Deposits, prepayments and other receivables	18	4,526,434	3,268,411
Cash and bank balances	19	6,572,532	2,346,924
		96,089,373	86,387,207
TOTAL ASSETS		153,848,136	146,116,965
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised	20	12,000,000	12,000,000
Issued, subscribed and paid-up	20	11,571,544	11,571,544
Revenue Reserve			
Unappropriated profit		19,634,379	23,358,073
Attributable to owners of the holding company		31,205,923	34,929,617
NON-CONTROLLING INTEREST			
		2,038,687	1,910,156
		33,244,610	36,839,773
NON-CURRENT LIABILITIES			
Long term loans	21	25,843,072	28,329,348
Liabilities against assets subject to finance lease	22	2,545,175	2,895,625
Deferred liability	23	8,048	6,125
CURRENT LIABILITIES			
Trade and other payables	24	68,903,628	60,243,868
Interest / mark-up accrued	25	938,174	1,241,932
Short term borrowings	26	16,540,219	10,963,045
Current maturity of long term loans	21	5,380,207	5,283,616
Current maturity of liabilities against assets subject to finance lease	22	438,154	313,633
Taxation-net		6,849	-
		92,207,231	78,046,094
TOTAL EQUITY AND LIABILITIES		153,848,136	146,116,965
COMMITMENTS AND CONTINGENCIES			
	27		

The annexed notes from 1 to 42 form an integral part of these consolidated financial statements.



Khalid Mansoor
Chief Executive



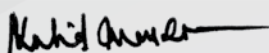
Iqbal Alimohamed
Director

Consolidated Cash Flow Statement

For the year ended June 30, 2016

	Note	2016 (Rupees in '000)	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		12,771,253	12,160,823
Adjustments for:			
Depreciation		3,812,131	3,674,436
Amortisation		20,236	8,475
Gain on disposal of fixed assets		(16,362)	(2,747)
Provision against stores, spares and consumables		25,449	-
Write-off of assets		63,924	376,058
(Gain) / loss on dilution of interest in associates - net		(61,876)	569
Staff gratuity		50,362	21,959
Interest income		(137,815)	(124,588)
Interest / mark-up		3,820,307	5,353,934
Amortisation of transaction costs		143,139	153,909
Share of loss / (profit) from associates		169,610	(1,716)
Operating profit before working capital changes		20,660,358	21,621,112
Working capital changes	33	738,434	953,319
Cash generated from operations		21,398,792	22,574,431
Interest received		136,575	124,420
Interest / mark-up paid		(4,124,065)	(5,800,277)
Staff gratuity paid		(39,562)	(13,247)
Taxes paid		(223,490)	(174,418)
Net cash generated from operating activities		17,148,250	16,710,909
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(792,982)	(870,626)
Proceeds from disposal of fixed assets		35,709	12,395
Investment in associates		(852,905)	(243,087)
Long term deposits and prepayments		(7,842)	6,639
Net cash used in investing activities		(1,618,020)	(1,094,679)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to owners of the holding company		(13,484,847)	(9,239,418)
Dividends paid to non controlling interest		(302,144)	(499,676)
Proceeds from long term loan - Syndicated term finance		3,100,000	-
Proceeds from long term loans - Musharaka finance facility		-	2,500,000
Repayment of long term loans		(5,876,437)	(4,823,888)
Repayment of liabilities against assets subject to finance lease		(318,368)	(306,889)
Net cash used in financing activities		(16,881,796)	(12,369,871)
Net (decrease) / increase in cash and cash equivalents		(1,351,566)	3,246,359
Cash and cash equivalents at the beginning of the year		(8,616,121)	(11,862,480)
Cash and cash equivalents at the end of the year	34	(9,967,687)	(8,616,121)

The annexed notes from 1 to 42 form an integral part of these consolidated financial statements.



Khalid Mansoor
Chief Executive



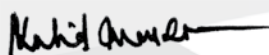
Iqbal Alimohamed
Director

Consolidated Statement of Changes in Equity


For the year ended June 30, 2016

	Note	2016 (Rupees in '000)	2015
Issued capital			
Balance at the beginning of the year		11,571,544	11,571,544
Balance at the end of the year	20	11,571,544	11,571,544
Unappropriated profit			
Balance at the beginning of the year		23,358,073	21,543,374
Profit for the year		11,902,585	11,077,696
Other comprehensive income for the year		(3,195)	(5,761)
Total comprehensive income for the year		11,899,390	11,071,935
Transactions with owners in their capacity as owners			
Final dividend for the fiscal year 2014-2015 @ Rs. 5.50 (2013-2014 @ Rs. 4.00) per share		(6,364,349)	(4,628,618)
First interim dividend for the fiscal year 2015-2016 @ Rs. 4.50 (2014-2015 @ Rs. 4.00) per share		(5,207,195)	(4,628,618)
Second interim dividend for the fiscal year 2015-2016 @ Rs. 3.50 (2014-2015 @ Rs. nil) per share		(4,050,040)	-
		(15,621,584)	(9,257,236)
Shares issue cost		(1,500)	-
Balance at the end of the year		19,634,379	23,358,073
Attributable to owners of the holding company		31,205,923	34,929,617
Non-controlling interest			
Balance at the beginning of the year		1,910,156	1,486,794
Total comprehensive income for the year		598,009	923,038
Dividend paid		(469,478)	(499,676)
Balance at the end of the year		2,038,687	1,910,156
Total equity		33,244,610	36,839,773

The annexed notes from 1 to 42 form an integral part of these consolidated financial statements.



Khalid Mansoor
Chief Executive



Iqbal Alimohamed
Director

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

1. STATUS AND NATURE OF BUSINESS

The Hub Power Company Limited (the “holding company”) was incorporated in Pakistan on August 1, 1991 as a public limited company under the Companies Ordinance, 1984 (the “Ordinance”). The shares of the holding company are listed on Pakistan Stock Exchange (PSX) and its Global Depository Receipts are listed on the Luxembourg Stock Exchange. The principal activities of the holding company are to develop, own, operate and maintain power stations. The holding company owns an oil-fired power station of 1,200 MW (net) in Balochistan (Hub plant) and a 214 MW (net) oil-fired power station in Punjab (Narowal plant).

The Group consists of:

- The Hub Power Company Limited (the holding company);
- Laraib Energy Limited (LEL) - Holding of 74.95%;
- Hub Power Services Limited (HPSL) - Holding of 100%;
- Hub Power Holdings Limited (HPHL) - Holding of 100%;
- Narowal Energy Limited (NEL) - Holding of 100%; and
- Thar Energy Limited (TEL) - Holding of 100%.

Laraib Energy Limited (LEL)

LEL was incorporated in Pakistan on August 9, 1995 as a public limited company under the Ordinance which owns a 84 MW hydropower generating complex near the New Bong Escape, which is 8 km downstream of the Mangla Dam in Azad Jammu & Kashmir (AJK). The plant commenced operations on March 23, 2013.

The prior year consolidated financial statements were based on the interim relief tariff along-with applicable indexations as were approved by the NEPRA. During the current year, the NEPRA has announced the Commercial Operations Date (COD) tariff of LEL and accordingly, revenue for the current year has been recorded on the basis of such COD tariff. Differential revenue for prior periods due to COD tariff has also been recorded in the current year.

Hub Power Services Limited (HPSL)

HPSL was incorporated in Pakistan on March 26, 2015 as a public limited company under the Ordinance. The principal activities of the subsidiary are to manage operations & maintenance of the power plants.

During the year, HPSL started providing operation and maintenance services to the Hub Plant under the terms of ‘Operations and Maintenance Agreement’ (the “O&M Agreement”) dated November 2, 2015 for the term until March 31, 2027, unless terminated earlier. The service commencement date as per the O&M Agreement was August 1, 2015. HPSL is also providing operation and maintenance services to the Narowal Plant with effect from April 22, 2016 under the O&M Agreement dated June 30, 2016 for the term until April 20, 2028, unless terminated earlier.

Hub Power Holdings Limited (HPHL)

HPHL was incorporated in Pakistan on March 10, 2015 as a public limited company under the Ordinance. The principal activities of the subsidiary are to invest in new business opportunities.

As at the balance sheet date, HPHL has 26% ownership interest in China Power Hub Generation Company (Private) Limited (CPHGC) (an associate of HPHL), the principal business of which is to construct, finance, own and operate two coal-fired power generation units of 660 MW each with ancillary Jetty in the province of Balochistan.

Narowal Energy Limited (NEL)

NEL was incorporated in Pakistan on November 03, 2015 as a public limited company under the Ordinance. The principal activities of the subsidiary will be to own, operate and maintain power plant.

Proposed Demerger of Narowal

Under the tax laws of Pakistan, if Narowal were demerged into a separate legal entity, it would have lost its tax exempt status from taxation on the income from power generation. The holding company requested the Private Power and Infrastructure Board (PPIB) for the appropriate changes in the tax laws so that Narowal could be demerged into a separate legal entity. The holding company has received the Economic Coordination Committee's (ECC) approval for the changes in tax laws enabling the holding company to demerge Narowal into a separate legal entity having the same tax exempt status, after demerger, as it enjoys now.

Subsequent to year end, the Board of Directors approved the scheme of arrangement for demerger of Narowal plant along with related assets, liabilities, commitment and contingencies (Narowal Undertaking). Pursuant to the scheme of arrangement, the holding company will transfer Narowal Undertaking into a separate legal entity - NEL against subscriptions of share capital at book value with effect from July 01, 2016.

However, the said demerger is subject to approval of the Scheme of Arrangement for demerger by the shareholders and the High Court of Sindh. The said demerger, subject to the approvals, is expected to be completed during financial year 2016-17.

Thar Energy Limited (TEL)

TEL was incorporated in Pakistan on May 17, 2016 as a public limited company under the Ordinance. The principal activities of TEL are to develop, own, operate and maintain a 1x330 MW mine-mouth coal fired power plant to be established at Thar Block II, Thar Coal Mine, Sindh.

Pursuant to the proposal submitted by the holding company on April 5, 2016 for setting up 1X330 MW mine-mouth Coal Power Plant, PPIB issued Notice to Proceed (NTP) on May 13, 2016 and accordingly TEL submitted application for Letter of Intent (LOI) along with performance guarantee.

On August 2, 2016, PPIB issued LOI to TEL which requires TEL to submit within two months from the date of the LOI, petitions before NEPRA to obtain tariff determination and generation license. Further, TEL is also required to obtain LOS from PPIB within one month of the tariff determination by NEPRA.

In case TEL fails to perform its obligation under the LOI, as stipulated above, PPIB is entitled to encash the performance guarantee and terminate the LOI (refer note 27.13).

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention, except for the recognition of defined benefit plan at present value.

2.3 Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Further, the Group also considers whether:

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

- it has power to direct the relevant activities of the subsidiaries;
- is exposed to variable returns from the subsidiaries; and
- decision making power allows the Group to affect its variable returns from the subsidiaries.

All business combinations are accounted for using the acquisition method. The cost of an 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 holding company's share of identifiable net assets acquired is recorded as goodwill.

The consolidated financial statements of the Group include the financial statements of the holding company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the holding company, using consistent accounting policies.

The assets and liabilities of the subsidiaries have been consolidated on a line-by-line basis and the carrying value of investment held by the holding company is eliminated against the subsidiaries' share capital and pre-acquisition reserves in the consolidated financial statements. Material intra-group balances and transactions are eliminated.

A change in the ownership interest of the subsidiaries, without a change of control, is accounted for as an equity transaction.

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

Non-controlling interest (NCI) is the equity in a subsidiary not attributable, directly or indirectly, to the holding company.

Associates

Associates are all entities over which the Group has significant influence but not control. Investment in associate is accounted for using equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associate. The consolidated profit and loss account reflects the Group share of the results of the operations of the associate.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit and loss account where applicable. The gain / loss arising on dilution of interest in an equity accounted investee is recognised in the profit and loss account.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the same in the profit and loss account.

2.4 Property, plant and equipment

(a) Operating property, plant, equipment and depreciation

Owned

These are stated at cost less accumulated depreciation and impairment losses, if any, 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 at the rates shown in note 10.1 to the consolidated financial statements. Depreciation on additions is charged for the full month in which an asset is available for use and on disposals up to the month immediately preceding the disposals. Gains and losses on disposals are taken to the profit and loss account.

Maintenance and repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised.

The residual value, depreciation method and the useful lives of the significant items of property, plant and equipment are reviewed and adjusted if required, at each balance sheet date.

Leased

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not, eventually, be transferred.

Assets subject to finance lease are recorded at the lower of present value of minimum lease payments at the inception of lease term and their fair value on that date.

Assets under finance lease are depreciated on a straight line method at the rates specified in note 10.1 to the consolidated financial statements.

The finance cost is charged to profit and loss account and is included under finance costs.

(b) Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any. Items are transferred to operating property, plant and equipment as and when they are available for use.

(c) Capital spares

Spare parts and servicing equipment are classified as property, plant and equipment under plant and machinery rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. Available for use capital spares and servicing equipment are depreciated over their useful lives, or the remaining lives of principal assets, whichever is lower.

2.5 Intangible assets and amortisation

(a) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the holding company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested for impairment annually and whenever there is an indication that the value may be impaired, and carried at cost less accumulated impairment losses, if any. Impairment losses on goodwill are not reversed.

(b) Other intangible assets

These are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is computed using the straight-line method over the estimated useful lives of the assets at the rate shown in note 11.1 to the consolidated financial statements.

2.6 Impairment of non-current assets

The carrying amounts of non-current assets except goodwill are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to assess whether asset's carrying value exceeds its

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

recoverable amount. Where carrying value exceeds the estimated recoverable amount, asset is written down to its recoverable amount. Impairment losses are recognised as expense in the profit and loss account. An impairment loss on non-current assets except goodwill 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.

2.7 Impairment of financial assets

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

2.8 Stores, spares and consumables

These are valued at the lower of moving average cost and net realisable value except for the items in transit which are stated at cost. Cost of stock-in-transit represents the invoice value plus other charges incurred thereon till the balance sheet date. Provision is made for slow moving and obsolete items, if any.

2.9 Stock-in-trade

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

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, payorders in hand, cash with banks on savings, call and term deposit accounts and running finance under mark-up arrangements. Running finance under mark-up arrangements are shown in current liabilities.

2.11 Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

2.12 Staff retirement benefits

The holding company and HPSL operate:

- funded defined benefit gratuity plans, covering eligible employees who have completed minimum service requirement with respective company. The liabilities relating to defined benefit plans are determined through actuarial valuation using the Projected Unit Credit Method. The method involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of these benefits, such estimates are subject to certain uncertainties. Significant assumptions used to carry out the actuarial valuation have been disclosed in note 24.4 to these consolidated financial statements.

The holding company, LEL and HPSL operate:

- recognised contributory provident funds covering all employees who are eligible for the plan. Equal monthly contributions are made by the holding company, HPSL, LEL and the employees in accordance with the respective funds' rule. Effective July 2015 contribution of holding company was transferred to Meezan Tahaffuz Pension Fund as more fully explained in note 28.1. However the contribution of HPSL was in process of being transferred.

In addition to above, HPSL also has a defined contribution pension fund for employees who are eligible for the plan. HPSL is required to contribute 10% of the basic pay of the employees on the monthly basis. HPSL's contributions are recognised as employee benefit expense when they are due.

2.13 Revenue recognition

Revenue from the sale of electricity to the Water and Power Development Authority (WAPDA), the sole customer of the holding company for Hub plant, is recorded based upon the output delivered and capacity available at rates as specified under the Power Purchase Agreement (PPA) with WAPDA, as amended from time to time. PPA with WAPDA is a contract over a period of 30 years starting from 1997.

Revenue from the sale of electricity to the NTDC, the sole customer of the holding company for Narowal plant, is recorded based upon the output delivered and capacity available at rates as specified under the PPA with NTDC. PPA with NTDC is a contract over a period of 25 years starting from 2011.

Revenue from the sale of electricity to NTDC, the sole customer of LEL, is recorded based upon the output delivered and average energy at rates as specified under the PPA. PPA is a contract over a period of 25 years starting from 2013.

Revenue from sale of Certified Emission Reductions (CERs) is recognised upon delivery of the CERs.

Revenue for service income is recognised on accrual basis as and when services are rendered, in accordance with the term of agreements.

2.14 Interest income

Interest income is recorded on accrual basis.

2.15 Operating lease

An operating lease is a lease other than a finance lease, where a significant portion of the risks and rewards of ownership are retained by the lessor. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit and loss account on a straight-line basis over the lease term.

Assets held under Ijarah financing are accounted for using the guidelines of IFAS 2 which are similar to assets held under operating lease above.

2.16 Functional and presentation currency

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. These consolidated financial statements are presented in Pak Rupees which is the Group's functional and presentation currency.

2.17 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees equivalents using balance sheet date exchange rates. Non-monetary assets and liabilities are stated using exchange rates that existed when the values were determined. Exchange differences on foreign currency transactions and translations are included in profit and loss account except the waiver granted by the Securities and Exchange Commission of Pakistan (SECP) from the requirements of International Accounting Standard (IAS) – 21, to the extent of capitalisation of exchange differences to power sector companies as mentioned in note 2.22.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

During the operations phase, exchange differences relating to foreign currency borrowings of LEL have been capitalized in the related 'operating property, plant and equipment' and all other exchange differences have been included in the 'profit and loss account'. Had the exchange differences, as allowed by the above mentioned directives of the SECP would not have been capitalized, the profit for the year would have been lower by Rs. 323.517 million and operating property, plant and equipment and depreciation would have been lower by Rs. 453.500 million and Rs. 39.360 million respectively.

2.18 Taxation

Income of the holding company and LEL is not liable to taxation in Pakistan to the extent provided in the Implementation Agreements signed with the Government of Pakistan (GOP) and the Income Tax Ordinance, 2001 (ITO 2001). Accordingly, provision for taxation, if any, is made only on the income liable to tax at the applicable rates of tax after taking into account tax credits, rebates etc. allowable under the ITO 2001.

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

Income of HPSL and HPHL is subject to taxation in Pakistan in accordance with the provisions of the Income Tax Ordinance, 2001 (ITO). Accordingly, provision for taxation has been made after taking into account tax credit etc., if any. Presently, majority of HPSL's income is being taxed on minimum tax on service income. Hence, no deferred tax has been recognised in these consolidated financial statements.

2.19 Dividend distribution

Dividend distribution to the holding company's shareholders and NCI is recognised as a liability in the period in which it is approved.

2.20 Segment reporting

Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker in order to assess each segment's performance and to allocate resources to them. Segment reports are regularly reviewed by the board of directors of the holding company.

2.21 Financial instruments

(a) Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value plus directly attributable transaction cost, if any, and subsequently measured at amortised cost using the effective interest rate method less provision for impairment, if any.

(b) Borrowings

Borrowings are recognised initially at fair value, net of attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest rate method.

(c) Trade and other payables

Liabilities for trade and other amounts payable are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method.

2.22 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised. All other borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs include exchange differences arising on foreign currency borrowings, obtained for acquisition, construction or production of qualifying assets, to the extent that they are regarded as an adjustment to interest cost are included in the cost of qualifying assets. Qualifying assets are assets that necessarily take substantial period of time to get ready for their intended use.

2.23 Off-setting

Financial assets and liabilities are offset and net amount is reported in the consolidated financial statements only when there is a legally enforceable right to set-off the recognised amount and the Group intend either to settle on net basis, or to realise the assets and to settle the liabilities simultaneously.

2.24 Use of estimates and judgements

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the periods in which the estimates are revised and in any future periods affected. Significant estimates, assumptions and judgements are disclosed in the relevant accounting policies and notes to these consolidated financial statements.

Following are some significant areas where management used estimates and judgements other than those which have been disclosed elsewhere in these consolidated financial statements:

- a) Determining the residual values and useful lives of property, plant and equipment and intangibles;
- b) Distinguish between capital spares, servicing equipment and stores & spares;
- c) Determining significant influence in associates;
- d) Provisions;
- e) Disclosures related to IFRIC 4, IFRIC 12 and IAS 39;
- f) Recognition of taxation;
- g) Recognition of provision for staff retirement benefits;
- h) Determining whether the WPPF is applicable on LEL;
- i) Impairment of goodwill, trade debts and other receivables; and
- j) Contingencies and commitments.

	Note	2016 (Rupees in '000)	2015
3. TURNOVER			
Turnover		102,097,084	155,653,092
Less: Sales tax		(10,502,208)	(17,816,838)
	3.1	<u>91,594,876</u>	<u>137,836,254</u>

3.1 Breakup of turnover by business segments is disclosed in note 29 to these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

	Note	2016 (Rupees in '000)	2015
4. OPERATING COSTS			
Fuel cost		63,328,000	107,771,532
Salaries, benefits and other allowances	4.1 & 5.3	840,959	38,066
Water use charges		271,683	73,278
Stores and spares		950,129	251,279
Operation and maintenance		893,544	4,233,648
Insurance		936,699	930,619
Depreciation	10.3	3,755,093	3,633,686
Amortisation	11.2	17,325	8,160
Repairs, maintenance and other costs		2,019,272	1,648,012
		<u>73,012,704</u>	<u>118,588,280</u>

4.1 This includes Rs. 67.114 million (2015: 1.970 million) in respect of staff retirement benefits.

	Note	2016 (Rupees in '000)	2015
5. GENERAL AND ADMINISTRATION EXPENSES			
Salaries, benefits and other allowances	5.1 to 5.3	601,163	495,145
Travel and transportation		75,841	77,597
Fuel and power		8,343	14,740
Property, vehicles and equipment rentals		29,969	30,574
Office running cost		72,631	29,509
Repairs and maintenance		31,294	19,253
Legal and professional charges		121,181	165,018
Insurance		17,034	16,500
Auditors' remuneration	5.4	13,305	18,344
Donations	5.5	135,905	87,001
Printing and stationery		16,356	11,684
Depreciation	10.3	57,038	40,750
Amortisation	11.2	2,911	315
Miscellaneous		79,496	70,840
		<u>1,262,467</u>	<u>1,077,270</u>

5.1 This is net off cost allocated by HPHL to CHPGC amounting to Rs. 233.215 million (2015: Nil).

5.2 This includes Rs. 54.074 million (2015: Rs. 35.582 million) in respect of staff retirement benefits.

5.3 Number of persons employed as at year end were 460 (2015: 140) and the average number of persons employed during the year were 430 (2015: 110).

5.4 Auditors' remuneration

The aggregate amount charged in respect of auditors' remuneration, including that of subsidiary companies, is as follows:

	2016 (Rupees in '000)	2015
Statutory audits	4,248	3,089
Half yearly reviews	1,298	1,000
Tax and other services	6,896	13,359
Out-of-pocket expenses	863	896
	<u>13,305</u>	<u>18,344</u>

2016 2015
(Rupees in '000)

5.5 Donations include the following in which a director or his spouse is interested:

<i>Name of Director</i>	<i>Name / Address of Donee</i>	<i>Interest in Donee</i>		
Mr. Ruhail Mohammed / Syed Muhammad Ali	Engro Foundation / 8th Floor, Harbor Front Building, Marine Drive, Clifton Block 4 Karachi	Trustee	1,500	-
Mr. Hussain Dawood	Karachi Education Initiative / National Stadium Road, Opp. Liaquat National Hospital, Karachi	Chairman	-	5,000

2016 2015
(Rupees in '000)

6. OTHER INCOME

Financial assets

Interest income - conventional

137,815 124,588

Non-financial assets

Gain on disposal of fixed assets

6.1 **16,362** 2,747

Gain from sale of CERs - net

5,535 5

Exchange gain on non derivative financial instrument

7,423 1,726

Other

6.2 **-** 327

29,320 4,805

167,135 129,393

6.1 This includes Rs. 6.625 million (2015: Rs. nil) gain on disposal of an asset to Chief Executive of the holding company.

6.2 This represents capital gain on sale of holding company's shares surrendered by an executive.

2016 2015
(Rupees in '000)

7. OTHER OPERATING EXPENSES

Write-off of assets

7.1 **63,924** 376,058

Workers' profit participation fund

7.2 **70,235** 74,755

Termination compensation

7.3 **339,118** -

473,277 450,813

7.1 This includes write-off of two damaged assets at Narowal plant. The incidents took place during the year and consequently resulted in shut down of two engines. These incidents are covered under the holding company's insurance policies and are subject to the final assessments and approval by the insurers. Engines have been brought back in service.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

	Note	2016 (Rupees in '000)	2015
7.2 Workers' profit participation fund			
Provision for Workers' profit participation fund	24	589,736	500,661
Workers' profit participation fund recoverable from WAPDA / NTDC	18	(519,501)	(425,906)
		<u>70,235</u>	<u>74,755</u>

The holding company is required to pay 5% of its profit to the Workers' profit participation fund (the "Fund"). The holding company is entitled to claim majority of this expense from Water and Power Development Authority (WAPDA) / National Transmission and Despatch Company Limited (NTDC) as a pass through item.

