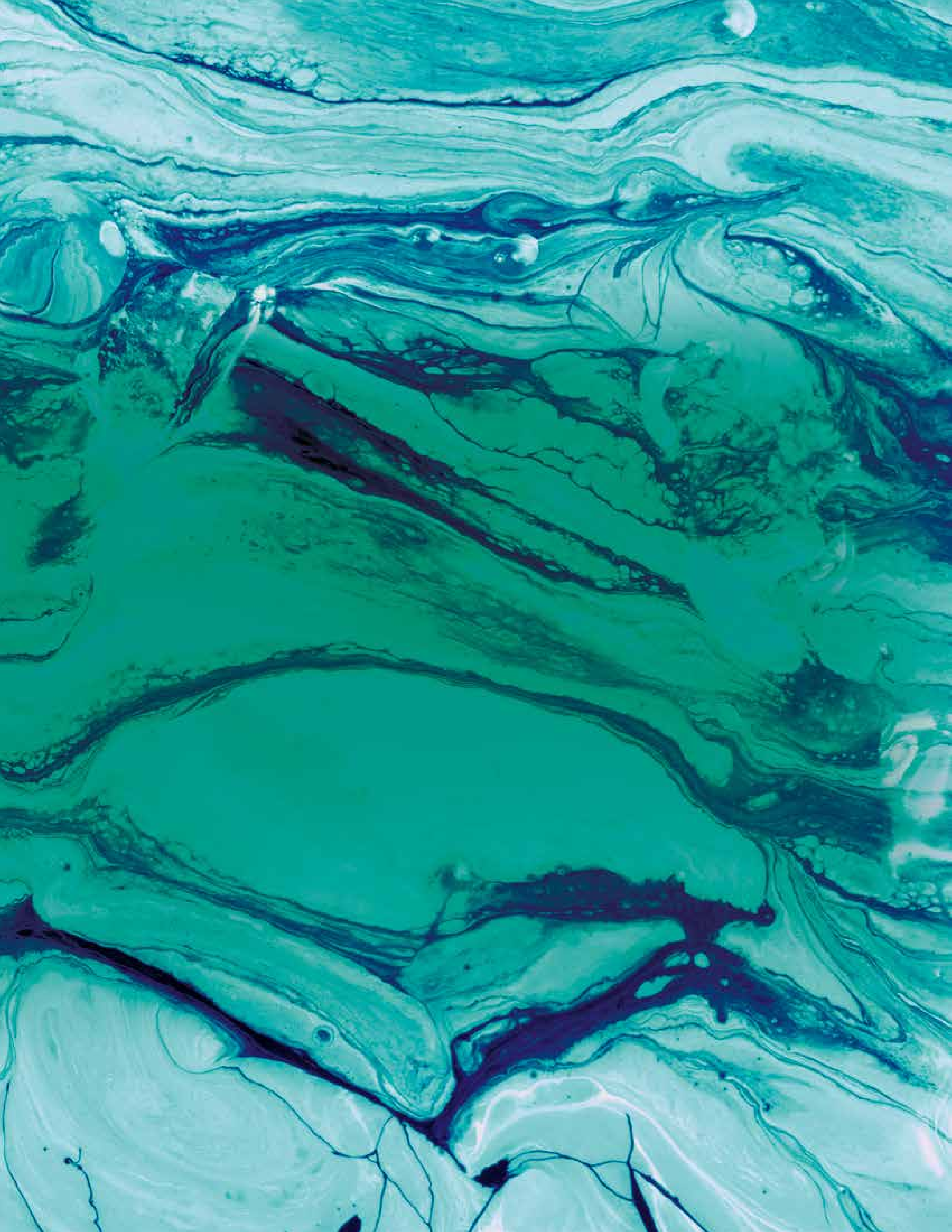
HUBCO

A STELLAR VISION

ANNUAL REPORT 2018

COVER **STORY**

It is said that dreams are more powerful than facts. For Hubco a path from dreams to success exists because we have the courage and perseverance to follow where the trail may lead. Our quest is to fuel lives with energy, with a stellar vision, a finer spirit of hope and achievement, ensuring a brighter future shines ahead.



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FINANCIAL PERFORMANCE

UNCONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Since 1997 Hubco has been the leading and largest IPP of Pakistan, supplying reliable power to millions of households and setting the highest international standards of safety and environment. With our vision and mission statement, we strive to be at the forefront of economic and social transformation in Pakistan by providing reliable and affordable energy to our people.

Energy is the foundation of economic prosperity and therefore, we believe that energy fuels life:

VISION

"FUELING LIVES THROUGH ENERGY"

MISSION

TO BE A GROWTH-ORIENTED COMPANY RECOGNIZED FOR INTERNATIONAL STANDARDS IN SAFETY AND ENVIRONMENT IN PROVIDING RELIABLE AND AFFORDABLE ENERGY; SERVING THE COUNTRY, ITS STAKEHOLDERS AND LOCAL COMMUNITY AS A RESPONSIBLE CORPORATE CITIZEN

CORE VALUES

PASSION

OWNERSHIP

WINNING

ENJOYMENT

RENEWAL

COMPANY **PROFILE**

As Pakistan's first independent power producer, we have a combined power generation capacity of over 1600 MW. Our flagship RFO-fired thermal Plant, situated at Mouza Kund, Hub in Baluchistan, supplies net 1292MW of reliable and uninterrupted electricity to the National grid. Our second plant at Narowal is an RFO-fired, engine based, combined cycle power station with an installed capacity of 225MW. Additionally, the Company holds 75% controlling interest in Laraib Energy Limited which owns and operates a run-off-the-river 84MW hydel power plant near the New Bong Escape, 8 km downstream of Mangla Dam in Azad Jammu and Kashmir.

We are the only power producer in Pakistan with interests in three projects listed in the China Pakistan Economic Corridor (CPEC), namely imported coal-based China Power Hub Generation Company (Private) Limited (CPHGC) at Hub, Sindh Engro Coal Mining Company Limited (SECMC) developing Block II of Thar Coal Field and Thar Energy Limited (TEL), a coal-based 330MW power plant.

LATEST HIGHLIGHTS ABOUT **THE COMPANY WITH**

CAPACITY	1601 MW
REVENUE	99,999 PKR IN MILLION
PHILANTHROPY	102 PKR IN MILLION
CPEC AFFILIATION	2 X 660MW CPHGC PROJECT 1 X 330MW TEL PROJECT SECMC
O&M OF 3 PLANTS	1292MW HUB PLANT 225MW NAROWAL PLANT 84MW LARAIB PLANT

GROUP **STRUCTURE**

THE HUB POWER COMPANY LIMITED

SUBSIDIARIES

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

ASSOCIATES

- China Power Hub Generation Company (Pvt.) Ltd.

OTHERS

- Sindh Engro Coal Mining Company Limited

BUSINESS **STRATEGY**

With an aggressive growth plan and a focus on increasing the shareholder value, we have remained committed to promoting the long-term development of Pakistan and become an IWPP by pursuing and capitalizing opportunities in domain of Water & Power portfolio.

The strategy is not just to aim for maximization of profit but also to ensure that the local communities, our partners and other stakeholders also benefit from our prosperity by investing 1% of PAT on projects of socio-economic development.
In the years to come, our business strategy will be focused on:

- Increasing reliability and sustainability of our base business
- Large scale water desalination & purification projects
- Waste to Energy to Water solutions
- On-grid and off-grid solar PV solutions
- Greenfield projects and acquisitions in Wind
- 50MW Waste to Energy project is in progress
- Medium scale Hydro project development and acquisition
- Strategic onshore and offshore acquisitions of thermal power plants
- Capitalizing on in-house technical expertise to provide cost effective O&M services to onshore & offshore plants in JV structure with General Electric (GE), USA
- Aligning our HSE systems with the best of the international practices
- Strengthening our team by attracting, hiring and retaining competent and experienced professionals

SWOT **ANALYSIS**

STRENGTHS

1. Growing demand
2. Strategic coastal location
3. Proven track record
4. Pioneer & one of the largest IPP

OPPORTUNITIES

1. Growth synergies
2. Plant efficiency improvements
3. To Be the "Hub of Power"
4. Government focus on solving power crisis
5. Prospects for waste-to-energy-to-water solutions
6. Offshore O&M prospects

WEAKNESSES

1. Cashflow constraints
2. Expensive fuel
3. Low demand for RFO plants

THREATS

1. Circular debt
2. Political risks
3. Delays in projects
4. Delay in development of distribution network

COMPANY **INFORMATION**

BOARD OF DIRECTORS

Mr. M. Habibullah Khan	**Chairman**
Mr. Khalid Mansoor	**Chief Executive**
Ms. Aleeya Khan	
Mr. Aly Khan	
Mr. Andalib Alavi	
Mr. Iqbal Alimohamed	
Mr. Javed Akbar	
Mr. Manzoor Ahmed	
Mr. Muhammad Ejaz Sanjrani	**GOB Nominee**
Mr. Muhammad Waseem Mukhtar	
Mr. Owais Shahid	
Mr. Qaiser Javed	
Mr. Shafiuddin Ghani Khan	
Mr. Tabish Gauhar	

AUDIT COMMITTEE

Mr. Manzoor Ahmed
Mr. Andalib Alavi
Mr. Iqbal Alimohamed
Mr. Aly Khan
Mr. Qaiser Javed
Mr. Owais Shahid

COMPANY SECRETARY

Mr. Shaharyar Nashat

MANAGEMENT COMMITTEE

Mr. Khalid Mansoor
Mr. Tahir Jawaid
Mr. Saleemullah Memon
Mr. Kamran Kamal
Mr. Abdul Nasir
Mr. Nazoor Baig
Mr. M. Inam Ur Rehman Siddiqui
Mr. Farrukh Rasheed

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
Albaraka 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
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Pak Brunei Investment Company Limited
Pak China Investment Company Limited
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
MCB Bank Limited

LEGAL ADVISOR

RIAA Barker Gillette

AUDITORS

EY Ford Rhodes, Chartered Accountants

REGISTRAR

FAMCO Associates (Pvt) Ltd.

HUB PLANT

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

NAROWAL PLANT

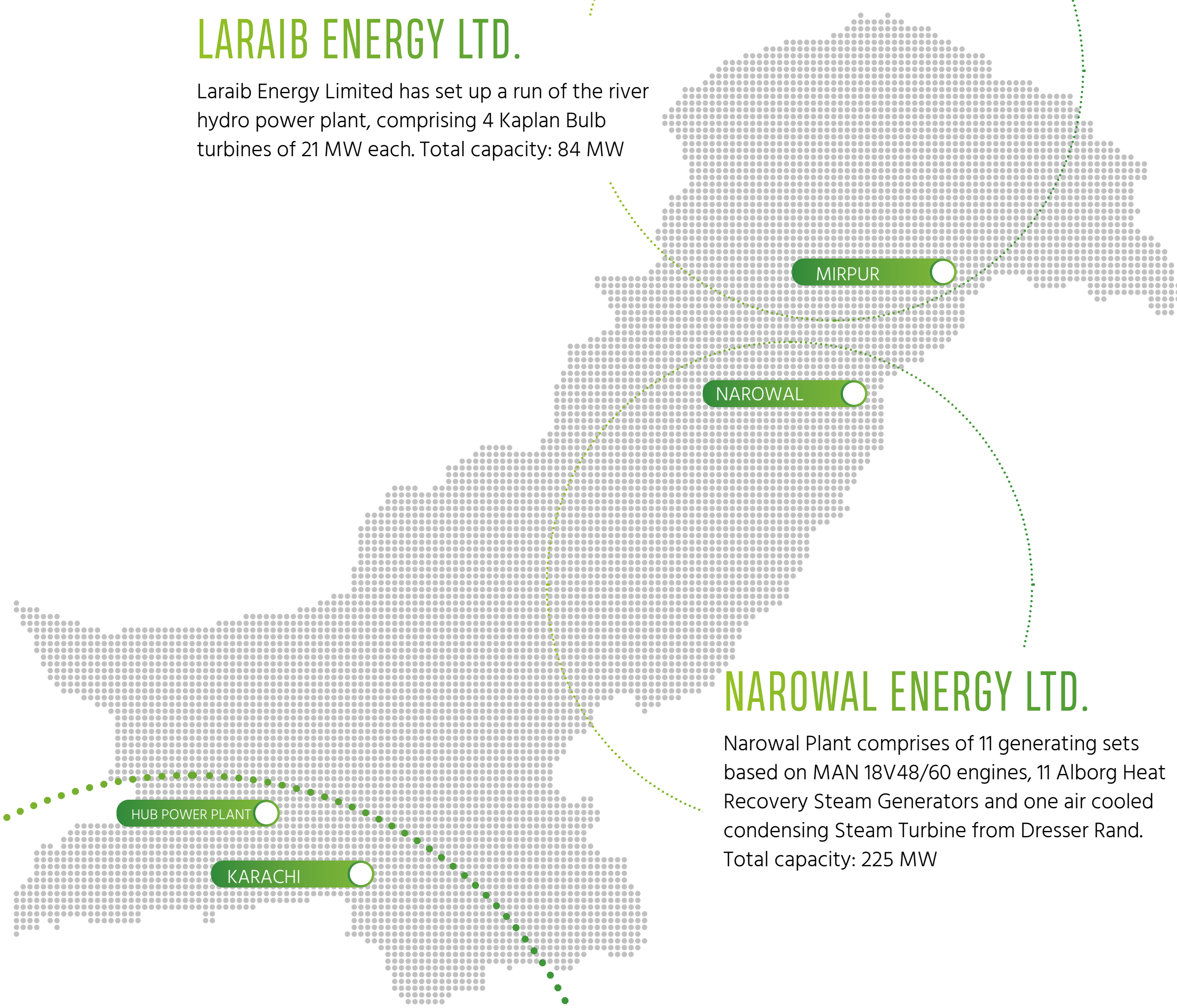
Hubco Narowal Project, Mouza Poong,
5 Km from Luban Pulli Point On Mureedkay-Narowal Road,
District Narowal, Punjab

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 ENERGY LTD.

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

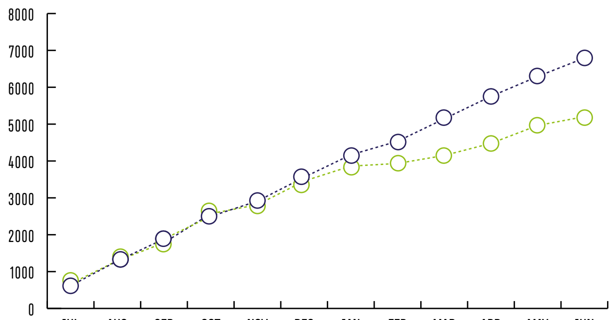
HUB POWER PLANT

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**

HUB PLANT GENERATION

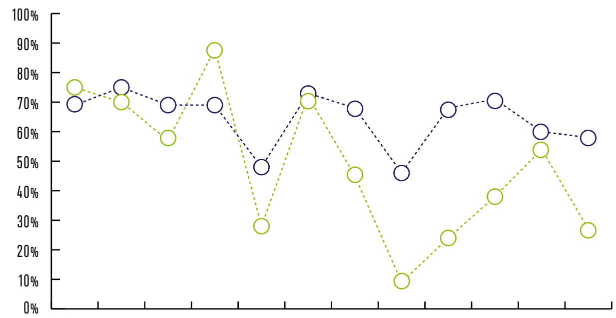
2016-17 2017-18



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
2016-17	614	1288	1885	2498	2912	3559	4168	4535	5144	5754	6292	6793
2017-18	670	1294	1783	2571	2814	3457	3861	3933	4150	4478	4964	5201

HUB PLANT LOAD FACTOR

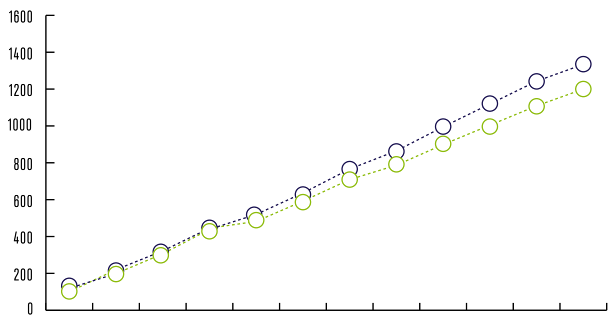
2016-17 2017-18



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
2016-17	69%	75%	69%	69%	48%	73%	68%	46%	68%	71%	60%	58%
2017-18	75%	70%	57%	88%	28%	72%	45%	9%	24%	38%	54%	27%

NAROWAL PLANT GENERATION

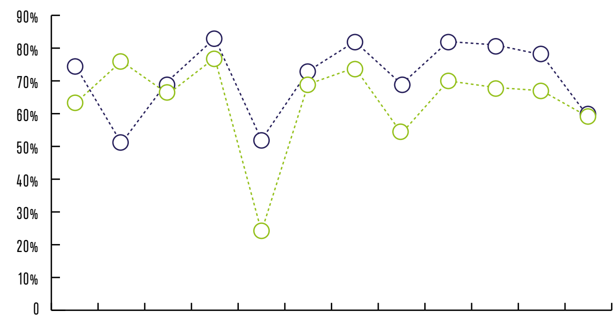
2016-17 2017-18



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
2016-17	119	199	306	439	520	636	766	865	995	1119	1243	1334
2017-18	100	220	322	445	482	592	709	787	899	1004	1109	1200

NAROWAL PLANT LOAD FACTOR

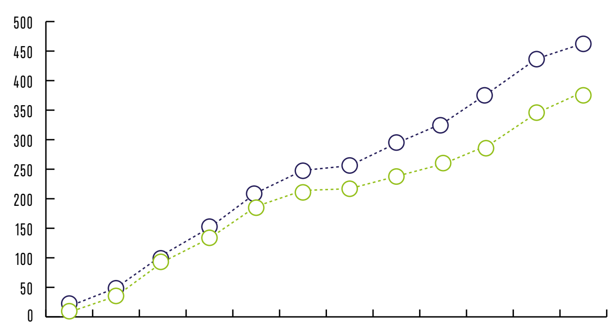
2016-17 2017-18



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
2016-17	75%	51%	70%	83%	52%	73%	82%	69%	82%	81%	78%	59%
2017-18	63%	76%	66%	77%	24%	69%	74%	54%	70%	68%	67%	59%

LARAIB (NBE) POWER COMPLEX GENERATION

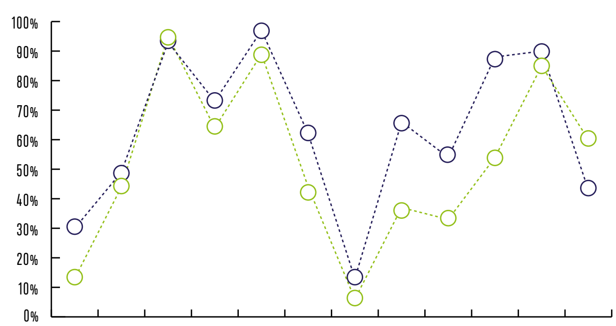
2016-17 2017-18



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
2016-17	18	49	105	151	210	248	256	294	328	381	437	463
2017-18	8	35	93	133	187	214	217	238	259	292	345	381

LARAIB (NBE) POWER COMPLEX LOAD FACTOR

2016-17 2017-18



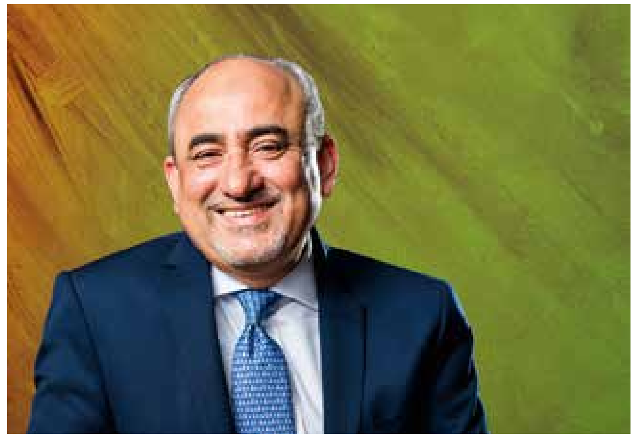
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
2016-17	30%	49%	93%	73%	97%	62%	13%	66%	54%	88%	90%	43%
2017-18	13%	44%	95%	64%	89%	44%	6%	37%	33%	54%	85%	60%

BOARD & **LEADERSHIP**

MR. M. HABIBULLAH KHAN
CHAIRMAN

Mr. M. Habibullah Khan is the Founder and Chairman of Mega Conglomerate – Mega & Forbes Group of Companies (Mega Group – MFG), a diversified conglomerate with business holdings including the country's largest container terminal, third largest dairy producer, top tier cement manufacturing company, vertically integrated shipping company and most progressive real-estate developer responsible for the only L.E.E.D. certified commercial building in Pakistan.

Through over three decades of active patronage and participation in social and environmental welfare, he has also become strongly associated with various charitable causes; recently donating a building for visiting professors at the Institute of Business Administration in Karachi.



MR. KHALID MANSOOR

Mr. Khalid Mansoor is a Graduate in Chemical Engineering with distinction and honors. He has been the Chief Executive Officer of Hubco, the first and largest Independent Power Producer (IPP) in Pakistan, since May 20, 2013. The Company generates approximately 10% of the Country's electricity and is the leading private sector player in evading the energy crisis faced by Pakistan. After becoming the CEO of Hubco in May 2013, he has transformed the Company and has initiated growth initiatives with Projects worth over US$ 3.5 billion under execution.

He is also Chairman of the Boards of Laraib Energy Limited, Narowal Energy Limited, Hub Power Services Limited and CEO of Hub Power Holding Limited. He is also a Director of Thar Energy Limited.

He was the President of the Overseas Investors Chamber of Commerce & Industry (OICCI) for the term 2017.

He held the position of CEO of Algeria Oman Fertilizer Company (AOA) where he was responsible for setting up the world's largest Ammonia and Urea Fertilizer Complex.

He has been the CEO of various Companies of the Engro Group and he has been a Director on the Boards of various Engro Group Companies and Sui Northern Gas Pipeline Limited.

He has over 38 years of experience in Energy and Petrochemical Sectors in leading roles for mega size projects development, execution, management and operations.

MS. ALEEYA KHAN

Ms. Aleeya Khan holds an M. Arch. Graduate Degree from Columbia University and an Undergraduate Honors B. Arts in Urban Design & Architecture from New York University. During her time at university she periodically worked at globally recognized architecture firm, Beyer Blinder Belle. After finishing her formal education Ms. Khan has spent the last several years as a designer at different architectural practices, most recently at the firm Only-If.

MR. ALY KHAN

Mr. Aly Khan is an Honors M.Sc. Graduate from Boston College and an Undergraduate B.S. from Northeastern University.

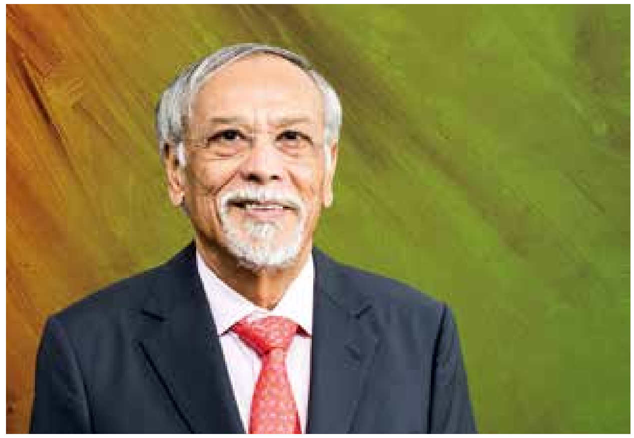
Over the course of the last decade he has cultivated his professional career working in London, Singapore and New York for various global institutions including Citi Group and Yang Ming Marine Transport Corporation in several management and training capacities.

Locally, Mr. Khan has extended valuable contributions to multiple ventures through key management roles including spearheading the construction and operation of Pakistan's first commercial L.E.E.D. Certified Building, setting up a state-of-the-art 8,000 ton per day cement plant and growing one of the country's largest dairy businesses to 600,000 liters per day of sales.

He is the Chairman of Pioneer Cement Ltd., Director of Haleeb Foods Limited, Director of Qasim International Container Terminal. He is a SECP certified director in corporate governance.

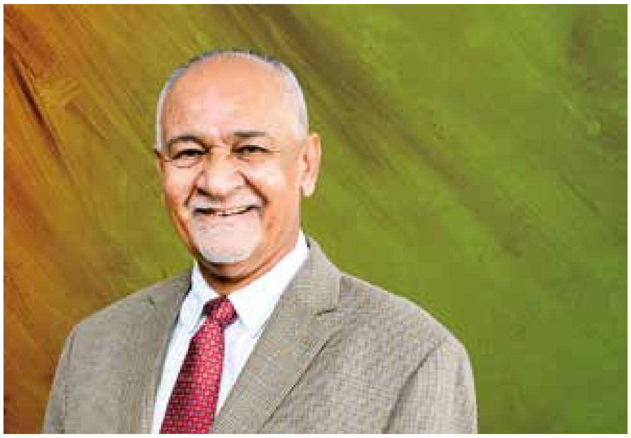
MR. ANDALIB ALAVI

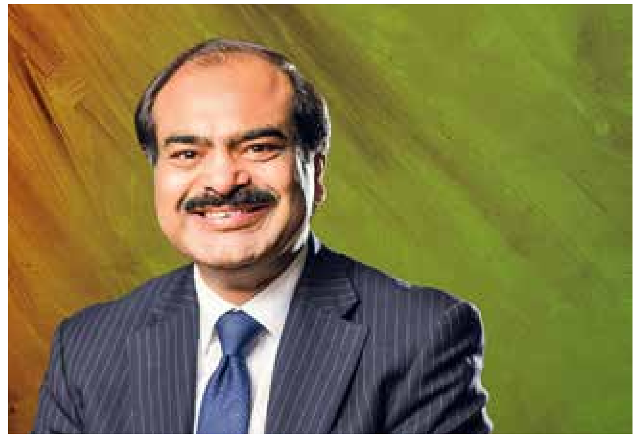
Mr. Andalib Alavi is Head of Legal and Company Secretary of Shell Pakistan Ltd. He retired as Vice President-Legal and Company Secretary of Engro Corporation Limited in which role he managed the legal affairs of all Engro group companies. He was a member of the Corporate Governance Committee of the Pakistan Stock Exchange and is a visiting faculty at the Pakistan Institute of Corporate Governance for conducting some modules of the training course. 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. 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. 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. (Now Pakistan Stock Exchange)





MR. JAVED AKBAR

Mr. Javed Akbar has undergraduate and post-graduate qualification in Chemical Engineering from the United Kingdom and has over 40 years of experience in fertilizer and chemical business with Exxon, Engro and Vopak. He has managed Exxon and Engro Fertilizers plants and their expansions in Pakistan, worked in Exxon's Chemical Technology divisions in USA and Canada, and served as Human Resources Manager in Exxon Pakistan. He was part of the buyout team when Exxon divested its stake in Engro.

Prior to his retirement in 2006, he was Chief Executive of Engro Vopak Terminal Limited, a joint venture between Engro and Royal Vopak of Holland. After his retirement, he established a consulting company specializing in analyzing and forecasting petroleum, petrochemical and energy industry trends and providing strategic insight. He is on the boards of Engro Fertilizers Limited, Engro Powergen Limited, Engro Powergen Qadirpur Limited, Engro Vopak Terminal Limited, and Javed Akbar Associates (Private) Limited. He also serves on the panel of Energy Experts Group and environmental experts of Sindh Environmental Protection Agency. He joined the board of Hub Power Company Limited in 2017.

MR. MANZOOR AHMED

Mr. Manzoor Ahmed is presently Acting Managing Director, National Investment Trust Limited. Being COO, since seven (7) years, Mr. Ahmed has been successfully managing the operations and investment portfolio worth over Rs. 100bn. He has experience of over twenty-eight (28) years of the Mutual Fund industry and has been placed at many key positions within NIT that includes capital market operations, investments, research and liaising with the regulatory authorities. He is M.B.A. and also holds D.A.I.B.P. At present, he is a candidate for CFA Level III. Mr. Ahmed has attended various training courses organized by locally and internationally reputed institutions like London Business School (LBS) UK and Financial Markets World, New York (USA). He represents NIT as Nominee Director on the Board of Directors of many leading national and multinational companies of Pakistan. Mr. Ahmed is also a Certified Director from Pakistan Institute of Corporate Governance.

MR. EJAZ SANJRANI

Mr. Ejaz Sanjrani holds Master's degree from the University of Westminster, United Kingdom. He remained as Coordinator to Chief Minister on Balochistan Revenue Authority.

Presently, he is holding the position of Special Assistant to Chief Minister for Population Welfare & Balochistan Revenue Authority. He is also holding the directorship on the Board of ENAR Petrotech Services under the Ministry of Industries & Production.

Mr. Sanjrani is also Director Sanjrani Mining Company, Sanjrani Construction Company and Sanjrani Coal Company. He has extensive experience in social and human resource management in public and private sectors.