7.3 This represents early Termination Compensation to the ex-operator of the Hub plant.

	Note	2016 (Rupees in '000)	2015
8. FINANCE COSTS			
Interest / mark-up on long term finances		2,565,838	3,615,160
Mark-up on short term borrowings		1,082,735	1,564,476
Interest on finance lease		171,734	174,298
Amortization of transaction cost		143,139	153,909
Other finance costs		171,130	181,765
		<u>4,134,576</u>	<u>5,689,608</u>

9. TAXATION

Current

- For the year	9.1	<u>270,659</u>	<u>160,089</u>
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9.1 Relationship between tax expense and accounting profit

Profit before taxation		<u>12,771,253</u>	<u>12,160,823</u>
Tax calculated at the rate of 32% (2015: 33%)		4,086,801	4,013,072
Effect of exempt income		(4,068,619)	(4,010,227)
Impact of super tax		43,846	45,112
Others		208,631	112,132
		<u>270,659</u>	<u>160,089</u>

10. PROPERTY, PLANT AND EQUIPMENT

Operating property, plant and equipment	10.1	55,134,158	57,952,873
Capital work-in-progress			
Hub plant	10.4	124,271	42,561
Narowal plant	10.5	9,500	43,530
Laraib plant	10.6	-	-
Thar plant	10.7	6,114	-
		<u>139,885</u>	<u>86,091</u>
		<u>55,274,043</u>	<u>58,038,964</u>

10.1 Operating property, plant and equipment

	Owned								Leased	Total
	Freehold land	Building on freehold land	Buildings and civil structures on leasehold land	Leasehold property	Plant & machinery	Furniture & fixtures	Vehicles	Office equipment	Plant & machinery	
	(Rs. '000s)									
Cost:										
As at July 1, 2014	68,624	966,919	9,095,045	862	78,649,578	52,101	195,396	29,165	4,891,083	93,948,773
Additions / Transfers (Note 10.1.1)	906	42,812	278,036	-	779,606	74,228	45,983	7,655	118,109	1,347,335
Disposals	-	-	-	-	(456,103)	-	(25,097)	(328)	-	(481,528)
As at June 30, 2015	69,530	1,009,731	9,373,081	862	78,973,081	126,329	216,282	36,492	5,009,192	94,814,580
Additions / Transfers (Note 10.1.1)	1,258	61,712	99,799	-	595,310	2,696	179,537	8,681	109,378	1,058,371
Adjustments	-	-	-	-	24,860	(2,830)	-	-	-	22,030
Disposals	-	-	-	-	(107,553)	(194)	(71,069)	(1,905)	-	(180,721)
As at June 30, 2016	70,788	1,071,443	9,472,880	862	79,485,698	126,001	324,750	43,268	5,118,570	95,714,260
Depreciation:										
Depreciation rate % per annum	-	3.33 to 25	4 to 10	3.33 to 20	3.33 to 33.33	10 to 20	20-25	10 to 50	4 to 6.67	-
As at July 1, 2014	-	206,562	482,303	567	32,153,784	42,227	113,334	12,995	271,321	33,283,093
Charge for the year	-	53,329	357,849	29	3,008,809	10,252	34,640	3,726	205,802	3,674,436
Disposals	-	-	-	-	(79,653)	-	(15,841)	(328)	-	(95,822)
As at June 30, 2015	-	259,891	840,152	596	35,082,940	52,479	132,133	16,393	477,123	36,861,707
Charge for the year	-	73,691	371,196	29	3,058,306	16,885	73,035	4,902	214,087	3,812,131
Adjustments	-	-	-	-	3,714	-	-	-	-	3,714
Disposals	-	-	-	-	(43,474)	(189)	(52,338)	(1,449)	-	(97,450)
As at June 30, 2016	-	333,582	1,211,348	625	38,101,486	69,175	152,830	19,846	691,210	40,580,102
Net book value as at June 30, 2016	70,788	737,861	8,261,532	237	41,384,212	56,826	171,920	23,422	4,427,360	55,134,158
Net book value as at June 30, 2015	69,530	749,840	8,532,929	266	43,890,141	73,850	84,149	20,099	4,532,069	57,952,873
Cost of fully depreciated assets as at June 30, 2016	-	21,010	-	-	383,852	35,288	54,546	7,449	-	502,145
Cost of fully depreciated assets as at June 30, 2015	-	21,010	-	-	347,554	35,418	69,627	7,178	-	480,787

10.1.1 Includes exchange loss capitalised amounting to Rs. 336.052 million (2015: Rs. 362.877 million).

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

10.2 Disposal of operating property, plant and equipment

Assets	Cost	Accumulated depreciation	Net book value	Sale price	Mode of disposal	Particulars of buyer
	(Rs. '000s)					
Plant & machinery	30,719	5,888	24,831	-	Write-off	N/A
Plant & machinery	14,078	2,487	11,591	-	Write-off	N/A
Plant & machinery	14,111	2,540	11,571	-	Write-off	N/A
Plant & machinery	44,806	28,875	15,931	-	Write-off	N/A
Vehicle	1,713	1,035	678	688	Company policy	Mr. Muhammad Irfan Iqbal - employee
Vehicle	1,562	1,464	98	108	Company policy	Ms. Fatima Maryam - employee
Vehicle	2,074	864	1,210	1,220	Company policy	Mr. Arijad Raja - employee
Vehicle	1,648	412	1,236	1,246	Company policy	Ms. Laila Bhatia - Ex-employee
Vehicle	1,543	482	1,061	1,071	Company policy	Ms. Mariam Shirazee - employee
Vehicle	1,741	1,015	726	735	Company policy	Mr. Malik Mohsin - employee
Vehicle	1,457	1,305	152	1,232	Tender	Mr. Amad Ali
Vehicle	2,133	1,111	1,022	1,032	Company policy	Mr. Farrukh Rasheed - employee
Vehicle	2,524	105	2,419	2,463	Insurance Claim	EFU General Insurance Limited
Vehicle	2,087	913	1,174	1,184	Company policy	Mr. Omer Sarood - employee
Vehicle	1,603	1,069	534	544	Company policy	Mr. Hassan Karim - employee
Vehicle	1,735	1,374	361	371	Company Policy	Mr. Jawad Ali - employee
Vehicle	1,735	976	759	769	Company Policy	Mr. Noman Sohail - employee
Vehicle	1,784	1,115	669	679	Company Policy	Mr. Muhammad Asif - employee
Vehicle	1,591	862	729	739	Company Policy	Mr. Farrukh Ahmad - employee
Vehicle	2,116	837	1,279	1,605	Company Policy	Mr. Mustafa Umar Riaz - Ex-employee
Vehicle	2,146	2,057	89	1,486	Tender	Mr. Kamran Gul
Vehicle	146	49	97	98	Company policy	Mr. Irfan Ahmed - employee
Vehicle	146	24	122	122	Company policy	Mr. Rana Javed - employee
Vehicle	194	39	155	155	Company policy	Mr. Shahzad Ahsan - employee
Vehicle	194	39	155	155	Company policy	Mr. Javed Iqbal - employee
Vehicle	194	39	155	155	Company policy	Mr. Saeed Kazmi - employee
Vehicle	194	39	155	155	Company policy	Mr. Abid Ali - employee
Vehicle	683	237	446	447	Company policy	Mr. Tariq Khan - employee
Vehicle	601	138	463	581	Company policy	Mr. Noshad Khan - employee
Vehicle	969	180	789	789	Company policy	Mr. Azhar Zaidi - Ex-employee
Vehicle	2,163	197	1,966	2,200	Insurance claim	EFU general insurance
Other equipment	1,051	595	456	200	Tender	Pervaiz Akhtar & Co
Items having a net book value not exceeding Rs. 50,000 each						
Vehicles	34,394	34,361	33	13,049	Various	Various
Office equipment	854	854	-	-	Various	Various
Computers	3,838	3,684	154	387	Various	Various
Furniture and fittings	194	189	5	44	Various	Various
Total - June 30, 2016	180,721	97,450	83,271	35,709		
Total - June 30, 2015	481,528	95,822	385,706	12,395		

10.3 Depreciation charge for the year has been allocated as follows:

	Note	2016 (Rupees in '000)	2015
Operating costs	4	3,755,093	3,633,686
General and administration expenses	5	57,038	40,750
		3,812,131	3,674,436

10.4 Capital work-in-progress - Hub plant

Opening balance	42,561	90,611
Additions during the year	195,892	345,589
Transfers during the year	(114,182)	(393,639)
	124,271	42,561

10.5 Capital work-in-progress - Narowal plant

Opening balance	43,530	36,785
Additions during the year	194,242	316,655
Transfers during the year	(228,272)	(309,910)
	9,500	43,530

	Note	2016 (Rupees in '000)	2015
10.6 Capital work-in-progress - Laraib plant			
Opening balance		-	73,426
Additions during the year		45,500	127,223
Transfers during the year		(45,500)	(200,649)
		-	-
10.7 Capital work-in-progress - Thar Plant			
Opening balance		-	-
Additions during the year		6,114	-
Transfers during the year		-	-
		6,114	-
11. INTANGIBLES			
Intangibles	11.1	1,458,777	1,417,864
Capital work-in-progress		513	513
		1,459,290	1,418,377
11.1 Intangibles			
	Goodwill (note 11.3)	Computer software (Rs. '000s)	Total
Cost:	-----	-----	-----
As at July 1, 2014	1,414,096	92,933	1,507,029
Additions	-	386	386
Disposals / write-off	-	(1,090)	(1,090)
As at June 30, 2015	1,414,096	92,229	1,506,325
Additions	-	61,149	61,149
Write-off	-	(28,003)	(28,003)
As at June 30, 2016	1,414,096	125,375	1,539,471
Amortisation:			
Amortisation rate % per annum	-	33.33	-
As at July 1, 2014	-	81,076	81,076
Charge for the year	-	8,475	8,475
Disposals / write-off	-	(1,090)	(1,090)
As at June 30, 2015	-	88,461	88,461
Charge for the year	-	20,236	20,236
Write-off	-	(28,003)	(28,003)
As at June 30, 2016	-	80,694	80,694
Net book value as at June 30, 2016	1,414,096	44,681	1,458,777
Net book value as at June 30, 2015	1,414,096	3,768	1,417,864

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

	Note	2016 (Rupees in '000)	2015
11.2 Amortisation charge for the year has been allocated as follows:			
Operating costs	4	17,325	8,160
General and administration expenses	5	2,911	315
		<u>20,236</u>	<u>8,475</u>

11.3 For impairment testing, goodwill has been allocated to 'Laraib plant' as Cash Generating Unit (CGU), which is also a reportable segment. No goodwill has been impaired as a result of annual impairment test carried out on June 30, 2016. The recoverable amount for the purpose of assessing impairment on goodwill on acquisition of the subsidiary is determined based on value in use. The calculations are based on the cash flows derived mainly under the PPA between LEL and the Power Purchaser for a term of 25 years from COD. These cash flows are denominated in USD and have been discounted using a discount rate which reflects the current market rate appropriate for the business. For the calculation, the Group has used a discount rate of 5.22% (2015: 4.25%) and the cash flows are discounted over whole of the life of the project. The management believes that any reasonable possible change to the key assumptions on which calculation of recoverable amount is based, would not cause the carrying amount to exceed the recoverable amount.

	Note	2016 (Rupees in '000)	2015
12. INVESTMENT IN ASSOCIATES			
Associates - unquoted			
Investment in Sindh Engro Coal Mining Company Limited	12.1	575,206	244,234
Investment in China Power Hub Generation Company (Private) Limited	12.2	414,199	-
		<u>989,405</u>	<u>244,234</u>
12.1 Investment in Sindh Engro Coal Mining Company Limited (SECMC)			
Cost of investment		244,234	-
Investment made during the year		332,905	243,087
Share of (loss) / profit from associate		(1,822)	1,716
Loss on dilution of interest		(111)	(569)
		<u>575,206</u>	<u>244,234</u>

Pursuant to the Shareholders' Agreement dated July 21, 2014 between Engro Powergen Limited (EPL), Thal Limited (TL) and the holding company, the parties agreed to make investments in Sindh Engro Coal Mining Company Limited (SECMC). The holding company undertook to invest USD 20 million in PKR equivalent and has invested Rs. 240 million in December 2014 acquiring 16,194,332 ordinary shares having face value of Rs. 10 each, at a price of Rs. 14.82 per share. Subsequently, Habib Bank Limited (HBL) and China Everbest Development International Limited (CEDIL) were inducted as investors in SECMC. Accordingly, a Shareholders' Agreement ('SHA') was entered into on August 17, 2015 between the holding company, EPL, TL, HBL, and CEDIL, which terminated and superseded the previous shareholders' agreement dated July 21, 2014.

Pursuant to SHA, the holding company has agreed to invest the equivalent of USD 20 million at or soon after Financial Close of SECMC or at such later time or times as required by the Financing Agreements of SECMC at a share price of Rs. 14.82 per share. The number of shares to be acquired shall be subject to the rate of conversion prevailing on the date of payment of each tranche of subscription amounts. On March 21, 2016, the holding company further invested Rs. 332.905 million, and acquired 22,463,267 ordinary shares having face value of Rs. 10 each at a price of Rs. 14.82 per

share in SECMC. SECMC achieved the financial close on April 4, 2016. Subsequent to the year end, on August 09, 2016 the holding company further invested Rs. 31.929 million acquiring 2,154,438 ordinary shares having face value of Rs. 10 each at a price of Rs. 14.82 per share.

In addition to the USD 20 million equity, the holding company may, pursuant to the terms of the Sponsor Support Agreement (SSA), make the following investments in SECMC:

- 12.1.1** Sponsor Support Guarantee to cover cost overruns – for an amount not exceeding USD 4 million (in equivalent Pakistan Rupees), if at any time prior to the Project Completion Date a funding shortfall occurs. Each Sponsor is obligated to pay the cost overrun amount in cash, by way of subscription of SECMC shares or at the option of the Sponsors collectively, by way of a subordinated debt to SECMC. During the Extraordinary General Meeting held on January 14, 2016, this cost overrun support was approved by the members of the holding company.
- 12.1.2** Letter of credit to cover for the Initial Payment Service Reserve Account Shortfall ('PSRA') – an amount estimated not to exceed USD 6 million (which could be higher). If there is an Initial PSRA Shortfall, each Sponsor shall procure and issue a PSRA Letter of Credit (LC) in proportion to its shareholding of Ordinary shares in SECMC. Upon a demand being made for payment under the PSRA LC and receiving such payment, the said amount may be treated as equity or at the option of the Sponsors collectively, subordinated debt advanced in favor of SECMC in an amount equal to such portion of the PSRA LC that is called upon. During the Extraordinary General Meeting held on January 14, 2016, the PSRA support was approved by the members of the holding company.

The investment in SECMC for the purposes of cost overrun and PSRA will only be made in the event that an overrun and shortfall occur, respectively. If the entire amount of Sponsor Support Guarantee to cover cost overrun is called and the entirety of the payment under the standby letter of credit for PSRA shortfall is demanded, the maximum investment of the holding company in SECMC shall be USD 30 million (in equivalent PKR).

On February 26, 2016, the sponsors, including the holding company, entered into a SSA with HBL as a condition precedent for the availability of loan facilities to SECMC in connection with the project to develop, construct, operate and maintain an open pit coal mine in Sindh, Pakistan. Pursuant to the terms and conditions set forth in the SSA, the holding company has provided Sponsor Equity Contribution Letter of Credit in the form of an Irrevocable Standby letter of Credit (SBLC) in favour of HBL, dated March 18, 2016 for a total amount not exceeding USD 12.650 million. Additionally, a Share Pledge Agreement was also executed by the holding company with United Bank Limited on March 09, 2016, pursuant to the decision by the shareholders of the holding company in an Extraordinary General Meeting held on January 14, 2016.

In order to provide bank guarantee for the issuance of Equity Standby Letter of Credit, the holding company entered into a facility agreement with HBL for an amount of USD 12.65 million on March 02, 2016. This SBLC facility is valid for five years from effective date or four years from financial close whichever occurs earlier and is secured by second ranking charge over present and future plant and machinery of Hub Project with 25% margin. The first SBLC will be valid for a period of twelve months from the date of issuance and will be renewable by the holding company prior to expiry date of the SBLC.

The effective shareholding of the holding company in SECMC as at the balance sheet date is 8.50%. Although the holding company has less than 20% equity interest in SECMC, the management believes that the significant influence over the associate exists as a result of holding company's representation on the Board of Directors of SECMC and participation in policy making process by virtue of SHA, hence, classified as an associate.

The financial year end of SECMC is December 31, therefore, the financial results as at June 30 are used for the purpose of application of equity accounting method. Summarised unaudited consolidated financial information of SECMC for the six months period ended June 30, 2016 is as follows:

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

	(Rs. '000s)
Non-current assets	14,850,862
Current assets	881,674
Total assets	<u>15,732,536</u>
Non-current liabilities	(8,853,885)
Current liabilities	(454,406)
Total liabilities	<u>(9,308,291)</u>
Net assets	<u><u>6,424,245</u></u>

The associate had no material contingency as at June 30, 2016. Outstanding commitments as at June 30, 2016 amounts to Rs. 41,877.251 million.

Summarised profit and loss account of SECMC for the six months period ended June 30, 2016	(Rs. '000s)
General and administrative expenses	(30,956)
Interest income	9,549
Taxation	(305)
Loss for the period	<u>(21,712)</u>
Other comprehensive income for the period	-
Total comprehensive income for the period	<u><u>(21,712)</u></u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in associate recognised in these consolidated financial statements is as follows:

	(Rs. '000s)
Opening net assets as at June 30, 2015	3,886,061
Issue of shares	1,736,755
Share premium	828,432
Total comprehensive income for the period	<u>(27,003)</u>
Net assets of the associate	6,424,245
Proportion of holding company's interest in associate	8.5%
Others	545,849
Carrying amount of the holding company's interest in associate	<u><u>29,357</u></u>
	<u><u>575,206</u></u>

12.2 Investment in China Power Hub Generation Company (Private) Limited (CPHGC)

Investment during the year	520,000
Share of loss from associate	(167,788)
Gain on dilution of interest	61,987
	<u><u>414,199</u></u>

As at the balance sheet date, HPHL has 26% ownership interest in CPHGC, the principal business of which is to construct, finance, own and operate two coal-fired power generation units of 660 MW each with ancillary Jetty in the province of Balochistan.

CPHGC was established consequent to a Joint Venture Agreement (JVA) dated April 20, 2015 between CPIHL and the holding company. As per the terms of the JVA, CPIHL through its wholly owned subsidiary China Power International (Pakistan) Investment Limited (CPIIL) and the holding company through HPHL invested in CPHGC in the proportion of 51% and 49% respectively in accordance with the Shareholders Agreement (SHA) dated June 12, 2015. CPIIL and HPHL entered into an Amended and Restated Shareholders' Agreement (A&RSHA) on March 9, 2016 through which, among other amendments, it was agreed that HPHL will reduce its shareholding in CPHGC by way of renunciation of its rights shares in the next rights issue offered by CPHGC, so that the shareholding percentages of CPIIL and HPHL shall become 74% and 26% respectively. Further, subject to certain conditions as stated in the A&RSHA, at any time on or before the Call Option Exercise Date (i.e., a date falling no later than 200 days prior to Required Commercial Operations Date), HPHL has the right but not the obligation to increase its percentage of shareholding in CPHGC from 26% up to a minimum of 43% and a maximum of 49%, by acquiring shares from CPIIL, the price of which shares will be calculated as per the provisions of the A&RSHA.

On February 12, 2016, National Electric Power Regulatory Authority (NEPRA) approved CPHGC's application for upfront tariff. However, in order to seek further clarification on certain items, CPHGC has filed a review petition with NEPRA, the response of which is awaited. CPHGC has also filed application for generation license before NEPRA which is pending for approval and has signed Equipment Procurement and Construction (EPC) contract for coal importation jetty on June 14, 2016.

On April 12, 2016, the Private Power & Infrastructure Board (PPIB) issued Letter of Support (LOS) to CPHGC. As per the terms of the LOS, China Power International Holding Limited (CPIHL) and HPHL provided performance guarantees in favour of PPIB which require CPHGC to (i) achieve Financial Closing no later than nine months from the date of LOS, and (ii) enter into the Implementation Agreement and Power Purchase Agreement no later than three months prior to the financial closing date. PPIB is entitled to encash the performance guarantees in case CPHGC is not able to meet the above conditions or CPHGC decides to exercise termination option as defined in the LOS.

On the basis of current estimated project cost of 2x660MW coal project with ancillary jetty, HPHL's total maximum equity commitment is USD 130 million for 26% equity stake in CPHGC.

HPHL's interest in CPHGC had been previously classified as an investment in joint venture prior to signing of the A&RSHA and was accounted for using the equity method of accounting. Upon signing the A&RSHA and due to the amendments made therein, i.e., reduction in shareholding of HPHL in CPHGC on next issuance of shares and reconstitution of the Board of Directors / decision making powers between the shareholders, the investment in CPHGC has been treated as investment in associate, which is also accounted for using the equity method of accounting.

The decrease in HPHL's shareholding in the associate, due to partial participation by HPHL in rights issue of shares by the associate to its shareholders, has resulted in dilution of HPHL's interest in the associate, which is considered to be a deemed disposal. The gain (i.e., the difference between the carrying amounts of the investment in associate, immediately before and after the transaction that resulted in the dilution) determined on this transaction entered into on April 24, 2016 has been recognised in the profit and loss account.

The summarised financial information of the associate are set out below:

Summarised balance sheet of CPHGC as at June 30, 2016	(Rs. '000s)
Non-current assets	1,031,032
Current assets	1,338,829
Total assets	<u>2,369,861</u>
Current liabilities	<u>(768,614)</u>
Total liabilities	(768,614)
Net assets	<u><u>1,601,247</u></u>

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

The associate had no material contingency as at June 30, 2016. Outstanding commitments as at June 30, 2016 are amounting to USD 192.469 million and Rs. 44.943 million.

Summarised profit and loss account of CPHGC for the period from September 03, 2015 to June 30, 2016	(Rs. '000s)
General and administrative expenses	(411,254)
Interest income	5,384
Taxation	<u>(1,057)</u>
Loss for the period	(406,927)
Other comprehensive income for the period	-
Total comprehensive income for the period	<u><u>(406,927)</u></u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in associate recognised in these consolidated financial statements is as follows:

	(Rs. '000s)
Opening net assets as at September 03, 2015	-
Issue of shares	2,000,000
Advance received against issue of shares to CPIIL	8,174
Total comprehensive income for the period	<u>(406,927)</u>
Net assets of the associate	1,601,247
Less: Advance received against issue of shares to CPIIL	<u>(8,174)</u>
Net assets of the associate available for distribution	1,593,073
Proportion of holding company's interest in associate	<u>26%</u>
Carrying amount of the holding company's interest in associate	<u><u>414,199</u></u>

	Note	2016	2015
		(Rupees in '000)	
13. LONG TERM DEPOSITS AND PREPAYMENTS			
Deposits - non interest bearing		20,354	17,624
Prepaid operating lease rentals		8,030	8,395
Other prepayments		<u>7,641</u>	<u>2,164</u>
		<u>36,025</u>	<u>28,183</u>
14. STORES, SPARES AND CONSUMABLES			
In hand		2,589,966	2,218,881
In-transit		<u>51,177</u>	-
		2,641,143	2,218,881
Provision against stores, spares and consumables	14.1	<u>(25,449)</u>	-
	14.2 & 14.3	<u>2,615,694</u>	<u>2,218,881</u>
14.1 Provision against stores, spares and consumables			
Opening balance		-	-
Provision for the year		<u>25,449</u>	-
Closing balance		<u>25,449</u>	-

14.2 Most of the items of stores and spares are of interchangeable nature and can be used as machine spares or consumed as stores. Accordingly, it is not practicable to distinguish stores from spares until their actual usage.

14.3 This includes material and consumables purchased for various repair and maintenance works amounting to Rs. 329.365 million (2015: Rs. 406.994 million) which will be charged to profit and loss account when consumed.

	Note	2016 (Rupees in '000)	2015
15. STOCK-IN-TRADE			
Furnace oil		2,527,008	3,423,080
Diesel		8,588	14,625
Lubricating oil		18,802	19,917
Light diesel oil		8,929	11,906
		<u>2,563,327</u>	<u>3,469,528</u>
16. TRADE DEBTS - Secured			
Considered good	16.1 & 16.2	<u>79,542,544</u>	<u>74,895,994</u>

16.1 This includes an amount of Rs. 65,296 million (2015: Rs. 56,898 million) receivable from WAPDA and Rs. 4,527 million (2015: Rs. 6,205 million) receivable from NTDC which are overdue but not impaired because the trade debts are secured by a guarantee from the GOP under Implementation Agreements.

The delay in payments from WAPDA carries mark-up at SBP discount rate plus 2% per annum compounded semi-annually and the delay in payment from NTDC carries mark-up at a rate of three / six month KIBOR plus 2% to 4.5% per annum compounded semi-annually.