MR. MUHAMMAD WASEEM MUKHTAR

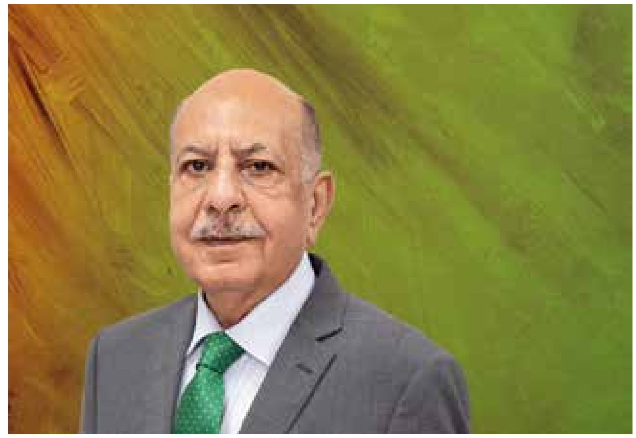
Mr. Muhammad Waseem Mukhtar has done MBA from the University of Chicago Booth School of Business, Illinois, USA and also holds a Master's degree in Total Quality Management (TQM) and a BSc degree in Information Systems from University of Glamorgan, Wales, UK. He has twenty (20) years of diversified experience in Finance, IT and Industrial Management. He has been on the Board of Directors of Allied Bank Limited since 2004 and is a "Certified Director" from Pakistan Institute of Corporate Governance. He is also a director on the Board of M/s. Ibrahim Fibres Limited, Ibrahim Holdings (Pvt.) Limited, Ibrahim Agencies (Pvt.) Limited, Allied Bank Limited, ABL Asset Management Company Limited and Arabian Sea Country Club. He joined the Board of HUBCO as an elected director in the year 2015.

MR. OWAIS SHAHID

Mr. Owais Shahid is Chief, Corporate & Investment Banking Group in Allied Bank Limited (ABL). His portfolio includes Financial Institutions, Corporate, International Banking, Investment Banking, Capital Markets, Middle Markets and Home Remittances. 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 seventeen (17) 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 500 investment banking transactions valuing over USD 40 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 35 investment banking awards from internationally recognized institutions.

Mr. Owais also represents ABL on the Boards of Hub Power, Kot Addu Power and Narowal Energy and is Member Trustee Member of Friends of IBA Trust. Previously, he has served on the Boards of Atlas Power and First Receivable Securitization Company. 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. 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 over seventeen 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 member on Board of Directors of Fauji Daharki Power Company, Fauji Kabirwala Power Company Limited, Foundation Wind Energy I & II Limited, FFC Energy Limited, Laraib Energy Limited and Chief Executive Officer of Daharki Power Holding Company.

MR. SHAFIUDDIN GHANI KHAN

Mr. Shafiuddin holds a Bachelor of Science (Finance) degree from University of Oregon, USA. After completing his education Mr. Shafiuddin came back to Pakistan and developed his real estate and construction business.

He completed several projects in the city of Karachi especially in the areas of DHA and Clifton and enjoyed high reputation.

MR. TABISH GAUHAR

Mr. Tabish Gauhar has twenty-four years of corporate, private equity, and entrepreneurial experience in general management, business turnaround, project development and financing, across the energy infrastructure sector in emerging and frontier markets.

He is the founder of Oasis Energy, a DIFC-registered management consultancy firm connecting different pools of institutional capital with investment opportunities in the clean energy space across Africa and Asia. Member of Mubadala Infrastructure Partner's Operating Advisory Board.

Previously he was the Partner & Global Head of Energy Infrastructure at The Abraaj Group (2006-15). He was senior member of the team that raised and fully deployed a $2b general purpose infrastructure fund across the emerging markets; launched a $500m energy focused fund; served as Country Manager with $1b of assets under management, including as CEO and Chairman of K-Electric Limited to lead the HBS Case Study-recognized turnaround of this ailing integrated utility company serving 20 million people.

Regional CFO at AES Corporation (1999-2006) responsible for a $5b power & water infrastructure portfolio across 16 businesses in 12 EMEA countries, and Head of Business Development – Middle East. Served in various positions at Exxon Chemical and International Power (now Engie Energy International) between 1993 and 1999.

Mr. Tabish did his First Class Honors in Electrical Engineering from King's College London (Chevening/ICI Scholar), and MBA (Finance) from IBA Pakistan (the oldest business school outside North America, established in collaboration with Wharton & USC).

BOARD & FUNCTIONAL **COMMITTEES**

To ensure seamless operations of the Board and aid in sound decision making, the Board has established three 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 four times during the year and the attendance was as follows:

	Meetings Attended
Mr. Manzoor Ahmed	2/2
Mr. Andalib Alavi	4/4
Mr. Iqbal Alimohamed	3/4
Mr. Shahid Ghaffar	1/1
Mr. Qaiser Javed	3/4
Mr. Aly Khan	0/0
Mr. Ruhail Mohammed	3/3
Mr. Owais Shahid	3/4

Secretary: Mr. Muhammad Irfan Iqbal

BOARD COMPENSATION COMMITTEE (BCC):

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 once during the year and the attendance was as follows:

	Meetings Attended
Mr. Hussain Dawood	1/1
Mr. Manzoor Ahmed	0/0
Mr. Javed Akbar	0/0
Mr. Abdul Samad Dawood	1/1
Mr. Shahid Ghaffar	1/1
Mr. Aly Khan	0/0
Mr. Muhammad Waseem Mukhtar	0/1
Mr. Inam Ur Rahman	1/1

Secretary: Mr. Farrukh Rasheed

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 three times during the year and the attendance was as follows:

	Meetings Attended
Mr. Shahzada Dawood	0/3
Mr. M. Habibullah Khan	0/0
Mr. Abdul Samad Dawood	3/3
Mr. Javed Akbar	3/3
Mr. Iqbal Alimohamed	2/3
Mr. Aly Khan	0/0
Mr. Ruhail Mohammed	3/3
Mr. Qaiser Javed	3/3
Mr. Owais Shahid	2/3

Secretary: Mr. Abdul Nasir

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
Mr. Saleemullah Memon	Member
Mr. Kamran Kamal	Member
Mr. Inam-ur-Rehman Siddiqui	Member
Mr. Farrukh Rasheed	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. Kamran Kamal	Member
Mr. Saleemullah Memon	Member
Mr. Nazoor Baig	Member
Mr. Inam-ur-Rehman Siddiqui	Member
Mr. Farrukh Rasheed	Member

Secretary: Mr. Muhammad Talha

MANAGEMENT **TEAM**

KHALID MANSOOR
CEO HUBCO

TAHIR JAWAID
CEO HUB POWER SERVICES LIMITED

ABDUL NASIR
CFO HUBCO

NAZOOR BAIG
TECHNICAL DIRECTOR

KAMRAN KAMAL
CEO LARAIB ENERGY LIMITED

SALEEMULLAH MEMON
CEO THAR ENERGY LIMITED

M. INAMUR REHMAN SIDDIQUI
RESIDENT MANAGER

FARRUKH RASHEED
DIRECTOR HR & NEW VENTURES
(WASTE-TO-ENERGY & WATER PROJECTS)

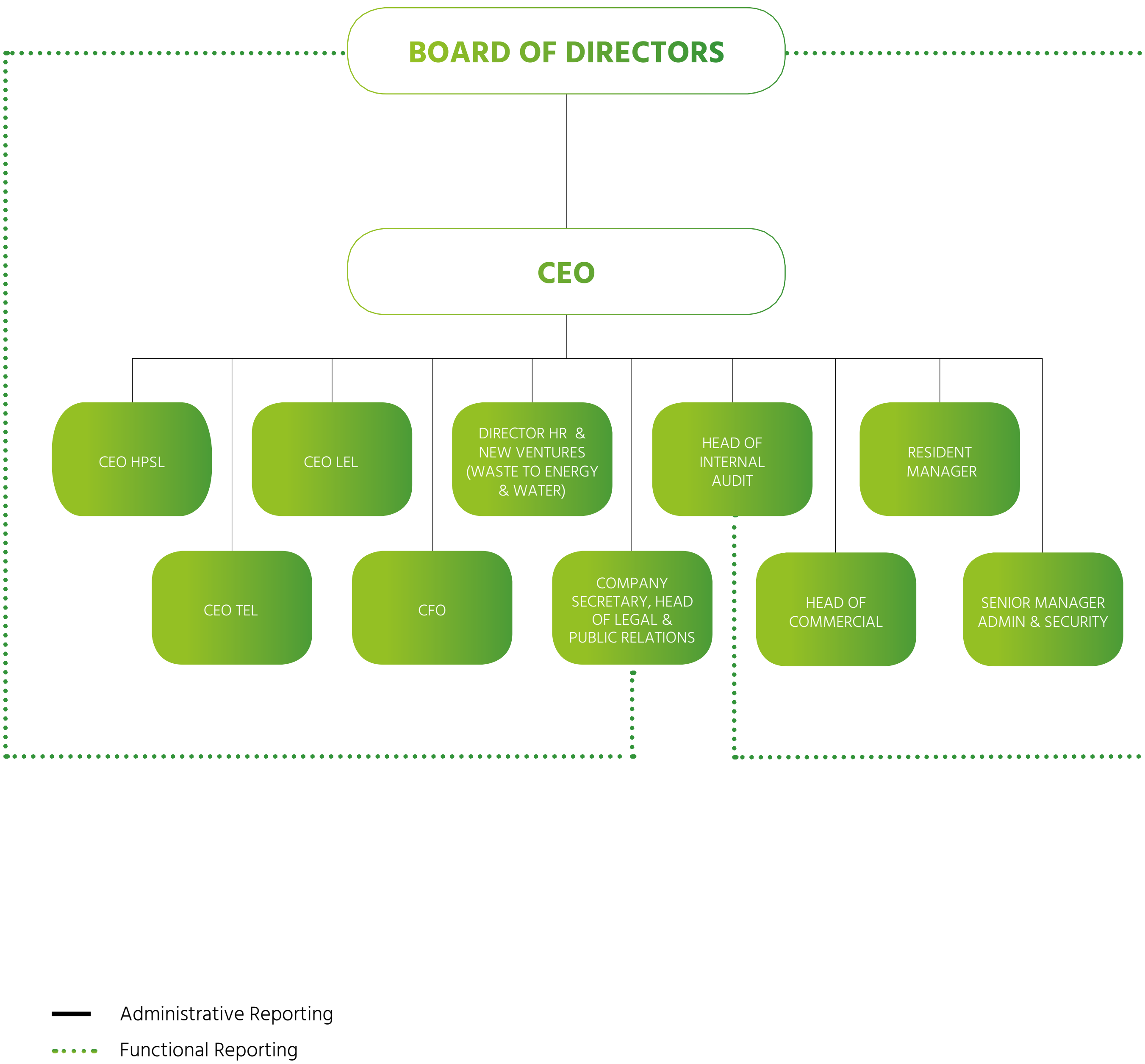
MUHAMMAD IRFAN IQBAL
HEAD OF INTERNAL AUDIT

MUSTAFA GIANI
HEAD OF COMMERCIAL

SYED TAHAWAR ALI SHAH
HEAD OF ADMIN & SECURITY

SHAHARYAR NASHAT
COMPANY SECRETARY & HEAD OF
LEGAL & PUBLIC RELATIONS

ORGANIZATIONAL **STRUCTURE**



CHAIRMAN'S **REVIEW**

It is my pleasure to present to you the Annual Report of The Hub Power Company Limited, for the year ended June 30, 2018. This year witnessed a significant development in the history of The Hub Power Company Limited, with the major acquisition of its shares by Mega Conglomerate Private Ltd (MCPL). This unique synergy, with all our local and foreign experience, gives us an opportunity to create significant value for our shareholders while taking the company to new heights.

Pakistan's power generation capacity has witnessed a notable increase as a result of an improved power policy climate over the past few years with notable investments by local and foreign players in Pakistan's energy sector. Despite this, the persistence of an inappropriate energy mix in the country and the lack of investment on renewable energy solutions has unfortunately given rise to a much higher cost of power generation than our regional peers. The power industry at large also needs to handle loopholes in distribution and transmission as well as recover revenue that is largely lost to power theft.

Pakistan has a unique socio-economic condition with more than 60% of our population under the age of 25, and an anticipated growth rate of 2.2% crossing 300 million people by 2030. Having one of the fastest population growth rates in the world, Pakistan's future development is critically dependent on robust water and power infrastructure. Both the interdependent sectors have yet to evolve to their full potential.

In view of the above, I, with new Board and Management of Hubco, have crafted the 'Hubco Vision 2025'. Vision 2025 will be the cornerstone of Hubco's growth, including water utility to an existing power generation portfolio. We have envisioned to own, operate and manage 10,000MW in and out of Pakistan by 2025, and to transform into an IWPP (Independent Water and Power Producer) through the

pursuit and capitalization of opportunities in Pakistan and off-shore in regions such as South East Asia, Africa & North America. We are also looking forward to further diversify our energy mix by supplementing it with indigenous Thar coal and other renewable energy sources, while generating 25% of Pakistan's national power requirement.

With a persistent focus on our base business, Hubco is poised to continue with our legacy of growth, through the addition in our installed capacity of 1650MW. Future growth projects include a joint venture with CPIH in 2x660MW imported coal-based power plants with an integrated coal import jetty at Hub, a 330MW mine-mouth lignite-based power plant at Thar in Sindh, and a strategic investment in the fast-paced project of Thar Coal Mine Block 2, which has recently unearthed its first layer of coal.

Throughout our growth strategy, sustainable generation remains at the core of our business philosophy. Thus, we continue to work with our stakeholders in different areas and strive to decrease our carbon footprint through inclusion of world class environmental standards throughout our operations.

In order to vigorously pursue Vision 2025, and the furtherance of the current growth projects and base business, I seek the full and whole-hearted support of every member of the Hubco family. Needless to say, Hubco's core strength, is, and has always been, its people.

M. Habibullah Khan
Chairman

CEO's MESSAGE

DEAR STAKEHOLDERS,

As Pakistan's first Independent Power Producer, Hubco has gone through many changes and significant growth over the years. However, the year 2017-18 has been particularly eventful for us. The year witnessed a new alliance in the history of Hubco, the collaboration between The Hub Power Company Limited and the Mega Conglomerate Private Limited. This enviable addition in the Hubco's family gives us an opportunity to further boost the stakeholders' confidence, and to reassure our commitment for further growth and the development of the energy and power sector of Pakistan. The fiscal year 2017-18 witnessed a smooth development of our growth projects and decent increase in our net profit. The Company paid a total of PKR 7.40 per share dividend despite investing in growth projects without any additional equity from our Shareholders and posted a consolidated net profit of PKR 11.05 billion.

Despite the negative impact of circular debt, with our current outstanding dues standing at around PKR 95 billion, we have ensured that this limitation did not impact our business performance owing to Company's proactive financial planning and management.

With the fast-paced development of our growth projects, we are committed to serve the development needs of Pakistan with the addition of 1650MW in our installed capacity. The execution of 2x660MW imported coal-based Project with integrated jetty at Hub Site has been progressing according to plan with the target to achieve Commercial Operation Date (COD) by August 2019. The Project achieved Financial Close on January 26, 2018 and loan drawdown has commenced thereafter; we have also initiated the process for increasing our shareholding to 47% in the Project post the exercise of Call Option as per the Shareholders Agreement. This process is expected to complete by the end of first quarter 2019 subject to Chinese and Pakistani regulatory and corporate approvals.

By investing 8% in the Sindh Engro Coal Mining Company (SECMC), which is developing an open cast coal mine in Thar Block II, we aim to boost Pakistan's energy capital by utilizing Pakistan's indigenous natural resources. The Project is on its way towards completion and recently unearthed the first layer of coal. The project is ahead of schedule with commercial production commencement expected in June 2019.

To further strengthen our strategic investment, Hubco obtained an option to develop a 330 MW mine-mouth Thar lignite fired power plant in Phase II of the SECMC Mining Project. The Company has exercised its option and incorporated Thar Energy Limited (TEL) to develop and execute this Project. The EPC Contract for the Project has been signed with China Machinery and Engineering Corporation (CMEC) which has commenced construction activities on Site in order to meet the COD timeline of end March 2021. The Company has signed a Shareholders'

Agreement with Fauji Fertilizer Company Limited (FFCL) and CMEC TEL Power Investments Limited (CMEC Dubai) for equity investment of 30% and 10% respectively. The Company has engaged China Development Bank (CDB) as the lead arranger for the foreign financing from China and Habib Bank as the lead arranger for the local financing. The Financial Close of the project is expected to be achieved before the end of 2018.

Hub Power Services Limited (HPSL), a wholly-owned subsidiary of the Company, has smoothly taken over the O&Ms of Laraib Plant preceding the successful takeovers of our Hub and Narowal plants. HPSL further plans to scale up its services for the upcoming Hubco growth projects at Hub and Thar. The O&M experience of the Company's power assets shall position HPSL as an O&M operator of choice for onshore and offshore power plants.

The long-term agreements with General Electric (GE) to implement state-of-the-art Predictive Enhancement and Performance Improvement (PEPI) and Asset Performance Management (APM) systems are currently under execution at Hub and Narowal Power Plant respectively. These digital solutions will generate tangible financial savings by accruing improvement in plants thermal efficiency and achieving predictive maintenance regime.

Moving forward in the current fiscal year, we recognize that although the leadership in a dynamic world is a manifestation of many factors, but one of the most critical of these is our people. During the year, we continued to invest in our people though training and development and enabling them in achieving greater accomplishments in their personal and professional lives. This resulted in significant increase in our Employee Engagement Score as compared to the previous year. We have also put in place a leadership succession plan in consultation with the Board post completion of leadership assessment study conducted by a renowned third party. During the year we also rolled out our new values to our employees which will further enrich our inclusive and performance driven culture.

Besides Safety, health and environment remains a top priority as we continued refining our processes for safer and more sustainable operations for today and tomorrow. It is our intent to ensure that Hubco becomes one of the safest companies to work for and I am pleased to share with you that implementation of one of the world best DuPont Safety System has progressed well across all our sites.
Our CSR program continued to support people in communities around our power plants with the implementation of successful projects such as the adoption of Government Schools in Balochistan, enabling better avenues of education for the local youth and our extensive health camps in the villages of Hub and Lasbella.

The robust performance we have achieved, the innovative initiatives we have spearheaded, and the bold steps we have taken in new ventures, all demonstrate our determination to achieve enduring success in our future aspirations.
The drive and commitment of our people is second to none and continues to be our greatest asset which does not only lead to the growth of the Company but also contributes to the development of our beloved country.

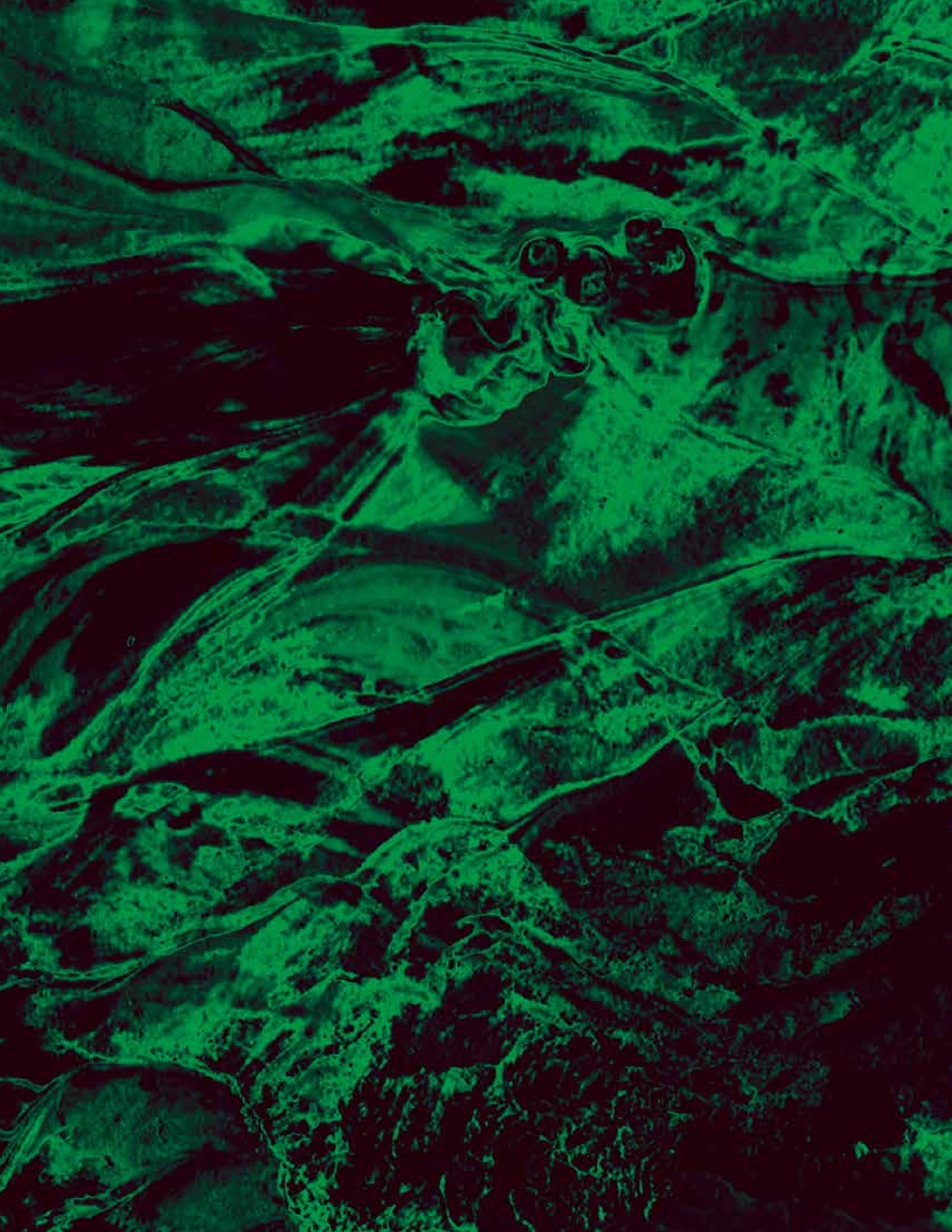
The collaboration between the The Hub Power Company and the Mega Conglomerate gives us an opportunity to move ahead with our vision and values that were set last year. A stellar vision that beckons us towards uncharted avenues of growth and prosperity; the 'Vision 2025'. Under this vision, we aspire to become the first IWPP (Independent Water and Power Producer) capitalizing on the growth opportunities in water solutions, renewable energy, thermal energy and O&M services. With this ambitious plan we will own, operate and manage 10,000MW by 2025, in Pakistan and abroad in addition to developing and executing various water initiatives to address significant shortfall of drinking and industrial water in Karachi. We are confident that our foresightedness will keep us on track for exponential progress and development as we continue "Fueling lives through energy".

In the end, I would like to thank our employees for their outstanding contributions to the success of the Company, our families for their unwavering support and our shareholders for reposing their continued confidence in the organization.

Warm regards,

Khalid Mansoor

REPORT OF THE DIRECTORS



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, 2018.

ABOUT THE COMPANY

Pakistan's first independent power producer, The Hub Power Company Limited has a combined power generation capacity of over 1600MW. The Company's RFO-fired thermal Plant, situated at Mouza Kund, Hub in Baluchistan, supplies 1200MW net of reliable and uninterrupted electricity to the National grid. Its Narowal Plant is an RFO-fired, engine based, combined cycle power station with a net capacity of 213MW, located at Mouza Poong, Narowal in Punjab. Additionally, the Company holds 75% controlling interest in Laraib Energy Limited which owns and operates an 84MW 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 formed wholly-owned subsidiaries to launch new initiatives. The Company has incorporated Hub Power Holdings Limited (HPHL) for investing in the imported coal based 1,320MW power project with integrated jetty and other future growth initiatives. To undertake the imported coal-based power project through HPHL, Company has set up China Power Hub Generation Company (Pvt.) Ltd. (CPHGC) with its joint venture partner M/s China Power International Holdings (CPIH).

Hub Power Services Limited (HPSL), a wholly owned subsidiary manages O&M of its existing power assets, its future projects and explore onshore and offshore O&M business opportunities. HPSL is currently operating the Hub, Narowal & Laraib Plants.

The Company's wholly owned subsidiary, Narowal Energy Limited (NEL) owns a 225MW Narowal Power Plant.

The Company has established Thar Energy Limited (TEL), to set up a 330MW mine mouth lignite fired power Plant at Thar Coal Block II Sindh. The Company has signed a Shareholders' agreement with Fauji Fertilizer Company Limited (FFCL) and CMEC TEL Power Investments Limited (CMEC Dubai) for equity investment of 30% and 10% respectively in the Project.

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

During the year under review, Dawood Group have sold its entire shareholding of The Hub Power Company Limited (HUBCO) to Mega Conglomerate (Private) Limited.

HEALTH, SAFETY & ENVIRONMENT

Operating in a safe working environment is the primary responsibility of the Company and our leadership team. It is a responsibility we take very seriously, and when we fall short of expected levels of safety, we make sure lessons are learnt and shared, as well as making sure we take any necessary remedial actions as soon as practicable.

The implementation of world best of DuPont Safety System is in process and Site safety procedures are being aligned with DuPont requirements. Regular safety awareness of the staff is being ensured through regular trainings, electronic display units and incentive programs.

OPERATIONAL HIGHLIGHTS

Operational highlights of the three Plants during the year under review are as follows:

HUB PLANT

Hub Plant supplied reliable and uninterrupted electricity to the National Grid. During the year the Plant generated 5,201 GWh of electricity (2016-17: 6,793 GWh) with a load factor of 49.5% (2016-17: 65%). Major reason for low load factor has been lower electricity demand from Power Purchaser.
The Hub Complex successfully demonstrated the 'Complex Dependable Capacity' on December 26, 2017. The test was conducted in the presence of CPPA-G for six hours. The net complex capacity, an average of continuous running of six hours, of 1207.67MW Net has been demonstrated. The test went quite well, and the demonstrated capacity was the highest in the history of the plant (previous highest being 1207.3 MW in 2007).

NAROWAL PLANT

The Narowal Plant supplied 1,200 GWh of electricity (2016-17: 1,334 GWh) to the National Grid. The Plant operated at a load factor of 64% (2016-17: 71%). The Plant has been vigorously continuing its efforts for operational excellence to optimize thermal efficiency and availability. Availability factor for the year was 93%. Major reason for low load factor was lower electricity demand from Power Purchaser.

Major overhaul of three engines and seven alternators have been carried out during the year and major overhauls of two engines and two alternators are planned for FY 2018-19.

LARAIB PLANT

The average availability of Laraib Plant was 98.96% (2016-17: 97.87%), reflecting operational reliability of the Complex. Net Electrical Output (NEO) was 381 GWh (2016-17: 463 GWh). Comparatively lower generations for FY 2017-18 is mainly due to lower average hydrology received from Mangla Power Plant.
The Annual Maintenance for FY 2017-18 was completed in 40 days vs 56 days plan, exhibiting the pursuit towards continuous improvement and outage excellence. The Complex completed its 5th Agreement Year (AY) on March 22, 2018 generating 398 GWh of green energy against 470 GWh Annual Target under the Power Purchase Agreement due to lower hydrology. The year also marked the successful takeover of operations and maintenance (O&M) of Laraib Power Plant by HPSL from TNB Remaco.

PREDICTIVE ENHANCEMENT AND PERFORMANCE IMPROVEMENT (PEPI) SOLUTIONS

The PEPI solutions project is now being operationalized into its practical phase. Going forward on the steam turbine retrofit contract with GE, the installation of the new steam turbine will be completed by Q2 FY 2018-19. A similar turbine for Unit 3 is being manufactured and will complete its installation in Q4 FY 2018-19. The new turbines are expected to improve the heat rate by 3.5% and increase the efficiency by 1%.

FINANCIAL PERFORMANCE

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

Rs. in million

Consolidated	Year ended June 30, 2018	Year ended June 30, 2017
Turnover	99,999	101,188
Operating Costs	81,720	83,929
Net Profit*	11,057	10,689
Earnings per share (Rs)*	9.56	9.24

*Attributable to the owners of the holding company

Consolidated net profit during the year under review was Rs. 11,057 million resulting in earnings per share of Rs. 9.56 compared to net profit of Rs. 10,689 million and earnings per share of Rs. Rs. 9.24 last year. The increase in profits is mainly due to lower repair and maintenance expenditure at Hub and Narowal Plants, partly offset by lower profits of Laraib, higher financing costs and administrative expenses.

Rs. in million

Unconsolidated	Year ended June 30, 2018	Year ended June 30, 2017
Turnover	76,676	78,590
Operating Costs	66,873	69,273
Net Profit	8,565	9,600
Earnings per share (Rs.)	7.40	8.29

Unconsolidated net profit earned by the Company during the year under review is Rs. 8,565 million, resulting in earnings per share of Rs. 7.40 compared to a net profit of Rs. 9,600 million and earnings per share of Rs. 8.29 last year. The decrease in unconsolidated profit is mainly due to demerger of Narowal Plant with effect from April 1, 2017 after which the results of Narowal are reported in Narowal Energy Limited (NEL), lower generation bonus, higher administrative expenses, higher financing costs partly offset by lower repair and maintenance expenditure.