The aging of these receivables are as follows:

	2016 (Rupees in '000)	2015
Not yet due	9,720,002	11,792,970
Up to 3 months	14,770,111	23,639,047
3 to 6 months	15,626,301	19,231,591
Over 6 months	39,426,130	20,232,386
	<u>79,542,544</u>	<u>74,895,994</u>

16.2 This includes Rs. 373 million (2015: Rs. 373 million) relating to a tax matter (Refer note 27.7).

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

	Note	2016 (Rupees in '000)	2015
17. LOANS AND ADVANCES			
<i>Considered good - non interest bearing</i>			
Loans - unsecured			
Executives		13,061	-
Employees		252	-
Advances			
Unsecured			
Executives		422	11,050
Employees		1,292	174
Suppliers		241,028	104,565
		242,742	115,789
Secured			
Suppliers		12,787	71,680
		<u>268,842</u>	<u>187,469</u>
18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Deposits		225	225
Prepayments			
Current portion of prepaid operating lease rentals		365	365
LC commission and other loan related costs		32,933	29,505
Miscellaneous		40,401	28,406
		73,699	58,276
Other receivables			
Interest accrued		3,200	1,960
Income tax	27.6	1,912,347	1,912,347
Sales tax		1,627,959	325,011
Receivable from CPHGC		68,271	157,123
Withholding tax recoverable		2,826	24,089
Workers' profit participation fund recoverable from WAPDA / NTDC	7.2	519,501	425,906
Miscellaneous		318,406	363,474
		4,452,510	3,209,910
		<u>4,526,434</u>	<u>3,268,411</u>
19. CASH AND BANK BALANCES			
Savings accounts - conventional	19.1 & 19.2	5,372,198	1,450,589
Term deposits		222,000	700,000
		5,594,198	2,150,589
In hand			
Cash		1,269	360
Payorders		977,065	195,975
		978,334	196,335
		<u>6,572,532</u>	<u>2,346,924</u>

19.1 Savings and deposits accounts carry mark-up rates ranging between 0.25% and 6.35% (2015: 0.25% to 9%) per annum.

19.2 This includes Rs. 2,299.596 million (2015: Rs. 162.791 million) restricted for dividend payable.

20. AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2016	2015		2016	2015
(No. of Shares)			(Rupees in '000)	
		Authorised :		
<u>1,200,000,000</u>	<u>1,200,000,000</u>	Ordinary shares of Rs.10/- each	<u>12,000,000</u>	<u>12,000,000</u>
		Issued, subscribed and paid-up: Ordinary shares of Rs.10/- each		
<u>818,773,317</u>	<u>818,773,317</u>	For cash	<u>8,187,733</u>	<u>8,187,733</u>
		For consideration other than cash		
<u>338,022,463</u>	<u>338,022,463</u>	- against project development cost	<u>3,380,225</u>	<u>3,380,225</u>
<u>358,607</u>	<u>358,607</u>	- against land	<u>3,586</u>	<u>3,586</u>
<u>338,381,070</u>	<u>338,381,070</u>		<u>3,383,811</u>	<u>3,383,811</u>
<u>1,157,154,387</u>	<u>1,157,154,387</u>		<u>11,571,544</u>	<u>11,571,544</u>

20.1 The shareholders are entitled to receive all distributions including dividends and other entitlements in the form of bonus and right shares as and when declared by the holding company. All shares carry one vote per share without restriction. The holding company may not pay dividend until certain financial requirements under its long term debt facilities are satisfied.

20.2 Associated undertakings held 409,713,697 (2015: 309,039,482) shares in the holding company as at year end.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

21. LONG TERM LOANS - Secured

From Banks / Financial Institutions

		As at July 01, 2015	Drawn / Translation	Repaid	Current portion	Amortisation of transaction costs	As at June 30, 2016
	Note	(Rs. '000s)					
<i>Holding company</i>							
<i>Hub plant</i>							
Under the Private Sector Energy Development							
Fund's (PSEDF I) Facility	21.1 & 21.1.1	1,045,647	-	(1,045,647)	-	-	-
Under the Private Sector Energy Development							
Fund's (PSEDF II) Facility	21.1 & 21.1.2	372,082	-	(372,082)	-	-	-
Musharaka finance facility	21.2	2,500,000	-	(312,500)	(625,000)	-	1,562,500
Commercial Facility	21.3	4,523,745	-	(601,961)	(685,292)	-	3,236,492
Sub Total		8,441,474	-	(2,332,190)	(1,310,292)	-	4,798,992
<i>Narowal plant</i>							
Expansion Facility	21.4.1	11,034,317	-	(1,354,436)	(1,590,556)	-	8,089,325
Syndicated term finance facility	21.4.2	-	3,100,000	-	-	-	3,100,000
Transaction costs		(212,208)	-	-	53,967	59,530	(98,711)
Sub Total		10,822,109	3,100,000	(1,354,436)	(1,536,589)	59,530	11,090,614
<i>Laraib's investment</i>							
Syndicated term finance facility	21.5.1	2,722,636	-	(777,896)	(777,896)	-	1,166,844
Islamic finance facility	21.5.2	590,334	-	(168,667)	(168,667)	-	253,000
Transaction costs		(41,468)	-	-	13,674	19,553	(8,241)
Sub Total		3,271,502	-	(946,563)	(932,889)	19,553	1,411,603
Long term loans of the holding company		22,535,085	3,100,000	(4,633,189)	(3,779,770)	79,083	17,301,209
<i>Subsidiary - LEL</i>							
Foreign currency loans	21.6.1	8,693,138	243,613	(882,136)	(1,194,014)	-	6,860,601
Local currency loans	21.6.2	2,708,332	-	(361,112)	(464,390)	-	1,882,830
Transaction costs		(323,591)	-	64,056	57,967	-	(201,568)
Long term loans of LEL		11,077,879	243,613	(1,179,192)	(1,600,437)	-	8,541,863
		33,612,964	3,343,613	(5,812,381)	(5,380,207)	79,083	25,843,072

From Banks / Financial Institutions

		As at July 01, 2014	Drawn / Translation	Repaid	Current portion	Amortisation of transaction costs	As at June 30, 2015
	Note	(Rs. '000s)					
<i>Holding company</i>							
<i>Hub plant</i>							
Under the Private Sector Energy Development							
Fund's (PSEDF I) Facility	21.1 & 21.1.1	1,767,754	-	(722,107)	(722,107)	-	323,540
Under the Private Sector Energy Development							
Fund's (PSEDF II) Facility	21.1 & 21.1.2	629,037	-	(256,955)	(256,954)	-	115,128
Musharaka finance facility		-	2,500,000	-	(312,500)	-	2,187,500
Sub Total		2,396,791	2,500,000	(979,062)	(1,291,561)	-	2,626,168
<i>Narowal plant</i>							
Commercial Facility	21.4.1	5,052,516	-	(528,771)	(601,961)	-	3,921,784
Expansion Facility	21.4.2	12,187,701	-	(1,153,384)	(1,354,436)	-	9,679,881
Transaction costs		(272,431)	-	-	58,882	60,223	(153,326)
Sub Total		16,967,786	-	(1,682,155)	(1,897,515)	60,223	13,448,339
<i>Laraib's investment</i>							
Syndicated term finance facility	21.5.1	3,500,532	-	(777,896)	(777,896)	-	1,944,740
Islamic finance facility	21.5.2	759,000	-	(168,666)	(168,667)	-	421,667
Transaction costs		(67,065)	-	-	19,496	25,597	(21,972)
Sub Total		4,192,467	-	(946,562)	(927,067)	25,597	2,344,435
Long term loans of the holding company		23,557,044	2,500,000	(3,607,779)	(4,116,143)	85,820	18,418,942
<i>Subsidiary - LEL</i>							
Foreign currency loans	21.6.1	9,285,076	263,059	(854,997)	(869,314)	-	7,823,824
Local currency loans	21.6.2	3,069,444	-	(361,112)	(361,112)	-	2,347,220
Transaction costs		(391,680)	-	-	62,953	68,089	(260,638)
Long term loans of LEL		11,962,840	263,059	(1,216,109)	(1,167,473)	68,089	9,910,406
		35,519,884	2,763,059	(4,823,888)	(5,283,616)	153,909	28,329,348

21.1 These loans were repayable in 30 equal installments on semi-annual payment dates starting from January 10, 2002. Any late payment by the holding company is subject to payment of interest at 3% per annum above the normal rate of interest. The holding company may not pay dividend until certain financial requirements under these facilities are satisfied. In April 2016, the loans were fully repaid as per the terms of the agreements and accordingly the below mentioned securities were released. These loans were secured pari passu by way of:

(a) a fixed charge over each of the following, namely:

- (i) the Tangible Moveable Property of the holding company;
- (ii) the Intellectual Property of the holding company; and
- (iii) all goodwill belonging to the holding company.

excluding (i) those relating or pertaining to the Narowal plant; (ii) the Commercial Facility Disbursement Account; and (iii) present and future shares acquired in LEL including bonus shares and right shares.

(b) a floating charge on the whole of the holding company's undertaking and assets, present and future, other than:

- (i) any assets for the time being effectively charged by way of fixed charge; (ii) any undertaking and assets, present and future, relating or pertaining to the Narowal plant; (iii) any shares in Demerged Company (special purpose vehicle that the holding company may incorporate under the laws of Pakistan for the purpose of construction, ownership, operations & maintenance of Narowal plant); (iv) the Commercial Facility Disbursement Account; and (v) present and future shares acquired in LEL including bonus shares and right shares.

(c) an assignment of all rights, title and interest, present and future, in relation to the Assigned Documents, Tangible Moveable Property, book and other debt and monetary claims (which are not otherwise subject to a fixed charge), uncalled capital, all Investments, Assigned Accounts and Insurances but excluding rights, interests and claims relating to or arising out of the documents executed for the Narowal plant; and

(d) mortgages over the holding company's real property situated in Lasbella, Islamabad and Karachi, together with all rights of easements, privileges and licences appurtenant thereto.

21.1.1 Interest was payable @ 14% per annum.

21.1.2 Interest rate per annum was equal to the greater of the sum of (i) One year United States Treasury Bill Rate, the FERI Margin and 4.00% or (ii) World Bank Lending Rate, the FERI Margin and 3.50%.

21.2 The holding company entered into a long term Musharaka arrangement with a bank for an amount of Rs. 2,500 million (2015: Rs. 2,500 million) to finance boiler rehabilitation works at Hub Plant. The facility is repayable in sixteen equal installments on quarterly basis starting from March 30, 2016 at a mark-up rate of 3 month KIBOR plus 1.10% per annum. The mark-up is payable on quarterly basis in arrear. Any late payment by the holding company is subject to a markup of 14% per annum. This loan is secured by way of second ranking / subordinated charge over all present and future assets excluding, (i) land and buildings pertaining to Hub River Project of the holding company; (ii) assets relating to the Narowal power plant; (iii) Commercial Facility Disbursement Account; (iv) any shares in Demerged holding company (special purpose vehicle that the holding company may incorporate under the laws of Pakistan for the purpose of construction, ownership, operations & maintenance of Narowal project); and (v) present and future shares acquired in LEL including bonus shares and right shares.

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21.3 In order to finance the equity portion of the project cost of Narowal Plant the holding company had obtained this loan which is repayable in 40 installments on quarterly basis starting from January 16, 2011 and then on each mark-up payment date at a mark-up rate of three month KIBOR plus 0.25% per annum. The mark-up is payable on quarterly basis in arrear. The loan is secured pari passu by way of same securities as mentioned in note 21.1 and a first ranking floating charge over the Commercial Facility Disbursement Account and all credit balances held therein from time to time and all rights, property and benefits arising therefrom at any time and from time to time.

The holding company shall not pay dividends until certain requirements under these facilities are satisfied. Any late payment by the holding company is subject to an additional payment of 2% per annum above the normal mark-up rate.

The outstanding balance of long term loan includes Rs. 678 million (2015: Rs. 279 million) repayable to associated undertakings.

21.4 In connection with Narowal plant:

21.4.1 The loan is repayable in 40 installments on quarterly basis starting from January 16, 2011 and then on each mark-up payment date at a mark-up rate of three month KIBOR plus 3.47% per annum. The mark-up is payable on quarterly basis in arrear.

The loan is secured pari passu by way of:

- (a) mortgage by Deposit of Title Deeds over the immovable properties of the holding company situated at Narowal and acquired for the purposes of Narowal plant;
- (b) a first ranking floating charge over the Project Company's undertaking and assets (both present and future), fixed and current [other than those referred in note 24.1.2(a)], tangible and intangible, wherever situated and all present and future trade deposits, trade debts, loans and advances, bills and other receivables in relation to the Narowal plant;
- (c) by way of hypothecation, the creation of a first fixed charge over the present and future properties purchased for the purposes of Narowal plant;
- (d) mortgage and assignment of the holding company's rights, titles and interests, present and future, actual and contingent under and in connection with the Narowal Project Documents and all rights of the holding company to make recovery under the Narowal Project Documents and all proceeds of whatsoever nature receivable by the holding company under the Narowal Project Documents; and
- (e) by way of first priority security, the holding company has assigned, charged and granted a security interest on all and each of the Project holding company's rights, title, interest and benefit, present and future, under and in connection with the GOP Guarantee (for Narowal plant) and all rights of the Project holding company to make recovery under the GOP Guarantee and any proceeds thereof receivable by the Project holding company under the GOP Guarantee.

The holding company shall not pay dividends until certain requirements under these facilities are satisfied. Any late payment by the holding company is subject to an additional payment of 2% per annum above the normal mark-up rate.

The outstanding balance of long term loan includes Rs. 1,674 million (2015: Rs. 961 million) repayable to associated undertakings.

21.4.2 During the year, the holding company has entered into a long term financing arrangement with various banks for an amount of Rs. 3,100 million to fund the project cost overruns of Narowal Plant . The loan is repayable in 16 equal installments on quarterly basis at a mark-up rate of three month KIBOR plus 0.20% per annum. The facility became effective on June 16, 2016. The mark-up is payable on quarterly basis in arrear starting from the date of disbursement, i.e. June 24, 2016. Any late payment by the holding company is subject to an additional payment of 2% per annum above the normal mark-up rate. The loan is secured by way of second ranking / subordinated charge over fixed assets (excluding land & building) of Hub Plant.

The outstanding balance of long term loan includes Rs. 2,700 million (2015: Rs. nil) repayable to an associated undertaking.

21.5 In order to meet its investment obligation in LEL:

21.5.1 The holding company has entered into a long term financing arrangement with various banks / financial institution for an amount of Rs. 3,741 million. The loan is repayable in 9 equal installments on semi-annual basis following the six months after the end of availability period which is 42 months from the facility effective date at a mark-up rate of six month KIBOR plus 2.20% per annum. The facility became effective on October 01, 2010. The mark-up is payable on semi-annual basis in arrear starting from the availability period. Any late payment by the holding company is subject to an additional payment of 2% per annum above the normal mark-up rate. The loan is secured by way of second ranking / subordinated charge over all present and future undertaking and assets excluding land and buildings of the holding company other than: (i) assets relating to the Narowal plant; (ii) Commercial Facility Disbursement Account; (iii) any shares in Demerged holding company (special purpose vehicle that the holding company may incorporate under the laws of Pakistan for the purpose of construction, ownership, operations & maintenance of Narowal plant); and (iv) present and future shares acquired in LEL including bonus shares and right shares.

21.5.2 The holding company has also entered into a long term Islamic financing arrangement with a bank for an amount of Rs. 759 million. The loan is repayable in 9 equal installments on semi-annual basis following the six months after the end of availability period which is 42 months from the facility effective date at a mark-up rate of six month KIBOR plus 2.20% per annum. The facility became effective on November 24, 2010. The mark-up is payable on semi-annual basis in arrear starting from the availability period. Any late payment by the holding company is subject to an additional payment of 2% per annum above the normal mark-up rate. The loan is secured by way of securities mentioned in note 21.5.1.

The outstanding balance of long term loans also include Rs. 583 million (2015: Rs. 156 million) repayable to associated undertakings.

Subsidiary - LEL

21.6 In connection with the power plant of LEL:

21.6.1 LEL entered into long-term loan facilities of USD 98.3 million with various foreign banks / financial institutions at an interest rate of six month LIBOR plus 4.75% per annum. Repayment of the principal amount of the long-term loan facilities is to be made in 24 semi-annual installments, the first such payment commenced on November 5, 2013 and then on interest payment date (each January 1 and July 1) until and including the final maturity date on November 5, 2024. Any delay in payments by the LEL is subject to an additional payment of 2% per annum above normal interest rate.

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21.6.2 LEL has also entered into a long-term loan facility of Rs. 3,250 million with local commercial banks at an interest rate of six month KIBOR plus 3.25% per annum. The principal amount of the loan facility is repayable in 19 semi-annual installments, the first such payment commenced on November 5, 2013 and then on interest payment date (each January 1 and July 1) until and including the final maturity date on May 5, 2022. Any delay in payments by the LEL is subject to an additional payment of 2.5% per annum above normal mark-up rate.

LEL declares dividend after satisfaction of lenders' covenants.

During the current year NEPRA announced final COD tariff whereby it reduced the amount of approved debt resulting in excess debt payable to lenders as per the terms of the Finance Documents. Accordingly, the amount of such excess debt has been included in current maturity of the long term loans / lease finance facility.

Facilities are secured by way of, inter alia;

- (a) a fixed charge over the following assets namely:
- (i) all proceeds, receivables and moneys payable by the security trustee from receipts account;
 - (ii) the assigned agreements but only as to such rights that are not effectively assigned by way of security to the security trustee under clause 5.3 (Assignments) of the Security Deed;
 - (iii) the authorizations and consents (to the extent permitted under any applicable law without the need to obtain the further consent of any Government entity);
 - (iv) all monetary claims and all related rights (if not effectively charged or assigned pursuant to the accounts charge) and only as to such rights that are not effectively assigned by way of security to the security trustee under Clause 5.3 (Assignments) of Security Trustee Deed;
 - (v) all intellectual property rights, including license, designs rights, copyright, patents and trademarks to the extent permitted by Applicable Law;
 - (vi) all goodwill of LEL's business;
 - (vii) all insurances;
 - (viii) all other present and future assets of LEL both real and personal, tangible and intangible (if not otherwise assigned effectively charged or assigned as applicable to the security trustee);
 - (ix) in charged accounts and in all authorized investments held by LEL or any of its nominee and all of benefits, right, title and interest present and future in or relating to the same.
- (b) a floating charge over whole of LEL's undertakings and assets, present and future other than any asset charged or assigned under fixed charge:

The distributions account and the monies from time to time standing to the credit thereof and any investments, and the proceeds of any investments, made using such monies are out of the security package, consequently there is no fixed or floating charge over the distribution account and such investments.

22. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

		As at July 01, 2015	Translation	Repaid	Current portion	As at June 30, 2016
	Note	(Rs. '000s)				
Islamic Development Bank	22.1	<u>2,895,625</u>	<u>406,072</u>	<u>(318,368)</u>	<u>(438,154)</u>	<u>2,545,175</u>
		As at July 01, 2014	Translation	Repaid	Current portion	As at June 30, 2015
		(Rs. '000s)				
Islamic Development Bank	22.1	<u>3,416,329</u>	<u>99,818</u>	<u>(306,889)</u>	<u>(313,633)</u>	<u>2,895,625</u>

22.1 LEL entered into a finance lease agreement with Islamic Development Bank in respect of plant and machinery of USD 37.3 million. The rate of return used as the discounting factor is 6.30% (2015: 5.80%) per annum. The lease rentals are payable in 24 semi-annual installments, the first such payment commenced on November 5, 2013 and then on rental payment date (each January 1 and July 1) until and including the final maturity date on November 5, 2024. Any delay in payments by LEL is subject to an additional payment of 2% per annum above normal return rate. The lease finance facility is secured against assets mentioned in note 21.5.1.

The amount of future minimum lease payments together with the present value of the minimum lease payments and the periods during which they fall due are as follows:

	2016		2015	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	(Rs. '000s)			
Within one year	617,651	438,154	494,570	313,633
After one year but not more than five years	1,757,291	1,258,092	1,808,354	1,269,324
Later than five years	1,463,966	1,287,083	1,879,775	1,626,301
Total minimum lease payments	<u>3,838,908</u>	<u>2,983,329</u>	<u>4,182,699</u>	<u>3,209,258</u>
Less: Amount representing finance charges	<u>(855,579)</u>	<u>-</u>	<u>(973,441)</u>	<u>-</u>
Present value of minimum lease payments	<u>2,983,329</u>	<u>2,983,329</u>	<u>3,209,258</u>	<u>3,209,258</u>
Less: Current portion	<u>(438,154)</u>	<u>(438,154)</u>	<u>(313,633)</u>	<u>(313,633)</u>
	<u>2,545,175</u>	<u>2,545,175</u>	<u>2,895,625</u>	<u>2,895,625</u>

23. DEFERRED LIABILITY

	Note	2016 (Rupees in '000)	2015
Opening balance		<u>6,125</u>	4,900
Provision for the year	23.1	<u>1,923</u>	1,225
Closing balance		<u>8,048</u>	<u>6,125</u>

23.1 This represents provision for gratuity in accordance with the terms of employment of the Chief Executive of LEL. Actuarial valuation of gratuity has not been carried out since the management believes that the effect of actuarial valuation would not be material.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

	Note	2016 (Rupees in '000)	2015
24. TRADE AND OTHER PAYABLES			
Creditors			
Trade	24.1	63,292,855	56,979,908
Other	24.2	365,533	135,236
		63,658,388	57,115,144
Accrued liabilities			
Operation & Maintenance fee and services		6,830	222,241
Finance costs		9,773	9,229
Miscellaneous		858,479	939,047
		875,082	1,170,517
Unearned income	24.3	1,177,057	1,184,323
Dividend payable		2,461,706	157,635
Other payables			
Provision for Workers' profit participation fund	7.2	589,736	500,661
Payable to EPC contractor of LEL		-	5,357
Payable in respect of project development cost of LEL		-	2,506
Sales tax payable		25,909	-
Staff retirement benefits			
Gratuity	24.4	66,754	54,682
Provident fund		6,197	-
Pension fund		1,813	-
Retention money		20,509	40,711
Withholding tax		19,919	862
Others		558	11,470
		731,395	616,249
		68,903,628	60,243,868

24.1 This includes Rs. 62,072 million (2015: Rs. 55,595 million) payable to Pakistan State Oil Company Limited (PSO), out of which overdue amount is Rs. 56,668 million (2015: Rs. 49,563 million).

The delay in payments to PSO carries mark-up at SBP discount rate plus 2% per annum compounded semi-annually.

24.2 This includes payable to Engro Polymer & Chemicals Limited (an associated undertaking) amounting to Rs. 0.617 million.

24.3 This represents Capacity Purchase Price invoiced for the succeeding month under the terms of PPA for Hub plant.

	Note	2016 (Rupees in '000)	2015
24.4 STAFF GRATUITY			
Staff gratuity- holding company	24.4.1	75,439	54,682
Staff gratuity- HPSL	24.4.2	(8,685)	-
		66,754	54,682

24.4.1 Actuarial valuation was carried out as on June 30, 2016. The present value of defined benefit obligation has been calculated using the Projected Unit Credit Actuarial Cost method.

	2016	2015
	(Rupees in '000)	
Reconciliation of the net liability recognised in the balance sheet		
Present value of defined benefit obligation	214,588	178,847
Fair value of plan assets	(139,149)	(124,165)
Net liability recognised in the balance sheet	75,439	54,682
Reconciliation of the movements during the year in the net liability recognised in the balance sheet		
Opening net liability	54,682	41,434
Expense recognised	28,742	20,734
Remeasurement loss recognised in Other Comprehensive Income (OCI)	10,461	5,761
Contributions to the fund made during the year	(18,446)	(13,247)
Closing net liability	75,439	54,682
Expense recognised		
Current service cost	23,821	15,244
Net Interest	4,921	5,490
Expense recognised	28,742	20,734
Re-measurements recognised in OCI during the year		
Remeasurement loss on obligation	620	13,719
Remeasurement loss/(gain) on plan assets	9,841	(7,958)
	10,461	5,761
Movements in the present value of defined benefit obligation		
Present value of defined benefit obligation at beginning	178,847	142,975
Current service cost	23,821	15,244
Interest cost	15,890	18,196
Benefits paid	(4,590)	(11,288)
Remeasurement loss recognised in Other Comprehensive Income (OCI)	620	13,719
Present value of defined benefit obligation at closing	214,588	178,846
The movement in fair value of plan assets		
Fair value of plan assets at beginning	124,164	101,541
Expected return on plan assets	10,970	12,706
Contributions made	18,446	13,247
Benefits paid	(4,590)	(11,288)
Remeasurement (loss) / gain recognised in OCI	(9,841)	7,958
Fair value of plan assets at closing	139,149	124,164
Actual return on plan assets	1,128	20,665
Contribution expected to be paid to the plan during the next year	31,964	24,980

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Significant actuarial assumptions used in the actuarial valuation were as follows:

	2016	2015
- Valuation discount rate per annum	7.25%	9.00%
- Expected return on plan assets per annum	7.25%	9.00%
- Expected rate of increase in salary level per annum	7.25%	10.00%
- Mortality rates	SLIC 2001-05	SLIC 2001-05

Expected maturity analysis of undiscounted retirement benefit plans:

	Less than 1 year	Between 2- 5 years	Between 6 - 10 years	Over 10 years	Total
	----- (Rs. '000s) -----				
Retirement benefit plan	29,085	24,125	141,545	258,576	453,331
	2016	2015	2014	2013	2012
	----- (Rs. '000s) -----				
As at June 30					
Present value of defined benefit obligation	214,588	178,847	142,975	110,181	108,968
Fair value of plan assets	(139,149)	(124,165)	(101,541)	(84,962)	(88,253)
Deficit	75,439	54,682	41,434	25,219	20,715

2016 2015
(Rupees in '000)

Sensitivity analysis on significant actuarial assumptions - Impact on defined benefit obligation

- Discount rate +1%	17,425	15,023
- Discount rate -1%	(19,897)	(17,078)
- Salary increases +1%	(20,790)	(17,792)
- Salary increases -1%	18,499	15,892

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

24.4.2 Actuarial valuation was carried out as on June 30, 2016. The present value of defined benefit obligation has been calculated using the Projected Unit Credit method.