Appropriations and movement in reserves have been disclosed in the Statement of Changes in Equity on page 98 of the Annual Report.

RISK MANAGEMENT & STRATEGY FOR MITIGATING RISKS

To mitigate all the risks and uncertainty that is faced by every business, the Company is implementing a circumspect and cautious rationale. The Company emphases on recognizing all long-term and short-term risks, to overcome and eliminate them.

OPERATIONAL RISK

To mitigate the operational risks, necessary strategies have been developed and substantial investments are continuously being made to ensure the reliability of all operating plants. The Company has carried out necessary rehabilitation and refurbishments at the Hub Plant and is carrying out the requisite maintenance required at the Narowal and Laraib Plants.

FINANCIAL RISKS

The financial risk management is disclosed in note 37 of the unconsolidated financial statements of the Company.

CREDIT RATING

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

During the year, NEL's long term and short-term credit rating were determined for the first time. NEL's long term rating is AA- which is very high credit quality that indicates very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. NEL's Short term rating is A1+ which is the highest capacity for timely repayments of financial commitments.

CORPORATE SOCIAL RESPONSIBILITY

As a responsible energy company, we are aware of our role in matching needs of today with the responsibilities of tomorrow. Consequently, we remain committed to our contribution in creating a sustainable development plan for our businesses. As part of our enduring commitment towards sustainable development, we maintained a stringent focus on the following key areas:

- Health
- Education,
- Physical Infrastructure
- Livelihood Interventions

During the year under review, we worked closely with our change partners including The Citizens Foundation, WWF, Al Baseer Foundation, Local District Administrations, etc. to support their programs for Health and Education in providing socio-economic opportunities to a multitude of individuals and households.

HUMAN RESOURCES

This year Hubco's learning and development philosophy focused on developing business & functional leaders to ensure optimum talent density in the organization. The learning mix consisted of experiential learning opportunities including special projects / assignments, collaborative learning initiatives under Learning Hub™ and formal training platforms. Through Learning HUB, a total of 595 Man-Days of training were conducted during the year which translate to 5 Man-Days per employee on average. Another momentous achievement was introduction of E-Learning. E-Learning offers employees access to unlimited trainings from world's best professors and industry experts. This initiative not only reduced training cost, it has also improved the quality and effectiveness of the trainings. Total of 4 courses per employee have been completed on the platform.

HR worked cohesively with the line functions and employees to develop a bottom up cost optimization strategy keeping in view low load factor scenario for RFO based plants. As a result of this initiative, we are confident that the Company would continue to operate within PPA revenue even if the load factor declines significantly.

In alignment with our cost optimization strategy, HR Shared Services Centre was introduced to create synergies amongst our group companies enabling the organization to experience one window solution for all HR services at much lower cost to the Company.

FUTURE OUTLOOK

1,320MW COAL PROJECT CHINA POWER HUB GENERATION COMPANY PRIVATE LIMITED (CPHGC)

The Project achieved Financial Close on January 26, 2018 and loan drawdown has commenced. The Project is progressing according to the plan and is targeting to achieve COD by August 2019. The Company has also initiated the process for increasing its shareholding to 47.5% (beneficial interest 46%) in the Project post the exercise of its Call Option as per the Shareholders Agreement. The call option exercise is expected to be completed by first Quarter 2019 subject to Chinese and Pakistani regulatory / corporate approvals.

330MW COAL PROJECT - THAR ENERGY LIMITED (TEL)

TEL is setting up 330MW mine mouth coal-based Power Plant at Block II, Thar. TEL has executed Onshore Supply and Services Agreement, Offshore Supply Agreement, Power Purchase Agreement (PPA), Coal Supply Agreement (CSA), Water Use Agreement (WUA), Implementation Agreement (IA) and Supplemental IA (SIA) for the Project.

Private Power and Infrastructure Board (PPIB) has extended TEL's Letter of Support till September 8, 2018 for achievement of Financial Close. PPIB has also approved an extension in the required Commercial Operations Date (COD) of the Company from December 31, 2020 to March 31, 2021 and an extension in Long Stop Date for termination post RCOD from 400 to 490 days.

TEL has also made payment for First Mobilization Advance to China Machinery Engineering Corporation (CMEC) amounting to USD 23.5 million under the Offshore Supply Agreement and has issued Preliminary Notice To Commence (PNTC) to CMEC and China East Resources Import and Export Corporation (Onshore Contractor). Onshore Contractor has commenced preliminary activities on TEL Site to expedite COD.

The Company has signed a Shareholders' Agreement with Fauji Fertilizer Company Limited (FFCL) and CMEC Tel Power Investments Limited (CMEC Dubai) for equity investment of 30% and 10% respectively in the Project. FFCL has already injected equity in the Company on April 17, 2018. At present, the Company and FFC own 70 percent and 30 percent shares in TEL respectively.

TEL has engaged China Development Bank (CDB) as the lead arranger for the foreign financing from China and Habib Bank Limited as the lead arranger for the local financing.

On August 7, 2018 TEL has requested the PPIB for an extension in financial closing date under LOS for at least six months from September 8, 2018 to March 8, 2019.

INVESTMENT IN SINDH ENGRO COAL MINING COMPANY LIMITED (SECMC)

Post the financial close in April 2016, the indigenous coal mining project construction is progressing satisfactorily, having recently unearthed the first tranche of coal. The Company has 8% stake in the project, which is ahead of schedule by approximately 4 months, with production commencement expected in June 2019. SECMC also plans to expand mining capacity to 7.6 Mt/annum to cater to the two additional 330MW IPPs being set up by Thar Energy Limited (HUBCO) and ThalNova Power Thar (Pvt.) Limited (House of Habib).

MOU WITH ENJAZAT L.L.C

The Company has signed a Memorandum of Understanding (MoU) with FWO Enjazat L.L.C to explore collaboration on various business opportunities in energy, water and mining sectors. Hubco and FWO Enjazat are interested in collaborating on various business opportunities and developing business partnerships across multiple sectors in Pakistan and abroad, with special focus on energy, water recycling and desalination, infrastructure development and mining.

MARKET SHARE INFORMATION

Pakistan's installed power generation capacity is around 25,000MW of which hydel is 31%, thermal is 63%, renewables is 2% and nuclear power is 4%. There is power shortfall of 5,000MW to 7,000MW, 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 ITS THREE PLANTS FOR THE LAST SIX YEARS IS AS FOLLOWS:

Fiscal Year	Electricity Generation (GWh)	Company's share (GWh)	Percentage (%)
2012-13	98,655	8,538	8.7%
2013-14	105,698	9,119	8.6%
2014-15	108,916	8,716	8.0%
2015-16	114,093	9,254	8.1%
2016-17	120,621	8,590	7.1%
2017-18 (Est.)	126,061	6,782	5.4%

RELATED PARTY TRANSACTIONS

Board Audit Committee reviewed the related party transactions and the Board approved them. These transactions were in line with the requirements of International Financial Reporting Standards (IFRS) and the Companies Act, 2017. The Company maintains a thorough and complete record of all such transactions.

The Company has entered into following related party transactions on mutually agreed terms, along with their Justification:

Name of Related Party	Nature of Transaction	Justification
Hub Power Services Limited	O&M Services	To efficiently operate and maintain Hub Plant. Further, to develop resources to provide similar services to other Companies including group companies.
Hub Power Services Limited Narowal Energy Limited Thar Energy Limited Laraib Energy Limited Hub Power Holdings Limited China Power Hub Generation Company (Private) Limited	Reimbursement of Expenses and others	To share the common resources/expenses on proportionate basis to minimize Company's and group companies' costs.
Thar Energy Limited	Management services	The Company is providing assistance to TEL in performance of its obligations under relevant project agreements by leveraging the project management experience of the Company.

The details of related party transactions are disclosed in note 29 of the unconsolidated financial statements of the Company.

FINANCIAL STATEMENTS

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

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:

a. 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;

b. Proper books of account of the Company have been maintained;

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

d. IFRS as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed; and

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

Key financial data (unconsolidated) of last six years is as follows:

Rs. in million

Fiscal year ending June	2018	2017	2016	2015	2014	2013
Turnover	76,676	78,590	86,415	131,484	161,807	165,862
Profit	8,565	9,600	11,576	9,853	6,549	9,338
Assets	136,617	114,983	134,006	125,949	135,432	99,313
Dividend	8,216	9,257	15,622	9,257	8,100	7,522

Value of investments of provident fund and gratuity scheme based on their respective audited accounts as at June 30, 2017 are as follow:

	Rs. in million
Provident Fund	0.04
Gratuity Fund	210.281

ADEQUACY OF INTERNAL FINANCIAL CONTROLS

Directors confirm compliance with highest standard of Corporate Governance and that the internal controls are sound in design and have been effectively implemented and monitored.

BOARD OF DIRECTORS

The Board reviewed Company's strategic direction, annual corporate plans and targets, long-term investments and borrowing. Board is committed to ensuring the highest standard of governance.

The Board of Directors of the Company consists of:

Total number of directors	
Male	13
Female	1

Composition	
Independent Directors	5
Other Non-Executive Directors	8
Executive Director	1

During the year eight meetings of the Board of Directors were held. Attendance by the Directors was as follows:

Director	Meetings attended
Mr. M Habibullah Khan[1]	3/3
Mr. Khalid Mansoor	8/8
Mr. Abdul Samad Dawood[3]	5/6
Ms. Aleeya Khan[4]	3/3
Mr. Aly Khan[3]	3/3
Mr. Andalib Alavi	7/8
Mr. Hussain Dawood[1]	2/6
Mr. Inam ur Rahman[2]	6/6
Mr. Iqbal Alimohamed	6/8
Mr. Javed Akbar	7/8
Mr. Manzoor Ahmed[7]	5/6
Mr. Muhammad Ejaz Sanjrani[5]	1/2
Mr. Muhammad Sadiq Sanjrani[5]	3/5
Mr. Muhammad Waseem Mukhtar	0/8
Mr. Owais Shahid	6/8
Mr. Qaiser Javed	3/8
Mr. Ruhail Mohammed[6]	5/6
Mr. Shafiuddin Ghani Khan[2]	2/2
Mr. Shahid Ghaffar[7]	1/1
Mr. Shahzada Dawood[4]	0/6
Mr. Tabish Gauhar[6]	2/2

[1] Mr. M Habibullah Khan was appointed as Director in replacement of Mr. Hussain Dawood on March 27, 2018

[2] Mr. Shafiuddin Ghani Khan was appointed as Director in replacement of Mr. Inam Ur Rahman on April 26, 2018

[3] Mr. Aly Khan was appointed as Director in replacement of Mr. Abdul Samad Dawood on March 27, 2018

[4] Ms. Aleeya Khan was appointed as Director in replacement of Mr. Shahzada Dawood on March 27, 2018

[5] Mr. Muhammad Ejaz Sanjrani was appointed as Director in replacement of Mr. Muhammad Sadiq Sanjrani on March 27, 2018

[6] Mr. Tabish Gauhar was appointed as Director in replacement of Mr. Ruhail Mohammed on April 26, 2018

[7] Mr. Manzoor Ahmed was appointed as Director in replacement of Mr. Shahid Ghaffar on October 30, 2017

The Pattern of Shareholding as required under the Code of Corporate Governance is attached with this Report. Details of trades in shares of the Company by Directors and Key Management Personnel and their spouses and minor children are reported on page 226.

COMMITTEES OF THE BOARD

The Board committees and their members are disclosed in page 22 of the annual report.

DIRECTORS' REMUNERATION

Chairman, non-executive directors and independent directors are entitled only for the fee for attending the meetings. The levels of remuneration are appropriate and commensurate with the level of responsibility and expertise to govern the company successfully and with value addition.

DIRECTORS' TRAINING

Of the fourteen Directors, one Director has been exempted from the Corporate Governance Leadership Skills (CGLS) training based on his experience as Director on the Board of Listed Companies. A total of nine members of the Board are certified Directors.

AUDITORS

The retiring auditors Messrs. EY Ford Rhodes, Chartered Accountants, being eligible, offer themselves for reappointment. Considering that EY Ford Rhodes, Chartered Accountants has been Company's auditors for the last 7 years, the Audit Committee recommended the appointment of Messrs. A. F. Ferguson & Co., Chartered Accountants in place of the existing auditors on such terms and conditions and remuneration as to be decided. The Board of Directors have also endorsed the recommendation of the Audit Committee.

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

By Order of the Board

Khalid Mansoor
Chief Executive

M. Habibullah Khan
Director

[1] جناب ایم حبیب اللہ خان کا تقرر بطور ڈائریکٹر جناب حسین داؤد کے متبادل کے طور پر ۲۷ مارچ ۲۰۱۸ کو ہوا تھا

[2] جناب شفیع الدین غنی خان کا تقرر بطور ڈائریکٹر جناب انعام الرحمٰن کے متبادل کے طور پر ۲۶ اپریل ۲۰۱۸ کو ہوا تھا

[3] جناب علی خان کا تقرر بطور ڈائریکٹر جناب عبدالصمد داؤد کے متبادل کے طور پر ۲۶ اپریل ۲۰۱۸ کو ہوا تھا۔

[4] محترمہ عالیہ خان کا تقرر بطور ڈائریکٹر جناب شہزادہ داؤد کے متبادل کے طور پر ۲۷ مارچ ۲۰۱۸ کو ہوا تھا۔

[5] جناب محمد اعجاز سنجرانی کا تقرر بطور ڈائریکٹر جناب محمد صادق سنجرانی کے متبادل کے طور پر ۲۷ مارچ ۲۰۱۸ کو ہوا تھا۔

[6] جناب تابش گوہر کا تقرر بطور ڈائریکٹر جناب روحیل محمد کے متبادل کے طور پر 26 اپریل 2018 کو ہوا تھا۔

[7] جناب منظور احمد کا تقرر بطور ڈائریکٹر جناب شاہد غفار کے متبادل کے طور پر ۳۰ اکتوبر ۲۰۱۷ کو ہوا تھا۔

کوڈ آف کارپوریٹ گورننس (Code of Corporate Governance) کے تحت حصص یافتگی کا انداز (Pattern of Shareholding) اس رپورٹ کے ساتھ منسلک ہے۔ ڈائریکٹروں، اہم انتظامی عملے/اراکین، ان کے شریکِ حیات (spouses) اور چھوٹے بچوں کی جانب سے خرید و فروخت کی تفصیلات صفحہ 226 پر بیان کی گئی ہیں۔

بورڈ کی کمیٹیاں

بورڈ کی ماتحت کمیٹیاں اور ان کے اراکین کی تفصیل سالانہ رپورٹ کے صفحہ نمبر 22 پر بیان کی گئی ہے۔

ڈائریکٹرز کا مشاہرہ

چیئرمین، نان-ایگزیکٹو ڈائریکٹرز اور انڈیپنڈنٹ ڈائریکٹرز اجلاس میں شرکت کے لیے صرف مشاہرے کے مستحق ہیں۔ مشاہرہ کی سطح کا تعین کمپنی کو کامیابی سے چلانے اور اس کی قدر میں اضافہ کے حوالے سے ان کی ذمہ داریوں اور مہارت سے مطابقت رکھتا ہے۔

ڈائریکٹرز کی تربیت

لسٹڈ کمپنیوں کے بورڈ میں ڈائریکٹرز کی حیثیت سے ۱۳ ڈائریکٹروں میں سے ایک ڈائریکٹر اپنے تجربے کی بنا پر کارپوریٹ گورننس لیڈرشپ اسکلز (Corporate Governance Leadership Skills; CGLS) کی تربیت سے مستثنیٰ ہے جبکہ بورڈ کے باقی نو (9) اراکین سرٹیفائیڈ ڈائریکٹرز ہیں۔

آڈیٹرز

ریٹائر ہونے والے آڈیٹرز، میسرز ای وائی فورڈ رہوڈز (EY Ford Rhodes)، چارٹرڈ اکاؤنٹنٹس، اہل ہونے کی بنا پر خود کو دوبارہ تقرری کے لیے پیش کرتے ہیں۔ تاہم، ڈائریکٹروں نے بورڈ کی آڈٹ کمیٹی کی جانب سے آڈیٹرز کی تبدیلی اور میسرز اے ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس کی بطور آڈیٹرز برائے مالی سال مختتمہ ۳۰ جون ۲۰۱۹ کے لیے انہی شرائط و ضوابط پر تقرری کے لیے سفارش کی توثیق کی ہے۔ مشاہرے کا فیصلہ بعد میں کیا جائے گا۔

کمپنی اپنے تمام حصص یافتگان، ملازمین، بزنس پارٹنرز اور دیگر تمام اسٹیک ہولڈرز کی مشکور ہے کہ ان کے اعتماد اور حمایت کے باعث کمپنی کی ترقی اور خوشحالی کا سفر جاری ہے۔

بورڈ کے حکم پر

خالد منصور
چیف ایگزیکٹو

ایم حبیب اللہ خان
ڈائریکٹر

روپے ملین میں

مالی سال مختتم جون	2018	2017	2016	2015	2014	2013
کاروبار	76,676	78,590	86,415	131,484	161,807	165,862
منافع	8,565	9,600	11,576	9,853	6,549	9,338
اثاثہ جات	136,617	114,983	134,006	125,949	135,432	99,313
منافع منقسمہ	8,216	9,257	15,622	9,257	8,100	7,522

پراویڈنٹ فنڈ (Provident Fund) اور گریجویٹی (Gratuity) کی اسکیموں پر سرمایہ کاری ۳۰ جون ۲۰۱۸ کو ان کے متعلقہ آڈٹ شدہ حسابات کے مطابق درج ذیل تھی:

روپے ملین میں

پراویڈنٹ فنڈ	0.04
گریجویٹی فنڈ	201.281

پراویڈنٹ فنڈ (Provident Fund) اور گریجویٹی فنڈ (Gratuity) کی اسکیموں پر سرمایہ کاری ۳۰ جون ۲۰۱۸ کو ان کے متعلقہ آڈٹ شدہ حسابات کے مطابق درج ذیل تھی:

مستحکم اندرونی مالی کنٹرولز

ڈائریکٹرز کارپوریٹ گورننس میں اعلیٰ ترین معیار کے مطابق تعمیل کی تصدیق کرتے ہیں اور انٹرنل کنٹرولز کو مستحکم رکھتے ہیں اور اس کی مؤثر طریقے پر نگرانی اور عمل درآمد کرتے ہیں۔

بورڈ آف ڈائریکٹرز

بورڈ نے حکمت عملی کے حوالے سے، کمپنی کی سمت، سالانہ کاروباری منصوبوں اور اہداف، طویل المیعاد سرمایہ کاری اور قرضوں کا جائزہ لیا ہے۔ بورڈ گورننس کے بلند ترین معیار کو یقینی بنانے کا پابند ہے۔ بورڈ کے موجودہ اراکین درج ذیل ہیں:

کمپنی کا بورڈ آف ڈائریکٹرز درج پر مشتمل ہے:

ڈائریکٹرز کی کل تعداد	
مرد	۱۳
خواتین	۱
ساخت	
انڈیپینڈنٹ ڈائریکٹرز	۵
دیگر نان۔ایگزیکٹو ڈائریکٹرز	۸
ایگزیکٹو ڈائریکٹرز	۱

گزشتہ سال کے دوران بورڈ آف ڈائریکٹرز کے آٹھ (8) اجلاس منعقد ہوئے جن میں ڈائریکٹروں کی حاضری درج ذیل کے مطابق تھی:

ڈائریکٹرز کا نام	اجلاس میں حاضری
جناب اکرم حبیب اللہ خان 1	3/3
جناب حسین داؤد 1	6/2
جناب شفیع الدین غنی خان 2	2/2
جناب انعام الرحمن 2	6/6
جناب علی خان 3	3/3
جناب عبدالصمد داؤد 3	6/5
محترمہ عالیہ خان 4	3/3
جناب شہزاد داؤد 4	6/0
جناب محمد اعجاز ہجرانی 5	2/1
جناب محمد صادق ہجرانی 5	5/3
جناب تابش گوہر 6	2/2
جناب روحیل محمد 6	6/5
جناب منظور احمد 7	6/5
جناب شاہد غفار 7	1/1
جناب اویس شاہد	8/6
جناب احسن ادیب طوسی	8/7
جناب جاوید اکبر	8/7
جناب اقبال علی محمد	8/6
جناب قیصر جاوید	8/3
جناب محمد ندیم مختار	8/0
جناب خالد منصور	8/8

گزشتہ چھ برسوں کے دوران کمپنی کے تینوں پلانٹس کی پیدا کردہ بجلی کی صورتحال کا جائزہ:

مالی سال	کل پیداوار (GWh)	کمپنی کا حصہ (GWh)	فیصد (%)
2012-13	98,655	8,538	8.7%
2013-14	105,698	9,119	8.6%
2014-15	108,916	8,716	8.0%
2015-16	114,093	9,254	8.1%
2016-17	120,621	8,590	7.1%
2017-18 (تخمینہ)	126,061	6,782	5.4%

متعلقہ فریقین کے ساتھ معاملت

بورڈ کی آڈٹ کمیٹی نے متعلقہ فریقین کے ساتھ انجام دی گئی معاملت کا جائزہ لیا اور بورڈ نے ان کی منظوری دی۔ یہ معاملات انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز (IRFS) اور کمپنیز ایکٹ، ۲۰۱۷ء کی مطابقت میں ہیں۔

کمپنی نے باہمی اتفاق اور ان کی ترجیحات و تصفیات پر مبنی درج ذیل معاملات کیے ہیں:

متعلقہ فریق کا نام	معاملت کی نوعیت	توجیہ / وضاحت
حب پاور سروسز لمیٹڈ	آپریشنز اور دیکھ بھال کی خدمات	حب پلانٹ کو عمدگی کے ساتھ چلایا اور برقرار رکھا جا سکے۔ مزید برآں، ایسے وسائل کو ترقی دی جا سکے جن سے اسی نوعیت کی خدمات گروپ کمپنیوں سمیت دیگر کمپنیوں کو فراہم کی جا سکیں۔
حب پاور سروسز، نارووال نارووال انرجی لمیٹڈ، تھر انرجی لمیٹڈ، لاریب انرجی لمیٹڈ، حب پاور ہولڈنگز لمیٹڈ چائنا پاور حب جنریشن کمپنی (پرائیویٹ) لمیٹڈ	اخراجات اور دیگر رقوم کی واپسی ادائیگی	مشترکہ وسائل/اخراجات کو تناسب کی بنیاد پر کمپنی اور گروپ کمپنیوں کی لاگت میں کمی کرنا
تھر انرجی لمیٹڈ	انتظامی خدمات	کمپنی تھر انرجی لمیٹڈ کو، پروجیکٹ کے متعلق ایگریمنٹ کے تحت، اس کی ذمہ داریاں پوری کرنے کے لیے کمپنی کے پروجیکٹ مینجمنٹ کے تجربے کی بنیاد پر معاونت فراہم کر رہی ہے۔

متعلقہ فریقین کے ساتھ معاملت کی تفصیل کمپنی کے غیر انضمام شدہ مالی گوشواروں کے نوٹ نمبر ۲۹ میں بیان کی گئی ہے۔

مالی گوشوارے

کمپنی کے انضمام شدہ اور غیر انضمام شدہ گوشواروں کا آڈٹ میسرز اے وائی فورڈ، رہوڈز (EY Ford, Rhodes)، چارٹرڈ اکاؤنٹنٹس نے کیا ہے اور بے نقص (without qualification) پایا ہے۔

کارپوریٹ اور مالی رپورٹنگ کا فریم ورک

ڈائریکٹرز انتہائی مسرت کے ساتھ سکیورٹیز اینڈ ایکسچینج کمیشن پاکستان (SECP) کے جاری کردہ کارپوریٹ اینڈ فنانشل رپورٹنگ فریم ورک (Corporate and Financial Reporting Framework) اور درج ذیل کے لیے کارپوریٹ گورننس (Corporate Governance) کی تعمیل کی تصدیق کرتے ہیں:

ا۔ انتظامیہ کی جانب سے تیار کیے گئے کمپنی کے مالی گوشوارے اس کے معاملات، آپریشنز کے نتائج، نقدی کے بہاؤ (cashflow) اور ایکوئٹی میں تبدیلی کی درست صورتحال بیان کرتے ہیں؛

ب۔ کمپنی کی بکس آف اکاؤنٹس مناسب انداز میں اور باقاعدہ طور پر رکھی گئی ہیں؛

ج۔ مالی گوشواروں کی تیاری کے دوران مناسب اکاؤنٹنگ پالیسیوں پر تسلسل کے ساتھ عمل کیا گیا ہے اور مالی گوشواروں، نیز حسابی تخمینے (accounting estimates) مناسب حد تک اور دانشمندانہ فیصلوں پر مبنی ہیں؛

د۔ پاکستان میں IFRS کا اطلاق جس طرح کیا جاتا ہے، مالی گوشواروں کی تیاری کے دوران اس پر عمل کیا گیا ہے اور اس میں کسی انحراف یا تبدیلی کو مناسب طور پر ظاہر کیا گیا ہے؛

ہ۔ ایک ادارے کے طور پر کام کرتے رہنے کے لیے کمپنی کی صلاحیت شکوک و شبہات سے بالاتر ہے۔

مستقبل کا منظر نامہ

۱،۳۲۰ میگا واٹ کول پروجیکٹ – چائنا پاور حب جنریشن لمیٹڈ (CPHGC)

اس پروجیکٹ نے ۲۲ جنوری، ۲۰۱۸ء کو تمام مالی معاملات مکمل کر لیے (financial closing) جس کے بعد قرض کا استعمال شروع ہو گیا۔ اس پروجیکٹ پر منصوبے کے مطابق پیش رفت ہو رہی ہے اور توقع ہے کہ اگست ۲۰۱۹ء تک یہ پلانٹ اپنے تجارتی آپریشنز کے آغاز کی تاریخ (COD) حاصل کر لے گا۔ کمپنی نے شیئر ہولڈرز ایگریمنٹ کے تحت اپنا کال آپشن (Call Option) استعمال کرنے کے بعد پروجیکٹ کے میں اپنے حصص کی تعداد بڑھا کر ۴۷ فیصد (حق استفادہ یعنی بینیفیشل انٹریسٹ ۲۶ فیصد) تک کرنے کے لیے بھی کارروائی شروع کر دی ہے۔ توقع ہے کہ کال آپشن کا استعمال سن ۲۰۱۹ء کی پہلی سہ ماہی میں مکمل ہو جائے گا جو پاکستان اور چین میں ضوابط کے تحت ریگولیٹری منظوری سے مشروط ہے۔

۳۳۰ میگا واٹ کول پروجیکٹ – تھر انرجی لمیٹڈ (TEL)

تھر انرجی لمیٹڈ (TEL) تھر کے بلاک II میں ارکان کے دہانے (mine mouth) پر ۳۳۰ میگا واٹ کا پلانٹ نصب کر رہا ہے۔ تھر انرجی لمیٹڈ نے اس پروجیکٹ کے لیے آن شور سپلائی اینڈ سروسز ایگریمنٹ (Onshore Supply & Services Agreement)، آف شور سپلائی ایگریمنٹ (Offshore Supply Agreement)، پاور پرچیز ایگریمنٹ (PPA)، کول سپلائی ایگریمنٹ (CSA)، پانی کی استعمال کا ایگریمنٹ (WUA)، امپلی مینٹیشن ایگریمنٹ (IA) اور سپلیمنٹل امپلی مینٹیشن ایگریمنٹ (Supplemental IA) کیے ہیں۔

پرائیویٹ پاور اینڈ انفرااسٹرکچر بورڈ (PPIB) نے تھر انرجی لمیٹڈ کے لیے لیٹر آف سپورٹ (Letter of Support) میں ۸ ستمبر، ۲۰۱۸ء تک توسیع کر دی ہے تا کہ تمام مالی معاملات مکمل کیے جا سکیں (financial close)۔ پرائیویٹ پاور اینڈ انفرااسٹرکچر بورڈ نے تجارتی آپریشنز کے آغاز کی تاریخ (COD) میں مطلوبہ توسیع کی بھی منظوری دے دی ہے اور اب یہ تاریخ ۳۱ دسمبر ۲۰۲۰ء کی بجائے ۳۱ مارچ ۲۰۲۱ء ہو گئی ہے جبکہ تجارتی آپریشنز کے آغاز کی نظر ثانی شدہ تاریخ (RCOD) کے بعد پروجیکٹ کی تکمیل کے لیے حتمی عرصہ (Long Stop Date) 400 دنوں سے بڑھ کر 490 دن ہو گیا ہے۔