2016 2015
(Rupees in '000)

Reconciliation of the net (asset) / liability recognised in the balance sheet

Present value of defined benefit obligation	205,277	-
Fair value of plan assets	(213,962)	-
Net (asset) / liability recognised in the balance sheet	(8,685)	-

2016 2015
(Rupees in '000)

**Reconciliation of the movements during the year
in the net (asset) / liability recognised in the balance sheet**

Opening net (asset) / liability	-	-
Expense recognised	19,697	-
Remeasurement gain recognised in Other Comprehensive Income (OCI)	(7,266)	-
Contributions to the fund made during the year	(21,116)	-
Closing net (asset) / liability	<u>(8,685)</u>	<u>-</u>

Expense recognised

Current service cost	19,701	-
Net Interest income	(4)	-
Expense recognised	<u>19,697</u>	<u>-</u>

Remeasurements recognised in OCI during the year

Remeasurement gain on obligation	(6,024)	-
Remeasurement gain on plan assets	(1,242)	-
	<u>(7,266)</u>	<u>-</u>

Movements in the present value of defined benefit obligation

Present value of defined benefits obligation at beginning of the year	-	-
Liability transferred from ex-operator of hub plant to gratuity fund	180,074	-
Service cost	19,701	-
Interest cost on defined benefits obligation	15,707	-
Benefits paid to outgoing members	(4,181)	-
Remeasurement gain recognised in OCI	(6,024)	-
Present value of defined benefits obligation at end of the year	<u>205,277</u>	<u>-</u>

Movements in the fair value of plan assets

Fair value of plan assets at beginning of the year	-	-
Interest income on plan assets	15,711	-
Net amount transferred by employer to the fund	21,116	-
Amount transferred from ex-operator of hub plant to gratuity fund	180,074	-
Benefits paid during the year	(4,181)	-
Remeasurement gain recognised in OCI	1,242	-
Fair value of plan assets at end of the year	<u>213,962</u>	<u>-</u>

**Contribution expected to be paid to the fund
during the next year**

<u>24,024</u>	<u>-</u>
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**Significant actuarial assumptions used in the actuarial
valuation were as follows:**

- Valuation discount rate per annum	7.25%	-
- Expected return on plan assets per annum	7.25%	-
- Expected rate of increase in salary level per annum	7.25%	-
- Mortality rates	SLIC 2001-05	-

Expected maturity analysis of undiscounted retirement benefit plans:

	Less than 1 year	Between 2- 5 years	Between 6 - 10 years	Over 10 years	Total
Retirement benefit plan	<u>19,751</u>	<u>16,708</u>	<u>62,824</u>	<u>120,724</u>	<u>220,007</u>

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	2016	2015
	(Rupees in '000)	
Sensitivity analysis on significant actuarial assumptions		
- Impact on defined benefit obligation		
- Discount rate +1%	16,701	-
- Discount rate -1%	(19,253)	-
- Salary increases +1%	(18,542)	-
- Salary increases -1%	16,406	-

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

	2016	2015
	(Rupees in '000)	
25. INTEREST / MARK-UP ACCRUED	Note	
Interest / mark-up accrued on long term loans	689,323	980,331
Liabilities against assets subject to finance lease	85,026	84,247
Mark-up accrued on short term borrowings	163,825	177,354
	25.1	<u>1,241,932</u>

25.1 Included herein is a sum of Rs. 93.279 million (2015: Rs. 31.280 million) payable to associated undertakings.

	2016	2015
	(Rupees in '000)	
26. SHORT TERM BORROWINGS - Secured	Note	
Finances under mark-up arrangements	26.1 to 26.5	<u>16,540,219</u> <u>10,963,045</u>

26.1 The facilities for running finance available from various banks / financial institutions amounted to Rs. 26,825 million (2015: Rs. 27,365 million) at mark-up ranging between 0.50% to 3.00% per annum above one / three month KIBOR. The mark-up on the facilities is payable on monthly / quarterly basis in arrear. The facilities will expire during the period from August 26, 2016 to March 31, 2017. Any late payment by the holding company is subject to an additional payment of 2.00% per annum above the normal mark-up rate.

26.1.1 The facilities amounting to Rs. 22,400 million (2015: Rs. 22,440 million) are secured by way of charge over the trade debts and stocks of the holding company for the Hub plant pari passu with the existing charge.

26.1.2 The facilities amounting to Rs. 4,425 million (2015: Rs. 4,925 million) are secured by way of:

- (a) a first ranking charge on all present and future (i) amounts standing to the credit of the Energy Payment Collection Account and the Master Facility Account, (ii) Fuel, lube, fuel stocks at the Narowal plant; and (iii) the Energy Payment Receivables of Narowal plant.

- (b) a subordinated charge on all present and future plant, machinery and equipment and other moveable assets of the Narowal plant excluding; (i) the immoveable properties; (ii) Hypothecated Assets under first ranking charge; (iii) the Energy Payment Collection Account, Working Capital Facility Accounts and the Master Facility Account; (iv) the Energy Payment Receivables; (v) all of the Project Company's right, title and interest in the Project Documents (including any receivables thereunder); and (vi) all current assets.

- 26.1.3** This includes a sum of Rs. 1,353 million (2015: Rs. 275 million) payable to associated undertakings. The available facilities amounted to Rs. 2,275 million (2015: Rs. 775 million). These facilities are secured by way of securities mentioned in note 26.1.1 and 26.1.2.
- 26.2** The holding company also has Murabaha facility agreements with banks for an amount of Rs. 625 million (2015: Rs. 625 million) at a mark-up of 2.00% per annum above three month KIBOR. The mark-up on the facilities is payable on quarterly basis in arrear. These facilities will expire on August 26, 2016. Any late payment by the holding company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. These facilities are secured by way of securities mentioned in note 26.1.2.
- 26.3** The holding company also entered into a Musharaka agreements amounting to Rs. 1,135 million (2015: Rs. 635 million) at a mark-up of upto 2.00% per annum above three month KIBOR. The mark-up on the facilities are payable on quarterly basis in arrear. These facility will expire during the period from September 30, 2016 to November 30, 2016. Any late payment by the holding company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. These facilities are secured by way of securities mentioned in note 21.1.2.
- 26.4** The holding company entered into a Musharaka agreement amounting to Rs. 400 million (2015: Rs. 400 million) at a mark-up of 0.5% per annum above three month KIBOR. The mark-up on the facility is payable on quarterly basis in arrear. This facility will expire on July 31, 2017. Any late payment by the holding company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. This facility is secured by way of securities mentioned in note 26.1.1.
- 26.5** LEL entered into running finance facilities with Askari Bank Limited (an associated undertaking) and Silk Bank Limited amounting to Rs. 250 million from each bank, which were unutilized at the period end. These facilities carry mark-up at the rate of 1.75% per annum above three month KIBOR payable on quarterly basis in arrear. The facilities are secured by way of subordinated charge over the current assets (including receivables, advances, deposits and prepayments) of LEL. The facilities will expire on December 31, 2016.

27. COMMITMENTS AND CONTINGENCIES

- 27.1** Commitments by the holding company in respect of capital and revenue expenditures amounted to Rs. 1,168.872 million (2015: Rs. 832.196 million). This includes commitments of Rs. 429.716 million (2015: Nil) to associated undertakings.
- 27.2** In connection with investment in the Larai Energy Limited (LEL), the holding company entered into an Sponsor Support Agreement (SSA). In accordance with the terms of the SSA, the holding company entered into a Sponsor Charge and Assignment Deed with LEL's lenders pursuant to which the holding company has:
- (i) charged, by way of first fixed charge:
 - (a) all its right, title and interest from time to time in and to the Shares and Related Rights of LEL; and
 - (b) all its rights, title and interest from time to time (whether present or future) in the Assigned Subordinated Loans and all claims in relation thereto.

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- (ii) assigned and has agreed to assign absolutely all rights, title and interest present or future of the holding company in respect of the Assigned Subordinated Loans.

Accordingly, all the present and future shares which the holding company holds or owns in LEL and the loans, if any, to be provided to LEL are subject to Security Interest created by Sponsor Charge and Assignment Deed above.

Further, the holding company is committed to maintain a minimum of 75% equity interest in LEL.

27.3 Pursuant to the SSA in connection with the investment in LEL, the holding company entered into a facility agreement with bank which is also an associated undertaking and has provided an LC of USD 23 million to LEL's lenders for cost overruns and debt repayment. After meeting certain conditions by the subsidiary, the LC amount will be reduced to USD 17 million which the holding company is committed to continue to maintain till the last repayment of debt (expected in 2024). Any default in payment by the holding company is subject to a mark-up of six month KIBOR plus a margin of 4%. This LC is secured by way of second ranking / subordinated charge over all present and future undertaking and assets of the holding company other than: (i) assets relating to the Narowal plant; (ii) Commercial Facility Disbursement Account; (iii) any shares in Demerged holding company (special purpose vehicle that the holding company may incorporate under the laws of Pakistan for the purpose of construction, ownership, operations & maintenance of Narowal project); and (iv) present and future shares acquired in LEL including bonus shares and right shares.

27.4 Pursuant to Fuel Supply Agreement (FSA) with Bakri Trading holding company Pakistan (Pvt) Limited for the Narowal plant, the holding company has provided Stand-by Letter of Credit (SBLC) for an amount of Rs. 1,600 million. Any default in payment by the holding company is subject to a mark-up rate of three month KIBOR plus 4% per annum. This SBLC is secured by way of securities mentioned in note 26.1.2.

27.5 Due to continuous delay in payments by NTDC in connection with the Narowal plant, the holding company had called on the Sovereign Guarantee for recovery of overdue receivables. Subsequently, the holding company also filed a petition in the Honourable Supreme Court of Pakistan (SCP) seeking an immediate recovery of these overdue receivables and to protect itself against reduction in capacity purchase price in the form of Liquidated Damages (LDs) due to non-availability of power plant for electricity generation because of lack of fuel caused by delay in payments by NTDC. On February 15, 2013, the SCP passed an interim order that there shall be no reduction in capacity payment. On June 28, 2013, the holding company and other IPPs agreed with GOP that on settlement of all overdue amounts, the holding company and other Independent Power Producers (IPPs) would withdraw the SCP case and pursue expert adjudication and arbitration in accordance with the PPA with regards to the LDs imposed by power purchaser. Expert's decision is non-binding on both the holding company as well as NTDC and any party may decide to pursue arbitration pursuant to the PPA. During the year, the decision of the expert was received which was generally in favour of IPPs. However, due to NTDC/GOP's unwillingness to implement the expert's decision, the IPPs commenced arbitration proceedings in the London Court of International Arbitration (LCIA) which has appointed an arbitrator and proceedings are in progress. If the matter is decided in favour of the holding company, an amount of Rs. 967 million (out of which LDs amounting to Rs. 567 million pertaining to the period prior to January 2013 charged to Profit & Loss account as a matter of prudence) will become refundable from power purchaser.

The management and their legal advisors are of the opinion that the position of the holding company is sound and eventual outcome ought to be in favour of the holding company.

27.6 In 1998, the Federal Board of Revenue (“FBR”) made assessments under section 52/86 of the Income Tax Ordinance, 1979 [“ITO,79”] amounting to Rs. 1,896 million stating that the holding company did not withhold tax at the time of issue of shares to sponsors against project development costs incurred by them. The holding company deposited Rs. 297 million against the above assessments in accordance with the departmental procedures prevalent at that time. Appeals filed by the holding company before the Commissioner of Income tax (Appeals) [the “CIT (A)”] and thereafter with the Income Tax Appellate Tribunal (“ITAT”) were decided against the holding company. Against the decision of the ITAT, the holding company filed appeals before the High Court (“HC”) which were also decided against the holding company in March 2012. Against the decision of the HC, the holding company filed further appeals before the Honorable Supreme Court of Pakistan (SCP).

In order to restrict the penal exposure of the holding company, in May 2012 the holding company availed the scheme offered by the FBR vide SRO 547(I)/2012 dated May 22, 2012 and made payment of Rs. 1,615 million.

In July 2014, the SCP decided the case in favor of the holding company. Against the decision of the SCP, FBR filed review petitions which were dismissed by the SCP in June 2015. Consequently, an amount of Rs. 1,912 million is refundable from FBR. The holding company is pursuing the FBR and Government for the refund.

27.7 The holding company and the power plant construction contractors had entered into a Turnkey Construction Contract (TKC). Under the terms of the TKC, the holding company was required to pay all income tax liability on payments to contractors and sub-contractors. Under the PPA with WAPDA, any tax paid by the holding company on behalf of construction contractors and sub-contractors was to be reimbursed by WAPDA.

Under the provisions of the Implementation Agreement (IA) between the holding company and GOP it was agreed that payments to contractors and sub-contractors would be subject to 4% tax which would be full and final liability on account of income tax. Accordingly, the provisions of tax law were amended. However in 1998, few years after the tax had been paid, the FBR contended that holding company was liable to pay tax at 8% instead of the agreed rate of 4% and was also liable to pay tax on taxes paid on behalf of contractors and sub-contractors on “tax on tax” basis at the corporate rates ranging from 52% to 58% instead of 4%. Accordingly, demand notices were issued and the holding company was required to pay Rs. 966 million. On payment of Rs. 966 million, the holding company immediately billed these amounts to WAPDA. Against these demands by FBR, appeals were filed by the Contractors and Sub-Contractors which were decided in their favour. The FBR has filed appeals before the courts which are pending adjudication.

On holding company’s and other IPPs representation, the Economic Coordination Committee (ECC) of the Federal Cabinet of the GOP directed the FBR to refund the tax recovered by it over and above 4%. The FBR has so far refunded Rs. 593 million but withheld Rs. 373 million on the pretext that the ECC decision was not applicable on “tax on tax” issue and also because the FBR has filed appeals before the courts which are pending adjudication.

The holding company continued its discussions with the GOP and the FBR for the balance refund of Rs. 373 million. As a result, the tax department passed revised orders recognising refunds aggregating to Rs. 300.5 million. The tax law specifies that once an order recognising refund is passed, only then a taxpayer can apply for issuance of refund order and refund cheque. Accordingly, the holding company has filed applications with the tax department for issuance of refund orders and cheques for the above amounts. The holding company is also pursuing the tax department for issuance of revised orders recognising the balance refund amounting to Rs. 72.5 million.

The management and their tax advisors are of the opinion that the position of the Contractors and the holding company is strong on legal grounds and on the basis of the above referred orders, therefore, tax of Rs. 373 million will be refunded.

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Pending the resolution of the matter stated above, no provision has been made in these consolidated financial statements.

- 27.8** The holding company had filed a petition in the Sindh High Court (HC) on June 28, 2000 challenging the application of the Companies Profits (Workers' Participation) Act, 1968 (the Act) on the holding company on the grounds, that since its inception, the holding company has not employed any person who falls within the definition of the term "Worker" as it has been defined in the Act.

The petition was filed subsequent to the service on the holding company of a letter of March 14, 2000 by the Labour, Manpower and Overseas Pakistanis' Division, directing the holding company to allocate 5% of its net profit (since its establishment) amounting to Rs. 3,136 million towards the Workers' Profit Participation Fund. The said notice demanded that the holding company deposit the entire amount of the Fund in the Federal Treasury. The petition had been filed against the Federation of Pakistan through the Secretary, Ministry of Labour, Manpower and Overseas Pakistanis, Labour, Manpower and Overseas Pakistanis Division and, in view of the fact that any payment made by the holding company to the Fund is a pass through item under the PPA and against the WAPDA as a pro forma party in the matter.

In December 2003, the holding company decided on a fresh legal review of the petition and thereafter was advised by counsel to withdraw the petition and to immediately file a fresh petition incorporating all the available grounds. Accordingly, on December 17, 2003 the holding company withdrew the petition and immediately refiled a petition, which incorporated all the available grounds.

Both HUBCO and WAPDA agreed that this petition should proceed and a judgement obtained on merits. During the year ended June 30, 2011, the petition was dismissed by the HC. Against the decision of the HC, the holding company filed petition for leave to appeal before the Supreme Court of Pakistan (SCP). In December 2011, the SCP set aside the judgement of the HC and directed it to decide the case afresh. The matter is pending adjudication before the HC.

As at June 30, 2016, the total financial exposure relating to the above case is Rs. 22,050 million (Rs. 3,136 million being the 5% of the profit and Rs. 18,914 million interest component on delayed payment). No provision has been made in these consolidated financial statements as any payment made by the holding company is a pass through item under the PPA.

Following the amendments made by the Finance Act 2006 to the Companies Profits (Workers' Participation) Act, 1968 (the Act), the holding company established the Hubco Workers' Participation Fund on August 03, 2007 to allocate the amount of annual profits stipulated by the Act for distribution amongst worker(s) eligible to receive such benefits under the Act and any amendments thereto from time to time (Refer note 7.2).

- 27.9** (i) Under the IA with GOP and under the tax laws, the holding company's interest income is exempt from income tax. However, the tax authorities issued a tax demand for the tax years 2006-2010 amounting to Rs. 143 million on the grounds that interest income from term deposits is not covered under the exemption allowed under the tax law. The holding company's appeal before the Commissioner of Inland Revenue Appeals (CIR-A) and the Appellate Tribunal Inland Revenue (ATIR) were rejected. Against the order of the ATIR the holding company filed appeals before the Honorable Islamabad High Court (IHC) which were also decided against the holding company. Against the decision of the IHC, the holding company filed appeals before the SCP which are pending adjudication. The holding company's maximum exposure as at June 30, 2016 including the principal amount, penalty and default surcharge is approximately Rs. 265 million.

- (ii) FBR also imposed 2% Workers Welfare Fund (WWF) for tax years 2006-2010 and issued a demand for Rs. 191 million which was subsequently reduced to Rs. 8 million by the CIR-A. The holding company filed appeals before the ATIR which were rejected. Against the order of the ATIR, the holding company filed appeals before the IHC which held that the orders on WWF were void. The IHC also held that WWF would be applicable in accordance with the law prior to the changes made through Finance Act 2006 & 2008. Against the decision of the IHC, the holding company filed appeals before the SCP which are pending adjudication. The holding company's maximum exposure as at June 30, 2016 including the principal amount, penalty and default surcharge is approximately Rs. 13 million.

WWF is a pass through under the PPA and is recoverable from the WAPDA. No provision has been made in these consolidated financial statements as any payment made by the holding company is a pass through item under the PPA.

- (iii) Under the IA with GOP and under the tax laws, the holding company's interest income is exempt from income tax. However, during March 2014, the FBR issued tax demand for the tax year 2011 amounting to Rs. 3.2 million on the grounds that interest income from term deposits is not covered under the exemption allowed under the tax law. Appeals filed by the holding company before the CIR-A and thereafter with the ATIR were decided against the holding company. Against the order of the ATIR, the holding company filed appeal before the IHC which was also decided against the holding company. Against the decision of the IHC, the holding company filed appeal before the SCP which is pending adjudication. The holding company's maximum exposure as at June 30, 2016 including the principal amount, penalty and default surcharge is approximately Rs. 4 million.

- (iv) FBR also imposed 2% WWF for the tax year 2011 and issued a demand for Rs. 108.5 million. Appeals filed by the holding company before the CIR-A and thereafter with the ATIR were decided against the holding company. Against the order of the ATIR the holding company filed appeal before the IHC which held that the order on WWF was void. The IHC also held that WWF would be applicable in accordance with the law prior to the changes made through Finance Act 2006 & 2008. Against the decision of the IHC the holding company filed appeal before the SCP which is pending adjudication. The holding company's maximum exposure as at June 30, 2016 including the principal amount, penalty and default surcharge is approximately Rs. 138 million.

WWF is a pass through under the PPA and is recoverable from WAPDA. No provision has been made in these consolidated financial statements as any payment made by the holding company is a pass through item under the PPA.

- (v) Under the IA with GOP and under the tax laws, the holding company's interest income is exempt from income tax. However, during March 2015, the FBR issued tax demand for the tax year 2013 amounting to Rs. 4 million on the grounds that interest income from term deposits is not covered under the exemption allowed under the tax law. The holding company filed appeal before the CIR-A who deleted the tax demand. Against the order of CIR-A, the FBR filed appeal before the ATIR which is pending adjudication. The holding company's maximum exposure as at June 30, 2016 including the principal amount, penalty and default surcharge is approximately Rs. 5 million.

- (vi) FBR also imposed 2% WWF for the tax year 2013 and issued a demand for Rs. 188 million. The holding company filed appeal before the CIR-A who remanded back the case to FBR for a fresh assessment. Against the order of CIR-A, the FBR filed appeal before the ATIR which is pending adjudication. The holding company's maximum exposure as at June 30, 2016 including the principal amount, penalty and default surcharge is approximately Rs. 231 million.

WWF is a pass through under the PPA and is recoverable from WAPDA. No provision has been made in these consolidated financial statements as any payment made by the holding company is a pass through item under the PPA.

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The management and their tax advisors are of the opinion that the position of the holding company is sound on technical basis and eventual outcome ought to be in favour of the holding company. Pending the resolution of the matters stated above, no provision has been made in these consolidated financial statements.

- 27.10**
- (i) Under the IA with the GOP and under the tax law, the holding company is exempt from the levy of minimum tax. However, the FBR issued demand notices amounting to Rs. 443 million relating to the tax years 2006 to 2008, 2010 and 2011. After the holding company's appeals were rejected by the CIR-A, Islamabad, further appeals were filed with the ATIR, Islamabad which has decided the appeals in favour of the holding company. Against ATIR orders, FBR has filed appeals in the IHC which are pending adjudication. The holding company's maximum exposure as at June 30, 2016 including the principal amount, penalty and default surcharge is approximately Rs. 704 million.
 - (ii) The FBR passed an order for the recovery of sales tax amounting to Rs. 8,691 million relating to fiscal years ended June 2008 to 2011. In FBR's view the holding company had claimed input tax in excess of what was allowed under the law. After dismissal of the holding company's appeal at the CIR-A level, the holding company filed appeal with the ATIR which decided the case in favour of the holding company. Against the judgment of the ATIR, the FBR filed a case with the IHC which is pending adjudication. The holding company's maximum exposure as at June 30, 2016 including the principal amount, penalty and default surcharge is approximately Rs. 18,230 million.
 - (iii) The FBR passed an order for the recovery of sales tax amounting to Rs. 4,001 million relating to fiscal year ended June 2012. In FBR's view the holding company had claimed input tax in excess of what was allowed under the law. After dismissal of the holding company's appeal at the CIR-A level, the holding company filed appeal with the ATIR which also decided the case against the holding company. Against the decision of the ATIR, the holding company filed appeal with IHC which is pending adjudication. The holding company's maximum exposure as at June 30, 2016 including the principal amount, penalty and default surcharge is approximately Rs. 6,959 million.
 - (iv) The FBR issued a Show Cause Notice to recover sales tax amounting to Rs. 4,044 million relating to fiscal year ended June 2013. In FBR's view, the holding company had claimed input tax in excess of what was allowed under the law. The holding company filed a Writ Petition in the IHC which remanded back the case to FBR with a direction to finalise the matter once identical issue is decided by IHC / LHC in other cases. Against this decision, the FBR has filed appeal with IHC which is pending adjudication. The holding company's maximum exposure as at June 30, 2016 is approximately Rs. 4,044 million.
 - (v) The FBR issued a Show Cause Notice to recover sales tax amounting to Rs. 5,008 million relating to fiscal year ended June 2014. In FBR's view, the holding company had claimed input tax in excess of what was allowed under the law. The holding company filed a Writ Petition in the IHC which remanded back the case to FBR with a direction to finalise the matter once identical issue is decided by IHC / LHC in other cases. Against this decision, the FBR has filed appeal with IHC which is pending adjudication. The holding company's maximum exposure as at June 30, 2016 is approximately Rs. 5,008 million.
 - (vi) Payment to PSO under the FSA including payment of Late Payment Interest (LPI) are exempt from withholding of income tax under the provisions of the tax law. During 2014, the FBR issued show cause notices to recover tax amounting to Rs. 1,677 million on the pretext that LPI paid to PSO under the FSA is a payment of "profit on debt". The holding company filed Writ Petitions before the IHC which were decided against the holding company. The holding company filed further appeals with IHC which are pending adjudication.

- (vii) Under the O&M agreement with the ex-operator for the Hub plant, the holding company used to pay fixed and variable fees to the operator. In January 17, 2015, the FBR passed an order amounting to Rs. 1,034 million relating to the tax years 2010 to 2013 for the recovery of Federal Excise Duty (FED). The FBR viewed O&M as a franchise agreement and not a service agreement and decided that payments made thereon were in nature of technical fees which were subject to FED. After dismissal of the holding company's appeal at the Commissioner Inland Revenue – Appeal & the ATIR, the holding company filed appeals with the IHC which is pending adjudication. The holding company's maximum exposure as at June 30, 2016 including the principal amount, penalty and default surcharge is approximately Rs. 1,787 million.
- (viii) Under the provisions of the Sales Tax Act, 1990 (STA), the holding company is entitled to claim from FBR the Provincial Sales Tax (PST) on services paid under the provincial sales tax law. However after the imposition of Balochistan Sales Tax (BST), the FBR did not allow the adjustment of BST in the Federal Sales Tax return. Against this, the holding company filed appeal before the IHC which is pending adjudication. In the meantime, the IHC has allowed the holding company to claim such BST paid till a final decision is made. The holding company's maximum exposure as at June 30, 2016 including the principal amount, penalty and default surcharge is approximately Rs. 221 million.

The management and their tax advisor are of the opinion that the position of the holding company is sound on technical basis and eventual outcome ought to be in favour of the holding company. Pending the resolution of the matters stated above, no provision has been made in these consolidated financial statements.

- 27.11** The power purchaser of the Hub Plant was unable to meet its obligation to provide a stand by letter of credit as required under the PPA. Consequently, the holding company was unable to meet its obligation to provide a stand by letter of credit to PSO under the FSA.
- 27.12** In order to provide financing facilities to HPHL, the holding company entered into a facility agreement with Habib Bank Limited on February 19, 2016 for issuance of guarantee of USD 3.234 million with a validity of two years and 1 month which is secured against a third ranking charge over present and future plant and machinery of Hub Project with 25% margin.
- 27.13** Pursuant to the terms of SSA and SHA signed for the investment in SECMC, the holding company has an option to build 1x330 MW coal based mine mouth power plant. In order to provide bank guarantee for applying to PPIB for LOI, the holding company in April 2016 entered into a facility agreement with MCB Bank Limited for an amount of USD 0.330 million. This facility is valid for one year and is secured by way of securities mentioned in note 26.1.1.
- 27.14** Pursuant to the terms of JDF and SHA, the holding company and its affiliates are committed to provide the required Land for the development of 2X660 MW Coal Plant and ancillary jetty at Hub Plant Site in the form of sale or lease to CPHGC at the mutually agreed terms and conditions. This lease or sale shall be subject to the Laws of Pakistan and such other conditions as may be applicable upon the holding company and its affiliates.
- 27.15** Pursuant to the terms of Limited Notice to Proceed Undertaking Agreement (LNTP Undertaking) entered into between the holding company, China Power International Holding Limited, China Power International (Pakistan) Investment Limited and CPHGC, for the construction of 2X660 MW Coal Project, on August 02, 2016, the holding company entered into the Agreement of Land Use Right with CPHGC for providing CPHGC rights to commence construction activities of 2x660 MW power plant along with ancillary jetty and staff housing facilities, on certain portions of land within the Hub Site presently owned by the holding company (the "Proposed Land") at mutually agreed terms. In accordance with the Agreement of Land Use Right, the holding company is required to legally transfer the Proposed Land within thirty days following the Financial Close of CPHGC i.e. the expiry date of the Agreement, the holding company shall compensate for any loss that might result out of the use or transfer of Proposed Land due to related legal issues or delay in transfer of Proposed Land during the LNTP work. Further, prior to the transfer of ownership of Proposed

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Land to CPHGC, the holding company also committed not to pledge, place on rent or otherwise transfer the Proposed Land in any manner to any third party.

27.16 Pursuant to the terms of JDF and SHA, the holding company and its affiliates are committed to assist CPHGC in obtaining the required permits including environmental NOCs and approvals from government agencies. During the year, two local residents have filed constitution petitions in the Honorable High Court of Balochistan, challenging the establishment of the Coal Power Plant along with an ancillary jetty in Balochistan (Project) on the grounds that the project will have adverse effects on the environment. Counter affidavits to the petitioners' application for interim relief have also been filed by the holding company against the said petitions. During the year, the holding company has obtained the requisite NOCs from government agencies for the development of the Project. The management and their legal advisors are of the view that the position of the holding company is sound on technical ground and ultimate outcome of case ought to be in favour of the holding company.

27.17 On May 27, 2016, another petition was filed in the Honorable High Court of Balochistan against Government of Balochistan (GoB) and others including the holding company requesting the court to declare the agreement entered into between the holding company, GoB and others with regard to sale of land for the Project and the related vicinity situated at Monza Khund Tehsil Hub, District Lasbela, Balochistan, dated January 22, 1992 to be void on the grounds of malafide intention and alleged legal deficiencies prior to the signing of the aforementioned agreement. The management and their legal advisors are of the view that the position of the holding company is sound on technical ground and ultimate outcome of case ought to be in favour of the holding company.

27.18 In connection with the development and operation of the power plant of LEL:

- (i) LEL entered into a land lease agreement with the Government of AJK ("GOAJK") for lease of 424 kanal of land for the project. LEL is obligated to pay Rs. 0.17 million per annum as rental for such land starting from October 09, 2003, the date of the notification issued by the GOAJK, till the end of 30 years term.
- (ii) LEL also entered into a land lease agreement dated July 30, 2009 with the GOAJK for lease of 7,243 kanal and 13 marlas of land for the project. As per the terms of the lease agreement, LEL had paid advance rental for a term of 5 years after which land measuring 3,237 kanal, required for permanent structures, would be leased again for a further period of 20 years while the remaining land would be reverted to the Government. The process for reverting the excess land and renewal of the lease agreement is in progress. Under AJK Implementation Agreement, the GOAJK has agreed to extend the term of the land lease agreement to match the term of the PPA, at least three years prior to expiry of such term. Pursuant to the land lease agreement, LEL is obligated to construct a cadet college, for welfare of the effected community, within 5 years after the commercial operations date of the project, the required land will be provided by the GOAJK one year before start of construction of the cadet college.
- (iii) The amount of future payments under the non-cancellable operating leases and the period in which these payments will become due are as follows:

	2016	2015
	(Rupees in '000)	
Not later than one year	1,464	1,464
Later than one year but not later than five years	5,858	5,858
Later than five years	18,966	20,430
	26,288	27,752

- (iv) LEL's other capital commitments against contracts amount to Rs. 1.78 million (2015: Rs. 53.93 million) and LEL's commitment in respect of revenue expenditure amounts to Rs. 317.65 million (2015: Rs. 305.19 million).
- (v) Certain legal cases in relation to project land leasehold rights / compensation amounting to Rs. 483.56 million (2015: Rs. 418.87 million) are pending in courts. In the opinion of the management and LEL's legal counsel, the ultimate disposition of these cases will not have any material impact. Pending the resolution of the matter stated above, no provision has been made in these consolidated financial statements.
- (vi) Pursuant to the terms of the AJK Implementation Agreement, the LEL is exclusively liable (a) for all expenditure incurred in connection with environmental liabilities, (b) for fines or other penalties for non-compliance with the Laws of AJ&K or other governmental actions, (c) for maintenance of major project insurances; and (d) to provide security personnel to ensure reasonable security and protection of the site and in unusual circumstances to request the GOAJK for additional security forces against a payment of up to USD 0.10 million (Rs. 10.47 million).
- (vii) LEL's appeals filed before Commissioner Inland Revenue Appeals (CIR-A) against the Order of the Taxation Officer for the alleged non-withholding of tax on payments made to lenders' legal counsel and Islamic Development Bank were decided against LEL. The CIR-A while deciding the case against LEL enhanced the original demand of Rs 13.45 million to Rs. 24.63 million out of which LEL had already paid Rs. 11.39 million in prior years. LEL's appeals filed before the Appellate Tribunal Inland Revenue (ATIR) against the decision of CIR-A have also been decided. The ATIR has reversed the enhancement of the original demand by the CIR-A by directing that the assessment made by the Taxation Officer shall hold the field. LEL has filed reference applications to High Court of AJK against the decision of the ATIR which is pending adjudication. Pending the resolution of the matter stated above, no provision has been made in these consolidated financial statements.
- (viii) As per the terms of the PPA, LEL is liable to pay the Power Purchaser liquidated damages for each KWh of Excess Outage Energy at the rate given in the PPA. However, no provision in this respect has been made in these financial statements as such liquidated damages are recoverable from the EPC contractor as per the terms of the EPC contracts and hence there is no possibility of net outflow in settlement of this matter.
- (ix) M/s Ascent, the contractor for construction of tailrace bridge has filed a suit of arbitration award amounting to Rs. 18.51 million against LEL in the court of Civil Judge, Islamabad. The management and legal counsel of LEL are of the opinion that the position of LEL is sound on contractual and legal grounds and the eventual outcome ought to be in favour of LEL. Accordingly, no provision for the above claim has been made in these consolidated financial statements.
- (x) The Deputy Commissioner Inland Revenue (the DCIR) has issued an order dated June 3, 2015 as a consequence of sales tax audit of LEL and raised a demand of Rs. 24.05 million mainly on account of alleged inadmissible adjustment of input tax. LEL has filed an application to the Board of Revenue, AJ&K against the decision of the DCIR for issuance of appropriate orders under section 45A of the Sales Tax Act, 1990 in order to delete the entire demand of Rs. 24.05 million which is pending for decision. Based on LEL's tax consultant opinion, LEL has a defensible case and ultimate decision ought to be in favour of LEL. Accordingly, no provision for the above demand has been made in these consolidated financial statements.

27.19 In connection with the operations of HPSL:

27.19.1 Commitments in respect of revenue expenditures amounts to Rs. 2.550 million (2015: Nil).

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27.19.2 Commitments in respect of Ijarah financing arrangement with financial institution entered during the period:

	(Rs. '000s)
Not later than one year	6,362
Later than one year and not later than five years	7,952
Later than five years	-

27.20 In connection with the operations of HPHL:

HPHL has entered into a facility agreement with Habib Bank Limited (HBL) for the issuance of LOS guarantee in favour of the PPIB for an amount of USD 3.234 million (Rs. 340.864 million). This facility is valid for 2 year from the date of agreement (i.e. February 19, 2016) and is secured by a Standby Letter of Credit issued by the holding company in favour of HBL (refer note 27.12).

28. REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

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

	Note	2016 (Rupees in '000)	2015
Chief Executives			
Managerial remuneration		46,095	28,187
Bonus		44,544	10,192
Utilities		2,419	2,819
Other benefits	28.1	22,477	25,519
		115,535	66,717
Number of persons		2	2
Directors			
Fees	28.2	26,000	19,700
Number of persons		17	16
Executives			
Managerial remuneration		520,175	160,980
Ex-gratia payment		-	1,086
Bonus		186,720	33,141
House rent		213,748	63,884
Utilities		49,522	16,406
Retirement benefits		107,731	33,306
Other benefits		211,967	96,239
		1,289,863	405,042
Number of persons		308	83

	2016	2015
	(Rupees in '000)	
	Total	
Managerial remuneration / Fees	592,270	208,867
Ex-gratia payment	-	1,086
Bonus	231,264	43,333
House rent	213,748	63,884
Utilities	51,941	19,225
Retirement benefits	107,731	33,306
Other benefits	234,444	121,758
	1,431,398	491,459
Number of persons	327	101

- 28.1** Retirement benefits to the Chief Executive and certain Executives are paid as a part of monthly emoluments.
- 28.2** This represents fee paid to Board of Directors for attending meetings.
- 28.3** The Chief Executive and certain Executives are provided with the use of Company maintained automobiles and certain other benefits.
- 28.4** The number of persons does not include those who resigned during the year but remuneration paid to them is included in the above amounts.
- 28.5** The above figures do not include cost allocated by HPHL to CPHGC amounting to Rs. 225.045 million (2015: Nil).

Notes to the Consolidated Financial Statements

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29. SEGMENT INFORMATION

29.1 SEGMENT ANALYSIS

The management has determined the operating segments based on the information that is presented to the Board of Directors of the Group for allocation of resources and assessment of performance. The Group has the following two reportable segments; power generation business, which includes the Hub plant, Narowal plant and Laraib plant all these plant are operational and operations and maintenance business which includes Hub plant and Narowal plant.

The unallocated items of profit and loss relate to costs incurred by the holding company for investment in Laraib, Group's share of profit / loss in SECMC and CPHGC and expenses relating to HPHL, NEL and TEL. The unallocated assets and liabilities represent the Group's investment in SECMC and CPHGC, amount payable by the holding company for investment in Laraib and liabilities relating to HPHL, NEL and TEL.

	2016							Total
	Power Generation			Operations and Maintenance		Unallocated	Eliminations	
	Hub plant	Narowal plant	Laraib plant	Hub plant	Narowal plant			
	(Rs. '000s)							
Turnover	71,925,328	14,489,881	5,174,628	1,224,925	66,057	-	(1,285,943)	91,594,876
Operating costs	(61,489,986)	(10,137,439)	(1,709,242)	(885,597)	(36,771)	-	1,246,331	(73,012,704)
GROSS PROFIT	10,435,342	4,352,442	3,465,386	339,328	29,286	-	(39,612)	18,582,172
General and administration expenses	(759,628)	(165,680)	(171,864)	(132,468)	(11,211)	(21,616)	-	(1,262,467)
Other income	1,439,122	5,375	117,760	7,340	32	2,207	(1,404,701)	167,135
Other operating expenses	(425,284)	(47,993)	-	-	-	-	-	(473,277)
PROFIT FROM OPERATIONS	10,689,552	4,144,144	3,411,282	214,200	18,107	(19,409)	(1,444,313)	17,013,563
Finance costs	(1,132,969)	(1,693,411)	(1,024,021)	(1,340)	(4)	(282,824)	(7)	(4,134,576)
Gain on dilution of interest in associates	-	-	-	-	-	61,876	-	61,876
Share of loss from associates	-	-	-	-	-	(169,610)	-	(169,610)
PROFIT BEFORE TAXATION	9,556,583	2,450,733	2,387,261	212,860	18,103	(409,967)	(1,444,320)	12,771,253
Taxation	(147,494)	(1,192)	-	(115,106)	(6,160)	(707)	-	(270,659)
PROFIT FOR THE YEAR	9,409,089	2,449,541	2,387,261	97,754	11,943	(410,674)	(1,444,320)	12,500,594
Assets	105,925,290	28,080,321	22,876,939	306,530	86,869	602,045	(4,029,858)	153,848,136
Liabilities	89,957,296	16,469,654	14,738,468	212,561	70,320	100,503	(945,276)	120,603,526
Depreciation and amortisation	1,871,291	985,483	927,927	8,054	-	39,612	-	3,832,367
Capital expenditure	441,700	236,392	75,642	33,134	-	6,114	-	792,982

	2015					Total
	Hub plant	Narowal plant	Laraib plant	Unallocated	Eliminations	
	(Rs. '000s)					
Turnover	107,314,437	24,169,364	6,352,453	-	-	137,836,254
Operating costs	(98,346,063)	(18,747,077)	(1,455,528)	-	(39,612)	(118,588,280)
GROSS PROFIT	8,968,374	5,422,287	4,896,925	-	(39,612)	19,247,974
General and administration expenses	(751,652)	(168,864)	(153,074)	(3,680)	-	(1,077,270)
Other income	18,946	4,684	105,763	(1,508,447)	1,508,447	129,393
Other operating expenses	-	(376,058)	-	(74,755)	-	(450,813)
PROFIT FROM OPERATIONS	8,235,668	4,882,049	4,849,614	(1,586,882)	1,468,835	17,849,284
Finance costs	(1,311,355)	(2,733,175)	(1,164,769)	(493,654)	13,345	(5,689,608)
Loss on dilution of interest in associate	-	-	-	-	(569)	(569)
Share of profit of an associate	-	-	-	1,716	-	1,716
PROFIT BEFORE TAXATION	6,924,313	2,148,874	3,684,845	(2,078,820)	1,481,611	12,160,823
Taxation	(108)	(1,281)	-	(158,700)	-	(160,089)
PROFIT FOR THE YEAR	6,924,205	2,147,593	3,684,845	(2,237,520)	1,481,611	12,000,734
Assets	93,384,987	30,008,577	24,966,708	245,222	(2,488,529)	146,116,965
Liabilities	69,512,816	21,455,051	14,961,739	3,221,810	125,776	109,277,192
Depreciation and amortisation	1,774,802	974,888	972,833	-	(39,612)	3,682,911
Capital expenditure	384,718	335,994	512,791	-	-	1,233,503

29.2 The customers of the Group are WAPDA and NTDC (Power Purchasers) under the long term PPAs of the respective power plants. The obligations of Power Purchasers are guaranteed by the GOP under IAs of the respective power plants.

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30. RELATED PARTY TRANSACTIONS

Related party comprise, associated companies, companies where directors also hold directorship, retirement benefits fund and key management personnel. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these consolidated financial statements are as follows:

	Note	2016 (Rupees in '000)	2015
Associate companies			
Investment in CPHGC		520,000	-
Investment in SECMC		332,905	243,087
Reimbursable expenses incurred on behalf of CPHGC by HPHL		523,541	-
Receipts from CPHGC against reimbursement of expenses		455,250	-
Associated undertakings			
Proceeds from long term loan		2,700,000	-
Amounts paid for services rendered		6,308	10,837
Purchases during the period		2,582	-
Donation paid to Karachi Education Initiative		-	5,000
Donation paid to Engro Foundation		1,500	-
Reimbursement of expenses and others		-	1,153
Repayment of long term loans		372,472	148,364
Interest / Mark-up on long term loans		236,246	141,876
Mark-up on short term borrowings		112,641	54,021
Other finance costs		2,227	738
Dividend paid to NCI		287,120	474,852
Other related parties			
Other income		-	327
Proceeds from disposal of an asset to Chief Executive	30.2	6,625	-
Remuneration to key management personnel			
Salaries, benefits and other allowances		299,646	158,034
Retirement benefits		18,310	8,656
	30.1 & 30.4	317,956	166,690
Directors' fee	28.2	26,000	19,700
Reimbursement of expenses to directors		-	340
Contribution to staff retirement benefit plans		102,375	28,843

30.1 Transactions with key management personnel are carried out under the terms of their employment. Key management personnel are also provided with the use of Company maintained automobiles and certain other benefits.

30.2 This represents gain on disposal of an asset having book value of Rs. Nil to CEO under normal commercial terms and conditions.

30.3 The transactions with related parties are made under mutually agreed terms and conditions.

30.4 The above figures do not include cost allocated by HPHL to CPHGC amounting to Rs. 28.102 million (2015: Rs. Nil).

31. PROVIDENT FUND TRUSTS

Contribution to defined contribution plan of the holding company was transferred to Meezan Tahaffuz Pension Fund (MTPF), the voluntary pension system (VPS) with the consent of all members of provident fund with effect from July 2015 as allowed under clause (aa) of sub-rule (1) of Rule 103 of the Income Tax Rules, 2002.

The following figures represent the provident fund details of the holding company, HPSL and LEL:

	2016	2015
Size of the trust (Rupees in thousands)	511,055	135,599
Cost of investments made (Rupees in thousands)	478,066	99,857
Percentage of investments made (%)	93.55%	73.64%
Fair value of investments made (Rupees in thousands)	480,006	109,082
Break-up of Investments		
Pakistan Investment Bonds	-	1,125
Treasury Bills	-	3,309
Short term Deposit	-	20,221
Mutual Funds	31,940	68,594
Other	448,066	15,833
	480,006	109,082

Investments out of provident funds have been made in accordance with the provisions of the Section 227 of the Ordinance and the rules formulated for this purpose. These figures are unaudited.

32. PLANT CAPACITY AND PRODUCTION

Holding company

HUB PLANT

	2016	2015
Theoretical Maximum Output	10,541 GWh	10,512 GWh
Total Output	7,547 GWh	6,809 GWh
Load Factor	72%	65%

Practical maximum output for the power plant taking into account all the scheduled outages is 9,245 GWh (2015: 9,216 GWh). Output produced by the plant is dependent on the load demanded by WAPDA and the plant availability.

NAROWAL PLANT

	2016	2015
Theoretical Maximum Output	1,878 GWh	1,873 GWh
Total Output	1,162 GWh	1,418 GWh
Load Factor	62%	76%

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Practical maximum output for the power plant taking into account all the scheduled outages is 1,728 GWh (2015: 1,723 GWh). Output produced by the plant is dependent on the load demanded by NTDC and the plant availability.

Subsidiary - LEL

LARAIB PLANT

	2016	2015
Theoretical Maximum Output	736 GWh	736 GWh
Average Energy	470 GWh	470 GWh
Total Output	545 GWh	489 GWh

Output produced by the plant is dependent on the load demanded by NTDC, available hydrology and the plant availability.

	Note	2016	2015
(Rupees in '000)			
33. WORKING CAPITAL CHANGES			
(Increase) / Decrease in current assets			
Stores, spares and consumables		(484,858)	(515,117)
Stock-in-trade		906,201	(1,081,093)
Trade debts		(4,646,550)	6,042,588
Loans and advances		(81,373)	(109,393)
Deposits, prepayments and other receivables		(1,278,046)	(500,852)
		(5,584,626)	3,836,133
Increase in current liabilities			
Trade and other payables		6,323,060	(2,882,814)
		738,434	953,319
34. CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	6,572,532	2,346,924
Finances under mark-up arrangements	26	(16,540,219)	(10,963,045)
		(9,967,687)	(8,616,121)
35. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY			
35.1 Basic			
Profit for the year (Rupees in thousands)		11,902,585	11,077,696
Number of shares in issue during the year		1,157,154,387	1,157,154,387
Basic earnings per share (Rupees)		10.29	9.57
35.2			
There is no dilutive effect on the earnings per share of the holding company.			
36. PROPOSED FINAL DIVIDEND			

The Board of Directors of the holding company proposed a final dividend for the year ended June 30, 2016 of Rs. 3.00 per share, amounting to Rs. 3,471.463 million, at their meeting held on August 24, 2016 for approval of the members at the Annual General Meeting to be held on October 18, 2016. These consolidated financial statements do not reflect this dividend payable which will be accounted for in the period in which it is approved.

37. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The overall risk management of the Group is carried out under policies approved by the Board of Directors. Such policies entail identifying, evaluating and addressing financial risks of the Group.

The Group's overall risk management procedures to minimize the potential adverse effects of financial market on the Group's performance are as follows:

(a) Market risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of holdings of financial instruments. The Group is not exposed to equity price risk. The exposure to other two risks and their management is explained below:

(i) Foreign exchange risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Financial assets of the Group include Rs. 1,421.796 million (2015: Rs. 1,298.416 million) in foreign currencies which are subject to currency risk exposure and financial liabilities of the Group include Rs. 11,025.631 million (2015: Rs. 12,580.322 million) in foreign currencies which are subject to currency risk exposure. The Group is minimizing the foreign exchange risk by maintaining the bank balance in respective foreign currencies in order to match the payments. The Group is also covered under the PPA to recover the forex loss under the tariff. Therefore, the Group believes that its exposure to foreign exchange risk is not material.

(ii) 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.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

Cash flow and fair value interest rate risks

The Group's exposure to the risk of changes in interest rates relates primarily to the following:

	2016	2015
	(Rupees in '000)	
Fixed rate instruments at carrying amount:		
Financial assets		
Bank balances	5,594,198	2,150,589
Financial liabilities		
Long term loans	-	1,045,647
Variable rate instruments at carrying amount:		
Financial assets		
Trade debts	45,116,311	40,435,465
Other receivables	11,388	11,388
	<u>45,127,699</u>	<u>40,446,853</u>
Financial liabilities		
Long term loans	31,223,279	32,567,317
Liabilities against assets subject to finance lease	2,983,329	3,209,258
Trade and other payables	36,354,042	30,602,826
Short term borrowings	16,540,219	10,963,045
Total	<u>87,100,869</u>	<u>77,342,446</u>

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest / mark-up would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

Owing to cash flow difficulties and delays in payment by WAPDA and NTDC, the holding company has delayed payments to PSO (fuel supplier for Hub plant). The holding company has also obtained short term running finances to meet its short term funding requirements. The holding company receives interest on delayed payments from WAPDA and NTDC at variable rate provided under the relevant PPAs and pays interest on delayed payments to PSO at variable rate provided under the FSA for Hub plant. The rates on all these four financial instruments are almost similar and move in the same direction, therefore, any change in the variable rate does not significantly affect profit or loss.

The holding company has a long term loan for Narowal plant (Refer note 21.4.1). Under the Narowal PPA, the related finance cost up to a mark-up rate of 3 month KIBOR is allowed as a pass through to the Power Purchaser. Therefore, there is no significant impact of any change in interest rates on profit or loss.

The holding company has another long term loan (Refer note 21.3). The holding company has to manage the related finance cost from its own sources which exposes the holding company to the risk of change in 3 month KIBOR. As at June 30, 2016, if interest rate on the holding company's borrowings were 1% higher / lower with all other variables held constant, the profit for the year would have been lower / higher by Rs. 41.671 million.

In order to meet its investment obligations in LEL, the holding company has entered into long term loan facilities (Refer note 21.5). The holding company has to manage related finance cost from its own sources which exposes the holding company to the risk of change in 6 month KIBOR. As at June 30, 2016, if interest rate on the holding company's borrowings were 1% higher / lower with all other variables held constant, the profit for the year would have been lower / higher by Rs. 33.507 million.