تھر انرجی لمیٹڈ نے آف شور سپلائی ایگریمنٹ کے تحت، کام کے آغاز کے لیے فرسٹ موبلائزیشن ایڈوانس (First Mobilization Advance) کے طور پر چائنا مشینری انجینئرنگ کارپوریشن (CMEC) کو ۴۳.۵ ملین امریکی ڈالرز کی ادائیگی کر دی ہے اور CMEC اور چائنا ایسٹ ریسورسز امپورٹ اینڈ ایکسپورٹ کارپوریشن (China East Resources Import & Export Croporation) – آن شور کنٹریکٹر – کو کام کے آغاز کا نوٹس (preliminary notice to commence; PNTC) جاری کر دیا ہے اور آن شور کنٹریکٹر نے تیزی سے COD حاصل کرنے کی غرض سے تھر انرجی لمیٹڈ کی سائٹ پر ابتدائی سرگرمیاں شروع کر دی ہیں۔

کمپنی نے فوجی فرٹیلائزر کمپنی لمیٹڈ (FFCL) کے ساتھ شیئر ہولڈرز ایگریمنٹ اور سی ایم ای سی تھل پاور انویسٹمنٹس لمیٹڈ (CMEC Dubai) کے ساتھ بالترتیب ۳۰ فیصد اور ۱۰ فیصد ایکوئٹی سرمایہ کاری کے لیے بھی معاہدے کیے ہیں۔ فوجی فرٹیلائزر لمیٹڈ پہلے ہی ۱۱ اپریل، ۲۰۱۸ء کو کمپنی کو ایکوئٹی فراہم کر چکا ہے۔ اس وقت، کمپنی اور فوجی فرٹیلائزرز تھر انرجی لمیٹڈ میں بالترتیب ۷۰ فیصد اور ۳۰ فیصد حصص کے مالک ہیں۔

تھر انرجی لمیٹڈ نے چائنا ڈیولپمنٹ بینک (CBD) کو چین سے مالی وسائل کی دستیابی (financing) کے لیے اور حبیب بینک کو مقامی ذرائع سے مالی وسائل کی دستیابی کے لیے سربراہ (lead arranger) مقرر کیا ہے۔

مورخہ ۷ اگست، ۲۰۱۸ء کو تھر انرجی لمیٹڈ نے پی پی آئی بی سے LOS کے تحت کم از کم چھ ماہ کے لیے – ۸ ستمبر، ۲۰۱۸ء سے ۸ مارچ، ۲۰۱۹ء – کے مالی معاملات مکمل کرنے کے لیے توسیع کی درخواست دی ہے۔

سندھ اینگرو کول مائننگ کمپنی (SECMC) میں سرمایہ کاری

اپریل، ۲۰۱۶ء میں مالی معاملات کی تکمیل (financial close) کے بعد، مقامی کوئلے کی کان کی تعمیر کے پروجیکٹ پر پیش رفت تسلی بخش رفتار سے جاری ہے اور حال ہی میں کوئلے کی پہلی تہہ دریافت کر لی گئی۔ کمپنی کا اس پروجیکٹ میں ۸ فیصد حصہ ہے جو اپنے مقررہ وقت سے تقریباً چار ماہ آگے ہے۔ اس طرح توقع ہے کہ پیداوار جون ۲۰۱۹ء میں شروع ہو جائے گی۔ سندھ اینگرو کول مائننگ کمپنی نے کان کی گنجائش میں بھی ۶ ملین ٹن سالانہ اضافہ کا منصوبہ بنایا ہے تا کہ ۳۳۰ میگا واٹ کے دو اضافی IPPs کی ضروریات بھی پوری کی جا سکیں جنہیں تھر انرجی لمیٹڈ (حبکو) اور تھل نووا پاور تھر (پرائیویٹ) لمیٹڈ [Thal Nova Power] Thar (Pvt.) Limited (House of Habib) قائم کر رہے ہیں۔

انجازات ایل ایل سی کے ساتھ مفاہمتی یادداشت

کمپنی نے ایف ڈبلیو او انجازات ایل ایل سی (FWO Enjazat L.L.C) کے ساتھ مفاہمت کی ایک یادداشت (MoU) پر دستخط کیے ہیں تا کہ توانائی، پانی اور کان کنی کے شعبوں میں تعاون کے مواقع بڑھائے جا سکیں۔ حبکو (HUBCO) اور ایف ڈبلیو او انجازات (FWO Enjazat) پاکستان میں اور بیرون ملک، ایسے مختلف شعبوں میں کاروباری مواقع تلاش کرنے اور شراکت قائم کرنے میں دلچسپی رکھتے ہیں جن میں توانائی، پانی کو دوبارہ قابل استعمال اور پینے (water recycling and desalination) کے قابل بنانے، انفرااسٹرکچر کو ترقی دینے اور کان کنی پر خصوصی توجہ دی گئی ہو۔

مارکیٹ شیئر کے بارے میں معلومات

پاکستان میں بجلی پیدا کرنے کی نصب شدہ گنجائش تقریباً ۲۵،۰۰۰ میگا واٹ ہے جس میں ۶۳ فیصد حرارت سے، ۳۱ فیصد پانی سے، ۴ فیصد ایٹمی توانائی سے اور ۲ فیصد قابل تجدید ذرائع سے پیدا کی جاتی ہے۔ پاکستان میں ۵،۰۰۰ سے ۷،۰۰۰ میگا واٹ بجلی کی کمی ہے جس کی بنیادی وجہ دریاؤں اور بجلی پیدا کرنے والے ڈیموں میں پانی کی کمی اور حرارت سے بجلی پیدا کرنے والے پلانٹس کے لیے ایندھن کی کمی تھی۔

خطرات سے نمٹنے اور انہیں کم کرنے کے لیے حکمت عملی

ایسے تمام خطرات اور بے یقینی کے خاتمے کے لیے جن کا ہر کاروباری ادارے کو سامنا رہتا ہے، کمپنی دانشمندی اور احتیاط کے اصولوں پر عمل پیرا ہے۔ کمپنی تمام طویل المیعاد اور قلیل المیعاد خطرات کی نشاندہی، ان پر قابو پانے اور ان کے خاتمے پر زور دیتی ہے۔

آپریشنل خطرات

آپریشنل خطرات کم کرنے کے لیے ضروری حکمت عملی تیار کی گئی ہیں اور مسلسل بھاری سرمایہ کاری کی جا رہی ہے تاکہ تمام آپریٹنگ پلانٹس کے قابل بھروسہ ہونے کو یقینی بنایا جا سکے۔ کمپنی نے حب پاور پلانٹ پر بحالی اور تجدید کا کام انجام دیا ہے جب کہ نارووال اور لاریب پلانٹس کی حسب مطلوبہ دیکھ بھال اور مرمت بھی کا جاری ہے۔

مالی خطرات

مالی خطرات کے انتظام کے بارے میں معلومات کا بیان کمپنی کے غیر انضمام شدہ مالی گوشواروں کے نوٹ نمبر ۳۴ میں کیا گیا ہے۔

قرض کے حصول کے لیے درجہ بندی (Credit Rating)

قرض کے حصول کے لیے درجہ بندی یا کریڈٹ ریٹنگ سے مراد پاکستانی اداروں کی قرضوں کے حصول کے لیے قابلیت کی تشخیص ہے۔ سن ۲۰۰۸ء سے، جب کمپنی نے اپنی درجہ بندی کے طریقہ کار (rating process) کا آغاز کیا تھا، پیکرا (PACRA) نے کمپنی کی طویل المیعاد اور قلیل المیعاد AA+ اور A1+ ادارتی درجہ بندی (entity rating) برقرار رکھی ہے۔ قرضوں کے حصول کے لیے ان درجہ بندیوں (credit ratings) سے قرضوں (credit) کے لیے خطرات کے بارے میں کم توقعات ظاہر ہوتی ہیں اور یہ بھی ظاہر ہوتا ہے کہ کمپنی میں اپنے مالی وعدے پورا کرنے کے لیے بہترین صلاحیت موجود ہے۔

زیر جائزہ سال کے دوران، نارووال انرجی لمیٹڈ کے لیے پہلی مرتبہ طویل المیعاد اور قلیل المیعاد درجہ بندی کی گئی۔ نارووال انرجی لمیٹڈ کی طویل المیعاد درجہ بندی AA ہے جو قرضوں کے حصول میں قابل بھروسہ ہونے کے حوالے سے نہایت بلند معیار ہے اور مالی وعدوں کو بروقت پورا کرنے کے لیے مضبوط صلاحیت کا اظہار کرتی ہے۔ تاہم، یہ صلاحیت متوقع (foreseeable) واقعات کے حوالے سے زیادہ غیر محفوظ نہیں ہے۔ نارووال انرجی لمیٹڈ کی قلیل المیعاد درجہ بندی A1+ ہے جو مالی وعدوں کی بروقت ادائیگی کے لیے نہایت بہترین صلاحیت ہے۔

ادارتی سماجی ذمہ داری (Corporate Social Responsibility; CSR)

توانائی فراہم کرنے والی ایک ذمہ دار کمپنی کے طور پر ہم آج کی ضروریات سے مطابقت رکھنے والے کردار اور اس کے ساتھ آنے والے کل کی ذمہ داریوں سے بھی آگاہ ہیں۔ نتیجتاً ہم اپنے کاروبار کے لیے ایک طویل المیعاد و طویل الاثر ترقی کی منصوبہ بندی کے پابند رہتے ہیں۔ پائیدار ترقی کے لیے اپنے مستقل عزم کے حصے کے طور پر ہم درج ذیل اہم شعبوں پر کڑی توجہ رکھتے ہیں:

- صحت (Health)
- تعلیم (Education)
- طبعی ڈھانچہ (physical structure)
- سماجی مداخلتیں (social interventions)

زیر جائزہ سال کے دوران، ہم نے تبدیلی لانے والے اپنے پارٹنرز کے ساتھ، جن میں دی سٹیزن فاؤنڈیشن (The Citizen Foundation)، ورلڈ وائلڈ لائف فنڈ (World Wildlife Fund; WWF)، البصیر فاؤنڈیشن (Al-Baseer Foundation)، مقامی ضلعی انتظامیہ وغیرہ کے ساتھ قریبی تعاون برقرار رکھا ہے تاکہ بڑے پیمانے پر افراد اور گھرانوں کے لیے سماجی و اقتصادی مواقع فراہم کیے جائیں اور ان کے ذریعے صحت اور تعلیم کے لیے ان کے پروگراموں کو اعانت فراہم کر سکیں۔

انسانی وسائل (Human Resources)

اس سال حبکو (HUBCO) کے تدریسی و ترقیاتی فلسفہ بزنس اور فنکشنل لیڈرز کی تیاری پر مرکوز رہا تاکہ ادارے میں پائے جانے والے ٹیلنٹ میں زیادہ سے زیادہ اضافہ یقینی بنایا جا سکے۔ تدریسی مواد، تجربے سے سیکھنے والے مواقع پر مشتمل ہے جس میں خصوصی پروجیکٹس / اسائنمنٹس، لرننگ حب (Learning TM Hub) کے زیر اہتمام باہمی تعاون پر مبنی تدریسی سرگرمیاں اور رسمی تربیتی پروگرام شامل ہیں۔ لرننگ حب TM کے ذریعے پورے سال میں کل 595 ایام کار (Man-Days) پر مبنی تربیتی پروگرام منعقد کیے گئے جس کی اوسط فی ملازم 5 ایام کار بنتی ہے۔ ایک اور یادگار کامیابی ای۔ لرننگ (e-Learning) کا آغاز تھا۔ ای۔ لرننگ (e-Learning) ملازمین کو دنیا کے بہترین پروفیسروں اور انڈسٹری کے ماہرین سے غیر محدود تربیت تک رسائی فراہم کرتی ہے۔ یہ اقدام نہ صرف تربیت پر آنے والے اخراجات میں کمی کا باعث بنتا ہے بلکہ تربیتی پروگراموں کے معیار اور اثر پذیری کو بھی بہتر بناتا ہے۔ اس پروگرام کے ذریعے ہر ملازم نے 4 پروگرام مکمل کیے ہیں۔

انسانی وسائل کا شعبہ (Human Resources Department) لائن فنکشنز اور ملازمین کے ساتھ مل کر کام کرتا ہے تاکہ RFO سے چلنے والے پلانٹس کے لیے کم فیکٹر (low factor) والی صورت حال کے پیش نظر ہر سطح پر اخراجات میں کمی کی حکمت تیار کی جا سکے۔ ہمیں یقین ہے کہ اس اقدام کے نتیجے میں، کمپنی، لوڈ فیکٹر میں غیر معمولی کمی کے باوجود، PPA سے حاصل ہونے والی آمدنی کے مطابق کام جاری رکھ سکے گی۔

اخراجات سے زیادہ سے زیادہ فائدہ اٹھانے کی جاری حکمت عملی کے تحت، ایچ آر شیئرڈ سروسز سینٹر (HR Shared Services Centre) قائم کیا گیا ہے تاکہ ہماری گروپ کمپنیوں کے درمیان ہم آہنگی پیدا کی جا سکے اور ادارے میں، انتہائی کم اخراجات پر، انسانی وسائل سے متعلق تمام خدمات کے لیے ون ونڈو سولوشن (one-window solution) فراہم کیا جا سکے۔

نارووال پلانٹ

زیر جائزہ سال کے دوران نارووال پلانٹ نے نیشنل گرڈ کو ۱،۲۰۰ گیگا واٹ آور (2016-17: 1,334 GWh) بجلی فراہم کی اور سال کے دوران ۶۳ فیصد (2016-17: 71%) لوڈ فیکٹر کے ساتھ کام کیا۔ زیادہ سے زیادہ حرارتی کارکردگی اور دستیابی کے حصول کی غرض سے پلانٹ مسلسل عمدہ کارکردگی کے لیے بہتر طریقے سے کوشش کر رہا ہے۔ سال کے دوران دستیابی کا فیکٹر ۹۳ فیصد تھا۔ لوڈ فیکٹر میں کمی کی بڑی وجہ بجلی کے خریدار ادارے کی جانب سے طلب میں کمی تھی۔

زیر جائزہ سال کے دوران تین انجنوں اور متعدد دیگر آلٹرنیٹرز (alternators) کا بڑے پیمانے پر معائنہ اور درستگی (overhaul) انجام دی گئی جب کہ مزید دو انجنوں اور آلٹرنیٹرز کا معائنہ اور درستگی کا کام مالی سال ۱۹-۲۰۱۸ء کے دوران انجام دینے کا منصوبہ ہے۔

لاریب پلانٹ

لاریب پلانٹ کی اوسط دستیابی ۹۸.۹۲ فیصد (2016-17: 97.87%) تھی جس سے اس کمپلیکس کے آپریشنل بھروسہ کا اظہار ہوتا ہے۔ اس پلانٹ کا نیٹ الیکٹریکل آؤٹ پٹ (Net Electrical Output; NEO) ۳۸۱ گیگا واٹ آور (2016-17: 463 GWh) تھا۔ مالی سال ۱۸-۲۰۱۷ء کے لیے نسبتاً کم پیداوار کی بنیادی وجہ منگلا پلانٹ سے پانی کی محدود مقدار میں دستیابی تھی۔ مالی سال ۱۸-۲۰۱۷ء کے لیے دیکھ بھال اور مرمت کا کام محض ۲۰ دنوں میں مکمل کر لیا گیا جبکہ منصوبہ کے مطابق اس کے لیے ۵۹ دن درکار تھے جس سے عمدہ آؤٹیج (outage excellence) اور مسلسل بہتری کا اظہار ہوتا ہے۔ کمپلیکس نے اپنے معاہدے کا پانچواں سال (AY) ۲۳ مارچ ۲۰۱۸ء کو مکمل کر لیا جس کے دوران پانی کی کم دستیابی کے باعث پاور پرچیز ایگریمنٹ (PPA) میں طے شدہ ۴۰۳ گیگا واٹ آور کے ہدف کے مقابلے میں ۳۹۸ گیگا واٹ آور بجلی پیدا کی جا سکی۔ اس سال کے دوران لاریب پاور پلانٹ کے آپریشن اور دیکھ بھال کے معاملات کی کامیابی سے HPSL سے تعلق رکھنے والی ٹیم کو ٹیناگا نیشنل برہاد (Tenaga Nasional Berhad; TNB) کے ذیلی ادارے ٹی این بی ریپیئر اینڈ مینٹیننس سینڈریان برہاد (TNB Repair & Maintenance Sdh. Bhd; TNB Remaco) کو منتقلی کی گئی۔

امکانی اضافے اور کارکردگی میں بہتری (PEPI) کے لیے حل

امکانی حل کی فراہمی کے پروجیکٹ کو آپریشنل کیا جا رہا ہے اور یہ عملی مرحلہ میں ہے۔ جنرل الیکٹرک (GE) کے ساتھ اسٹیم ٹربائن کے لیے نئے پرزوں کی تنصیب کے معاہدے (steam turbine retrofit contract) پر دستخط کرتے ہوئے، نئی اسٹیم ٹربائن کی تنصیب کا کام مالی سال ۱۹-۲۰۱۸ء کی دوسری سہ ماہی تک مکمل ہو جائے گا۔ یونٹ ۳ کے لیے بھی اسی طرح کی ٹربائن تیاری جاری ہے اور اس کی تنصیب مالی سال ۱۹-۲۰۱۸ء کی چوتھی سہ ماہی میں مکمل ہو جائے گی۔ توقع ہے کہ ان نئی ٹربائنوں کی تنصیب کے بعد ہیٹ ریٹ (heat rate) میں ۵-۳ فیصد تک بہتری واقع ہوگی جبکہ کارکردگی میں ایک فیصد اضافہ ہوگا۔

مالی کارکردگی (Financial Performance)

انضمام شدہ

زیر جائزہ سال کے لیے گروپ کی مالی جھلکیاں درج ذیل ہیں:

ملین روپوں میں

انضمام شدہ	سال مختتم ۳۰ جون ۲۰۱۸ء	سال مختتم ۳۰ جون ۲۰۱۷ء
کاروبار	99,999	101,188
آپریٹنگ لاگت	81,720	83,929
خالص منافع*	11,057	10,689
فی حصص آمدنی (روپے)	9.56	9.24

*ہولڈنگ کمپنی کے مالکان سے منسوب

گزشتہ سال کے خالص منافع 10,689 ملین روپے اور فی حصص آمدنی 9.24 روپے کے مقابلے میں زیر جائزہ سال کے دوران انضمام شدہ خالص منافع 11,057 ملین روپے رہا جس کے باعث فی حصص آمدنی 9.56 روپے رہی۔ منافع میں اضافہ کی بنیادی وجہ حب اور نارووال پلانٹس کی مرمت اور دیکھ بھال (repair and maintenance) کے اخراجات میں کمی تھی جنہیں جزوی طور پر لاریب کے کم منافع اور بلند انتظامی اخراجات کی صورت میں پورا کیا گیا۔

ملین روپوں میں

غیر انضمام شدہ	سال مختتم ۳۰ جون ۲۰۱۸ء	سال مختتم ۳۰ جون ۲۰۱۷ء
کاروبار	76,676	78,590
آپریٹنگ لاگت	66,873	69,273
خالص منافع*	8,565	9,600
فی حصص آمدنی (روپے)	7.40	8.29

زیر جائزہ سال کے دوران غیر انضمام شدہ خالص منافع 8,565 ملین روپے رہا جس کے نتیجے میں فی حصص آمدنی 7.40 روپے رہی جبکہ گزشتہ برس خالص منافع 9,600 ملین روپے تھا اور اس کے نتیجے میں فی حصص آمدنی 8.29 روپے تھی۔ غیر انضمام شدہ منافع میں کمی کی بنیادی وجہ نارووال کا عدم انضمام (demerger) ہے جس کے نارووال پلانٹ کے حسابات نارووال انرجی لمیٹڈ (NEL) کے تحت بیان کیے جاتے ہیں۔ دیگر وجوہات میں جنریشن بونس میں کمی، بلند انتظامی اخراجات اور بلند مالی لاگت تھے جنہیں جزوی طور پر مرمت اور دیکھ بھال (repair and maintenance) کے اخراجات میں کمی کے ذریعے پورا کیا گیا۔

ریزروز (reserves) کی مختلف مدوں کے لیے تخصیص (appropriations) اور حرکت کا بیان سالانہ رپورٹ کے صفحہ 98 پر اسٹیٹمنٹ آف چینجز (Statement of Changes) میں ایکویٹی کے ذیل میں کیا گیا ہے۔

ڈائریکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز نہایت مسرت کے ساتھ ۳۰ جون، ۲۰۱۸ کو ختم ہونے والے مالی سال کے لیے کمپنی کی سالانہ رپورٹ مع آڈٹ شدہ مالی گوشوارے پیش کرتے ہیں۔

کمپنی کے بارے میں

پاکستان میں بجلی پیدا کرنے والی کمپنی حب پاور کمپنی لمیٹڈ، کی مجموعی پیداواری گنجائش ۱،۹۰۰ میگا واٹ سے زائد ہے۔ کمپنی کا ریزیڈیول فیول آئل (RFO) سے چلنے والا حرارتی بجلی پیدا کرنے والا پلانٹ بلوچستان کے علاقے حب کے موضع کنڈ (Kund Village) میں قائم ہے اور نیشنل گرڈ کو ۱۲۰۰ میگا واٹ قابل بھروسہ اور بلاتعطل بجلی فراہم کرتا ہے۔ نارووال میں واقع پلانٹ کا انجن بھی ریزیڈیول فیول آئل (RFO) سے چلتا ہے اور ایک کمبائنڈ سائیکل پاور اسٹیشن ہے جو، پنجاب میں، ضلع و تحصیل نارووال کے موضع پونگ (Poong Village) میں واقع ہے۔ اس کے علاوہ کمپنی کے پاس لاریب انرجی لمیٹڈ میں ۷۵ فیصد کنٹرولنگ حصص بھی ہیں۔ یہ پن بجلی گھر آزاد جموں و کشمیر میں منگلا ڈیم سے ۷ کلومیٹر کے فاصلہ پر نشیب میں نیو بونگ کی جانب اخراج (New Bong Escape) پر قائم ہے۔

نئے اقدامات پر عمل درآمد کے لیے کمپنی نے کل ملکیتی ذیلی ادارے (wholly-owned subsidiaries) قائم کیے ہیں۔ کمپنی نے، بشمول جیٹی (jetty) سمیت درآمد شدہ کوئلے سے چلنے والے ۱۳۲۰ میگا واٹ پاور پروجیکٹ میں سرمایہ کاری اور مستقبل میں کیے جانے والے دیگر اقدامات پر عمل درآمد کی غرض سے حب پاور ہولڈنگز لمیٹڈ (HPHL) قائم کی ہے اور حب پاور ہولڈنگز لمیٹڈ کے زیر انتظام درآمد شدہ کوئلے سے چلنے والے پاور پروجیکٹ کے لیے کمپنی نے میسرز چائنا پاور انٹرنیشنل ہولڈنگز (CPIH) کے اشتراک سے چائنا پاور حب جنریشن کمپنی (پرائیویٹ) لمیٹڈ (CPHGC) بھی قائم کی ہے۔

حب پاور سروسز لمیٹڈ (HPSL) بھی ایک کل ملکیتی ذیلی ادارہ ہے جو کمپنی کے موجودہ اثاثوں، مستقبل کے پروجیکٹس اور اندرون ملک و بیرون ملک کام و انتظام (Operations & Maintenance) جیسی نوعیت کے دیگر مواقع تلاش کرنے کے لیے قائم کیا گیا ہے۔ اس وقت حب پاور سروسز لمیٹڈ (HPSL) کمپنی کے حب، لاریب اور نارووال پلانٹ چلاتی ہے۔

نارووال انرجی لمیٹڈ (NEL) بھی ایک کل ملکیتی ذیلی ادارہ ہے جس کی ملکیت میں ۲۲۵ میگا واٹ کا پلانٹ ہے۔

تھر کول بلاک II، سندھ، میں کان کے دہانے (mine mouth) پر، بھورے کوئلے (lignite coal) سے چلنے والے ۳۳۰ میگا واٹ کا پلانٹ لگانے کی غرض سے کمپنی نے ایک اور ذیلی ادارہ تھر انرجی لمیٹڈ (TEL) قائم کیا تھا۔ کمپنی نے پروجیکٹ میں بالترتیب ۳۰ فیصد اور ۱۰ فیصد کے تناسب سے سرمایہ کاری کی غرض سے فوجی فرٹیلائزر کمپنی لمیٹڈ (FFCL) اور سی ایم ای سی تھل پاور انویسٹمنٹس لمیٹڈ (CMEC Dubai) کے ساتھ شیئر ہولڈرز ایگریمنٹ (Shareholders Agreement) کیا ہے۔

کمپنی سندھ اینگرو کول مائننگ کمپنی لمیٹڈ (SECMC) میں بھی ۴۰ ملین امریکی ڈالرز کی سرمایہ کاری کر رہی ہے۔ یہ کمپنی، اینگرو، تھل لمیٹڈ، حبیب بینک لمیٹڈ، چائنا مشینری انجینئرنگ کمپنی (CMEC) اور حکومت سندھ کا مشترکہ پروجیکٹ ہے جس کا مقصد تھر کے مقام پر کوئلے کی ایک کان کو ترقی دینا ہے جو دنیا میں کوئلے کا ساتواں بڑا ذخیرہ ہے۔

زیر جائزہ سال کے دوران داؤد گروپ نے حب پاور کمپنی لمیٹڈ (HUBCO) میں اپنے کل حصص میگا کونگلومریٹ (پرائیویٹ) لمیٹڈ [Mega Conglomerate (Private) Limited] کو فروخت کردیے ہیں۔

صحت، تحفظ اور ماحول

محفوظ ماحول میں کام کرنا کمپنی اور ہماری لیڈرشپ ٹیم کی بنیادی ذمہ داری ہے۔ ہم اس ذمہ داری کے حوالے سے انتہائی سنجیدگی کا مظاہرہ کرتے ہیں اور جب کبھی بھی تحفظ کے حوالے سے متوقع نتائج حاصل نہیں کرسکتے ہیں تو اس بات کو یقینی بناتے ہیں کہ اس صورت حال سے کچھ سبق حاصل کیا گیا ہے اور اسے دوسروں تک بھی پہنچاتے ہیں اور اس بات کو بھی یقینی بناتے ہیں کہ عملی طور پر جس قدر جلد ممکن ہو ضروری انسدادی اقدامات کیے جائیں۔

تحفظ کے حوالے سے، ڈیوپونٹ سیفٹی مینجمنٹ سسٹم (DuPont Safety System) دنیا کا بہترین سیفٹی مینجمنٹ سسٹم ہے جس پر عمل درآمد جاری ہے۔ اس کے ساتھ سائٹ سیفٹی پروسیجرز (Site safety procedures) کو بھی ڈیوپونٹ (DuPont) کے تقاضوں کے مطابق بنایا جا رہا ہے۔ مسلسل ترتیبی پروگراموں، برقی ڈسپلے یونٹوں اور تربیتی پروگراموں کے ذریعے بھی عملے کے اراکین میں آگاہی پیدا کرنے کا عمل باقاعدگی سے جاری رہتا ہے۔

آپریشنل جھلکیاں

زیر جائزہ سال کے دوران تینوں پلانٹس کی آپریشنل جھلکیاں درج ذیل ہیں:

حب پلانٹ

حب پاور پلانٹ نیشنل گرڈ کو قابل بھروسہ اور بلاتعطل بجلی فراہم کرتا ہے۔ سال کے دوران پلانٹ نے ۵،۲۰۱ گیگا واٹ آور (5,201GWh) بجلی پیدا کی (2016-17: 6,793GWh) جس کا لوڈ فیکٹر ۴۹.۵ فیصد (2016-17: 65%) تھا۔ لوڈ فیکٹر میں کمی کی بڑی وجہ بجلی کے خریدار ادارے کی جانب سے بجلی کی طلب میں کمی تھی۔

حب کمپلیکس نے ۲۹ دسمبر ۲۰۱۷ء کو کامیاب کمپلیکس ڈیپنڈیبل کپیسٹی (Complex Dependable Capacity) کا مظاہرہ کیا۔ یہ ٹیسٹ نیشنل ٹرانسمیشن اینڈ ڈسپیچ کمپنی (NTDC) کے اہلکاروں کی موجودگی میں چھ گھنٹے تک انجام دیا گیا۔ اوسطاً مسلسل چھ گھنٹے کام کرنے پر نیٹ کمپلیکس کپیسٹی (net complex capacity) ۱،۳۰۷.۲۷ میگا واٹ رہی۔

BOARD AUDIT COMMITTEE'S REPORT

Dear Shareholders,

As Chairman of the Board Audit Committee (BAC) of Hubco, I am pleased to report to you on the tasks and activities performed by the Committee in financial year 2018.

RESPONSIBILITY

On the basis of applicable law, the SECP Code of Corporate Governance 2017 and the Terms of Reference of the Committee, the BAC 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. BAC 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 BAC 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. Further, the BAC has devised its own evaluation checklist in line with the requirement of Code of Corporate Governance 2017.

COMPOSITION OF THE COMMITTEE

BAC comprises of six directors and all of them are non-executives. Three of the BAC members including the Chairman are independent directors. All members have knowledge of finance and accounting.