In order to finance boiler rehabilitation works at Hub Plant, the holding company has entered into long term Musharaka arrangement (Refer note 21.2). The holding company has to manage the related finance cost from its own sources which exposes the holding company to the risk of change in 3 month KIBOR. As at June 30, 2016, if interest rate on the holding company's borrowings were 1% higher / lower with all other variables held constant, the profit for the year would have been lower / higher by Rs. 24.675 million.

In order to fund cost overruns of Narowal plant, the holding company has entered into syndicated term finance facility (Refer note 21.4.2). The holding company has to manage the related finance cost from its own sources which exposes the holding company to the risk of change in 3 month KIBOR. As at June 30, 2016, if interest rate on the holding company's borrowings were 1% higher / lower with all other variables held constant, the profit for the year would have been lower / higher by Rs. 0.595 million.

Since the impact of interest rate exposure is not significant to the holding company, the management believes that consideration of alternative arrangement to hedge interest rate exposure is not cost effective.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's exposure to credit risk is not significant for reasons provided below.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was as follows:

	2016 (Rupees in '000)	2015
Deposits	20,579	17,849
Trade debts	79,542,544	74,895,994
Loans and other receivables	922,691	948,463
Bank balances	5,594,198	2,150,589
Total	<u>86,080,012</u>	<u>78,012,895</u>

Trade debts are recoverable from WAPDA / NTDC under the PPAs and are secured by guarantees from GOP under the IAs.

The significant amount of other receivables is also recoverable from WAPDA and is secured as mentioned above.

Credit risk on bank balances is limited as they are maintained with foreign and local banks having good credit ratings assigned by local and international credit rating agencies. The Group is also required under the concession documents to keep project accounts with certain banks.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient funds to meet its liabilities when due without incurring unacceptable losses.

The Group maintains running finance facilities (Refer note 26) to meet the short term funding requirements due to delay in payments by WAPDA and NTDC. The delay in payments by WAPDA is mainly offset by the delay in payments to PSO whereas the delay in payments by NTDC is managed through bank borrowings.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

The Group is exposed to liquidity risk to the extent that the returns from the Narowal plant are not sufficient to meet the funding requirement for the Narowal plant's long term loans mentioned in note 21.3, 21.4.1 and 21.4.2. The holding company is also exposed to liquidity risk for the differential margin not allowed by NEPRA above the 3 month KIBOR as mentioned in note 21.4.1. The holding company will manage this liquidity risk on remaining term of the loans from its own sources and future earnings.

The Group is exposed to liquidity risk to the extent that the returns in form of dividends received from LEL may not be sufficient to meet the funding requirement for the long term loan obtained for equity investment in LEL as mentioned in note 21.5. The Group will manage this liquidity risk on remaining term of the loans from its own sources and future earnings.

The Group will manage the liquidity risk on remaining term of the loan obtained for boiler rehabilitation work (Refer note 21.2) from its own sources and future earnings.

Following are the contractual maturities of financial liabilities, including estimated interest payments:

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 5 to 10 years	Total
	----- (Rs. '000s) -----				
2015-16					
Long term loans	4,150,064	3,800,144	26,926,595	4,421,604	39,298,407
Trade and other payables	67,043,965	-	-	-	67,043,965
Short term borrowings	16,704,044	-	-	-	16,704,044
Total	<u>87,898,073</u>	<u>3,800,144</u>	<u>26,926,595</u>	<u>4,421,604</u>	<u>123,046,416</u>
2014-15					
Long term loans	4,048,767	4,278,572	27,719,596	8,114,499	44,161,434
Liabilities against assets subject to finance lease	248,947	245,623	1,808,354	1,879,775	4,182,699
Trade and other payables	58,428,585	-	-	-	58,428,585
Short term borrowings	11,140,399	-	-	-	11,140,399
Total	<u>73,866,698</u>	<u>4,524,195</u>	<u>29,527,950</u>	<u>9,994,274</u>	<u>117,913,117</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying amount of the financial assets and liabilities reflected in the consolidated financial statements approximate their fair values.

Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern, as required under various project agreements, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

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. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders. The Group also monitors capital using a gearing ratio, which is net debt, interest bearing loans and borrowings including finance cost thereon, less cash and bank balances.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	Total June 30, 2016
	(Rupees in '000)	
Financial assets		
Deposits	20,579	20,579
Trade debts	79,542,544	79,542,544
Loans and other receivables	922,691	922,691
Cash and bank balances	6,572,532	6,572,532
Total	87,058,346	87,058,346

	Financial liabilities measured at amortised costs	Total June 30, 2016
	(Rupees in '000)	
Financial liabilities		
Long term loans	31,223,279	31,223,279
Liabilities against assets subject to finance lease	2,983,329	2,983,329
Trade and other payables	67,043,965	67,043,965
Short term borrowings	16,540,219	16,540,219
Total	117,790,792	117,790,792

	Loans and receivables	Total June 30, 2015
	(Rupees in '000)	
Financial assets		
Deposits	17,849	17,849
Trade debts	74,895,994	74,895,994
Loans and other receivables	948,463	948,463
Cash and bank balances	2,346,924	2,346,924
Total	78,209,230	78,209,230
Financial liabilities		
Long term loans	34,593,295	34,593,295
Liabilities against assets subject to finance lease	3,293,505	3,293,505
Trade and other payables	58,428,585	58,428,585
Short term borrowings	11,140,399	11,140,399
Total	107,455,784	107,455,784

	Financial liabilities measured at amortised costs	Total June 30, 2015
	(Rupees in '000)	
Financial liabilities		
Long term loans	34,593,295	34,593,295
Liabilities against assets subject to finance lease	3,293,505	3,293,505
Trade and other payables	58,428,585	58,428,585
Short term borrowings	11,140,399	11,140,399
Total	107,455,784	107,455,784

	Loans and receivables	Total June 30, 2015
	(Rupees in '000)	
Financial assets		
Deposits	17,849	17,849
Trade debts	74,895,994	74,895,994
Loans and other receivables	948,463	948,463
Cash and bank balances	2,346,924	2,346,924
Total	78,209,230	78,209,230
Financial liabilities		
Long term loans	34,593,295	34,593,295
Liabilities against assets subject to finance lease	3,293,505	3,293,505
Trade and other payables	58,428,585	58,428,585
Short term borrowings	11,140,399	11,140,399
Total	107,455,784	107,455,784

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

39. INITIAL APPLICATION / WAIVER FROM APPLICATION OF STANDARDS AND INTERPRETATIONS

Revised and amended standards and interpretation effective and adopted in 2016

The Group has adopted the following accounting standards and amendments of IFRSs which became effective for the current year

IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IFRS 13 – Fair Value Measurement

The adoption of the above accounting standards did not have any material effect on these consolidated financial statements.

Revised and amended standards and interpretation that are not yet effective and adopted in 2016

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

	Effective date (annual periods Beginning on or after)
IFRS 2: Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	January 1, 2018
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates – Investment Entities: Applying the Consolidation Exception (Amendment)	January 1, 2016
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 1, 2016
IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)	January 1, 2016
IAS 7 Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	January 1, 2017
IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	January 1, 2017
IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	January 1, 2016
IAS 16 Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	January 1, 2016
IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	January 1, 2016

The above standards and amendments are not expected to have any material impact on the Group's consolidated financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Group expects that such improvements to the standards will not have any material impact on the Group's consolidated financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods Beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 14 – Regulatory Deferral Accounts	January 1, 2016
IFRS 15 – Revenue from Contracts with Customers	January 1, 2018
IFRS 16 – Leases	January 1, 2019

Waiver from application of standards and interpretations

Holding company

Waiver from application of IFRIC - 4 “Determining Whether an Arrangement Contains a Lease”

The Securities and Exchange Commission of Pakistan (SECP) granted waiver from the application of International Financial Reporting Interpretation Committee (IFRIC) - 4 “Determining Whether an Arrangement Contains a Lease” to all companies including Power Sector Companies. However, the SECP made it mandatory to disclose the impact on the results of the application of IFRIC - 4.

Under IFRIC - 4, the consideration required to be made by lessees (WAPDA and NTDC) for the right to use the asset is to be accounted for as finance lease under IAS - 17 “Leases”. If the holding company were to follow IFRIC - 4 and IAS - 17, the effect on the consolidated financial statements would be as follows:

	2016	2015
	(Rupees in '000)	
Decrease in unappropriated profit at the beginning of the year	(8,459,545)	(8,135,196)
Decrease / Increase in profit for the year	211,548	(324,349)
Decrease in unappropriated profit at the end of the year	<u>(8,247,997)</u>	<u>(8,459,545)</u>

Subsidiary - LEL

Exemption from applicability of IFRIC - 12 “Service Concession Arrangements”

The SECP granted waiver from the application of International Financial Reporting Interpretation Committee (IFRIC) - 12 “Service Concession Arrangements” to all companies including Power Sector Companies. However, the SECP made it mandatory to disclose the impact on the results of the application of IFRIC - 12.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

Under IFRIC 12, the revenue and costs relating to construction of infrastructure or upgrade services are recognised in accordance with IAS 11 "Construction Contracts" and a financial asset is recognised to the extent holding company has an unconditional contractual right to receive cash irrespective of the usage of infrastructure. If LEL were to follow IFRIC - 12 and IAS - 11, the effect on the consolidated financial statements would be as follows:

	2016	2015
	(Rupees in '000)	
Increase in unappropriated profit and NCI at the beginning of the year	4,952,030	5,645,552
Increase / (decrease) in profit for the year	495,097	(693,522)
Increase in unappropriated profit and NCI at the end of the year	5,447,127	4,952,030

Exemption from recognition of Embedded derivatives and loss on foreign currency loans.

SECP, through its S.R.O 24/(I)/2012 dated January 16, 2012, exempted the power companies from application of IAS-39 'Financial Instruments: Recognition and Measurement' to the extent of recognition of embedded derivatives and IAS-21 'The Effects of Changes in Foreign Exchange Rates' to the extent of charging exchange losses (refer note 2.15). However, the said S.R.O requires the companies which have chosen to capitalize exchange difference (as disclosed in note 10.1), to give an additional disclosure as if accounting for embedded derivative IAS-39 had been adopted in preparing the financial statements.

Had the IAS-39 been applied, following the adjustments to the consolidated financial statements would have been made:

	Unappropriated profit (Increase) / decrease	Property, plant and equipment Increase / (decrease)	Derivative financial asset Increase / (decrease)
	----- (Rs. '000s) -----		
As at July 1, 2014	7,996,686	(129,986)	(7,866,700)
For the year ended June 30, 2015			
- Charge off of exchange loss	323,517	(323,517)	-
- Remeasurement of embedded derivative	8,461,911	-	(8,461,911)
	8,785,428	(323,517)	(8,461,911)
As at June 30, 2015	16,782,114	(453,503)	(16,328,611)
For the year ended June 30, 2016			
- Charge off of exchange loss	271,238	(271,238)	-
- Remeasurement of embedded derivative	418,956	-	(418,956)
	690,194	(271,238)	(418,956)
As at June 30, 2016			
Change due to remeasurement of derivative and non-capitalization of exchange loss	17,472,308	(724,741)	(16,747,567)

40. RECLASSIFICATION

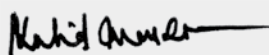
Certain prior year's figures have been re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparisons. However, there are no material reclassification to report.

41. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on August 24, 2016 in accordance with the resolution of the Board of Directors of the holding company.

42. GENERAL

Figures have been rounded off to the nearest thousand rupees.



Khalid Mansoor
Chief Executive



Iqbal Alimohamed
Director



Power for
PEOPLE
with
INCREASED
SHAREHOLDERS
VALUE

We are committed to increase Shareholders' Value by generating greater return while ensuring Stability and Growth.





Laraib Plant - Machine Hall

Awards and Achievements

Hubco has a strong tradition of excellence in all aspects of business. A long and growing list of Awards and Achievements demonstrates the values that make us a successful company and a strong corporate citizen.

- Annual Environmental Excellence Award by the National Forum for Environment and Health
- CSR Business Excellence Awards 2015 by the National Forum for Environment and Health

Calendar of Corporate Events

Tentative dates for the Financial Year 2016-17

Annual General Meeting	October 2017
First Quarter ending September 30, 2016	Last week of October, 2016
Second Quarter ending December 31, 2016	Third week of February, 2017
Third Quarter ending March 31, 2017	Fourth week of April, 2017
Fourth Quarter and year ending June 30, 2017	Third week of August, 2017

Actual dates for the Financial Year 2015-16

Annual General Meeting	October 18, 2016
First Quarter ended September 30, 2015	October 28, 2015
Second Quarter ended December 31, 2015	February 17, 2016
Third Quarter ended March 31, 2016	April 28, 2016
Fourth Quarter and year ended June 30, 2016	August 24, 2016

Calendar of Major Events

October 05, 2015	Annual General Meeting & Election of Directors held
April 6, 2016	Interim Dividend warrants dispatched to shareholders
June 27, 2016	Interim Dividend warrants dispatched to shareholders
August 24, 2016	Announcement of Final Dividend

Pattern of Shareholding

As at June 30, 2016

Number of Shares		Number of Shareholders	Number of Shares Held
From	To		
1	100	606	34,778
101	500	5,210	2,526,852
501	1,000	1,471	1,377,187
1,001	5,000	2,431	7,308,675
5,001	10,000	897	7,243,677
10,001	15,000	372	4,848,794
15,001	20,000	309	5,673,925
20,001	25,000	205	4,791,669
25,001	30,000	151	4,334,822
30,001	35,000	94	3,120,091
35,001	40,000	74	2,835,506
40,001	45,000	77	3,317,819
45,001	50,000	117	5,733,471
50,001	55,000	43	2,286,331
55,001	60,000	39	2,276,130
60,001	65,000	28	1,753,402
65,001	70,000	29	1,978,202
70,001	75,000	30	2,210,500
75,001	80,000	31	2,448,348
80,001	85,000	28	2,326,315
85,001	90,000	21	1,863,796
90,001	95,000	7	651,084
95,001	100,000	63	6,263,450
100,001	105,000	14	1,439,709
105,001	110,000	10	1,091,500
110,001	115,000	14	1,580,695
115,001	120,000	13	1,537,817
120,001	125,000	7	866,000
125,001	130,000	15	1,915,929
130,001	135,000	9	1,190,527
135,001	140,000	14	1,943,500
140,001	145,000	10	1,431,767
145,001	150,000	16	2,387,046
150,001	155,000	2	305,000
155,001	160,000	3	470,000
160,001	165,000	5	816,180
165,001	170,000	3	504,500
170,001	175,000	7	1,216,825
175,001	180,000	1	180,000
180,001	185,000	5	912,423
185,001	190,000	6	1,137,500
190,001	195,000	2	386,045
195,001	200,000	22	4,393,500
200,001	205,000	4	811,000

Number of Shares		Number of Shareholders	Number of Shars Held
From	To		
205,001	210,000	3	618,785
210,001	215,000	7	1,487,100
215,001	220,000	4	871,690
220,001	225,000	6	1,339,862
225,001	230,000	3	687,000
230,001	235,000	3	702,439
235,001	240,000	4	951,100
240,001	245,000	2	481,884
245,001	250,000	13	3,236,811
250,001	255,000	5	1,258,682
255,001	260,000	2	516,500
260,001	265,000	2	522,758
265,001	270,000	1	266,000
270,001	275,000	3	818,748
275,001	280,000	6	1,663,500
280,001	285,000	5	1,414,251
285,001	290,000	2	577,863
290,001	295,000	3	879,800
295,001	300,000	11	3,292,900
300,001	305,000	9	2,739,350
305,001	310,000	1	310,000
310,001	315,000	2	628,586
315,001	320,000	2	635,250
320,001	325,000	5	1,621,200
325,001	330,000	3	984,600
330,001	335,000	2	668,676
340,001	345,000	1	345,000
345,001	350,000	8	2,792,500
350,001	355,000	1	354,014
355,001	360,000	4	1,432,891
360,001	365,000	2	725,000
365,001	370,000	1	370,000
370,001	375,000	5	1,866,500
375,001	380,000	3	1,137,900
380,001	385,000	3	1,154,000
385,001	390,000	3	1,161,800
390,001	395,000	3	1,182,888
395,001	400,000	6	2,400,000
405,001	410,000	2	817,400
410,001	415,000	1	410,642
420,001	425,000	1	421,000
425,001	430,000	3	1,284,220
435,001	440,000	2	872,300
440,001	445,000	3	1,329,000

Pattern of Shareholding

As at June 30, 2016

Number of Shares		Number of Shareholders	Number of Shares Held
From	To		
445,001	450,000	2	896,000
450,001	455,000	1	451,000
460,001	465,000	3	1,390,951
485,001	490,000	2	977,500
495,001	500,000	9	4,500,000
500,001	505,000	1	500,392
505,001	510,000	2	1,017,000
515,001	520,000	3	1,554,502
520,001	525,000	1	524,500
530,001	535,000	3	1,592,760
540,001	545,000	1	544,800
545,001	550,000	3	1,650,000
555,001	560,000	2	1,114,338
565,001	570,000	1	568,000
580,001	585,000	1	582,000
585,001	590,000	1	585,500
590,001	595,000	1	594,000
595,001	600,000	2	1,200,000
600,001	605,000	1	603,300
610,001	615,000	2	1,224,500
615,001	620,000	1	617,896
620,001	625,000	2	1,250,000
630,001	635,000	1	633,310
635,001	640,000	2	1,279,400
640,001	645,000	1	643,400
645,001	650,000	1	647,000
650,001	655,000	2	1,305,900
680,001	685,000	2	1,362,589
685,001	690,000	1	688,500
690,001	695,000	3	2,079,002
695,001	700,000	3	2,097,300
700,001	705,000	1	705,000
710,001	715,000	1	713,500
715,001	720,000	3	2,152,181
720,001	725,000	1	720,130
730,001	735,000	2	1,466,851
745,001	750,000	3	2,250,000
760,001	765,000	1	761,097
795,001	800,000	3	2,397,262
800,001	805,000	2	1,605,300
810,001	815,000	1	813,900
815,001	820,000	1	818,800
830,001	835,000	1	833,940
835,001	840,000	1	835,910

Number of Shares		Number of Shareholders	Number of Shars Held
From	To		
855,001	860,000	1	858,755
865,001	870,000	1	869,671
870,001	875,000	2	1,745,900
915,001	920,000	1	918,000
940,001	945,000	1	940,146
945,001	950,000	1	949,919
955,001	960,000	1	959,200
965,001	970,000	1	965,500
970,001	975,000	1	971,892
995,001	1,000,000	1	1,000,000
1,010,001	1,015,000	2	2,026,000
1,015,001	1,020,000	1	1,016,500
1,065,001	1,070,000	2	2,134,057
1,075,001	1,080,000	1	1,076,166
1,085,001	1,090,000	1	1,085,500
1,120,001	1,125,000	2	2,242,958
1,145,001	1,150,000	1	1,149,725
1,150,001	1,155,000	1	1,155,000
1,155,001	1,160,000	1	1,156,500
1,175,001	1,180,000	1	1,176,000
1,180,001	1,185,000	1	1,182,500
1,195,001	1,200,000	2	2,400,000
1,200,001	1,205,000	1	1,200,001
1,205,001	1,210,000	1	1,209,583
1,255,001	1,260,000	1	1,260,000
1,265,001	1,270,000	2	2,533,395
1,275,001	1,280,000	1	1,277,500
1,280,001	1,285,000	2	2,563,541
1,300,001	1,305,000	1	1,305,000
1,310,001	1,315,000	1	1,312,016
1,315,001	1,320,000	1	1,320,000
1,330,001	1,335,000	1	1,332,500
1,360,001	1,365,000	1	1,360,260
1,385,001	1,390,000	1	1,385,090
1,475,001	1,480,000	1	1,477,800
1,485,001	1,490,000	1	1,488,500
1,490,001	1,495,000	2	2,985,264
1,495,001	1,500,000	1	1,500,000
1,500,001	1,505,000	1	1,502,581
1,535,001	1,540,000	2	3,076,500
1,575,001	1,580,000	1	1,579,001
1,650,001	1,655,000	1	1,651,900
1,665,001	1,670,000	1	1,667,600
1,800,001	1,805,000	1	1,804,000

Pattern of Shareholding

As at June 30, 2016

Number of Shares		Number of Shareholders	Number of Shares Held
From	To		
1,905,001	1,910,000	1	1,905,845
1,925,001	1,930,000	1	1,928,000
1,930,001	1,935,000	1	1,931,799
1,945,001	1,950,000	1	1,950,000
1,995,001	2,000,000	4	8,000,000
2,055,001	2,060,000	1	2,058,500
2,065,001	2,070,000	1	2,069,000
2,095,001	2,100,000	1	2,100,000
2,105,001	2,110,000	1	2,105,700
2,230,001	2,235,000	1	2,230,430
2,365,001	2,370,000	1	2,367,800
2,380,001	2,385,000	1	2,385,000
2,395,001	2,400,000	1	2,400,000
2,435,001	2,440,000	1	2,435,400
2,565,001	2,570,000	1	2,567,147
2,630,001	2,635,000	2	5,262,400
2,655,001	2,660,000	1	2,657,812
2,745,001	2,750,000	1	2,750,000
2,775,001	2,780,000	1	2,776,800
2,845,001	2,850,000	1	2,850,000
2,975,001	2,980,000	1	2,979,850
2,995,001	3,000,000	1	3,000,000
3,020,001	3,025,000	1	3,020,200
3,140,001	3,145,000	1	3,143,143
3,235,001	3,240,000	1	3,237,390
3,395,001	3,400,000	1	3,400,000
3,470,001	3,475,000	1	3,473,614
3,525,001	3,530,000	1	3,529,000
3,535,001	3,540,000	1	3,539,500
3,655,001	3,660,000	1	3,657,575
3,755,001	3,760,000	1	3,755,700
3,875,001	3,880,000	1	3,880,000
3,900,001	3,905,000	1	3,902,600
4,160,001	4,165,000	1	4,163,800
4,295,001	4,300,000	1	4,300,000
4,690,001	4,695,000	1	4,691,990
4,990,001	4,995,000	1	4,993,010
5,110,001	5,115,000	1	5,112,072
5,145,001	5,150,000	1	5,147,500
5,275,001	5,280,000	1	5,279,740
5,310,001	5,315,000	1	5,314,297
5,465,001	5,470,000	1	5,468,500
5,670,001	5,675,000	1	5,672,311
5,780,001	5,785,000	1	5,784,000

Number of Shares		Number of	Number of
From	To	Shareholders	Shars Held
5,825,001	5,830,000	1	5,827,919
7,510,001	7,515,000	1	7,512,500
7,605,001	7,610,000	1	7,610,000
7,625,001	7,630,000	1	7,627,500
7,725,001	7,730,000	1	7,725,467
7,895,001	7,900,000	1	7,899,000
8,155,001	8,160,000	1	8,158,850
8,305,001	8,310,000	1	8,307,157
9,170,001	9,175,000	1	9,171,000
9,270,001	9,275,000	1	9,271,750
9,665,001	9,670,000	1	9,666,297
9,995,001	10,000,000	1	10,000,000
10,400,001	10,405,000	1	10,403,966
11,090,001	11,095,000	1	11,090,500
13,860,001	13,865,000	1	13,863,944
13,970,001	13,975,000	1	13,970,135
16,305,001	16,310,000	1	16,308,000
20,430,001	20,435,000	1	20,432,459
21,315,001	21,320,000	1	21,317,911
23,040,001	23,045,000	1	23,042,316
25,390,001	25,395,000	1	25,391,982
38,185,001	38,190,000	1	38,189,500
57,735,001	57,740,000	1	57,740,000
98,390,001	98,395,000	1	98,391,000
111,995,001	112,000,000	1	112,000,000
172,580,001	172,585,000	1	172,582,000
TOTAL:=		12,885	1,157,154,387

Categories of Shareholding

As at June 30, 2016

Categories	No. of Shareholders	No. of Shares Held	Percentage
Individuals			
Local	11,866	186,030,079	16.08
Foreign	364	539,121	0.05
Joint Stock Companies	142	57,797,682	4.98
Financial Institutions	73	211,092,464	18.24
Investment Companies	39	27,766,320	2.40
Insurance Companies	21	58,132,494	5.02
Modaraba/Mutual Fund & Leasing Companies	91	89,024,068	7.69
Associated Companies	12	409,713,697	35.41
Directors, CEO , Spouse and Minor Children	20	32,904,625	2.84
Executives	12	64,070	0.0
OTHERS			
Others - Government of Balochistan	1	358,607	0.03
Others - GDR Depository	1	10,403,966	0.90
Others - Charitable Trusts	38	12,427,307	1.07
Others - Cooperative Societies	13	6,436,200	0.56
Others - Provident/Pension/Gratuity Fund	189	50,806,112	4.39
Employee's Old Age Benefits Inst.	1	3,657,575	0.32
	12,883	1,157,154,387	100.00

The above two statements include 8,017 shareholders holding 1,121,275,382 shares through the Central Depository Company of Pakistan Limited (CDC).

Key Shareholding

As at June 30, 2016

Information of Shareholdings required under the reporting framework is as follows:

Associated Companies, Undertakings and Related Parties	No. of Shares
ALLIED BANK LIMITED	112,000,000
ASKARI BANK LIMITED	121,900
BANK AL HABIB LIMITED	7,627,500
COMMITTEE OF ADMIN. FAUJI FOUNDATION	98,391,000
CYAN LIMITED	10,000,000
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	5,314,297
DAWOOD FOUNDATION	918,000
DAWOOD CORPORATION (PVT.) LTD.	227,000
DAWOOD INDUSTRIES (PVT.) LTD.	550,000
MODERN INDUSTRIES (PVT.) LTD.	965,500
PATEK (PVT.) LTD.	1,016,500
TOTAL	409,713,697

Modaraba/Mutual Fund and Leasing Companies

MORGAN STANLEY INVESTMENT FUNDS (975-6)	13,000
INVESTERINGSFORENINGEN BANKINVEST, NEW EMG MKTS AKTIER	1,120,958
KAPITALFORENINGEN LAERERNES PENSION INVEST [1547-5]	603,300
FRANKLIN TEMPLETON INVESTMENT FUNDS [1610-5]	7,610,000
T. ROWE PRICE FUNDS SICAV - FRONTIER MKTS EQ F[000912600018]	88,600
T.ROWE PRICE INSTITUTIONAL FRONTIER MAKTS EQTY FD[911900257]	326,100
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	8,307,157
VANGUARD FTSE ALL-WORLD EX-US SMALL CAP INDEX FUND	1,266,200
VANGUARD EMERGING MARKETS STOCK INDEX FUND	3,143,143
VANGUARD TOTAL WORLD STOCK INDEX FUND	164,500
INTEREFFEKT INVESTMENT FUNDS N.V.	400,000
NATIONWIDE (PVT) LTD	3,000
FIRST PRUDENTIAL MODARABA	79,500
B.F.MODARABA	110,000
FIRST HABIB MODARABA	35,000
FIRST ELITE CAPITAL MODARABA	7,000
CDC - TRUSTEE PICIC INVESTMENT FUND	145,000
CDC - TRUSTEE PICIC GROWTH FUND	324,200
CDC - TRUSTEE MCB PAKISTAN ISLAMIC STOCK FUND	252,032
CDC - TRUSTEE ATLAS STOCK MARKET FUND	300,000
CDC - TRUSTEE MEEZAN BALANCED FUND	2,567,147
CDC - TRUSTEE ALFALAH GHP VALUE FUND	487,500
CDC - TRUSTEE AKD INDEX TRACKER FUND	164,241
CDC-TRUSTEE PAK. INT. ELEMENT ISLAMIC ASSET ALLOCATION FUND	233,744
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	3,902,600
CDC - TRUSTEE MEEZAN ISLAMIC FUND	23,042,316
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1,950,000
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	550,000
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	1,281,528
CDC - TRUSTEE NAFA STOCK FUND	1,076,166
CDC - TRUSTEE NAFA MULTI ASSET FUND	270,748
CDC - TRUSTEE MCB DCF INCOME FUND	20,000
CDC - TRUSTEE FIRST HABIB INCOME FUND	15,000
CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	127,100
CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	1,905,845
CDC - TRUSTEE APF-EQUITY SUB FUND	25,000
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	1,182,500
CDC - TRUSTEE HBL - STOCK FUND	2,105,700
CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	1,360,260
CDC - TRUSTEE APIF - EQUITY SUB FUND	115,000

Key Shareholding

As at June 30, 2016

Modaraba/Mutual Fund and Leasing Companies	No. of Shares
CDC - TRUSTEE HBL MULTI - ASSET FUND	297,200
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	212,000
B.R.R. GUARDIAN MODARABA	1,000
CDC - TRUSTEE ALFALAH GHP STOCK FUND	1,122,000
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	693,700
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	377,900
CDC - TRUSTEE ABL STOCK FUND	1,477,800
M C F S L-TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND	75,000
CDC - TRUSTEE FIRST HABIB STOCK FUND	56,500
CDC - TRUSTEE LAKSON EQUITY FUND	732,600
CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	222,200
CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	80,700
CDC - TRUSTEE AKD AGGRESSIVE INCOME FUND - MT	6,900
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	639,400
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	116,500
CDC - TRUSTEE HBL PF EQUITY SUB FUND	67,700
CDC - TRUSTEE ASKARI EQUITY FUND	140,000
CDC - TRUSTEE ALFALAH GHP INCOME FUND - MT	7,900
CDC - TRUSTEE KSE MEEZAN INDEX FUND	797,262
MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	52,000
MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	52,000
CDC - TRUSTEE LAKSON INCOME FUND - MT	100
CDC-TRUSTEE FIRST HABIB ISLAMIC BALANCED FUND	67,500
CDC - TRUSTEE ATLAS INCOME FUND - MT	83,900
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	2,367,800
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	359,100
CDC - TRUSTEE PIML STRATEGIC MULTI ASSET FUND	79,400
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	75,300
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	803,300
CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I	146,200
CDC - TRUSTEE PIML ISLAMIC EQUITY FUND	157,000
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	530,200
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	651,400
CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	205,300
CDC - TRUSTEE ASKARI HIGH YIELD SCHEME - MT	98,000
CDC - TRUSTEE ABL ISLAMIC PENSION FUND - EQUITY SUB FUND	59,300
CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	49,400
CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	446,000
CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND - MT	15,000
CDC - TRUSTEE PIML VALUE EQUITY FUND	59,500
CDC - TRUSTEE HBL MUSTAHEKUM SARMAYA FUND 1	50,000
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	2,435,400
CDC-TRUSTEE NITIPF EQUITY SUB-FUND	45,000
CDC-TRUSTEE NITPF EQUITY SUB-FUND	40,000
MCBFSL - TRUSTEE NAFA INCOME FUND - MT	238,600
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	5,112,072
CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	314,000
CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	119,500
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	80,000
CDC - TRUSTEE NAFA ISLAMIC ENERGY FUND	386,300
CDC - TRUSTEE LAKSON TACTICAL FUND	40,149
TOTAL	89,024,068

Directors, Spouses and their Childrens	No. of Shares
DIRECTORS	
HUSSAIN DAWOOD	11,090,500
ANDALIB ALAVI	250,000
SYED MUHAMMAD ALI	500
IQBAL ALIMOHAMED	1,267,195
ABDUL SAMAD DAWOOD	347,000
SHAHZADA DAWOOD	1,156,500
SHAHID GHAFAR	8,000
QAISER JAVED	5,000
RUHAIL MOHAMMAD	500
MOHAMMAD WASEEM MUKHTAR	500
OWAIS SHAHID	90,000
SYED KHALID SIRAJ SUBHANI	21,000
CEO	
KHALID MANSOOR	172,325
SPOUSES AND CHILDREN	
KULSUM DAWOOD (W/O Hussain Dawood)	532,105
AYESHA DAWOOD (W/O Abdul Samad Dawood)	150,000
AZMEH DAWOOD (D/O Hussain Dawood)	1,012,500
SABRINA DAWOOD (D/O HUSSAIN DAWOOD)	612,000
SAAD IQBAL S/O IQBAL ALIMOHAMED	3,529,000
DANISH IQBAL S/O IQBAL ALIMOHAMED	5,147,500
NATASHA IQBAL D/O IQBAL ALIMOHAMED	7,512,500
TOTAL	32,904,625

Executives	64,070
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Public Sector Companies and Corporations

NATIONAL BANK OF PAKISTAN	7,876
NATIONAL BANK OF PAKISTAN	57,740,000
EMPLOYEES OLD AGE BENEFITS INSTITUTION	3,657,575
STATE LIFE INSURANCE CORP. OF PAKISTAN	25,391,982
TOTAL	86,797,433

Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies And Investment Companies	296,991,278
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Shareholders holding five percent or more voting interest

DAWOOD HERCULES CORPORATION LIMITED	172,582,000	14.91%
ALLIED BANK LIMITED	112,000,000	9.68%
COMMITTEE OF ADMIN. FAUJI FOUNDATION	98,391,000	8.50%
NATIONAL BANK OF PAKISTAN	57,740,000	4.99%

Details of trading in the shares by the Directors, Chief Financial Officer, Company Secretary and their Spouses

Name	Date	Purchased	Sold	Rate/per share
Tahir Jawaid	01.01.2016	-	21,500.00	103.41
Hussain Dawood	22.02.2016	200,000.00		103.00
Shahzada Dawood	22.02.2016	325,000.00		103.25
Kulsum Dawood	22.02.2016	100,000.00		103.14
Tahir Jawaid	23.02.2016		40,000.00	102.56

Shareholders' Information

Shareholders' Enquiries

General enquiries relating to the Company should be addressed to:

The Company Secretary,
The Hub Power Company Limited,
11th Floor, Ocean Tower,
Block 9, Main Clifton Road,
P.O. Box No. 13841, Karachi-75600.

Enquiries relating to Shares should be addressed to:

FAMCO Associates (Pvt) Limited,
8-F, Nursery, Next to Faran Hotel,
Block 6, PECHS, Shahrah-e-Faisal, 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) Standard Chartered Bank (Pakistan) Limited,
I. I. Chundrigar Road, Karachi

Glossary

ANNUAL GENERAL MEETING (AGM)

Annual General Meeting of shareholders of the Company.

BAC

Board Audit Committee

BCC

Board Compensation Committee

BCP

Business Continuity Planning

BIC

Board Investment Committee

BTC

Board Technical Committee

CAPACITY (INSTALLED)

Generator capacity (measured in megawatts (MW)), measured at the power station boundary after the deduction of works power

CDM

Clean Development Mechanism

CEO

Chief Executive Officer

CER

Certified Emission Reductions

CFO

Chief Financial Officer

COD

Commercial Operations Date

CPP

Capacity Purchase Price means the fixed element of the Tariff under the Power Purchase Agreement

THE COMPANY

The Hub Power Company Ltd

COMPANIES ORDINANCE

The Companies Ordinance, 1984

CSR

Corporate Social Responsibility

EARNINGS PER SHARE (EPS)

Calculated by dividing the profit after interest, tax and non-controlling interests by the weighted average number of Ordinary Shares in issue

FBR

Federal Board of Revenue

GOP

Government of Pakistan

GW

Gigawatt, one thousand million watts

GIGAWATT-HOUR (GWH)

A watt hour is the amount of energy used by a one-watt load drawing power for one hour. A gigawatt-hour (GWh) is 1,000,000 times larger than the kilowatt-hour (kWh) and is used for measuring the energy output of large power plants

HR

Human Resource

HSE

Health, Safety & Environment

IA

Implementation Agreement – an agreement between the Company and the Government which sets out the fundamental obligations of the Company and the Government relating to the Projects

IASB

International Accounting Standards Board

IFRS

International Financial Reporting Standard

IFRSC

International Financial Reporting Standard Committee

IPP

Independent Power Producer

ISO 14001

A standard for the management of environmental matters that is widely used in various parts of the world

KW

Kilowatt – 1,000 watts

KILOWATT-HOUR (KWH)

A watt hour is the amount of energy used by a one-watt load drawing power for one hour. A kilowatt-hour (kWh) is 1,000 times larger than a watt-hour and is a useful size for measuring the energy use of households and small businesses and also for the production of energy by small power plants. A typical household uses several hundred kilowatt-hours per month

Glossary

LOAD FACTOR

The proportion of electricity actually generated compared with the maximum possible generation at maximum net capacity

MAX

Manufacturing Excellence

MW

Megawatt; one MW equals 1,000 kilowatts or one million watts

MEGAWATT-HOUR (MWH)

A watt hour is the amount of energy used by a one-watt load drawing power for one hour. A megawatt-hour (MWh) is 1,000 times larger than the kilowatt-hour and is used for measuring the energy output of large power plants

NEPRA

National Electrical Power Regulatory Authority

NTDC

National Transmission and Despatch Company Limited

O&M

Operation and Maintenance; usually used in the context of operating and maintaining a power station

OHSAS 18001

Occupational Health and Safety Assessment Series 18001. A management system specification developed by British Standards Institute which is now an accepted international standard, for health and safety and is compatible with ISO 9001:1994 (Quality) and ISO 14001:1996 (Environmental) management

OUTAGE

When a generating unit is removed from service to perform maintenance work. This can either be planned or unplanned

PACRA

The Pakistan Credit Rating Agency Limited

POWER PURCHASE AGREEMENT (PPA)

A PPA is generally a long-term contract between an electricity generator and a purchaser of energy or capacity (power or ancillary services)

PSO

Pakistan State Oil Company Limited

PSX

Pakistan Stock Exchange

SECP

Securities and Exchange Commission of Pakistan

SMART

Self Monitoring And Reporting Technique

TRIR

Total Recordable Injury Rate

UNFCCC

United Nations Framework Convention on Climate Change

WATT

Unit of power, which is the rate at which energy is delivered (i.e. work is done at a rate of one watt when one ampere flows through a potential difference of one volt)

WAPDA

Water and Power Development Authority

WPPF

Workers' Profit Participation Fund

WWF

Workers' Welfare Fund

Notice of The 25th Annual General Meeting

Notice is hereby given that the 25th Annual General Meeting of the Company will be held on Tuesday, October 18, 2016 at 10:30 am at Marriott Hotel, Karachi to transact the following business:

ORDINARY BUSINESSES

1. To receive and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2016 together with the Directors' and Auditor's Reports thereon.
2. To approve and declare the final dividend of Rs. 3.00 (30%) per share as recommended by the Board of Directors for the year ended June 30, 2016.
3. To appoint Auditors and to fix their remuneration for the year ending June 30, 2017. The present auditors EY Ford Rhodes, Chartered Accountants, retire and being eligible, have offered themselves for reappointment.

SPECIAL BUSINESSES

Ordinary Resolutions:

1. Sale and Transfer of Land in Hub, Balochistan

To consider and approve the proposed sale and transfer of upto 350 acres of land out of 1458 acres at Hub, having a total book value of Rs.17,750,961 to China Power Hub Generation Company (Private) Limited (CPHGC), evaluated at a fair market value by a valuer appointed by the Power Purchaser for the Hub Plant and the proceeds therefore shall be passed on to the Power Purchaser in consideration of obtaining necessary, No Objection Certificate (NOC) under the Implementation Agreement of the Hub Plant, and if deemed fit, to pass with or without modification, the following resolutions as Ordinary Resolutions:

RESOLVED THAT pursuant to Section 196 (3) of the Companies Ordinance, 1984, the consent of the members be and is hereby accorded for the sale of land measuring upto 350 acres of land for purposes of constructing, developing and operating a 2x660 MW coal fired power plant and ancillary jetty and such other facilities.

FURTHER RESOLVED THAT the Company be and is hereby authorized, subject to satisfaction of corporate and regulatory requirements (to the extent applicable) and in accordance with the legal and procedural formalities, enter into Deed of Conveyance for the purposes of recording the transfer of title of land in the name of China Power Hub Generation Company (Private) Limited (CPHGC).

FURTHER RESOLVED THAT the Chief Executive Officer and the Company Secretary be and are hereby jointly authorized and empowered to sell the land for and on behalf of the Company to China Power Hub Generation Company (Private) Limited (CPHGC) and complete all legal and regulatory formalities to give effect to the aforesaid resolutions and perform all such acts as authorized by the Board with regards to the sale of land.

FURTHER RESOLVED THAT the Board be and hereby is empowered to agree upon modification in these resolutions that may be directed/required by the SECP without the need of any further members' approvals and consents.

2. Transmission of Annual Accounts:

To give effect of S.R.O 470(I)2016 dated May 31, 2016 of the Securities and Exchange Commission of Pakistan ("SECP"), shareholder's approval is being sought to allow the Company to circulate its Annual Report through CD/DVD/USB to all members. The Company, however, shall place on its website a standard Request Form to enable intimation to the Company by those members who require hard copy of the Annual Report instead of through CD/DVD/USB. In this regard, the following resolutions are proposed to be passed as ordinary resolutions:

RESOLVED that the Company may transmit the annual balance sheet and profit and loss account, auditor's report and directors' report, to its members through CD/DVD/USB instead of in hard copy at their registered addresses.

Notice of The 25th Annual General Meeting

FURTHER RESOLVED THAT the standard Request Form be and is hereby placed on Company's website for the purpose of communication of the requisition of annual audited accounts through hard copy.

Special Resolutions:

3. Amendment in Articles of Association:

The Securities and Exchange Commission of Pakistan has issued the Companies (E-Voting) Regulations, 2016 (the "Regulations") on January 22, 2016 vide S.R.O 43(1)/2016 which allows both members and non-members to take part in decision making in the general meeting of the Company through electronic means through an Intermediary.

In order to comply with the Regulations, the existing Articles of Associations (AOA) of the Company needs to be amended.

To consider, propose and if thought fit, pass with or without modification, the Special Resolutions to amend the existing Articles of Association by addition of the following new paragraph in Article 56 and reword Article 61 in order to bring the effect of the Companies (E-Voting) Regulations, 2016.

RESOLVED THAT the following new paragraph be and is hereby added in the existing Article 56 of the AOA of the Company to be read as follows:

56. Votes of Members

"The provisions and requirements for e-voting as prescribed by the SECP from time to time shall be deemed to be incorporated in these Articles of Association, irrespective of the other provisions of these Articles and notwithstanding anything contradictory therein."

FURTHER RESOLVED THAT the existing Article 61 be and is hereby reworded to be read as follows:

61. Form of Proxy:

"An instrument appointing a proxy shall be in the form specified in Regulation 39 of the Table 'A' in the First Schedule to the Ordinance or Schedule II of the Companies (E-Voting) Regulations, 2016 or in any other form which the Directors may approve."

FURTHER RESOLVED THAT the Chief Executive Officer and the Company Secretary be and are hereby singly authorized to take or cause to be taken any and all actions necessary and incidental for the purposes of altering the Articles of Association of the Company and make necessary submissions and complete legal formalities, as may be required to implement the aforesaid Special Resolutions."

4. Investment in SECMC

To consider and if deemed fit, approve investment in Sindh Engro Coal Mining Company Limited (SECMC) of USD 20 million (including Rs.605 million already invested), arrange and provide standby Letter of Credit for an amount of up to USD 20 million less the amount already invested and Bank Guarantee to the lenders of SECMC to cover for the cost overrun of up to USD 4 million till the completion and commissioning of the project to the satisfaction of the lenders of SECMC and pass the following Special Resolutions:

"RESOLVED THAT the approval of the members of the Company be and is hereby accorded in terms of Section 208 for making "investments" in SECMC for an amount not exceeding USD 4 million (in equivalent Pakistan Rupees) by way of a sponsor support guarantee to cover cost overruns which, if called, shall result in either a subscription of shares at the rate of Rs.14.82 per share or will be treated as subordinated debt, on terms and conditions to be agreed in writing between the Company, SECMC and the lenders to SECMC.

FURTHER RESOLVED THAT the approval of the members of the Company be and is hereby accorded for an “investment” in SECMC, by way of a sponsor guarantee for provision of a standby letter of credit to cover for the Initial Payment Service Reserve Account Shortfall, of an amount estimated not to exceed USD 6 million, but which could be higher as detailed in the explanation.

FURTHER RESOLVED THAT in the event that a demand for payment is made under the standby letter of credit, the approval of the members of the Company be and is hereby accorded in terms of Section 208 for making investments in SECMC for the demanded amount being up to the Rupees equivalent of USD 6 million (or a higher amount, if necessary) either by way of subscription for shares at the rate of Rs.14.82 per share or by treating such amount as subordinated debt, on terms and conditions to be agreed in writing between the Company, SECMC and the lenders.

RESOLVED THAT the Company be and is hereby authorized to pledge its shares in SECMC with the lenders for providing security to such lenders as required by all the Sponsors of the Mining Project”.

Date: August 24, 2016
Karachi

Shamsul Islam
Company Secretary

Notes:

The Share Transfer Books of the Company will remain closed from October 10, 2016 to October 18, 2016 (both days included) and the final dividend will be paid to the shareholders whose names appear in the Register of Members on October 07, 2016.

- (i) A member entitled to attend the meeting may appoint a proxy in writing to attend the meeting on the member’s behalf. A Proxy need not be a member of the Company.
- (ii) Duly completed forms of proxy must be deposited with the Company Secretary at the Head Office of the Company no later than 48 hours before the time appointed for the meeting.
- (iii) Shareholders (Non-CDC) are requested to promptly notify the Company’s Registrar of any change in their addresses and submit, if applicable to them, the Non-deduction of Zakat Form CZ-50 with the Registrar of the Company M/s. FAMCO Associates (Pvt.) Ltd, 8-F, Next to Hotel Faran, Nursery, Block 6, PECHS, Shakra-e-Faisal, Karachi. All the shareholders, holding their shares through the CDC, are requested to please update their addresses and Zakat status with their Participants. This will assist in the prompt receipt of Dividend.
- (iv) As instructed by the Securities and Exchange Commission of Pakistan (SECP) vide their letter No. EMD/D-II/Misc./2009-1342 dated April 4, 2013 dividend warrants cannot be issued without insertion of CNIC Numbers; therefore, all shareholders holding physical shares and have not as yet despite various letters and notices, submitted photocopy of their valid Computerized National Identity Card are once again requested to send a photocopy of their valid CNIC along with the folio numbers to the Company’s Share Registrar. No dividend will be payable unless the CNIC number is printed on the dividend warrants, therefore, please let us have your CNIC numbers, failing which we will not be responsible if we are not able to pay the dividends.
- (v) To make the process of payment of cash dividend more efficient, SECP vide circular No. 8(4) SM/CDC 2008 dated April 5, 2013 have issued instructions so that the shareholders can get their dividend credited in their respective bank accounts electronically without any delay. You may therefore authorize the Company to credit the dividend directly to your bank account for all future dividends declared by the Company. Accordingly, all non CDC shareholders are requested to send their bank account details to the Company’s Registrar at the address given above. Shareholders who hold shares with Participant/Central Depository Company of Pakistan (CDC) accounts are advised to provide the mandate to the concerned Stock

Notice of The 25th Annual General Meeting

Broker/Central Depository Company of Pakistan Ltd (CDC). The requisite form is available on our website www.hubpower.com.

- (vi) Members can also avail video conference facility at Lahore and Islamabad. In this regard, please fill the following form and submit to registered address of the Company 10 days before holding of the Annual General Meeting.

If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

The Company will intimate members regarding venue of video conference facility at least 5 days before the date of the Annual General Meeting along with complete information necessary to enable them to access the facility

I/We, _____ of _____ being a member of The Hub Power Company Limited, holder of _____ Ordinary Shares as per Register Folio No. _____ hereby opt for video conference facility at _____
Signature of Member

CDC account holders will further have to follow the undermentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A For attending the Meeting:

- (i) In case of individuals, the account holders or sub account holders whose registration details are uploaded as per the Regulations, shall authenticate his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- (ii) In case of a corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B For appointing Proxies

- (i) In case of individuals, the account holder or sub-account holders whose registration details are uploaded as per the Regulations shall submit the proxy form as per the above requirement.
- (ii) Attested copies of valid CNIC or the passport of the beneficial owners and the Proxy shall be furnished with the Proxy Form.
- (iii) The proxy shall produce his original valid CNIC or original passport at the time of the meeting.
- (iv) In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
- (v) Proxy form must be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the forms.

Pursuant to Section 160 (b) of the Companies Ordinance, 1984, this Statement sets forth the material facts concerning the special business listed hereinabove, to be transacted at the 25th Annual General Meeting of the Company to be held on October 18, 2016.

Statement Pursuant to Section 160 (1)(b) of the Companies Ordinance, 1984

1. Sale and Transfer of Land in Hub, Balochistan

(i) Description, Cost and Book Value Amount and Current Market Price/ Fair Value

The Company's land, measuring 350 acres, is located in Mouza Kund, Hub Tehsil, District Lasbella, Balochistan. The book value amount is Rs.17,750,961. The land would be sold at the value to be determined by the valuer appointed by the Power Purchaser of Hub Plant and the land could be valued at a maximum amount of Rs.1 million per acre.

(ii) Manner of Disposal of Asset

The said land shall be transferred by the Company to CPHGC upon signing a Deed of Conveyance. On receipt of the entire sale consideration for the land from CPHGC, the Company shall repay to WAPDA the amounts received from CPHGC as reimbursement of the tariff component pertaining to the Hub Project land. Since the full amount is being transferred to WAPDA, the transaction may result in a loss to the Company.

(iii) Reasons for Disposal and Benefits to Shareholders

The proposed sale and transfer of land to CPHGC is for the construction, development and operation of 2 x 660 MW coal fired power plant and ancillary jetty and other requisite facilities (Project). Once the abovementioned Project is commercially operational, its contribution in electricity generation will alleviate the energy crisis prevalent in the Country, therefore it is considered that the proposed transfer will be in the best interests of its shareholders. The Company being a shareholder in the Project would derive dividend income from the Project.

2. Amendments In The Articles Of Association Of The Company

To give effect of the Companies (E-Voting) Regulations, 2016, the shareholders' approval is being sought to amend the Articles of Association of the Company to enable e-voting which will give the members option to be part of the decision making in the general meeting of the Company through electronic means.

The directors are not interested, directly or indirectly, in the above business except to the extent of their investment, as has been detailed in the pattern of Shareholding annexed to the Directors' Report.