REPORTING TO THE BOARD

Chairman BAC 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 2018

BAC 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 BAC focusing on the principal risks identified in the risk assessment and key internal controls.
- Regular reports to the BAC 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.

FREQUENCY OF MEETINGS

The BAC met four times during the year. 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 BAC 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 BAC. 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. Since the current external auditors have been with the Company for over five years, the BAC has decided to recommend the Board, the appointment of A. F. Ferguson & Co, Chartered Accountants as external auditors of the Company for the year ending 30th June 2019 in place of retiring auditors EY Ford Rhodes, Chartered Accountants. On the recommendation of the Audit Committee, the Directors will be proposing the appointment of A. F. Ferguson & Co, Chartered Accountants, at the Annual General Meeting to be held on October 05, 2018. The Board and its Audit Committee would like to place on record its appreciation for the work done by retiring auditors EY Ford Rhodes, Chartered Accountants.

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 15, 2018

EY Ford Rhodes
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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 Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of The Hub Power Company Limited (the Company) for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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

The Regulations require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2018.

Chartered Accountants

Place: Karachi
Date: 20 August, 2018

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2018

This statement is being presented in compliance with the Listed Companies Code of Corporate Governance Regulations 2017 ("the Regulations") in the following manner:

1. The total number of directors are fourteen (14) as per the following:

   a. Male: Thirteen (13)
   b. Female: One (1)

2. The composition of board is as follows:

Category	Names
Independent Directors	Iqbal Alimohamed
	Andalib Alavi
	Tabish Gauhar
	Manzoor Ahmed
	Javed Akbar
Other Non-Executive Directors	M. Habibullah Khan – Chairman
	Aly Khan
	Aleeya Khan
	Qaiser Javed
	Ejaz Sanjrani
	Muhammad Waseem Mukhtar
	Shafiuddin Ghani Khan
	Owais Shahid
Executive Director	Khalid Mansoor – CEO

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

4. 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.

5. 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.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Board remained fully compliant with the provision with regard to their directors' training program. Out of total of fourteen directors, one (1) director is exempt from training program as mentioned in regulation no. 20, sub-regulation 2 of the Regulations. Furthermore, ten (10) directors have already completed their trainings earlier.

   Further, following head of departments have attended Director's Training Program during the year

   Shaharyar Nashat
   COMPANY SECRETARY AND HEAD OF LEGAL & PUBLIC RELATIONS

   Muhammad Irfan Iqbal
   HEAD OF INTERNAL AUDIT

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CEO and CFO duly endorsed the financial statements before approval of the board.

12. The board has formed Audit Committee comprising of members given below:

Iqbal Alimohamed	CHAIRMAN
Manzoor Ahmed	
Andalib Alavi	
Aly Khan	
Qaiser Javed	
Owais Shahid	

13. The Board has also formed Human Resource and Remuneration Committee, called the Board Compensation Committee, comprising of members given below:

Javed Akbar	CHAIRMAN
Manzoor Ahmed	
Aly Khan	
Muhammad Waseem Mukhtar	

14. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

15. The frequency of meetings of the committees were as per following:

    a) Audit Committee: Four quarterly meetings during the financial year ended June 30, 2018

    b) Board Compensation Committee: One yearly meeting during the year ended June 30, 2018

16. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

17. 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 and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

19. We confirm that all other requirements of the Regulations have been complied with.

M. Habibullah Khan
Chairman

AWARDS & **ACHIEVEMENTS**

Hubco has a strong tradition of excellence in all aspects of its businesses. Our achievements demonstrate the values that make us a successful company and a strong corporate citizen.

This year the Company was conferred with GE Digital Innovator of the Year award in the 'Optimizing Operations Category'. The Company won this award for taking up the Predictivity Enhancement and Performance Improvement (PEPI) project - giving the power to analyze, predict and achieve efficiency across its operations with minimal changes to the existing hardware.

The Company also won Best Corporate Report Award for its Annual Report 2016-17 conferred by Institute of Chartered Accountants (ICAP) and Institute of Cost Management Accountants Pakistan (ICMAP). The award is a testament of transparency across the organization and timely and comprehensive disclosure of information to all its stakeholders.

The Company's Headoffice is awarded with Green Office Certification by WWF – Pakistan. WWF Green Office is a practical environmental management system for offices which helps to reduce the ecological footprint and greenhouse gas emissions of offices.

CALENDAR OF CORPORATE EVENTS

TENTATIVE DATE FOR THE FINANCIAL YEAR 2018-19

Board Approval of Financial Statement for First Quarter ending September 30, 2018	Last week October 2018
Board Approval of Financial Statement for Second Quarter ending December 31, 2018	Third week of February, 2019
Board Approval of Financial Statement for Third Quarter ending March 31, 2019	Fourth week of April, 2019
Board Approval of Financial Statement for Fourth Quarter and year ending June 30, 2019	Third week of August, 2019

ACTUAL DATES FOR THE FINANCIAL YEAR 2017- 18

Board Approval of Financial Statement for First Quarter ended September 30, 2017	October 30, 2017
Board Approval of Financial Statement for Second Quarter ended December 31, 2017	February 19, 2018
Board Approval of Financial Statement for Third Quarter ended March 31, 2018	April 26, 2018
Board Approval of Financial Statement for Fourth Quarter and year ended June 30, 2018	August 20, 2018

CALENDAR OF MAJOR EVENTS

First Interim Dividend warrants dispatched to shareholders	December 28, 2017
Second Interim Dividend warrants dispatched to shareholders	March 28, 2018
Third Interim Dividend warrants dispatched to shareholders	June 26, 2018
Announcement of Final Dividend	August 20, 2018

SOCIAL **VALUES**

CORPORATE SOCIAL **RESPONSIBILITY**

Sustainable Development is an instrument of positive change for businesses and continues to be one of the most important aspects of business in the global economy. For Hubco, CSR is not just undertaking philanthropic initiatives, it is our commitment to operate within ethical framework and contribute to the socio-economic development of the country and improve the quality of life of the local communities.

We are active participants in contributing towards the welfare of the society and work with various partner organizations on a series of programs in a range of sectors.

Our social investments are primarily centered in areas near our plant sites with full involvement, contribution and engagement of the community. We contribute 1% of our profit after tax deduction, on CSR activities and are managing a series of programs in the fields of health, education, infrastructure and livelihood.

HEALTH

Hubco has established three health centers in three neighboring villages of Hub which are managed by trained LHVs (Lady Health Visitors). The Company has also donated a mobile medical unit that covers an additional 25 nearby villages of Kund Hub and Gadani, which provides free medical services and medicines to the community. General medical and skin camps are arranged on a consistent and periodic basis in District Lasbela.

As part of a campaign, medical camps were setup in different places including Jam Ghulam Qadir Hospital-Hub, Winder and Gadani, where thousands of patients visited the camps and received proper treatment, free medicines and consultations. Eye Camps are set up annually by the Company at Jam Ghulam Qadir Hospital in collaboration with Al-Baseer Eye Hospital and a team of specialized doctors and technicians from Al-Baseer Eye Hospital attend to the patients. This year, 109 surgeries were performed, 1039 OPD patients received treatment and around 300 free eye glasses as well as medicines were distributed amongst patients.

In order to further facilitate the younger members of the local community, the Company organizes free eye screening for schools every year in collaboration with Al-Baseer Eye Hospital. Medicines and glasses are also provided to students. Students with serious eye infections are referred with their attendants to Al-Baseer Eye Hospital, Karachi for necessary treatment free-of-cost.

Similarly, Laraib Energy Limited (LEL) provided medical equipment to the Basic Health Unit (BHU) Mangla to enhance its capacity where approximately 50-60 patients benefit from the facility on daily basis. LEL also arranged eye screening camps in collaboration with Al-Shifa Eye Trust which helped treat 200 students and 350 adults from the local community.

EDUCATION

The Company continues to fund The Citizens Foundation (TCF) school at Hub, established under its CSR program, which provides quality education to the students of the local community. This year, the school's strength was increased to approximately 675 students from Hub and Gadani areas. The students were also provided with free transportation, school bags and uniforms.

Recent extension of the school premises has facilitated admission of 180 additional students. The Company also installed Reverse Osmosis (RO) Treatment plant at the campus for providing safe drinking water to the students. The Company has also constructed another TCF primary school on Pirkas Road, which has enrolled 180 children and classes have commenced from September 2017.

Every year the Company distributes school bags to 18 local government primary schools of Hub and Gadani areas including TCF Hubco Campus. More than two thousand school bags were distributed this year.

In order to support the local government schools, the Company signed a Memorandum of Understanding with TCF for adoption of three government schools in Hub and Lasbella district. These schools are located in Abbas Goth, Allana Goth & Qadir Baksh Goth and imparts education to around 523 students..

Laraib Energy Ltd. has been at the forefront in improving the educational infrastructure of the local institutions by providing them with furniture, classroom equipment and washrooms. LEL has also initiated an institutional 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.

Narowal Energy Limited (NEL) has adopted a government primary school in village Poong in Narowal. Over the last several years, results have shown an enormous improvement in the form of increasing enrolment, grades and a more balanced gender ratio. In addition to providing value added infrastructure, several other initiatives were also taken that included periodic training sessions for teachers, co-curricular activities for students, health and hygiene awareness sessions for students, etc.

UNIVERSITY LEVEL SCHOLARSHIPS AND SPONSORSHIPS

Educating the women of Balochistan has been a regular part of Hubco's educational interventions under which scholarships are being provided to 30 female students studying at Sardar Bahadur Khan Women University (SBKWU), Quetta. The scholarship covers semester fee, stipend and hostel charges.

APPRENTICESHIP TRAINING SCHEME

The Company is continuing its legacy of skill-development in the province of Balochistan through its apprenticeship training program conducted at our flagship Hub Plant. The Company in 2016 increased the trade apprentice strength to 24 as compared to 12 in previous years. The scheme is only for Balochi students and selection is purely on merit and apprenticeship is offered after detailed assessments. The Company provides all necessary support including boarding and lodging, onsite housing and transportation along with monthly stipend to cover their miscellaneous expenses. The apprentices receive training in various technical (electrical, mechanical, instrumentation, plant operations and HVAC) and social skills.

So far, 14 batches comprising of 167 local boys have graduated from the apprenticeship program. The graduates of our apprenticeship program are employed across various countries of which 86% are working in the industrial sector 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).

INFRASTRUCTURE

To facilitate building of basic infrastructure in local villages, the Company installed thirty-four solar street lights a 9 KW solar system at Jam Ghulam Qadir Hospital-Hub to provide uninterrupted power supply to its OPD, operation theatre and laboratory. The Company has also made arrangement for the continuous supply of clean drinking water to the hospital.

Our initiatives in Narowal include brick soling and laying of 11,300 ft of underground sewerage pipeline in Poong village, which culminates into a sewerage treatment facility, which has also been constructed by the NEL. This facility is benefiting approximately 2,500 residents of the village. The waste water is being treated through aquatic plants making the water reusable for irrigation of neighboring farms.

In addition to our water tower project (executed last year) which has a capacity of supplying approximately 94,000 liters of fresh water (25,000 gallons) to Poong village, this year the Company laid the underground water distribution pipelines and provided hundreds of water connections in the local village.

In Laraib, we constructed 15 intermediate solid waste dumping stations in Mirpur city in collaboration with the Environmental Protection Agency (EPA) and Municipal Corporation Mirpur (MCM). A water filtration plant has also been installed in nearby village, which benefits approximately 1,000 households of the local community.

LIVELIHOOD

Generating direct and indirect employment for community in the localities where we operate is one of the foremost priority of Hubco. The Company encourages its business partners to hire local people according to their ability and skills. The Company has been successfully running various programs improving the technical skills and subsequent employment prospects of the local communities.

To enhance skill development in District Lasbela, this year the Company initiated a vocational training program for students of 10th Grade (matriculation). Under the scheme, 40 students are being trained by Hunar Foundation in different trades, such as Electrical, Civil, Welding, etc. Hubco bears all the expenses incurred during training i.e. institution fee, boarding, lodging, meals stipend, etc.

HEALTH, SAFETY & ENVIRONMENT (HSE)

Hubco is committed to protecting the health, safety, environment and welfare of our employees and others who may be affected by our business and understands the responsibility it bears in this regard. This means we ensure that all stakeholders are protected from direct harm due to our operations and that we effectively mitigate any risk of injury or health that could arise at the workplace.

Hubco places special emphasis on HSE and all our sites follow the strict compliance of our HSE policies. Company continued its zero-lost work-day injury record and completed 21.91 million safe man-hours, at the end of the fiscal year. Five million man hours added in this year for zero-lost work-day injury. Total Recordable Injury Rate (TRIR) for the fiscal year was 0.21.

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.

DUPONT SAFETY MANAGEMENT SYSTEM

Ensuring the safety standards for personnel and processes, the Company is undergoing the implementation of DuPont Safety Standards – one of the world's best OSHA (Occupational Health and Safety Administration) based safety standards. The initiative is a testament of our commitment to not only ensure effective implementation and compliance of the HSE system but also to enhance it to world class excellence. Our three major plant sites are currently training their employees and implementing the process and risk management elements.

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). The Company strictly conforms to National Environmental Quality Standards (NEQS) with regards to Air Emissions from our all our sites.

The extensive routine maintenances carried out during past months on all engines where fuel characteristics, and engine operating parameters were deeply reviewed & fine-tuned to ensure engines emission within prescribed limits. The HSE teams continuously monitor flue gases from plant chimney and are doing necessary maintenance to reduce and operate under agreed limits.

WORKPLACE SAFETY AND SECURITY

Hubco regularly trains and equips its employees on workplace safety and health issues at all sites. The employees are informed about the best HSE practices through regular internal communication channels such as transformation forums, electronic display units and internal safety workshops. Each employee is also trained to follow safety rules and to exercise caution in all work activities. We regularly conduct risk assessments that address all hazards that may cause harm in the 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 Tool Box Talks are carried out at our sites to ensure a proactive approach towards HSE.

WASTE WATER EFFLUENT AND AIR EMISSIONS MANAGEMENT

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

GREEN OFFICE CERTIFICATION

Environment sustainability is not limited to our operations, but all our facilities are in constant pursuance of this objective. A reflection of our success is that our Head Office is certified as Green Office by World Wildlife Federation (WWF). For achieving and maintaining this globally renowned certificate our HSE team inspected and scrutinized three indicators during the year: paper, energy and waste.

This inspection also gave us a baseline for further reduction during the upcoming year and achieve our targets. Further weaving sustainability in our culture, the Company regularly distributes environment conscious souvenirs like Jade Plants and solar-lights to each employee. Other measures include installation of duplex printers to save paper, replacement of bulb to LEDs, installation of motion sensors, using 3M films on glass windows to reduce indoor ambient temperature and installation of water-saving faucets in the washrooms.

HSE INITIATIVES FOR THE NEW COAL PROJECTS

Our 2 x 660 MW Coal-based Power Plant and the associated jetty received its NOC from Balochistan Environment Protection Agency. Similarly, our 330 MW Coal Project based in Thar, had its Environment, and Social Impact Assessment (ESIA) study conducted by Haigler Bailly, following which it received the NOC from Sindh Environment Protection Agency.

HUMAN RESOURCES

HR – PARTNER IN TRANSFORMATIONAL JOURNEY

Over the last four years, HUBCO has embarked on an ambitious transformational journey of revamping the base business and extensive growth with an aim of optimizing the energy fuel mix of the country. The HR department has played a pivotal role in ensuring this ambitious transformation by partnering with the business at every step of the way. We strongly believe that delivery of our growth strategy is contingent on the quality of our people. Therefore, HR remains determined in attracting, developing and retaining the best talent while providing them with an enabling environment conducive to learning and high performance.

ORGANIZATIONAL SYNERGIES

In alignment with our philosophy of introducing industry best practices at HUBCO, Organization Structures for HUBCO and its subsidiaries were revamped and the HR policies and systems for subsidiaries were aligned with HUBCO Corp. This has yielded efficiency improvements by bringing in the requisite synergies. The alignment has further strengthened the partnership between HUBCO Corp and its subsidiaries and has improved talent fungibility. In a similar initiative, HR Shared Services Model was introduced to create synergies amongst our group companies enabling the organization to experience one window solution for all HR services. This will enable us to improve employee experience and assist in delivering more efficient service.

COST OPTIMIZATION

HR spearheaded two cost optimization drives. The first wave was with the aim to align our SWB costs in line with O&M revenue and its annual escalation under PPA. A comprehensive strategy was developed and presented to the Board to ensure business sustainability and shareholder return. The second wave of cost optimization was to manage organizational costs under low load factor scenario. A comprehensive organization wide session was held involving input from all employees ensuring complete buy-in from all sections of the organization. In this context, HR committed 24% of savings from its actual budget without compromising on the quality and quantity of services to the organization.

LAUNCH OF VISION & VALUES

For any organization to succeed, it is essential for all employees to share the organization's vision and to live by a common set of values. To build a sustainable future, we reevaluated our strategy and crafted our Vision and Values. An exercise to formalize HUBCO's Vision, Mission, Aspirational Goal and Values through a consultative process was initiated by involving cross-section of employees across all locations. External consultants were engaged to facilitate this initiative. Post finalization, Vision & Values were cascaded across all levels to embed them in to the DNA of the organization through various interventions. Presently, HR is working towards integration of our Values with HR Systems & Processes.

LEADERSHIP DEVELOPMENT & SUCCESSION PLANNING

In continuation with the efforts of HR to enhance the organization's sustainability, a detailed capability assessment for the leadership team was conducted by an internationally reputed consulting partner. Consequently, development plans for the leadership team were put in place to ensure that HUBCO has the best team, capable of delivering on the organizational vision and values and long-term strategic objectives. Subsequently, a Succession Plan was strategized for key leadership positions. The plan was put in place after approval of the BCC.

LEARNING & DEVELOPMENT

This year HUBCO's learning and development philosophy focused on developing business & functional leaders to ensure optimum talent density in the organization to support base business and aggressive growth strategy. The learning mix consisted of experiential learning opportunities including special projects/assignments, collaborative learning initiatives under Learning Hub™ and formal training platforms. Through Learning HUB, a total of 549.7 Man-Days of training were conducted during the year which translate to 4.6 Man-Days per employee on average. This has proved to be of great value in terms of knowledge transfer and cost optimization. The average rating for these trainings was 4.1 on a scale of 5.

LAUNCH OF E-LEARNING

A state of the art learning methodology was introduced at HUBCO i.e. E-Learning, which resulted in significant cost savings when compared to conventional classroom trainings. E-Learning offers unlimited trainings and would enable employees to cover not only their defined training needs, in addition it will also let them take countless trainings from world's best professors and industry experts. This initiative not only reduced training cost, it also improved the quality and effectiveness of the trainings. Total of 263 courses have been completed on the platform.

EMPLOYEE ENGAGEMENT

Employee Engagement is a core pillar of HUBCO's culture, as it is a psychological state in which employees feel vested interest in the company's success and are motivated to perform at levels that exceed the stated job requirements. Hence, employee engagement is a performance multiplier and greatly impacts the organization's delivery on objectives. To gauge employee engagement levels and factors affecting employee engagement at HUBCO, a 3rd party engagement survey is conducted on a yearly basis. Employee Engagement Survey 2018 was successfully completed in a timely manner for HUBCO Corp and all its subsidiaries with a 100% participation rate for HUBCO, TEL, NEL and LEL and 99% participation rate for HPSL. In order to enhance employee engagement, a comprehensive analysis for the diagnostic report of last year's results was conducted. The organizational vision and values cascading exercise was used as a tool to enhance engagement at an organizational level. To address the critical issues, townhall meetings were held for TEL & TESA teams, and cohesive team building exercises were conducted for Commercial & HR teams.

Employee Engagement Score for FY 17-18 has resulted in a significant increase of 58%, as compared to previous year.

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CORPORATE **GOVERNANCE**

ISSUES RAISED AT LAST AGM

The 26th Annual General Meeting of the Company was held on October 5, 2017. The meeting included business matters (both ordinary and special) and general clarifications on the Company's published financial statements which were duly sought by the shareholders.

STAKEHOLDERS' ENGAGEMENT

The Company upholds the loyalty and positive perception of its stakeholders and engages with its stakeholders through transparent and continued relationships. The Company also safeguards fair dealings with banks and lenders, improved risk management, compliance with laws and regulations, enhanced 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 occurrence 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

As we strive to improve our performance in a fast-changing, competitive world, we endeavor to always remain true to our Code of Business Ethics. They are a bedrock of our success, in tough times and good times, governing how the Company conducts its affairs. The code of ethics describes the behavior Hubco expects of its employees and what our employees can expect from the Company.

The code is more than a set of rules. It underlines the core principles that the Company expects it employees to live by, such as honesty, integrity and respect for people. The conduct of employees is evaluated on how our employees continue to live by these core principles both in intention and spirit.

The key task for every employee of the Company is to ensure sustainability and reliability of our business, strengthening the relationship with the customer and building on the Company's image of a good corporate citizen. We ensure that we maintain a stellar reputation amongst our shareholders, customers, the Government and suppliers alike – as a Company that observes the highest standards of personal and corporate integrity.

Company's Code of Business Ethics sets out the minimum standards expected of the entire team. This ensures that the Company maintains good reputation by dealing and being seen to deal with all our business contacts in a professional and acceptable way. Unethical practices of any sort are not allowed to find their way into the business.

We believe that employees have a duty to themselves and to the Company to raise any matters of business conduct or ethics which causes concern. Employees are not allowed to commit an illegal or unethical act, nor instruct and or encourage another employee to do so. The known laws and regulations of the country should always be followed.

Business Ethics followed by the Company help to protect both the employees and the Company from unfounded accusations of deception and fraud, and ensures that where corruption and fraud have or might have taken place, it is properly investigated and dealt with in a timely manner.

As a general rule, we treat our employees as Company's ambassadors to all our stakeholders and, therefore, employees are expected to promote the Company's best interests whilst maintaining the highest standards of personal integrity and business practice in all their dealings.

Employees must at all times act in the interest of the Company's shareholders and must abide by the Company's stated standards of environmental, safety and management practices. The application of these principles is underpinned by a comprehensive set of assurance procedures, which are designed to make sure that our employees understand the principles and confirm that they act in accordance with them. We believe that the code of business ethics has been fundamental in the manner we have conducted our business and ourselves with respect to the environment in which we operate and living by them remains crucial to our continued success.

ANTI-CORRUPTION MEASURES

The Company severely rejects corrupt business practices and does not give or receive bribes in any manner, shape or form 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.

BUSINESS CONTINUITY PLANNING

Despite our rapid expansion and the complexity of risk that it accompanies, Hubco endures rigorous crisis management planning for all its plants and site facilities. Our BCP ensures endurance of our business operations in face of a natural calamity or an incident.

Our action plan formulated in advance with the aim to prevent the stoppage of important and crucial Company operations or restore and restart them in as little time as possible. 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 is fully equipped to immediately initiate its BCP protocols based on these categories and work to ensure the continuity of its operations.

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 previous 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 vision 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 the 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 long-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.

SPEAK UP POLICY

The Company believes in the conduct of the affairs of its constituents in a fair and transparent manner by adopting the highest standards of professionalism, honesty, integrity and ethical behavior. This has always been our core strength and is reinforced through voluntary reporting of irregularities and implementation of ethics related policies.

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 our Speak Up Policy is to provide a framework to promote a 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.

IT POLICY

Our IT policy outlines the responsibilities of all the users at the Company. The policy safeguards the information security when it is stored and transmitted and guards the data from unauthorized or accidental modification or destruction, and disclosure. The purpose of our IT Governance Policy is also to guarantee the continuity of IT operations and electronic communication. Under this policy, the Company keeps the IT infrastructure abreast with relevant updates and system upgrades and enhances the system security to minimize risk of malicious attacks. The policy also provides an outline for effective and efficient data and infrastructure backup system as part of Disaster Recovery Management.

HR POLICY AND SUCCESSION PLANNING

Our HR policy is designed to develop a performance culture based on excellence, providing association between an employee's performance and company's goals. The policy also provides for our desired organizational culture.
The Company has formed a vigorous Succession Plan for the positions of CEO, CEO Direct Reports and Business Critical Roles, in order to ensure the continued business excellence. The 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; and
- Long Term: Candidates ready in 3 to 5 years.

FINANCIAL PERFORMANCE

FINANCIAL **RATIOS**

		2018	2017	2016	2015	2014	2013
Profitability Ratios							
Gross Profit margin	%	12.78	11.86	17.11	10.94	7.25	9.84
Net Profit margin	%	11.17	10.50	13.40	7.49	4.05	5.66
Operating cost to turnover	%	87.22	88.14	82.89	89.06	92.75	90.16
Fuel cost to turnover	%	79.22	89.24	73.27	81.97	86.60	85.03
EBITDA Margin to Sales	%	16.91	15.41	20.47	13.16	8.57	11.24
Operating Leverage Ratio	Times	(3.39)	3.46	(0.06)	(1.63)	12.28	(0.86)
Return on Equity	%	43.57	35.08	39.10	31.44	20.58	29.63
Return on Capital Employed	%	35.71	26.82	28.85	26.76	19.73	27.71
Liquidity Ratios							
Current Ratio	Times	0.96	0.96	1.03	1.08	1.06	1.18
Quick / Acid Test Ratio	Times	0.89	0.90	0.97	1.01	1.01	1.05
Cash to Current Liabilities	Times	0.004	0.014	0.037	0.006	0.032	0.396
Cash Flow from Operations to Sales	%	9.05	4.22	14.93	10.24	(9.83)	25.06
Working Capital	Rs. in million	(3,666)	(3,697)	2,352	6,296	5,086	7,902
Activity / Turnover Ratios							
No. of Days in Inventory	Days	23	14	15	9	8	7
Inventory Turnover	Times	15.78	25.90	23.75	39.98	45.23	49.67
No. of Days in Receivables	Days	372	352	318	212	118	194
Receivables Turnover	Times	0.98	1.04	1.15	1.72	3.09	1.89
No. of Days in Payables	Days	403	328	351	196	122	200
Payables Turnover	Times	0.91	1.11	1.04	1.86	3.00	1.82
Operating Cycle	Days	(8)	38	(18)	25	4	1
Total Asset Turnover	Times	0.56	0.68	0.64	1.04	1.19	1.67
Fixed Assets Turnover	Times	4.98	4.55	2.36	3.39	3.93	3.82
Working Capital Turnover	Times	(20.92)	(21.26)	36.75	20.88	31.81	20.99
Investment / Market Ratios							
Earnings Per Share	Rs.	7.40	8.29	10.00	8.51	5.66	8.11
Price Earning Ratio	Times	12.45	14.17	12.01	11.00	10.28	7.60
Price to Book Ratio	Times	5.38	6.97	5.04	3.42	2.17	2.19
Dividend Yield	%	8.03	6.39	9.16	10.15	11.18	12.98
Dividend Payout Ratio	Times	1.00	0.90	1.10	1.12	1.15	0.99
Dividend Cover Ratio	Times	1.00	1.11	0.91	0.90	0.87	1.01
Cash Dividend Per Share - Interims	Rs.	4.60	5.00	8.00	4.00	2.50	3.50
Cash Dividend Per Share - Final	Rs.	2.80	2.50	3.00	5.50	4.00	4.50
Cash Dividend Per Share - Total	Rs.	7.40	7.50	11.00	9.50	6.50	8.00
Market Value per Share							
Year end	Rs.	92.16	117.43	120.06	93.57	58.16	61.65
High	Rs.	125.88	145.43	122.88	97.84	59.05	65.65
Low	Rs.	89.90	103.15	96.03	57.60	57.77	44.01
Breakup Value / (Net assets/share)	Rs.	17.14	16.84	23.83	27.34	26.83	28.18
Capital Structure Ratios							
Financial Leverage Ratio	Times	0.74	0.40	0.76	0.71	0.76	0.79
Weighted Average Cost of Debt	%	6.99	5.45	8.74	11.77	12.50	16.31
Debt to Equity Ratio	Ratio	42:58	29:71	43:57	42:58	43:57	44:56
Interest Cover Ratio	Times	4.90	5.71	4.77	3.21	2.42	2.43
No. of Ordinary Shares	No. in million	1,157	1,157	1,157	1,157	1,157	1,157

DUPONT **ANALYSIS**

Ratios	2018	2017	Comments
Tax Burden/Efficiency (Net Income/PBT)	97.62	98.31	Declined mainly due to taxes on higher dividend income.
Interest Burden/Efficiency (PBT/EBIT)	79.60	82.49	Declined mainly due to increase in finance cost due to higher long term and short term borrowings during the year.
Operating Income Margin (EBIT/Sales)	14.37	12.96	Improved mainly due to lower repair and maintenance and higher dividend income.
Asset Turnover (Sales/Assets)	0.56	0.68	Declined mainly due to lower generation during the year.
Leverage Ratio (Assets/Equity)	6.89	5.90	Increased mainly due to investment in subsidiaries and increase in trade debts
Return on Equity (Net Income/Equity)	43.57	35.08	Increased mainly due to lower average equity due to transfer of retained earnings to Narowal Energy Limited, pursuant to demerger of Narowal Plant in 2017.