3. Investment in SECMC

The Government of Sindh (GOS) issued an Information Memorandum dated May 2008 inviting proposals from investors interested in a coal mining project in Thar, Sindh to be dovetailed with a power plant to be set up by investors and Engro Powergen Limited ('Engro') duly submitted its proposal vide its letter dated June 14, 2008. The GOS selected Engro as its partner for the aforementioned coal mining project ("Mining Project").

GOS and Engro entered into a joint venture agreement dated September 8, 2009 to inter alia form a joint venture company to carry out a feasibility study of the Mining Project ("Detailed Mining Feasibility Study") and, if deemed appropriate, to develop the Mining Project. The Company was subsequently incorporated for this purpose with Engro subscribing 60% and the GOS subscribing 40% of its initial share capital. On March 8, 2013, the Economic Coordination Committee of the Federal Cabinet of the Government of Pakistan approved the issuance of a Sovereign Guarantee for the debt of the Company provided that the Government of Sindh owns at least 51% of the issued and paid up capital of the Company. Notwithstanding the same, the GOS has agreed that subject to (unless otherwise agreed by the GOS), Engro (directly or through its Affiliates) retaining shareholding of not less than 26% of the paid up capital of the Company, the management control shall remain with Engro.

In light of the foregoing, the GOS and Engro amended and restated the terms of the joint venture agreement dated September 8, 2009 and entered into an amended and restated joint venture agreement dated January 24, 2014 (the "JVA").

Statement Pursuant to Section 160 (1)(b) of the Companies Ordinance, 1984

The Detailed Mining Feasibility Study has now been completed and, subject to the terms and requirements of the JVA, the GOS and Engro have decided to proceed with implementing the Mining Project. The GOS and Engro realize and understand that implementation of the Mining Project can only start once the Power Project has also achieved financial close, as sale of the coal produced by the Mining Project has to be ensured.

GOS has indicated in its agreement that, for the purposes of the JVA, Thal Limited ('Thal'), Hubco, Habib Bank Limited ('HBL') and China Machinery Engineering Corporation ('CMEC') shall be deemed and accepted as "Affiliates" (as defined in the JVA) of Engro. Accordingly, Thal, Hubco and HBL have acceded to the JVA by executing a Deed of Adherence, whereby for the purposes of the JVA, Thal, Hubco and HBL are each an "Affiliate" of Engro. CMEC shall also accede to the JVA by executing a Deed of Adherence and for the purpose of the JVA shall be an "Affiliate" of Engro.

Engro, Thal, HBL, Hubco and a wholly owned subsidiary of CMEC entered into a Master Shareholders Agreement on August 17, 2015 whereby, Hubco has agreed to invest the equivalent of USD 20 million (including the subscription of Rs.605 million already invested) at or soon after Financial Close or at such later time or times as required by the Financing Agreements at a share price of Rs.14.82 per share. The Company has already obtained its members approval in the Company's Annual General Meeting of October 5, 2015 and EOGM dated January 14, 2016 for making an investment in SECMC of an amount not exceeding USD 20 million ((in equivalent Pakistan Rupees) including Rs.605 million already invested) by way of subscription of shares at the rate of Rs.14.82 per share. The members of the Company have also approved the provision of a standby letter of credit to cover for the equity investment of USD 20 million less Rs.605 million already invested.

In the event of any cost overrun in the development of the Mining Project after Financial Close, the Sponsors (namely, GOS, Engro, Thal, Hubco, HBL, and CMEC), pursuant to the Sponsor Support Agreement to be entered into, agree to provide funding for the purposes of cost overrun to SECMC as requested by SECMC or the Inter creditor Agent, if at any time prior to the Project Completion Date, there is funding shortfall. Each Sponsor is obligated to pay the cost overrun amount in cash, by way of subscription of SECMC shares or at the option of the Sponsors collectively, by way of a subordinated debt to SECMC. During the last Annual General Meeting of October 5, 2015, the Company had sought approval from its members for provision of bank guarantee to cover for the cost overrun of upto USD 4 million, however, the obligation of the Company under the Sponsor Support Agreement is changed to a contractual obligation to make available, if required, a monetary amount equal to the Cost Overrun Support Request from SECMC. The obligation of the Company to provide cost overrun support shall be released in full, upon the Project Completion Date. The aforementioned approval was taken at the EOGM held on January 14, 2016.

As for Payment Service Reserve Account ('PSRA') on the Initial PSRA Test Date, being the date falling one month prior to the First Repayment Date, if there is an Initial PSRA Shortfall, each Sponsor shall procure and issue a PSRA Letter of Credit (LC) in proportion to its shareholding of Ordinary shares in SECMC. The PSRA Shortfall is the amount of one repayment instalment less the amount available in the PSRA and can therefore be upto the amount of one repayment installment of all the finances obtained by SECMC. That amount can also vary, depending on the then prevailing LIBOR/KIBOR rate, so the estimation is that, Hubco's share will not exceed USD 6 million, though it can be slightly higher or lower. Upon a demand being made for payment under the PSRA LC and receiving such payment, the said amount may be treated as equity or at the option of the Sponsors collectively, subordinated debt advanced in favor of SECMC in an amount equal to such portion of the PSRA LC that is called upon.

To secure SECMC's debt, the Company will also pledge its shares in SECMC with the lenders of the Company.

The Mining Project is anticipated to reach completion and achieve commercial operation by end of fourth quarter of 2018. The expected return is 20% in IRR terms. The expected equity investment in the Mining Project is approximately USD 211 million, of which majority investment in Ordinary shares is to be made by GOS, while the balance is to be invested by Engro, HBL, Hubco, Thal, CMEC (or its subsidiary) and CPI Mengdong (through its subsidiary Huolinhe subscribing to USD 10 million worth of preference shares).

The Company had previously sought approval from its shareholders in an EOGM held on January 14, 2016 where approval was sought for investment through self-generated funds. Now the Company has decided to take long term financing to fund its investments in various projects including SECMC. Provision for providing the Cost Overrun Support and the PSRA LC would remain the same as approved by the Shareholders in the EOGM held on January 14, 2016.

Section 3 (a) Investment in Associated Companies

S. No.	Description	Information Required
(i)	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established;	Sindh Engro Coal Mine Company (SECMC). Hubco's CEO is on the board of SECMC.
(ii)	Purpose, benefits and period of investment;	Develop a coal mine of 3.8 million tons per annum to be expanded over time to 7 million tons per annum. Initial output is expected before the end of 2018. Investment in SECMC is anticipated to generate a return of 20% in IRR terms.
(iii)	Maximum amount of investment;	Each Sponsor is obligated to pay the cost overrun amount in cash, by way of subscription of SECMC shares or at the option of the Sponsors collectively, by way of a subordinated debt to SECMC. In case of investment by way of subscription of SECMC shares, for an amount not exceeding USD 4 million (in equivalent Pakistan Rupees) converted at the date of subscription.
(iv)	Maximum price at which securities will be acquired;	Rs.14.82 per share.
(v)	Maximum number of securities to be acquired;	Number of securities would be determined by converting the value of the cost overrun support requested into rupees on the date of subscription and dividing the same by Rs.14.82.
(vi)	Number of securities and percentage thereof held before and after the proposed investment;	The Company has already been allotted 40,828,519 ordinary shares and has undertaken to invest USD 20 million (less Rs. 605 million already invested). The number of securities would be determined based on the conversion on the date of subscription. In terms of cost overrun, the number of securities will depend on the cost overrun support required by SECMC, if it is decided that the investment shall be made by way of subscription in shares and will be subject
		to conversion as stated above. However, in all cases, the Company's percentage ownership of SECMC's ordinary shares is to be at approximately 8%.

Statement Pursuant to Section 160 (1)(b) of the Companies Ordinance, 1984

(vii)	In case of investment in listed securities, average of the proceeding twelve weekly average price of the security intended to be acquired;	N/A								
(viii)	In case of investment in unlisted securities, fair market value of such securities determined in terms of Regulation 6(1);	Rs.14.82 per share being latest offer price.								
(ix)	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements;	Rs.13.91 per share as of December 31, 2015								
(x)	Earning per share of the associated company or associated undertaking for the last three years;	<table border="1"> <thead> <tr> <th>Year</th> <th>Earnings/ (Loss) per share</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>0.13</td> </tr> <tr> <td>2014</td> <td>0.30</td> </tr> <tr> <td>2013</td> <td>(0.27)</td> </tr> </tbody> </table>	Year	Earnings/ (Loss) per share	2015	0.13	2014	0.30	2013	(0.27)
Year	Earnings/ (Loss) per share									
2015	0.13									
2014	0.30									
2013	(0.27)									
(xi)	Sources of fund from which securities will be acquired;	Long term debt								
(xii)	<p>Where the securities are intended to be acquired using borrowed funds:</p> <p>(I) justification for investment through borrowings; and</p> <p>(II) detail of guarantees and assets pledged for obtaining such funds;</p>	<p>(I) The Company will earn a higher return on its investment than the cost of the borrowing while also increasing the assets of the Company by setting up SECMC's project.</p> <p>(II) (i) 1st pari passu hypothecation charge over all fixed and current assets (current and future) of the Company including stocks and book debts, with a 25% margin.</p> <p>(ii) 1st pari passu equitable (exclusive) mortgage over the unencumbered Company rights in immovable property, with a 25% margin.</p> <p>(iii) Any other security as may be agreed between the Company and the Lenders.</p>								
(xiii)	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment;	Shareholders' Agreement provides for Hubco to nominate a Director on the Board of SECMC. Need to hold minimum of 6% in the SECMC post Financial Close to retain directorship.								
(xiv)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	The Company and its nominee director in SECMC have no interest in the investment except for the value of the shares they hold / would hold in SECMC.								
(xv)	any other important details necessary for the members to understand the transaction; and	None.								

<p>(xvi)</p>	<p>In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely,-</p> <ul style="list-style-type: none"> (I) description of the project and its history since conceptualization; (II) starting and expected dated of completion of work; (III) time by which such project shall become commercially operational; and (IV) expected time by which the project shall start paying return on investment; 	<p>The GoS issued an Information Memorandum dated May, 2008 inviting proposals from investors interested in a coal mining project in Thar, Sindh to be dovetailed with a power plant to be set up by investors and Engro duly submitted its proposal by its letter dated June 14, 2008.</p> <p>The GoS selected Engro as its partner for the aforementioned coal mining project ("Mining Project") by its letter No. SO(TECH) M&MD/8-55/08/2512 dated June 9, 2009.</p> <p>GoS and Engro entered into a joint venture agreement dated September 08, 2009 to inter alia form a joint venture company to carry out a feasibility study of the Mining Project ("Detailed Mining Feasibility Study") and if deemed appropriate, to develop the Mining Project. The Company was subsequently incorporated for this purpose with Engro subscribing 60% and the GoS subscribing 40% of its initial share capital.</p> <p>On March 08, 2013 the Economic Coordination Committee of the Federal Cabinet of the Government of Pakistan approved the issuance of a Sovereign Guarantee for the debt of the Company provided that the Government of Sindh owns at least 51% of the issued and paid up capital of the Company. Notwithstanding the same, the GoS has agreed that subject to (unless otherwise agreed by the GoS) Engro (directly or through its Affiliates) retaining shareholding of not less than 26% of the paid up capital of the Company, the management control shall remain with Engro.</p> <p>In light of the foregoing (including for the purpose of addressing certain consequential matters), the GoS and Engro amended and restated the terms of the joint venture agreement dated September 08, 2009 and entered into an amended and restated joint venture agreement dated January 24, 2014 (the "JVA"). This agreement was further amended by way of a document titled Amendment No. 1 to the Amended and Restated Joint Venture Agreement dated</p>
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Statement Pursuant to Section 160 (1)(b) of the Companies Ordinance, 1984

		<p>November 11, 2014. Such amended and Restated Joint Venture Agreement, as further amended is hereinafter collectively referred to as the “JVA”.</p> <p>Pursuant to the Shareholders’ Agreement dated July 21, 2014 between Engro Powergen Limited (EPL), Thal Limited (TL) and the Company, the parties agreed to make investments in Sindh Engro Coal Mining Company Limited (SECMC).</p> <p>Subsequently, Habib Bank Limited (HBL) and China Everbest Development International Limited (CEDIL) were inducted as investors. Accordingly, a Shareholders’ Agreement (‘SHA’) was entered into on August 17, 2015 between the Company, EPL, TL, HBL, and CEDIL, which terminated and substituted the previous shareholders’ agreement dated July 21, 2014.</p> <p>The Detailed Mining Feasibility Study has now been completed and subject to the terms and requirements of the JVA, the GoS and Engro Powergen Limited have decided to proceed with implementing the Mining Project. On April 04, 2016, SECMC achieved Financial Close.</p> <p>Expected starting date: November 2015.</p> <p>Expected completion date and the like date to achieve commercial operation: Fourth quarter 2018.</p> <p>Expected return 20% in IRR terms.</p> <p>Expected equity investment in the project likely to be USD250 million of which GOS to take up 51%, while the balance to be invested by other shareholders listed above.</p>
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Section 3 (b) Investment in Associated Companies

S. No.	Description	Information Required
(i)	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established;	Sindh Engro Coal Mine Company (SECMC). Hubco's CEO is on the board of SECMC.
(ii)	Amount of loans or advances;	Each Sponsor is obligated to pay the cost overrun amount in cash, by way of subscription of SECMC shares or at the option of the Sponsors collectively, by way of a subordinated debt to SECMC. In case of a subordinated debt to SECMC, for an amount not exceeding USD 4 million (in equivalent Pakistan Rupees).
(iii)	Purpose of loans or advances and benefits likely to accrue to the investing company and its members from such loans or advances;	Develop a coal mine of 3.8 million tons per annum to be expanded over time to 7 million tons per annum. Initial output is expected in fourth quarter of 2018. Investment in SECMC which on completion is to generate return of 20% in IRR terms.
(iv)	In case any loan has already been granted to the said associated company or associated undertaking, the complete details thereof;	No loan has been granted.
(v)	Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements;	As at December 31, 2015 (amount in thousands): Total Assets : Rs.4,285,029 Equity : Rs.4,027,511 Liabilities : Rs.257,518 Profit for the year : Rs.38,842
(vi)	Average borrowing cost of the investing company or in case of absence of borrowing Karachi Inter Bank Offered Rate for the relevant period;	3 month KIBOR plus 0.3%.
(vii)	Rate of interest, mark up, profit, fees or commission etc. to be charged;	Higher than the markup payable by the Company on its borrowing of like or similar maturities at the time of disbursement.
(viii)	Sources of funds from where loans or advances will be given;	Through long term financing facilities.

Statement Pursuant to Section 160 (1)(b) of the Companies Ordinance, 1984

(ix)	<p>Where loans or advances are being granted using borrowed funds,-</p> <p>(I) justification for granting loan or advance out of borrowed funds;</p> <p>(II) detail of guarantees / assets pledged for obtaining such funds, if any; and</p> <p>(III) repayment schedules of borrowing of the investing company;</p>	<p>(I) The Company will earn a higher return on its investment than the cost of the borrowing while also increasing the assets of the Company by setting up SECMC's project.</p> <p>(II) (i) 1st pari passu hypothecation charge over all fixed and current assets (current and future) of the Company including stocks and book debts, with a 25% margin.</p> <p>(ii) 1st pari passu equitable (exclusive) mortgage over the unencumbered Company rights in immovable property, with a 25% margin.</p> <p>(iii) Any other security as may be agreed between the Company and the Lenders.</p> <p>(III) 4.5 years grace + repayment in 5.5 years.</p>
(x)	<p>Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any;</p>	<p>No loan, other than if the Company decides to provide the Cost over-run Support and PSRA LC as subordinated debt for which the details have been provided earlier.</p>
(xi)	<p>If the loans or advances carry conversion feature i.e. it is convertible into securities, this fact along with complete detail including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable;</p>	<p>N/A</p>
(xii)	<p>Repayment schedule and terms of loans or advances to be given to the investee company;</p>	<p>No loan other than if the Company decides to provide the Cost over-run Support and PSRA LC as subordinated debt for which the details have been provided earlier.</p>

(xiii)	Salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment;	Master Shareholders' Agreement has been executed. Sponsor Support Agreement entered into and Letter of Credit to cover for the Initial Payment Service Reserve Account Shortfall has been provided for in accordance with the SHA.
(xiv)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	The Company and its nominee director in SECMC have no interest in the investment except for the value of the shares they hold/ would hold in SECMC.
(xv)	any other important details necessary for the members to understand the transaction; and	None
(xvi)	<p>In case of investment in a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information is required, namely:-</p> <p>(I) a description of the project and its history since conceptualization;</p> <p>(II) starting date and expected date of completion;</p> <p>(III) time by which such project shall become commercially operational;</p> <p>(IV) expected return on total capital employed in the project; and</p> <p>(V) funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts;</p>	<p>The GoS issued an Information Memorandum dated May 2008 inviting proposals from investors interested in a coal mining project in Thar, Sindh to be dovetailed with a power plant to be set up by investors and Engro duly submitted its proposal by its letter dated June 14, 2008.</p> <p>The GoS selected Engro as its partner for the aforementioned coal mining project ("Mining Project") by its letter No. SO(TECH) M&MD/8-55/08/2512 dated June 9, 2009.</p> <p>GoS and Engro entered into a joint venture agreement dated 8 September 2009 to inter alia form a joint venture company to carry out a feasibility study of the Mining Project ("Detailed Mining Feasibility Study") and if deemed appropriate, to develop the Mining Project. The Company was subsequently incorporated for this purpose with Engro subscribing to 60% and the GoS, 40% of its initial share capital.</p> <p>On March 08, 2013 the Economic Coordination Committee of the Federal Cabinet of the Government of Pakistan approved the issuance of a Sovereign Guarantee for the debt of the Company provided that the Government of Sindh owns at least 51% of the issued and paid up capital of the Company. Notwithstanding the same, the GoS has agreed that retaining shareholding of not less than 26% of the paid up capital of the Company, the management control shall remain with Engro.</p> <p>In light of the foregoing (including for the purpose of addressing certain consequential matters), the GoS and Engro amended and restated the terms of the joint venture agreement dated September 08, 2009 and entered into an amended and restated</p>

Statement Pursuant to Section 160 (1)(b) of the Companies Ordinance, 1984

		<p>joint venture agreement dated January 24, 2014 (the "JVA"). This agreement was further amended by way of a document titled Amendment No. 1 to the Amended and Restated Joint Venture Agreement dated November 11, 2014. Such amended and restated joint venture agreement, as further amended is hereinafter collectively referred to as the "JVA".</p> <p>Pursuant to the Shareholders' Agreement dated July 21, 2014 between Engro Powergen Limited (EPL), Thal Limited (TL) and the Company, the parties agreed to make investments in Sindh Engro Coal Mining Company Limited (SECMC). Subsequently, Habib Bank Limited (HBL) and China Everbest Development International Limited (CEDIL) were inducted as investors. Accordingly, a Shareholders' Agreement ('SHA') was entered into on August 17, 2015 between the Company, EPL, TL, HBL, and CEDIL, which terminated and substituted the previous shareholders' agreement dated July 21, 2014.</p> <p>The Detailed Mining Feasibility Study has now been completed and, subject to the terms and requirements of the JVA, the GoS and Engro Powergen Limited have decided to proceed with implementing the Mining Project. On April 04, 2016, SECMC achieved Financial Close.</p> <p>Expected starting date: November 2015.</p> <p>Expected completion date and the like date to achieve commercial operation: Fourth quarter 2018.</p> <p>Expected return 20% in IRR terms.</p> <p>Expected equity investment in the project likely to be USD 250 million of which GOS to take up 51%, while the balance to be invested by other shareholders listed above.</p>
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Note:

Shareholders' approval obtained with regards to the Cost Over-Run Support and the PSRA LC would remain the same as obtained in the EOGM of January 14, 2016

4. Transmission of Annual Accounts:

To give effect to the notification S.R.O 470(I)2016 dated May 31, 2016 of the Securities and Exchange Commission of Pakistan ("SECP"), shareholder's approval is being sought to allow the Company to circulate its Annual Report through CD/DVD/USB to all members. The Company, however, shall place on its website a standard Request Form to enable those members requiring a hard copy of the Annual Report instead of through CD/DVD/USB, to intimate the Company of their requirement.

CEO's Contract

TO: ALL MEMBERS OF THE COMPANY

Dear Sir/Madam,

RE-APPOINTMENT OF CHIEF EXECUTIVE

This is to advise you that the Board of Directors has re-appointed Mr. Khalid Mansoor as Chief Executive of the Company commencing from May 20, 2016 on the following terms and conditions, subject to such increments/adjustments and payments under the Variable Pay Plan of the Company, if any, as shall be applicable in his case. The remaining terms and conditions will remain unchanged.

	<u>Rupees Per Year</u>
Managerial remuneration	71.30 million

Mr. Khalid Mansoor shall also be entitled to receive other benefits as per the Company Policy or as may be decided by the Board.

This letter is being sent to you in compliance with the provisions of Section 218 of the Companies Ordinance, 1984.

Kind regards,

Shamsul Islam
Company Secretary

www.jamapunji.pk








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Proxy Form

The Company Secretary,
The Hub Power Company Limited,
11th Floor, Ocean Tower, Block 9, Main Clifton Road, P.O. Box No. 13841, Karachi-75600.

I/We _____ of _____ being a member of THE HUB POWER COMPANY LIMITED and holder of _____ Ordinary Shares as per the Share Register Folio No. _____ and/or CDC Participant ID No. _____ and Account / Sub-Account No. _____ hereby appoint _____ of _____ or failing him/her _____ as my/our proxy to vote for me & on my/our behalf at the 25th Annual General Meeting of the Company to be held at Marriott Hotel, Karachi on October 18, 2016 at 10:30 am and at any adjournment thereof.

Signature of Shareholder
Folio / CDC No.

Signature on
Revenue Stamp
of Rs. 5/.

Witnesses:

(1) Signature _____	(2) Signature _____
Name _____	Name _____
Address _____	Address _____
CNIC / Passport No. _____	CNIC / Passport No. _____

Notes:

- 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.
- If a member is unable to attend the meeting, they may complete and sign this form and send it to the Company Secretary, The Hub Power Company Limited, Head Office at 11th Floor, Ocean Tower, Block 9, Main Clifton Road, Karachi-75600 so as to reach not less than 48 hours before the time appointed for holding the Meeting.
- **For CDC Account Holders / Corporate Entities**

In addition to the above the following requirements have to be met.

- The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be stated on the form.
- Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
- The proxy shall produce his original CNIC or original passport at the time of the meeting. In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.



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The Company Secretary,
The Hub Power Company Limited,
11th Floor, Ocean Tower, Block 9,
Main Clifton Road, P.O. Box No. 13841,
Karachi-75600.

تشکیل نیابت داری

جناب کمپنی سیکریٹری

دی حب پاور کمپنی لمیٹڈ

11 فلور، اوٹین ناور، بلاک 9، مین کلغٹن روڈ، پی او بکس نمبر 13841، کراچی-75600

میں / ہم

ساکن _____ بحیثیت دی حب پاور کمپنی لمیٹڈ کے رکن و حامل

عام حصص بمطابق شیئر رجسٹرڈ فولیو نمبر _____ اور / یا سی ڈی سی کے شراکتی آئی ڈی نمبر _____

اور ذیلی کھاتہ نمبر _____ محترم / محترمہ _____

ساکن _____ یا بصورت دیگر محترم / محترمہ _____

ساکن _____ کو اپنی جگہ بروز منگل مورخہ 18 اکتوبر 2016 بوقت 10:30 بجے صبح بمقام میرینٹ

ہوٹل، کراچی میں منعقد یا ملتوی ہونے والے سالانہ اجلاس عام میں رائے دہندگی کے لیے اپنا نمائندہ مقرر کرتا / کرتی ہوں۔

گواہ:

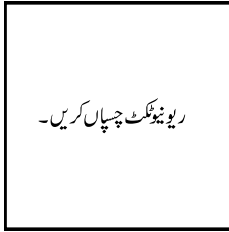
1

دستخط _____

نام _____

پتہ _____

سی این آئی سی یا پاسپورٹ نمبر _____



ریونیٹنگ چپاں کریں۔

دستخط _____

(دستخط کمپنی میں پہلے سے موجود نمونہ

کے مطابق ہونے چاہئے)

2

دستخط _____

نام _____

پتہ _____

سی این آئی سی یا پاسپورٹ نمبر _____

نوٹ: نیابت داروں کے موثر ہونے کے لیے ضروری ہے کہ ان کی تفصیل اجلاس شروع ہونے سے 48 گھنٹے قبل کمپنی کو موصول ہو جائے۔

سی ڈی سی شیئر ہولڈرز اور ان کے نیابت داروں سے گزارش ہے کہ وہ اپنے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ فوٹوکاپی کمپنی کو پیش کرنے سے قبل اس پراسی فارم کے ساتھ منسلک کریں۔



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The Company Secretary,
The Hub Power Company Limited,
11th Floor, Ocean Tower, Block 9,
Main Clifton Road, P.O. Box No. 13841,
Karachi-75600.



The Hub Power Company Limited
11th Floor, Ocean Tower, G-3, Block 9,
Main Clifton Road, P.O. Box No. 13841,
Karachi-75600.