HORIZONTAL AND VERTICAL ANALYSIS OF
STATEMENT OF PROFIT OR LOSS

Horizontal Analysis	2018 (Rs. Million)	18 Vs 17 %	2017 (Rs. Million)	17 Vs 16 %	2016 (Rs. Million)	16 Vs 15 %
Turnover	76,676	(2.44)	78,590	(9.06)	86,415	(34.28)
Operating costs	(66,873)	(3.46)	(69,273)	(3.29)	(71,627)	(38.83)
Gross Profit	9,803	5.22	9,317	(37.00)	14,788	2.76
General and administration expenses	(900)	46.34	(615)	(33.51)	(925)	0.43
Other income	2,229	43.16	1,557	7.83	1,444	(5.74)
Other operating expenses	(110)	43.32	(77)	(83.77)	(473)	4.88
Profit from operations	11,022	8.25	10,182	(31.36)	14,834	1.94
Finance costs	(2,248)	26.01	(1,784)	42.62	(3,109)	(31.49)
Profit before taxation	8,774	4.47	8,398	28.37	11,725	17.10
Taxation	(209)	46.77	(142)	(4.43)	(149)	(6.88)
Profit after tax from continuing operations	8,565	3.74	8,256	(28.68)	11,576	17.49
Profit after tax from discontinued operations	–	(100.00)	1,344	100.00	–	–
Profit for the year	8,565	(10.78)	9,600	(17.07)	11,576	17.49

Vertical Analysis	2018 (Rs.Million)	2018 % of turnover	2017 (Rs. Million)	2017 % of turnover	2016 (Rs. Million)	2016 % of turnover
Turnover	76,676	100.00	78,590	100.00	86,415	100.00
Operating costs	(66,873)	(87.22)	(69,273)	(88.14)	(71,627)	(82.89)
Gross Profit	9,803	12.78	9,317	11.86	14,788	17.11
General and administration expenses	(900)	(1.17)	(615)	(0.78)	(925)	(1.07)
Other income	2,229	2.91	1,557	1.98	1,444	1.67
Other operating expenses	(110)	(0.14)	(77)	(0.10)	(473)	(0.55)
Profit from Operations	11,022	14.37	10,182	12.96	14,834	17.17
Finance costs	(2,248)	(2.93)	(1,784)	(2.27)	(3,109)	(3.60)
Profit before taxation	8,774	11.44	8,398	10.69	11,725	13.57
Taxation	(209)	(0.27)	(142)	(0.18)	(149)	(0.17)
Profit after tax from continuing operations	8,565	11.17	8,256	10.50	11,576	13.40
Profit after tax from discontinued operations	–	–	1,344	1.71	–	–
Profit for the year	8,565	11.17	9,600	12.22	11,576	13.40

2015 (Rs. Million)	15 Vs 14 %	2014 (Rs. Million)	14 Vs 13 %	2013 (Rs. Million)	13 Vs 12 %	2012 (Rs. Million)
131,484	(18.74)	161,807	(2.44)	165,862	(5.07)	174,712
(117,093)	(21.97)	(150,071)	0.35	(149,544)	(5.98)	(159,061)
14,391	22.62	11,736	(28.08)	16,318	4.26	15,651
(921)	39.33	(661)	59.28	(415)	0.48	(413)
1,532	1,745.78	83	144.12	34	(2.86)	35
(451)	100.00	–	–	–	–	–
14,551	30.41	11,158	(29.99)	15,937	4.35	15,273
(4,538)	(1.45)	(4,605)	(29.66)	(6,547)	(7.57)	(7,083)
10,013	52.80	6,553	(30.21)	9,390	14.65	8,190
(160)	3,900.00	(4)	(100.00)	(2)	(100.00)	–
9,853	50.45	6,549	(30.24)	9,388	14.63	8,190
–	–	–	–	–	–	–
9,853	50.45	6,549	(30.24)	9,388	14.63	8,190

2015		2014		2013		2012
(Rs. Million)	% of turnover	(Rs. Million)	% of turnover	(Rs. Million)	% of turnover	(Rs. Million)
131,484	100.00	161,807	100.00	165,862	100.00	174,712
(117,093)	(89.05)	(150,071)	(92.75)	(149,544)	(90.16)	(159,061)
14,391	10.95	11,736	7.25	16,318	9.84	15,651
(921)	(0.70)	(661)	(0.41)	(415)	(0.25)	(413)
1,532	1.17	83	0.05	34	0.02	35
(451)	(0.34)	–	–	–	–	–
14,551	11.07	11,158	6.90	15,937	9.61	15,273
(4,538)	(3.45)	(4,605)	(2.85)	(6,547)	(3.95)	(7,083)
10,013	7.62	6,553	4.05	9,390	5.66	8,190
(160)	(0.12)	(4)	(0.00)	(2)	(0.00)	–
9,853	7.49	6,549	4.05	9,388	5.66	8,190
–	–	–	–	–	–	–
9,853	7.49	6,549	4.05	9,388	5.66	8,190

HORIZONTAL ANALYSIS OF
STATEMENT OF FINANCIAL POSITION

	2018 (Rs. Million)	18 Vs 17 %	2017 (Rs. Million)	17 Vs 16 %	2016 (Rs. Million)	16 Vs 15 %
ASSETS						
NON-CURRENT ASSETS						
Fixed Assets						
Property, Plant and equipments	15,401	(10.78)	17,262	(52.82)	36,587	(5.75)
Intangibles	55	22.22	45	1.73	44	1,374.53
Long term investments	20,679	85.06	11,174	90.15	5,876	19.49
Long term loan and advance	–	–	–	–	–	–
Long term deposits and prepayments	21	(84.21)	133	539.18	21	9.52
	36,156	26.36	28,614	(32.72)	42,528	(2.81)
CURRENT ASSETS						
Stores, spares and consumables	1,955	(0.26)	1,960	(20.33)	2,460	16.53
Stock-in-trade	5,688	104.16	2,786	8.69	2,563	(26.13)
Trade debts	82,683	12.24	73,663	(5.25)	77,747	6.97
Loan and advances	90	(37.06)	143	(42.15)	247	128.87
Prepayments and other receivables	9,618	45.93	6,591	27.23	5,181	55.34
Cash and bank balances	427	(65.09)	1,223	(62.71)	3,280	577.70
	100,461	16.32	86,366	(5.59)	91,478	11.30
Non-current asset held for sale	–	(100.00)	4	100.00	–	–
TOTAL ASSETS	136,617	18.81	114,984	(14.19)	134,006	6.40
EQUITY AND LIABILITIES						
SHARE CAPTIAL AND RESERVE						
Share Capital						
Authorised	17,000	41.67	12,000	–	12,000	–
Issued, subscribed and paid-up	11,572	–	11,572	–	11,572	–
Revenue Reserve						
Unappropriated profit	8,256	4.32	7,914	(50.56)	16,007	(20.22)
TOTAL EQUITY	19,828	1.76	19,486	(29.35)	27,579	(12.82)
NON-CURRENT LIABILITIES						
Long term loans	12,662	133.10	5,432	(68.60)	17,301	(6.07)
CURRENT LIABILITIES						
Trade and other payables	79,821	20.54	66,222	0.34	65,997	10.19
Unclaimed dividend	140	8.53	129	4.88	123	19.42
Unpaid dividend	247	(75.83)	1,022	(52.92)	2,171	3,847.27
Interest/mark-up accrued	158	(38.52)	257	(50.07)	515	(32.54)
Short term borrowings	21,776	8.39	20,091	21.47	16,540	50.87
Current maturity of long term loans	1,985	(15.35)	2,345	(37.96)	3,780	(8.17)
	104,127	15.61	90,066	1.05	89,126	17.43
TOTAL EQUITY AND LIABILITIES	136,617	18.81	114,984	(14.19)	134,006	6.40

2015 (Rs. Million)	15 Vs 14 %	2014 (Rs. Million)	14 Vs 13 %	2013 (Rs. Million)	13 Vs 12 %	2012 (Rs. Million)
38,818	(5.83)	41,223	(5.15)	43,463	(5.59)	46,038
3	(75.00)	12	(55.56)	27	8.00	25
4,918	5.22	4,674	–	4,674	–	4,674
–	(100.00)	63	(27.59)	87	171.88	32
19	(9.52)	21	162.50	8	–	8
43,758	(4.86)	45,993	(4.70)	48,259	(4.96)	50,777
2,111	32.02	1,599	1.59	1,574	45.07	1,085
3,470	45.25	2,389	(43.76)	4,248	139.46	1,774
72,683	(9.01)	79,879	222.11	24,799	(83.59)	151,161
108	38.46	78	(27.78)	108	332.00	25
3,335	18.35	2,818	(13.45)	3,256	30.34	2,498
484	(81.91)	2,676	(84.32)	17,069	3,334.41	497
82,191	(8.10)	89,439	75.19	51,054	(67.49)	157,040
–	–	–	–	–	–	–
125,949	(7.00)	135,432	36.37	99,313	(52.21)	207,817
12,000	–	12,000	–	12,000	–	12,000
11,572	–	11,572	–	11,572	–	11,572
20,063	3.03	19,473	(7.44)	21,038	9.60	19,195
31,635	1.90	31,045	(4.80)	32,610	5.99	30,767
18,419	(8.06)	20,034	(14.93)	23,551	(8.84)	25,834
59,895	(4.40)	62,654	80.47	34,718	(72.80)	127,618
103	15.73	89	20.27	74	17.46	63
55	7.84	51	10.87	46	9.52	42
763	(34.11)	1,158	(18.57)	1,422	(13.24)	1,639
10,963	(35.05)	16,878	272.83	4,527	(77.01)	19,688
4,116	16.83	3,523	48.96	2,365	9.19	2,166
75,895	(10.03)	84,353	95.48	43,152	(71.46)	151,216
125,949	(7.00)	135,432	36.37	99,313	(52.21)	207,817

VERTICAL ANALYSIS OF
STATEMENT OF FINANCIAL POSITION

	2018 (Rs. Million)	%	2017 (Rs. Million)	%	2016 (Rs. Million)	%
ASSETS						
NON-CURRENT ASSETS						
Fixed Assets						
Property, Plant and equipments	15,401	11.27	17,262	15.01	36,587	27.30
Intangibles	55	0.04	45	0.04	44	0.03
Long term investments	20,679	15.14	11,174	9.72	5,876	4.39
Long term loan and advance	-	-	-	-	-	-
Long term deposits and prepayments	21	0.02	133	0.12	21	0.02
	36,156	26.47	28,614	24.89	42,528	31.74
CURRENT ASSETS						
Stores, spares and consumables	1,955	1.43	1,960	1.70	2,460	1.84
Stock-in-trade	5,688	4.16	2,786	2.42	2,563	1.91
Trade debts	82,683	60.52	73,663	64.06	77,747	58.02
Loan and advances	90	0.07	143	0.12	247	0.18
Prepayments and other receivables	9,618	7.04	6,591	5.73	5,181	3.87
Cash and bank balances	427	0.31	1,223	1.06	3,280	2.45
	100,461	73.53	86,366	75.11	91,477	68.26
Non-current asset held for sale	-	-	4	0.00	-	-
TOTAL ASSETS	136,617	100.00	114,984	100.00	134,006	100.00
EQUITY AND LIABILITIES						
SHARE CAPTIAL AND RESERVE						
Share Capital						
Authorised	17,000	-	12,000	-	12,000	-
Issued, subscribed and paid-up	11,572	8.47	11,572	10.06	11,572	8.64
Revenue Reserve						
Unappropriated profit	8,256	6.04	7,914	6.88	16,007	11.95
TOTAL EQUITY	19,828	14.51	19,486	16.95	27,579	20.58
NON-CURRENT LIABILITIES						
Long term loans	12,662	9.27	5,432	4.72	17,301	12.91
CURRENT LIABILITIES						
Trade and other payables	79,821	58.43	66,222	57.59	65,997	49.25
Unclaimed dividend	140	0.10	129	0.11	123	0.09
Unpaid dividend	247	0.18	1,022	0.89	2,171	1.62
Interest/mark-up accrued	158	0.12	257	0.22	515	0.38
Short term borrowings	21,776	15.94	20,091	17.47	16,540	12.34
Current maturity of long term loans	1,985	1.45	2,345	2.04	3,780	2.82
	104,127	76.22	90,066	78.33	89,126	66.51
TOTAL EQUITY AND LIABILITIES	136,617	100.00	114,984	100.00	134,006	100.00

2015 (Rs. Million)	%	2014 (Rs. Million)	%	2013 (Rs. Million)	%	2012 (Rs. Million)
38,818	30.82	41,223	30.44	43,463	43.76	46,038
3	0.00	12	0.01	27	0.03	25
4,918	3.90	4,674	3.45	4,674	4.71	4,674
-	-	63	0.05	87	0.09	32
19	0.02	21	0.02	8	0.01	8
43,758	34.74	45,993	33.96	48,259	48.59	50,777
2,111	1.68	1,599	1.18	1,574	1.58	1,085
3,470	2.76	2,389	1.76	4,248	4.28	1,774
72,683	57.71	79,879	58.98	24,799	24.97	151,161
108	0.09	78	0.06	108	0.11	25
3,335	2.65	2,818	2.08	3,256	3.28	2,498
484	0.38	2,676	1.98	17,069	17.19	497
82,191	65.26	89,439	66.04	51,054	51.41	157,040
-	-	-	-	-	-	-
125,949	100.00	135,432	100.00	99,313	100.00	207,817
12,000	-	12,000	-	12,000	-	12,000
11,572	9.19	11,572	8.54	11,572	11.65	11,572
20,063	15.93	19,473	14.38	21,038	21.18	19,195
31,635	25.12	31,045	22.92	32,610	32.84	30,767
18,419	14.62	20,034	14.79	23,551	23.71	25,834
59,895	47.55	62,654	46.26	34,718	34.96	127,618
103	0.08	89	0.07	74	0.07	63
55	0.04	51	0.04	46	0.05	42
763	0.61	1,158	0.86	1,422	1.43	1,639
10,963	8.70	16,878	12.46	4,527	4.56	19,688
4,116	3.27	3,523	2.60	2,365	2.38	2,166
75,895	60.26	84,353	62.28	43,152	43.45	151,216
125,949	100.00	135,432	100.00	99,313	100.00	207,817

SIX YEARS STATEMENT OF
PROFIT OR LOSS AT A GLANCE

	2018	2017	2016	2015	2014	2013
			(Rs. Millions)			
Turnover	76,676	78,590	86,415	131,484	161,807	165,862
Operating costs	(66,873)	(69,273)	(71,627)	(117,093)	(150,070)	(149,544)
Gross Profit	9,803	9,317	14,788	14,391	11,737	16,318
Other income	2,229	1,557	1,444	1,532	83	34
General and administration expenes	(900)	(615)	(925)	(921)	(661)	(415)
Finance costs	(2,248)	(1,784)	(3,109)	(4,538)	(4,605)	(6,547)
Other expenses	(110)	(77)	(473)	(451)	-	-
Taxation	(209)	(142)	(149)	(160)	(4)	(2)
Profit after tax from continuing operations	8,565	8,256	11,576	9,853	6,549	9,388
Profit after tax from discontinued operations	-	1,344	-	-	-	-
Profit for the year	8,565	9,600	11,576	9,853	6,549	9,388
Basic and diluted earnings per share (Rupees)	7.40	8.29	10.00	8.51	5.66	8.11

	2018	2017	2016	2015	2014	2013
			(Rs. Millions)			
EBITDA						
Profit after tax for the year (from continuing operations)	8,565	8,256	11,576	9,853	6,549	9,388
Finance costs	2,248	1,784	3,109	4,538	4,605	6,547
Depreciation	1,910	1,903	2,837	2,741	2,694	2,684
Amortization	37	26	20	8	15	15
Taxation	209	142	149	160	4	2
EBITDA	12,969	12,111	17,691	17,300	13,867	18,636

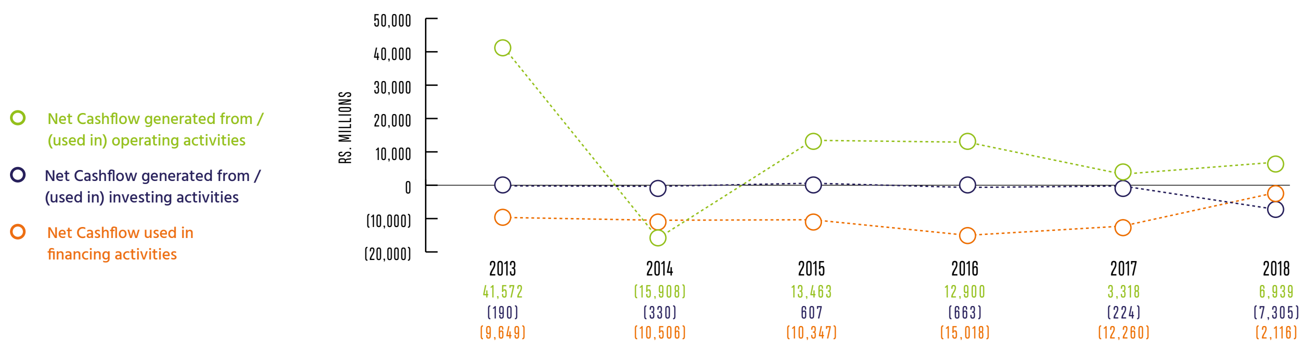
	2018	2017	2016	2015	2014	2013
			(Rs. Millions)			
EBIT						
Profit after tax for the year (from continuing operations)	8,565	8,256	11,576	9,853	6,549	9,388
Finance costs	2,248	1,784	3,109	4,538	4,605	6,547
Taxation	209	142	149	160	4	2
EBIT	11,022	10,182	14,834	14,551	11,158	15,937

SIX YEARS STATEMENT OF
FINANCIAL POSITION AT A GLANCE

	2018	2017	2016	2015	2014	2013
			(Rs. Millions)			
ASSETS						
NON-CURRENT ASSETS						
Fixed Assets						
Property, Plant and equipments	15,401	17,262	36,587	38,818	41,223	43,463
Intangibles	55	45	44	3	12	27
Long term investments	20,679	11,174	5,876	4,918	4,674	4,674
Long term loan and advance	–	–	–	–	63	87
Long term deposits and prepayments	21	133	21	19	21	8
	36,156	28,614	42,528	43,758	45,993	48,259
CURRENT ASSETS						
Stores and spares	1,955	1,960	2,460	2,111	1,599	1,574
Stock-in-trade	5,688	2,786	2,563	3,470	2,388	4,248
Trade debts	82,683	73,662	77,747	72,683	79,879	24,799
Loan and advances	90	143	247	108	78	108
Prepayments and other receivables	9,618	6,591	5,181	3,335	2,818	3,256
Cash and bank balances	427	1,223	3,280	484	2,676	17,069
	100,461	86,365	91,478	82,191	89,439	51,054
Non-current asset classified as held for sale	–	4	–	–	–	–
TOTAL ASSETS	136,617	114,983	134,006	125,949	135,432	99,313
EQUITY AND LIABILITIES						
SHARE CAPTIAL AND RESERVE						
Share Capital						
Authorised	17,000	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	8,256	7,914	16,007	20,063	19,473	21,038
TOTAL EQUITY	19,828	19,486	27,579	31,635	31,045	32,610
NON-CURRENT LIABILITIES						
Long term loans	12,662	5,432	17,301	18,419	20,034	23,551
CURRENT LIABILITIES						
Trade and other payables	80,208	67,373	68,291	60,053	62,794	34,838
Unclaimed dividend	140	129	123	103	89	74
Unpaid dividend	247	1,022	2,171	55	51	46
Interest/mark-up accrued	158	257	515	763	1,158	1,422
Short term borrowings	21,776	20,091	16,540	10,963	16,878	4,527
Current maturity of long term loans	1,985	2,345	3,780	4,116	3,523	2,365
	104,127	90,065	89,126	75,895	84,353	43,152
TOTAL EQUITY AND LIABILITIES	136,617	114,983	134,006	125,949	135,432	99,313

SUMMARY OF SIX YEARS
CASH FLOW AT A GLANCE

	2018	2017	2016	2015	2014	2013
			(Rs. Millions)			
Opening	(18,867)	(13,260)	(10,479)	(14,202)	12,542	(19,191)
Net Cashflow generated from / (used in) operating activities	6,939	3,318	12,900	13,463	(15,908)	41,572
Net Cashflow generated from / (used in) investing activities	(7,305)	(224)	(663)	607	(330)	(190)
Net Cashflow used in financing activities	(2,116)	(12,260)	(15,018)	(10,347)	(10,506)	(9,649)
Cash and cash equivalents transferred to NEL	-	3,558	-	-	-	-
Closing	(21,349)	(18,867)	(13,260)	(10,479)	(14,202)	12,542



COMMENTS ON UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

- The decrease in turnover by 2.44% compared to last year is mainly due to the lower Net Electrical Output and lower generation bonus.
- The decrease in operating cost by 3.46% compared to last year is mainly due to lower fuel cost and lower repairs and maintenance expenditure due to lower generation.
- The increase in other income was mainly due to higher dividends from subsidiaries.
- The increase in finance cost was mainly due higher utilization of short term borrowings because of delay in payment from CPPA-G and higher long term borrowing for investments in growth project CPHGC (via HPHL), TEL and SECMC.
- The current year net profit from continuing operations increased by 3.74% compared to last year resulting in increase in earnings per share from continuing operations from Rs. 7.13 to Rs. 7.40 mainly due to higher dividend income from subsidiaries and lower repair and maintenance expenses offset by higher finance cost and lower generation bonus.

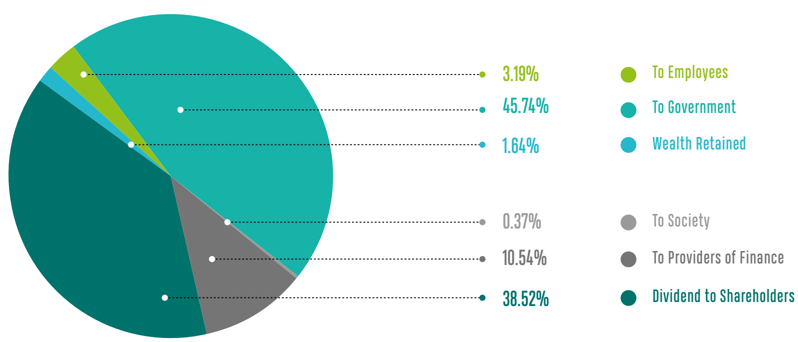
COMMENTS ON UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

- During the year, the Company has made additional investments in HPHL of Rs. 6,903 million, TEL of Rs. 2,268 million and SECMC of Rs. 335 million.
- Due to delayed payments by CPPA-G, the Company has delayed payments to PSO.
- The Company also maintains working capital facilities to meets its short term funding requirements.

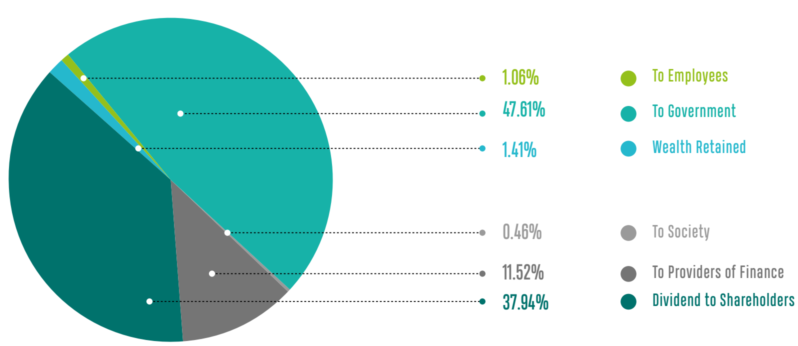
STATEMENT OF
VALUE ADDITION

	2018		2017	
	(Rs. Million)	%	(Rs. Million)	%
Wealth Created				
Total Revenue inclusive of sales tax and other income	88,587	415.37	104,200	427.07
Less: Operating cost & other general expenses	(67,260)	(315.37)	(79,801)	(327.07)
	21,327	100.00	24,399	100.00
Wealth Distributed				
To employees				
Salaries, wages and other benefits	680	3.19	259	1.06
To government				
Sales tax	9,545	44.76	11,474	47.03
Income tax	209	0.98	143	0.59
To society				
Donation / Corporate Social Responsibility	79	0.37	113	0.46
To providers of finance as financial charges	2,248	10.54	2,810	11.52
Dividend to Shareholders	8,216	38.52	9,257	37.94
Wealth Retained	349	1.64	343	1.41
	21,327	100.00	24,399	100.00

Wealth Distribution 2018



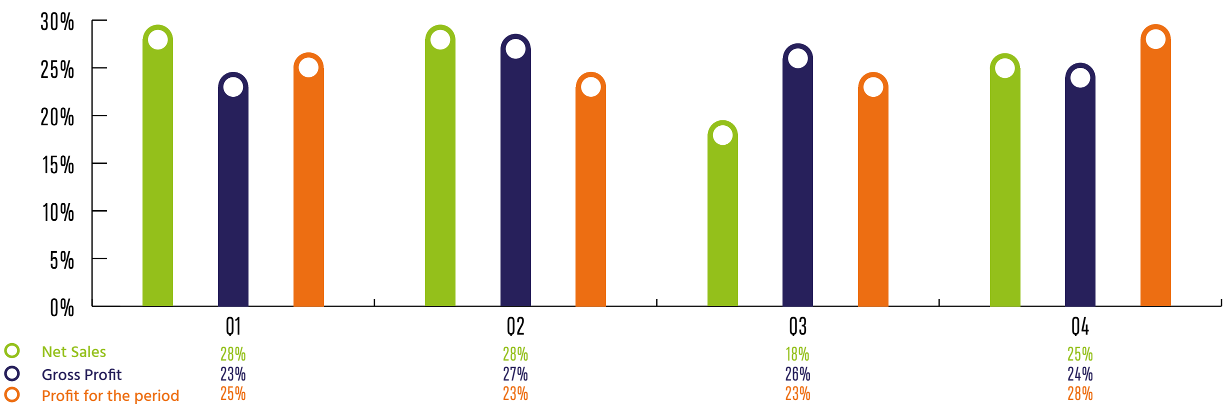
Wealth Distribution 2017



QUARTERLY **FINANCIAL ANALYSIS**

	Jul - Sep 2017 Q1		Oct - Dec 2017 Q2		Jan - Mar 2018 Q3		Apr - Jun 2018 Q4		Jul - Jun 2018 FY	
	PKR in '000	%	PKR in '000	%	PKR in '000	%	PKR in '000	%	PKR in '000	%
Net Sales	21,573,670	28%	21,788,465	28%	13,891,166	18%	19,422,414	25%	76,675,715	100%
Gross Profit	2,246,995	23%	2,686,954	27%	2,548,319	26%	2,320,841	24%	9,803,109	100%
Profit for the period	2,180,974	25%	1,947,712	23%	2,000,036	23%	2,436,290	28%	8,565,012	100%

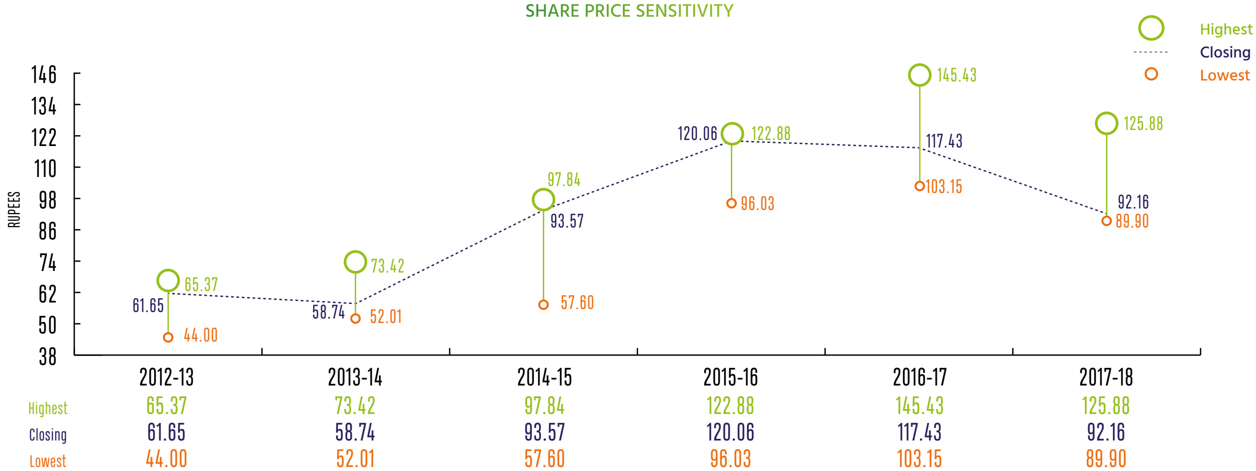
QUARTERLY ANALYSIS 2017-18



SHARE PRICE SENSITIVITY ANALYSIS

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 2017-18, Company's share price has touched the peak of Rs. 125.88 while the lowest recorded price was Rs. 89.90 with a closing price of Rs. 92.16 at the end of the year.

SHARE PRICE SENSITIVITY



STATEMENT OF CASH FLOW - **DIRECT METHOD**

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	(PKR in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	76,999,000	97,639,800
Paid to suppliers / service provider - net	(67,152,133)	(90,916,259)
Paid to employees	(476,479)	(259,069)
Interest income received	16,295	17,964
Interest / mark-up paid	(2,154,017)	(2,742,044)
Workers' profit participation fund paid	–	(70,235)
Staff gratuity paid	(33,659)	(75,434)
Taxes paid	(259,867)	(277,179)
Net cash inflow from operating activities	6,939,139	3,317,544
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(102,934)	(804,993)
Sale proceeds from disposal of Fixed Assets	15,647	33,454
Long term investment made	(9,505,195)	(1,375,929)
Dividend received from subsidiaries	2,175,665	2,035,766
Long-term deposits and prepayments	112,056	(112,131)
Net cash outflow from investing activities	(7,304,760)	(223,833)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(8,979,582)	(10,400,256)
Proceeds from long term loans	9,215,368	1,566,031
Repayment of long term loans	(2,351,730)	(3,425,497)
Net cash outflow from financing activities	(2,115,944)	(12,259,722)
Net decrease in cash and cash equivalents	(2,481,565)	(9,166,011)
Cash and cash equivalents at the beginning of the year	(18,867,661)	(13,260,148)
Cash and cash equivalents transferred to NEL	–	3,558,498
Cash and cash equivalents at the end of the year	(21,349,226)	(18,867,661)

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.

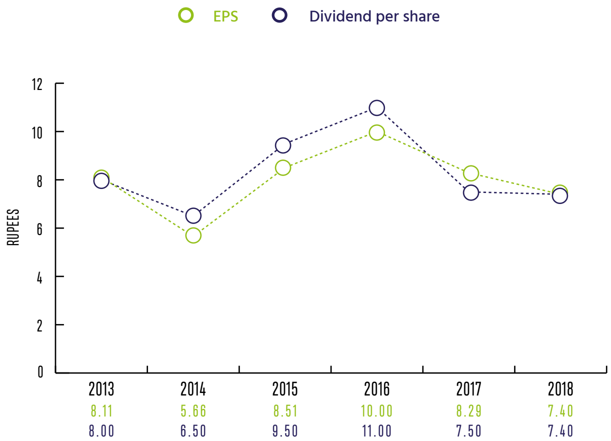
Powers of the Board of Directors and the Management of the Company have been defined with special reference to, and in compliance with the Companies Act 2017, the Code of Corporate Governance, the Articles of Association of the Company, guidelines and frameworks issued by professional bodies and best 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.

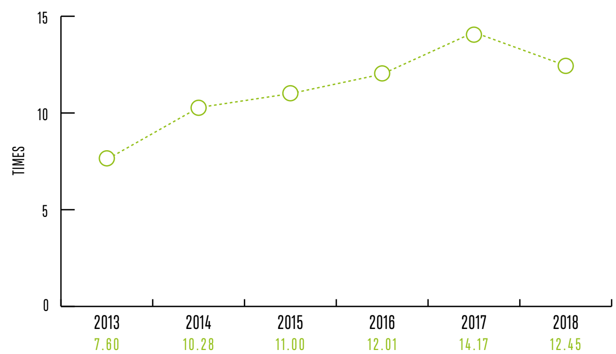
Authorizations for transactions and delegation of powers have also been defined clearly and carried out through formalized processes keeping in view defined materiality levels.

GRAPHICAL **PRESENTATION**

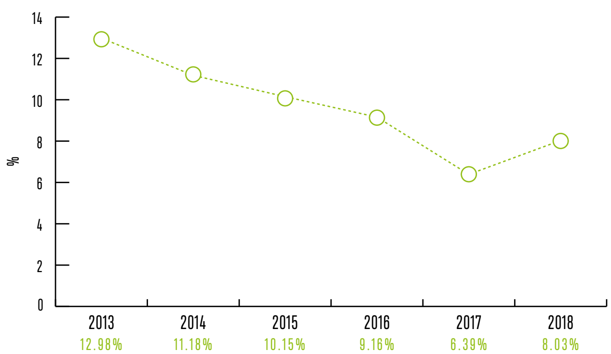
EPS VS DIVIDEND PER SHARE



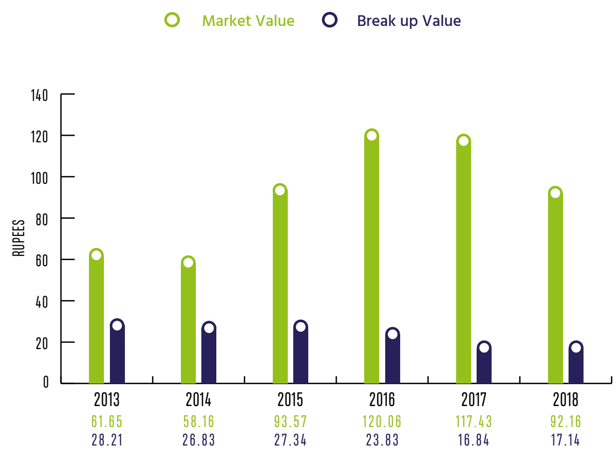
PE RATIO



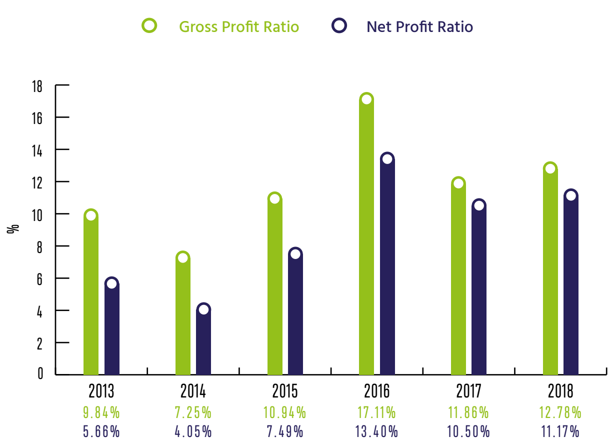
DIVIDEND YIELD



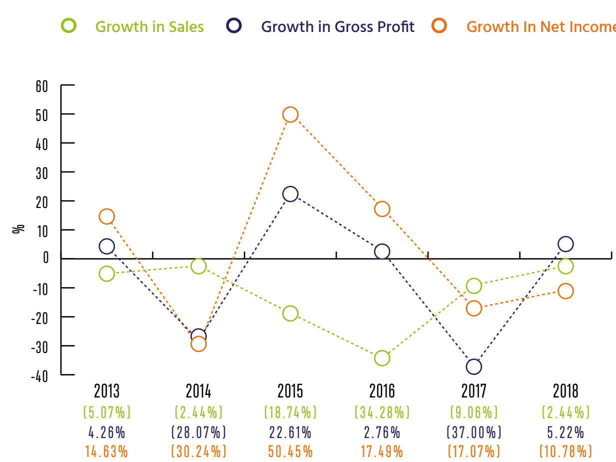
MARKET VALUE VS BREAK UP VALUE



GP % VS NP %

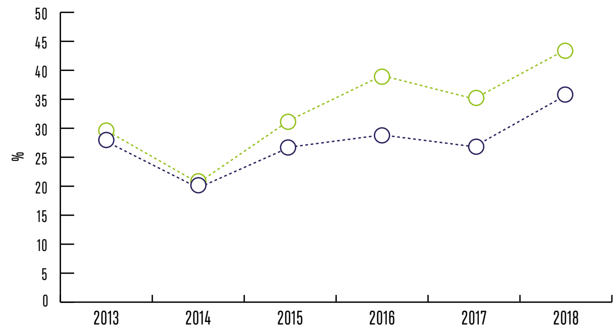


GROWTH OF TURNOVER AND PROFITABILITY



PROFITABILITY RATIO

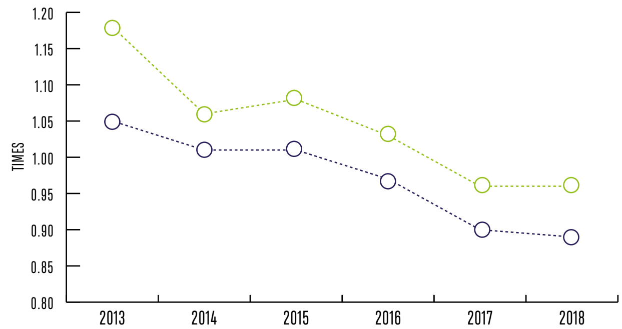
Return On Equity　Return on Capital Employed



	2013	2014	2015	2016	2017	2018
Return On Equity	29.61%	20.58%	31.44%	39.10%	35.08%	43.57%
Return on Capital Employed	27.71%	19.72%	26.76%	28.85%	26.82%	35.71%

CURRENT RATIO VS QUICK / ACID TEST RATIO

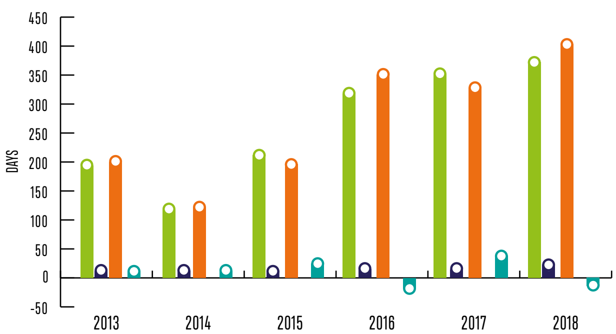
Current Ratio　Quick / Acid Test Ratio



	2013	2014	2015	2016	2017	2018
Current Ratio	1.18	1.06	1.08	1.03	0.96	0.96
Quick / Acid Test Ratio	1.05	1.01	1.01	0.97	0.90	0.89

OPERATING CYCLE

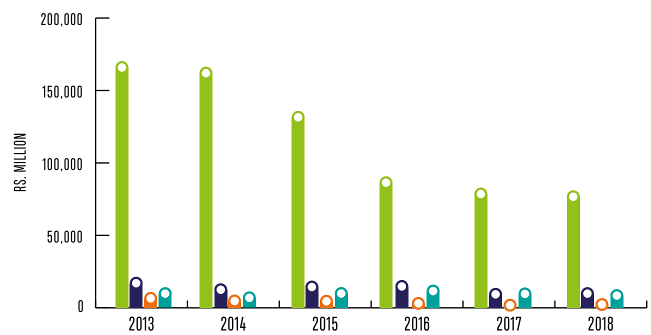
No. of Days in Receivables　No. of Days in Inventory
No. of Days in Payables　Operating Cycle



	2013	2014	2015	2016	2017	2018
No. of Days in Receivables	194	118	212	318	352	372
No. of Days in Inventory	7	8	9	15	14	23
No. of Days in Payables	200	122	196	351	328	403
Operating Cycle	1	4	25	(18)	38	(8)

TURNOVER & PROFITABILITY

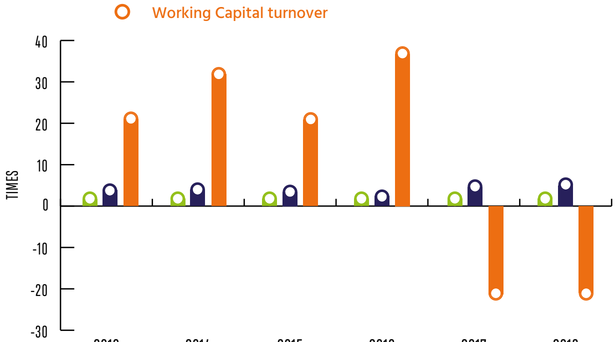
Turnover　Gross Profit
Finance costs　Profit for the year



	2013	2014	2015	2016	2017	2018
Turnover	165,862	161,807	131,484	86,415	78,590	76,676
Gross Profit	16,318	11,737	14,391	14,788	9,317	9,803
Finance costs	6,548	4,605	4,538	3,109	1,784	2,248
Profit for the year	9,389	6,549	9,853	11,576	9,600	8,565

TURNOVER RATIO

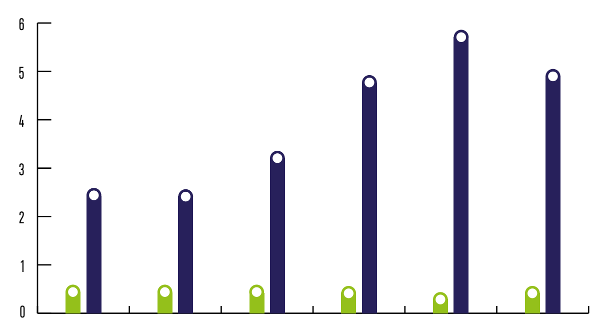
Total Assets Turnover　Fixed Assets Turnover
Working Capital turnover



	2013	2014	2015	2016	2017	2018
Total Assets Turnover	1.67	1.19	1.04	0.64	0.68	0.56
Fixed Assets Turnover	3.82	3.93	3.39	2.36	4.55	4.98
Working Capital turnover	20.99	31.81	20.88	36.75	(21.26)	(20.92)

DEBT MANAGEMENT

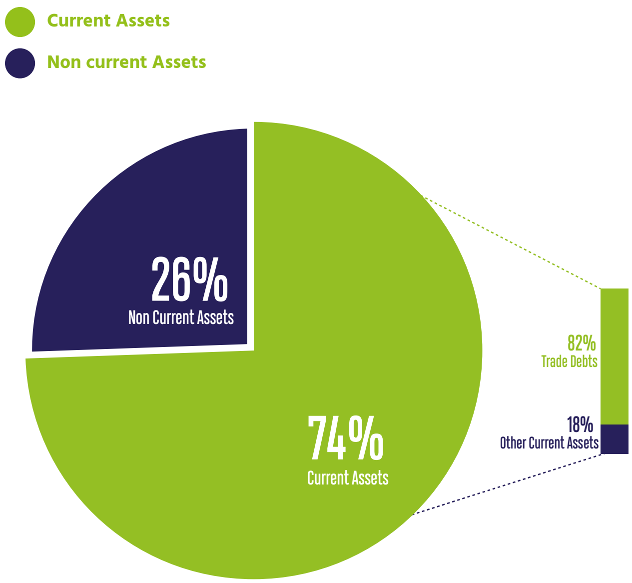
Debt to Equity Ratio (Ratio)　Interest Cover Ratio (Times)



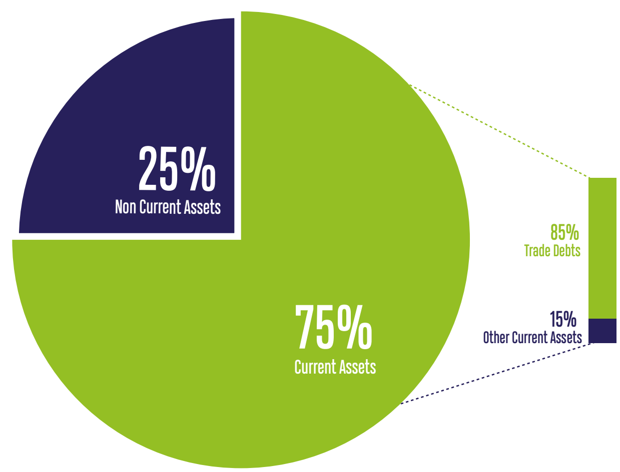
	2013	2014	2015	2016	2017	2018
Debt to Equity Ratio (Ratio)	0.44	0.43	0.42	0.43	0.29	0.42
Interest Cover Ratio (Times)	2.43	2.42	3.21	4.77	5.71	4.90

GRAPHICAL PRESENTATION

COMPOSITION OF TOTAL ASSETS

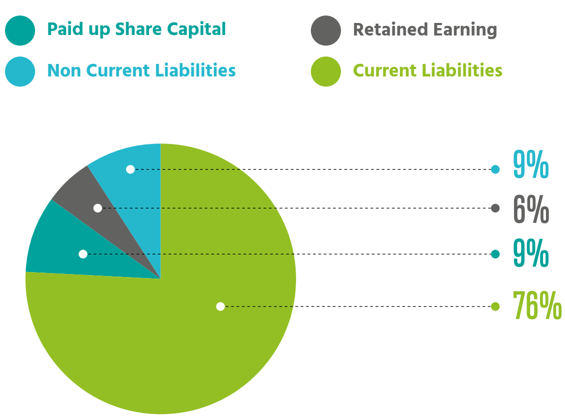


2018

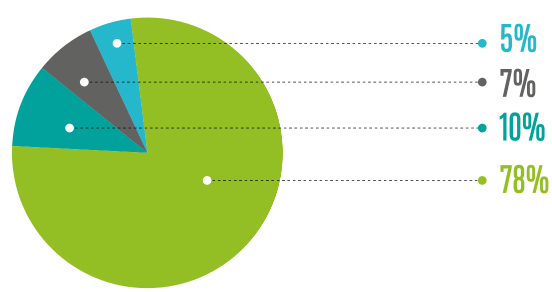


2017

CAPITAL STRUCTURE



2018



2017

UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2018

EY
Building a better working world

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INDEPENDENT AUDITORS' REPORT

To the members of The Hub Power Company Limited
Report on the Audit of Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of The Hub Power Company Limited (the Company), which comprise the unconsolidated statement of financial position as at 30 June 2018, and the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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 2018 and of the profit or loss and other comprehensive income or loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matter(s):

Key audit matters	How the matter was addressed in our audit
1. Contingent liabilities	
As referred to in note 27.4 to 27.6 to the unconsolidated financial statements, the Company over the past years has received additional demands in respect of Income Tax, Sales Tax, Federal Excise Duty, and Workers Profits' Participation Fund from the concerned authorities. These demands are based on a range of tax issues such as the apportionment of input sales tax claims, applicability of FED on services, and applicability of WPPF on the operations of the Company, and are pending adjudication before different authorities and Courts of Law. Due to the significance of the amounts involved in such matters and the inherent uncertainties in respect of their ultimate outcome, the management judgements and estimates in relation to such contingencies may be complex and can significantly impact the unconsolidated financial statements. For such reasons we have considered the contingent liabilities as a key audit matter.	Our key audit procedures in respect of contingent liabilities included, amongst others, a review of the correspondence of the Company with the relevant authorities, tax advisors, and legal advisors, including judgments or orders passed by the competent authorities in relation to the issues involved or matters which have similarities with the issues involved. We obtained and reviewed confirmations from the Company's external advisors for their views on the legal position of the Company in relation to the contingent liabilities. We involved our internal tax professionals to assess management's conclusions on contingent tax matters and to evaluate the consistency of such conclusions with the views of the external tax advisors engaged by the Company. We also evaluated the adequacy of disclosures made in respect of the contingent liabilities in accordance with the requirements of the financial reporting standards as applicable in Pakistan.

Key audit matters	How the matter was addressed in our audit
2. Investment in Thar Energy Limited (TEL)	
As disclosed in note 14.5 to the unconsolidated financial statements and as part of the Company's investments in various power and energy projects, the Company has plans to setup a coal power plant at Thar Block II, Sindh. Due to delays in achieving the financial close of this project and the regulatory timelines which are required to be adhered to in this regard, the investment in TEL is exposed to risk of impairment and loss on account of encashment of performance guarantee. As the impairment assessment involves significant management judgement we have considered this matter to be a key audit matter.	In respect of TEL project, we considered management's plans and assumptions and the status of the lending arrangements required to implement the project. We also reviewed correspondence with Private Power and Infrastructure Board (PPIB) in relation to the extensions allowed and requested by the Company in respect of the financial closing date, agreements with the strategic shareholders to inject equity into the project, and the status of commercial agreements including tariff determination, power purchase agreement, and coal supply agreement. We further considered the discussions in the meetings of the Board of Directors in relation to the implementation of this project and the potential challenges and action plans. We also assessed the adequacy of disclosures made in the unconsolidated financial statements to explain the factual position and impairment risks in respect of this investment.
3. The new Companies Act, 2017 and its impact on the financial statements	
As referred to in note 2.2 to the accompanying unconsolidated financial statements, the Companies Act 2017 (the Act) became applicable for the first time for the preparation of the Company's annual unconsolidated financial statements for the year ended 30 June 2018. The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the unconsolidated financial statements. In the case of the Company, specific additional disclosures and changes to the existing disclosures have been included in the unconsolidated financial statements as referred to in note 2 to the unconsolidated financial statements. The above changes and enhancements in the unconsolidated financial statements are considered important and a key audit matter because of the volume and significance of the changes to the unconsolidated financial statements from the transition to the new reporting requirements under the Act.	We assessed the procedures applied by the management for identification of the changes required in the unconsolidated financial statements due the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the unconsolidated financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) 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.

The engagement partner on the audit resulting in this independent auditors' report is Arslan Khalid.

Chartered Accountants
Place: Karachi
Date: 20 August 2018

UNCONSOLIDATED STATEMENT OF
PROFIT OR LOSS

For the year ended June 30, 2018

	Note	2018	2017
		(PKR in '000)	
CONTINUING OPERATIONS			
Turnover	5	76,675,715	78,589,767
Operating costs	6	(66,872,606)	(69,272,692)
GROSS PROFIT		9,803,109	9,317,075
General and administration expenses	7	(900,198)	(615,204)
Other income	8	2,229,190	1,557,042
Other operating expenses	9	(109,941)	(76,754)
PROFIT FROM OPERATIONS		11,022,160	10,182,159
Finance costs	10	(2,247,940)	(1,783,632)
PROFIT BEFORE TAXATION		8,774,220	8,398,527
Taxation	11	(209,208)	(142,434)
PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS		8,565,012	8,256,093
DISCONTINUED OPERATIONS			
Profit after taxation from discontinued operations	1.2	–	1,343,980
PROFIT FOR THE YEAR FROM CONTINUING AND DISCONTINUED OPERATIONS		8,565,012	9,600,073
Basic and diluted earnings per share (Rupees)			
- Continuing operations		7.40	7.13
- Discontinued operations		–	1.16
	35	7.40	8.29

The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF
OTHER COMPREHENSIVE INCOME

For the year ended June 30, 2018

	Note	2018	2017
		(PKR in '000)	
Profit for the year from continuing and discontinued operations		8,565,012	9,600,073
Other comprehensive (loss) / income for the year			
Items that will not be reclassified to Profit or Loss in subsequent periods			
(Loss) / gain on remeasurement of post employment benefit obligation	24.4	(7,619)	9,803
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		8,557,393	9,609,876

The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF **FINANCIAL POSITION**

As at June 30, 2018

	Note	2018	2017
		(PKR in '000)	
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	12	15,400,857	17,261,992
Intangibles	13	54,818	45,333
Long term investments	14	20,679,288	11,174,093
Long term deposits and prepayments	15	20,883	132,939
		36,155,846	28,614,357
CURRENT ASSETS			
Stores, spares and consumables	16	1,954,808	1,959,917
Stock-in-trade	17	5,687,922	2,786,346
Trade debts	18	82,683,678	73,662,484
Loans and advances	19	90,485	142,550
Prepayments and other receivables	20	9,617,835	6,590,754
Cash and bank balances	21	426,885	1,222,934
		100,461,613	86,364,985
Non-current asset classified as held for sale		–	3,665
TOTAL ASSETS		136,617,459	114,983,007
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Share Capital			
Authorised	22	17,000,000	12,000,000
Issued, subscribed and paid-up		11,571,544	11,571,544
Revenue Reserve			
Unappropriated profit		8,255,595	7,913,999
		19,827,139	19,485,543
NON-CURRENT LIABILITIES			
Long term loans	23	12,662,033	5,432,133
CURRENT LIABILITIES			
Trade and other payables	24	79,821,494	66,221,471
Unclaimed dividend		140,286	129,017
Unpaid dividend		247,281	1,022,335
Interest / mark-up accrued	25	157,647	257,391
Short term borrowings	26	21,776,111	20,090,595
Current maturity of long term loans	23	1,985,468	2,344,522
		104,128,287	90,065,331
TOTAL EQUITY AND LIABILITIES		136,617,459	114,983,007
COMMITMENTS AND CONTINGENCIES	27		

The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2018

	Note	2018	2017
		(PKR in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation including discontinued operations		8,774,220	9,742,976
Adjustments for:			
Depreciation		1,909,621	2,648,564
Amortisation		36,555	27,196
Dividend income from subsidiaries		(2,175,665)	(1,535,081)
Gain on disposal of fixed assets		(3,575)	(4,215)
Provision against slow moving stores, spares and consumables		34,262	28,867
Provision for Workers' profit participation fund		109,941	76,754
Staff gratuity		24,727	27,447
Interest income		(16,618)	(18,382)
Interest / mark-up		2,054,273	2,736,844
Amortisation of transaction costs		7,208	54,955
Operating profit before working capital changes		10,754,949	13,785,925
Working capital changes	33	(1,384,562)	(7,321,453)
Cash generated from operations		9,370,387	6,464,472
Interest income received		16,295	17,964
Interest / mark-up paid		(2,154,017)	(2,742,044)
Workers' profit participation fund paid		–	(70,235)
Staff gratuity paid		(33,659)	(75,434)
Taxes paid		(259,867)	(277,179)
Net cash generated from operating activities		6,939,139	3,317,544
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from subsidiaries		2,175,665	2,035,766
Fixed capital expenditure		(102,933)	(804,993)
Proceeds from disposal of fixed assets		15,647	33,454
Long term investments made		(9,505,195)	(1,375,929)
Increase / (decrease) in long term deposits and prepayments		112,056	(112,131)
Net cash used in investing activities		(7,304,760)	(223,833)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(8,979,582)	(10,400,256)
Proceeds from long term loans		9,215,368	1,566,031
Repayment of long term loans		(2,351,730)	(3,425,497)
Net cash used in financing activities		(2,115,944)	(12,259,722)
Net decrease in cash and cash equivalents		(2,481,565)	(9,166,011)
Cash and cash equivalents at the beginning of the year		(18,867,661)	(13,260,148)
		(21,349,226)	(22,426,159)
Cash and cash equivalents transferred to NEL		–	3,558,498
Cash and cash equivalents at the end of the year	34	(21,349,226)	(18,867,661)

The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.

M. Habibullah Khan	Khalid Mansoor	Abdul Nasir
Chairman	Chief Executive	Chief Financial Officer

UNCONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
For the year ended June 30, 2018

	Note	2018	2017
		(PKR in '000)	
ISSUED CAPITAL			
Balance at the beginning of the year		11,571,544	11,571,544
Balance at the end of the year	22	11,571,544	11,571,544
UNAPPROPRIATED PROFIT			
Balance at the beginning of the year		7,913,999	16,007,117
Profit for the year from continuing and discontinued operations		8,565,012	9,600,073
Other comprehensive (loss) / income for the year		(7,619)	9,803
Total comprehensive income for the year		8,557,393	9,609,876
Unappropriated profit transferred to NEL		–	(8,445,758)
Transactions with owners in their capacity as owners			
Final dividend for the fiscal year 2016-2017 @ Rs. 2.50 (2015-2016 @ Rs. 3.00) per share		(2,892,886)	(3,471,463)
First interim dividend for the fiscal year 2017-2018 @ Rs. 1.50 (2016-2017 @ Rs. 1.50) per share		(1,735,732)	(1,735,732)
Second interim dividend for the fiscal year 2017-2018 @ Rs. 1.50 (2016-2017 @ Rs. 1.50) per share		(1,735,732)	(1,735,732)
Third interim dividend for the fiscal year 2017-2018 @ Rs. 1.60 (2016-2017 @ Rs. 2.00) per share		(1,851,447)	(2,314,309)
		(8,215,797)	(9,257,236)
Balance at the end of the year		8,255,595	7,913,999
TOTAL EQUITY		19,827,139	19,485,543

The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

NOTES TO THE UNCONSOLIDATED
FINANCIAL STATEMENTS
For the year ended June 30, 2018

1. THE COMPANY AND ITS OPERATIONS

1.1 The Hub Power Company Limited (the "Company") was incorporated in Pakistan on August 1, 1991 as a public limited company under the repealed Companies Ordinance, 1984 (the "Ordinance") which has now been replaced by Companies Act, 2017. The shares of the Company are listed on the Pakistan Stock Exchange (PSX). 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).

Head Office:

The Company's registered office is situated at 11th Floor, Ocean Tower, G-3, Block-9, Main Clifton Road, Karachi.

Hub Plant:

Hub Plant is situated at Mouza Kund, Post Office Gaddani, District Lasbela, Balochistan.

The Company has the following subsidiaries:

- Laraib 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 14 to these unconsolidated financial statements.

1.2 The scheme of arrangement for demerger of Narowal plant became effective on April 01, 2017 and all the related assets, liabilities, retained earnings, commitments and contingencies of Narowal plant were transferred to NEL. Consequently, the prior year statement of profit or loss is showing the results from continuing and discontinuing operations (related to Narowal plant) separately.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These unconsolidated financial statements are separate financial statements of the company and have been prepared in accordance with the accounting and reporting standards applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Changes in accounting standards and interpretations

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

IAS 7 – Statement of Cash Flows - Disclosure Initiative (Amendment)

IAS 12 – Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

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

The Act is applicable from the current year and has brought certain changes with regard to the preparation and presentation of these unconsolidated financial statements. The significant changes include changes in nomenclature of the primary statements, disclosure of significant transactions and events (refer note 4), management assessment of sufficiency of tax provision (refer note 11.2), and disclosure requirements for related parties (refer note 29 and 30) etc.

2.3 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.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 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 12.1 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 statement of profit or loss.

Maintenance and repairs are charged to statement of profit or loss 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 reporting 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.

3.2 Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. These assets are available for sale in their present condition subject only to terms that are usual and customary for sale of such assets and their sale is highly probable.

The Company measures its non-current assets classified as held for sale at the lower of carrying amount and fair value less costs to sell. Costs to sell signify the incremental costs directly attributable to the disposal of assets, excluding finance costs and income tax expense.

3.3 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 13 to these unconsolidated financial statements.

3.4 Investments

Subsidiaries

Investment in subsidiaries is recognised at cost less impairment losses, if any.

Others

Investments intended to be held for an indefinite period of time which may be sold in response to need for liquidity or changes in market conditions are classified as available-for-sale. At initial recognition, available-for-sale investments are measured at fair value plus directly attributable transaction costs.

For investments traded in active market, fair value is determined by reference to quoted market price and the investments for which a quoted market price is not available, or the fair value cannot be reasonably calculated, are measured at cost, subject to impairment review at each reporting date.

3.5 Impairment of non-current assets

The carrying amounts of non-current assets are reviewed at each reporting 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 statement of profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.6 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 reporting date. Provision is made for slow moving and obsolete items, if any.

3.7 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.

3.8 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.

3.9 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.

3.10 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 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 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.

NOTES TO THE UNCONSOLIDATED **FINANCIAL STATEMENTS**

For the year ended June 30, 2018

3.11 Revenue recognition

3.11.1 Sale of electricity

Revenue from the sale of electricity to the Central Power Purchasing Agency (Guarantee) Limited (CPPA-G), the sole customer of the Company, is recorded based upon the output delivered and capacity available at rates as specified under the Power Purchase Agreement (PPA) with CPPA-G, as amended from time to time. PPA with CPPA-G is a contract over a period of 30 years starting from 1997.

3.11.2 Dividend income

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

3.11.3 Management services income

Revenue for management services is recognised to the extent it is probable that the economic benefits will flow to the Company and amount of revenue can be measured reliably.

3.11.4 Interest income

Interest income is recorded on accrual basis.

3.12 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, unless otherwise stated.

3.13 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 reporting 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 statement of profit or loss.

3.14 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.

3.15 Dividend distribution

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

3.16 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 statement of profit or loss 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.

3.17 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.

3.18 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.

3.19 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.

3.20 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.

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

- **a)** Determining the residual values and useful lives of property, plant and equipment and intangibles;
- **b)** Distinguishing between capital spares, servicing equipment and stores and spares;
- **c)** Provisions;
- **d)** Disclosures related to IFRIC 4;
- **e)** Recognition of taxation;
- **f)** Recognition of provision for staff retirement benefits;
- **g)** Impairment of trade debts and other receivables; and
- **h)** Commitments and contingencies.

4. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

4.1 During the year China Power Hub Generation Company (Private) Limited (CPHGC), associated company achieved financial close on January 26, 2018. For details please refer to note 14.3.

4.2 In relation to investment in TEL, on June 21, 2018, Private Power and Infrastructure Board (PPIB) has approved the extension in the financial closing date till September 8, 2018 and has approved the extension in the COD till March 31, 2021. Furthermore, PPIB has requested TEL to enter certain amendments in PPA. For details please refer to note 14.5.

		Note	2018	2017
			(PKR in '000)	
5.	**TURNOVER**			
	Turnover		86,189,444	88,593,383
	Less: Sales tax		(9,513,729)	(10,003,616)
			76,675,715	78,589,767
6.	**OPERATING COSTS**			
	Fuel cost		60,743,280	62,249,770
	Stores and spares		536,401	870,812
	Operations and maintenance	6.1	1,858,500	1,593,024
	Insurance		505,898	556,242
	Depreciation	12.4	1,870,719	1,854,870
	Amortisation	13.1	30,617	20,487
	Repairs, maintenance and other costs		1,327,191	2,127,487
			66,872,606	69,272,692

6.1 This represents fee for O&M services rendered by HPSL (a subsidiary company).

		Note	2018	2017
			(PKR in '000)	
7.	**GENERAL AND ADMINISTRATION EXPENSES**			
	Salaries, benefits and other allowances	7.1 to 7.3	543,481	245,110
	Travel and transportation		17,395	16,106
	Fuel and power		8,705	9,262
	Property, vehicles and equipment rentals		25,025	36,148
	Repairs and maintenance		27,410	11,185
	Legal and professional charges		58,693	87,663
	Insurance		10,176	11,665
	Fee and subscription		16,748	5,880
	Training and development		16,214	9,679
	Auditors' remuneration	7.4	9,095	9,060
	Donations	7.5 & 7.6	32,401	40,435
	Corporate social responsibility		46,461	55,728
	Printing and stationery		10,111	14,853
	Depreciation	12.4	35,109	47,879
	Amortisation	13.1	5,938	5,379
	Miscellaneous		37,236	9,172
			900,198	615,204

7.1 This is net of costs of Rs. 50 million (2017: Rs. 360 million) allocated to subsidiary companies.

7.2 This includes a sum of Rs. 30 million (2017: Rs. 41 million) in respect of staff retirement benefits.

7.3 Number of persons employed as at year end were 87 (2017: 93) and the average number of persons employed during the year were 92 (2017: 105). There were no factory / plant employees as the O&M of Hub plant is outsourced to HPSL (a subsidiary company).

		2018	2017
		(PKR in '000)	
7.4	**Auditors' remuneration**		
	Statutory audit	2,953	2,850
	Half yearly review	870	882
	Tax and other services	4,858	4,910
	Out-of-pocket expenses	414	418
		9,095	9,060

7.5 Donations include the following in which a director or their spouse was interested:

Name of Director	***Name / Address of Donee***	***Interest in Donee***		
Mr. Hussain Dawood / Mr. Shahzada Dawood / Mr. Abdul Samad Dawood	The Dawood Foundation / 10th Floor, Dawood Centre, MT. Khan Road, Karachi	Chairman / Trustee	1,000	500

7.6 Donation to following parties / organisations exceeded Rs. 0.5 million:

	2018	2017
	(PKR in '000)	
The Citizens Foundation	27,352	34,285
Institute of Business Administration Karachi	2,000	5,000
Dawood Foundation	1,000	500
Professional Education Foundation	600	500

		Note	2018	2017
			(PKR in '000)	
8.	**OTHER INCOME**			
	Financial assets			
	Interest income		16,618	17,002
	Non-financial assets			
	Gain on disposal of fixed assets - net	8.1	3,575	4,215
	Dividend income from LEL		1,356,023	990,940
	Dividend income from HPSL		400,000	250,000
	Dividend income from NEL		419,642	294,141
	Income from management services	8.2	23,143	–
	Exchange gain		10,189	744
			2,212,572	1,540,040
			2,229,190	1,557,042

8.1 This includes Rs. 0.01 million (2017: Rs. 1.08 million) gain on disposal of assets to key management personnel. This also includes loss recognized amounting to Rs. 3.842 million on the sale of 315 acres of land (having cost of Rs. 3.842 million) at hub site to China Power Hub Generation Company (Private) Limited (CPHGC), associated company. The sale proceeds of the land sold to CPHGC have been passed on to the Power Purchaser of the Hub Plant, as approved by the shareholders of the Company in their Annual General Meeting held on October 18, 2016.

	2018	2017
	(PKR in '000)	
8.2 Income from management services		
Services income	275,035	–
Cost of services	(251,892)	–
	23,143	–

During the year, the Company entered into a services agreement with TEL (a subsidiary company). In accordance with the terms of the agreement, the Company will provide assistance to TEL in performance of its obligations under relevant project agreements including Power Purchase Agreement, Coal Supply Agreement, Water Use Agreement, Implementation Agreement, EPC Contract and O&M Agreement.

	Note	2018	2017
		(PKR in '000)	
9. OTHER OPERATING EXPENSES			
Workers' profit participation fund	9.1	109,941	76,754
9.1 Workers' profit participation fund			
Provision for Workers' profit participation fund	24	444,206	490,984
Workers' profit participation fund recoverable from CPPA-G		(334,265)	(414,230)
		109,941	76,754

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 Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) as a pass through item (refer note 27.4).

	2018	2017
	(PKR in '000)	
10. FINANCE COSTS		
Interest / mark-up on long term loans	634,328	503,295
Mark-up on short term borrowings	1,419,945	1,266,634
Amortisation of transaction costs	7,208	13,703
Other finance costs	186,459	–
	2,247,940	1,783,632

		Note	2018	2017
			(PKR in '000)	
11.	**TAXATION**			
	Current			
	- For the year	11.1	209,208	142,434
11.1	**Relationship between tax expense and accounting profit**			
	Profit before taxation			
	- Continuing operations		8,774,220	8,398,527
	- Discontinued operations		–	1,344,449
			8,774,220	9,742,976
	Tax calculated at the rate of 30% (2017: 31%)		2,632,266	3,020,322
	Effect of reduced rate of tax on dividend income		(519,524)	(379,494)
	Effect of exempt income		(1,979,567)	(2,544,488)
	Effect of minimum tax		22,763	–
	Impact of super tax		53,270	46,094
			209,208	142,434

11.2 Adequate provision for tax has been provided in these unconsolidated financial statements for the current year in accordance with requirements laid under Income Tax Ordinance, 2001 (ITO 2001). The provision for current year tax represents tax on taxable income at the rate of 30% (2017: 31%). The returns of income have been filed on respective due dates and are treated as deemed assessment orders under section 120 of the ITO 2001. A comparison of last three years of income tax provision with tax assessed is presented below:

	2017*	2016	2015
		(PKR in '000)	
Income tax provision for the year	331,839	148,686	160,089
Income tax as per tax assessment	206,410	95,604	47,387

* During the year 2017, the Company opted for Group Taxation under section 59AA of the Income Tax Ordinance, 2001. The Group consists of:

- The Hub Power Company Limited (the holding company); and
- Hub Power Services Limited (HPSL) - 100% owned subsidiary.

		Note	2018	2017
			(PKR in '000)	
12.	**PROPERTY, PLANT AND EQUIPMENT**			
	Operating property, plant and equipment	12.1	15,292,482	17,049,483
	Capital work-in-progress (CWIP)	12.5	108,375	212,509
			15,400,857	17,261,992

NOTES TO THE UNCONSOLIDATED
FINANCIAL STATEMENTS
For the year ended June 30, 2018

12.1 Operating property, plant and equipment

	Freehold land	Building on freehold land	Leasehold property	Plant & machinery	Furniture & fixtures	Vehicles	Office equipment	Total
				(PKR in '000)				
Cost:								
As at July 1, 2016	70,788	1,071,443	862	72,401,594	109,566	246,926	19,304	73,920,483
Additions / transfers from CWIP	–	1,966	–	555,127	13,852	91,353	17,339	679,637
Disposals	–	–	–	(3,035)	–	(63,595)	–	(66,630)
Transferred to NEL	(51,898)	(660,225)	–	(22,366,911)	(20,136)	(30,311)	(4,066)	(23,133,547)
Asset classified as held for sale	(3,665)	–	–	–	–	–	–	(3,665)
As at June 30, 2017	15,225	413,184	862	50,586,775	103,282	244,373	32,577	51,396,278
Additions / transfers from CWIP	–	17,003	–	73,006	892	66,974	3,152	161,027
Adjustment	(177)	–	–	–	–	–	–	(177)
Disposals	–	–	–	(10,624)	(7,897)	(29,739)	(3,902)	(52,162)
As at June 30, 2018	15,048	430,187	862	50,649,157	96,277	281,608	31,827	51,504,966
Accumulated depreciation:								
Depreciation rate % per annum	–	3.33 to 25	3.33	3.33 to 33.33	20	25	20	–
As at July 1, 2016	–	333,582	625	36,952,143	58,441	113,606	8,961	37,467,358
Charge for the year	–	33,379	29	2,536,602	16,898	58,228	3,428	2,648,564
Disposals	–	–	–	(2,764)	–	(34,627)	–	(37,391)
Transferred to NEL	–	(142,688)	–	(5,554,711)	(14,012)	(18,543)	(1,782)	(5,731,736)
As at June 30, 2017	–	224,273	654	33,931,270	61,327	118,664	10,607	34,346,795
Charge for the year	–	31,904	29	1,800,284	15,363	56,922	5,119	1,909,621
Disposals	–	–	–	(8,997)	(7,683)	(23,557)	(3,695)	(43,932)
As at June 30, 2018	–	256,177	683	35,722,557	69,007	152,029	12,031	36,212,484
Net book value as at June 30, 2018	15,048	174,010	179	14,926,600	27,270	129,579	19,796	15,292,482
Net book value as at June 30, 2017	15,225	188,911	208	16,655,505	41,955	125,709	21,970	17,049,483
Cost of fully depreciated assets as at June 30, 2018	–	23,190	–	499,467	20,286	50,726	2,455	596,124
Cost of fully depreciated assets as at June 30, 2017	–	23,190	–	456,321	27,870	35,233	6,099	548,713

12.2 Disposal of operating property, plant and equipment

Assets	Cost	Accumulated depreciation	Net book value	Sale price	Gain	Mode of disposal	Particulars of buyer/ Relationship
		(PKR in '000')					
Plant & machinery	749	229	520	520	–	Company policy	TEL - a subsidiary company
Vehicle	2,576	1,503	1,073	1,073	–	Company policy	TEL - a subsidiary company
Vehicle	2,168	1,039	1,129	1,129	–	Company policy	TEL - a subsidiary company
Vehicle	2,168	1,084	1,084	1,094	10	Company policy	Mr. Salim Mahfooz Siddiqui - employee
Vehicle	2,168	1,264	904	1,826	922	Tender	Syed Hassan Riaz Bokhari - employee of HPSL
Vehicle	2,656	664	1,992	2,002	10	Company policy	Mr. Shams-ul-Islam - Ex key management personnel
Items having a net book value not exceeding Rs. 500,000 each							
Furniture & fixtures	7,897	7,683	214	214	–	Various	Various
Office equipment	3,902	3,695	207	207	–	Various / write off	Various / insurance claim
Plant & machinery	9,875	8,768	1,107	1,232	125	Various / write off	Various
Vehicles	18,003	18,003	–	6,350	6,350	Various	Various
Total - June 30, 2018	52,162	43,932	8,230	15,647	7,417		
Total - June 30, 2017	66,630	37,391	29,239	33,454	4,215		

12.3 Details of the Company's immovable fixed assets

Particulars	Area	Location
Freehold land and building	1,143 Acres	Hub Plant - District Lasbela, Balochistan
Freehold land	2.5 Acres	Mauza Maira Bagwal Tehsil and District Islamabad
Leasehold property	94.88 square yards	Marine Corner, Clifton, Karachi

	Note	2018	2017
		(PKR in '000)	
12.4 Depreciation charge for the year has been allocated as follows:			
Operating costs	6	1,870,719	1,854,870
General and administration expenses	7	35,109	47,879
Management services		3,793	–
Discontinued operations - NEL		–	745,815
		1,909,621	2,648,564
12.5 Capital work-in-progress			
Opening balance		212,509	124,271
Additions during the year		75,125	276,413
Transfers during the year		(179,259)	(188,175)
		108,375	212,509

		Note	2018	2017
			(PKR in '000)	
13.	**INTANGIBLES - Computer software**			
	Cost			
	Opening balance		133,280	122,026
	Additions at cost / transfer from CWIP		46,040	42,111
	Write-off		(90)	–
	Transferred to NEL		–	(30,857)
			179,230	133,280
	Accumulated amortisation			
	Opening balance		(87,947)	(77,790)
	Charge for the year	13.1	(36,555)	(27,196)
	Write-off		90	–
	Transferred to NEL		–	17,039
			(124,412)	(87,947)
	Net book value		54,818	45,333
	Cost of fully amortised intangibles		45,317	45,407
	Amortisation rate % per annum		33.33	33.33
13.1	**Amortisation charge for the year has been allocated as follows:**			
	Operating costs	6	30,617	20,487
	General and administration expenses	7	5,938	5,379
	Discontinued operations - NEL		–	1,330
			36,555	27,196
14.	**LONG TERM INVESTMENTS**			
	Investment in subsidiaries - unquoted			
	Laraib Energy Limited (LEL)	14.1	4,674,189	4,674,189
	Hub Power Services Limited (HPSL)	14.2	100	100
	Hub Power Holdings Limited (HPHL)	14.3	8,572,590	1,670,000
	Narowal Energy Limited (NEL)	14.4	3,921,883	3,921,883
	Thar Energy Limited (TEL)	14.5	2,567,600	300,000
			19,736,362	10,566,172
	Others - unquoted			
	Equity security available-for-sale			
	- Sindh Engro Coal Mining Company Limited (SECMC)	14.6	942,926	607,921
			20,679,288	11,174,093

14.1 Laraib Energy Limited (LEL)

14.1.1 The Company has 74.95% controlling interest in LEL. 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.

14.1.2 In connection with investment in the 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.

14.1.3 Pursuant to the SSA in connection with the investment in LEL, the Company entered into a facility agreement with a bank and has provided an LC of USD 23 million to LEL's lenders for cost overruns and debt repayment. During the year 2017, after meeting certain conditions by the subsidiary, the LC amount has been reduced to USD 10.875 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.

14.2 Hub Power Services Limited (HPSL)

The Company's investment in HPSL, a 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.

14.3 Hub Power Holdings Limited (HPHL)

The Company's investment in HPHL, a 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 reporting date, HPHL has 26% ownership interest in China Power Hub Generation Company (Private) Limited (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 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 would 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 January 11, 2016, the Board of Directors of the Company and HPHL decided to initiate the process of exercising the Call Option with a view to increase HPHL's shareholding in CPHGC from 26% to 47.5%. The process requires that an independent valuation be carried out by an independent valuer. If both the sponsors agree on the valuation and their respective boards and shareholders approve the price so determined then the shareholding will be increased from 26% to 47.5% in accordance with the A&RSHA subject to Chinese and Pakistani regulatory / corporate approvals. This process is expected to be completed by the end of first quarter 2019.

Furthermore, on December 23, 2016, irrespective of the outcome of above Call Option, HPHL also entered into a Memorandum of Understanding (MoU) with CPIIL and Government of Balochistan (GoB). In accordance with the MoU, HPHL and CPIIL agreed to transfer 3% equity shareholding (1.5% each) in CPHGC to GoB, no later than the Commercial Operation Date (COD) of CPHGC. These share will be issued to GoB in lieu of resources and services to benefit CPHGC in a transparent and legal manner. On the basis of the current project cost, HPHL's estimated costs for this 1.5% share of CPHGC's shareholding would be approximately USD 7.5 million.

Project status of CPHGC

CPHGC has been granted generation license by National Electric Power Regulatory Authority (NEPRA) on September 8, 2016. The term of the license is 30 years from the date of commencement of commercial operations. CPHGC also submitted application for tariff determination, under Upfront Tariff (Approval and Procedures) Regulations, 2011, with NEPRA, which was approved on February 12, 2016. On Site project construction is underway as per the EPC contracts signed for the Power Plant and Dedicated Coal Import Jetty. On April 10, 2018, CPHGC entered into Operation and Maintenance (O&M) Contract with consortium comprising of CEEC Tianjin (Pakistan) Electric Power Construction (Private) Limited, China Energy Engineering Group Tianjin Electric Power Construction Company Limited and China Energy Engineering Group Science and Technology Development Company Limited to provide operation and maintenance service for coal-fired electric power generation plant. CPHGC has also arranged for a Standby Letter of Credit (SBLC) in favour of CPPA-G for an amount of USD 33.385 million as required by the Power Purchase Agreement, which will expire on August 22, 2019. CPHGC is committed to achieve COD by August 2019.

Sponsors' support for CPHGC

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.

Pursuant to Sponsor Support Agreement entered into with the lenders of CPHGC, the Company is committed to provide an undertaking to the lenders to arrange or to provide for working capital financing through its wholly owned subsidiary (HPHL) amounting to USD 90.25 million in case CPHGC fails to arrange for working capital facility for its operations.

On November 24, 2017, an irrevocable Standby Letter of Credit (SBLC) was issued in favour of CPHGC amounting to USD 150 million, securing the Company's obligations to make payment for Funding Shortfall Support and Debt Service Undertakings. The Company entered into a SBLC facility agreement with various banks on October 23, 2017 to facilitate the issuance of SBLC which is valid till earlier of (i) four years from the facility effective date or (ii) the achievement of the Project Completion Date. The facility is secured against pari passu charge on all assets of the Hub Plant other than current assets.

As mentioned above, CPHGC has provided Letter of Credit to CPPA-G (PPA LC) as required under the PPA amounting to USD 33.385 million. In case PPA LC is encashed and the Company's share of contribution cannot be encashed from the Completion Guarantee, which results in encashment of CPIH's LC security in excess of CPIH share proportion, the Company is committed to pay its due share to CPIH subject to relevant Board and Shareholders' approval, as per the terms of the Amended and Restated Shareholders' Agreement.

14.4 Narowal Energy Limited (NEL)

The Company's investment in NEL, a 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 is to own, operate and maintain power plant. The subsidiary owns 214 MW (net) oil-fired power station in Punjab.

14.5 Thar Energy Limited (TEL)

As at reporting date, the Company has 70% controlling interest in TEL and Fauji Fertilizer Company Limited (FFCL) has 30% interest. The investment 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 1 x 330 MW mine-mouth coal fired power plant to be established at Thar Block II, Thar Coal Mine, Sindh. On March 15, 2018, the Company signed a Shareholders' Agreement (SHA) pursuant to which TEL equity structure will be as follows: the Company 60%, Fauji Fertilizer Company Limited (FFCL) 30% and CMEC TEL Power Investments Limited 10%.

Project status and financial close

Pursuant to the proposal submitted by the Company on April 05, 2016 for setting up 1 x 330 MW mine-mouth Coal Power Plant (the Project), Private Power & Infrastructure Board (PPIB) issued Notice to Proceed (NTP) on May 13, 2016. On August 02, 2016, PPIB issued Letter of Interest (LOI) which required TEL to submit within two months from the date of LOI petitions before NEPRA to obtain tariff determination and generation license. On August 11, 2016, TEL submitted its application for tariff determination and generation license before NEPRA which was approved on October 18, 2016 and June 07, 2017 respectively.

On December 29, 2016 TEL has signed the Offshore supply contract and the Onshore supply and services contract with China Machinery Engineering Complex (CMEC) and China-East Resources Import and Export Corporation (CERIEC). On May 9, 2018, TEL has paid the First Mobilization Advance amounting to USD 23.5 million to the Offshore Contractor. On May 13, 2017 TEL has also entered into Coal Supply Agreement with Sindh Engro Coal Mining Company (SECMC). During the year, TEL has signed the PPA, the WUA and the IA (including Supplemental IA) on July 27, 2017, October 17, 2017 and November 10, 2017, respectively and has also initialled its land lease agreement with SECMC for the purchase of 244 acres of land for the project.

PPIB issued the Letter of Support (LOS) to TEL on December 09, 2016. As per the terms of the LOS, the Company provided performance guarantee amounting to USD 1.65 million in favour of PPIB. The LOS required TEL to (i) achieve the Financial Closing of the Project no later than nine months from the date of LOS and (ii) enter into the Implementation Agreement (IA), Power Purchase Agreement (PPA) and Water Use Agreement (WUA) not later than three months prior to the financial closing date. On June 23, 2017, PPIB granted extension in the Financial Closing date of the Project upto March 9, 2018 subject to achievement of Commercial Operation Date (COD) on or before December 31, 2020. On February 2, 2018, TEL requested PPIB to provide further extension of six months in the Financial Closing date i.e. till September 8, 2018 (Extended Financial Closing date). On June 21, 2018, PPIB approved the extension in the financial closing date till September 8, 2018 and approved the extension in the COD till March 31, 2021. To fulfil the requirements to obtain LOS extension from PPIB, the Company doubled the performance guarantee amount from USD 1.65 million to USD 3.30 million till December 31, 2018. Furthermore, PPIB also imposed following condition on TEL for granting extension in LOS:

(i) To amend TEL's PPA, at least one month prior to the Extended Financial Closing date, whereby it shall be made liable to pay in the form of liquidated damages an amount equivalent to the pro rata Transmission Service Charges (TSC) payable to Pakistan Matiari Lahore Transmission Company by National Transmission and Dispatch Company (NTDC) in case the TEL fails to achieve COD by March 31, 2021.

PPIB is entitled to encash the performance guarantee in case TEL is not able to meet the above condition or the TEL decides to exercise termination option as defined in the LOS. TEL is currently in negotiations with its lenders for the finalization of financing arrangements, however, considering the challenges faced with regards to financing arrangements, on August 7, 2018 TEL has requested the PPIB for an extension in the Financial Closing Date under LOS for at least six months from September 8, 2018 to March 8, 2019. TEL believes, based on its discussions with PPIB and Ministry of Energy, that the said extension will be granted.

In relation with issuance of LOS to TEL, the Company entered into a facility agreement with Habib Bank Limited on November 09, 2016 for issuance of guarantee in favour of the PPIB amounting to USD 1.650 million. The facility was valid till June 30, 2018 or up to 3 months post financial close of the project. The facility is secured by 3rd ranking charge over all present and future plant and machinery of the Company. The Company, on March 15, 2018, increased the guarantee amount to USD 3.300 million and extended the facility validity upto March 30, 2019.

Company's commitments for TEL - Sponsors' support

In connection with the development of TEL's project and pursuant to Share Holder Agreement dated March 15, 2018, the Company has obtained following approvals from shareholders in general meeting and is committed to:

(i) make investments in TEL up to an amount not exceeding USD 78 million (or PKR equivalent) by way of a subscription of shares. Such investment shall be made within a period up till December 2022;

(ii) arrange and provide a Standby Letter of Credit to the Lenders of TEL or TEL to cover for the equity investment of (and up to an amount not exceeding) USD 78 million (or PKR equivalent) to guarantee the subscription of equity. Such SBLC shall be for a period up till December 2022;

(iii) undertake to the Lenders of TEL and to arrange and/or provide working capital financing to TEL equivalent to an aggregate amount of US$ 36 million. Such investment shall be for a period up till December 2032;

(iv) assign its rights in respect of any investment made in TEL by way of Subordinated loan (which loan is to be treated as subordinated to the debt of the Lenders of TEL), in favour of the Lenders of TEL. Such investment shall be for a period up till December 2032;

(v) execute the Share Pledge Agreement including all necessary documentation related thereto and for the said purpose do or cause to do all acts, deeds and things that may be necessary or required in connection therewith, as may be deemed appropriate and as mutually agreed with the Lenders of TEL including any amendments thereto, or as required by law;

(vi) provide a guarantee (in the form of standby letter of credit) for the benefit of TEL and Intercreditor Agent for an aggregate amount of US$ 31 million (or PKR equivalent) to guarantee an investment in the form of equity or subordinated debt to cover (a) cost overrun, (b) any obligation under financing documents prior to Project Completion Date ("PCD"), and (c) COD undertakings. Such investment shall be for a period up till the earlier of Project Completion Date or December 2025;

(vii) issue a sponsor standby letter of credit to cover for the Initial Debt Service Reserve Account Shortfall, of an amount estimated not to exceed USD 20 million (or PKR equivalent), but which may be higher. Such SBLC shall be for a period up till the earlier of first payment of the instalment of the loan or December 2023;

(viii) issue a sponsor standby letter of credit to cover for the Debt Service Reserve Account, of an amount estimated not to exceed USD 20 million (or PKR equivalent), but which may be higher. Such SBLC shall be for a period up till the earlier of first payment of the installment of the loan or December 2032;

(ix) provide contractual commitments up to USD 22 million (or PKR equivalent) to Lenders for the purpose of TEL taking excess debt, which is over and above the cost approved by NEPRA. Such sponsor obligation shall be for a period earlier of the tenure of the project loan or December 2032;

(x) participate in the Put Option / Commercial Risk Guarantee ("Put Option / CRG") to be provided by local banks and financial institutions (including Habib Bank Limited) ("Put Option / CRG Financiers") to the foreign lenders and contributing payment of a sum not exceeding USD 15 million, ("Put Option / CG Contribution Amount") under the same as primary obligor and US$ 10 Million as markup on the forced loan not settled by project company (if any) and any excess exposure on account of US$ / PKR devaluation in accordance with the terms of the Put Option / CRG Agreement. Such sponsor obligation shall be valid till December 2032; and

(xi) provide a contractual commitment and a parent company guarantee to TEL guaranteeing the due and punctual performance obligations by HPSL pursuant to the terms of the O&M Agreement. Such sponsor obligation shall be for a period the earlier of the tenure of the project loan or December 2032.

14.6 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 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 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. As at the reporting date, the Company has invested Rs. 939.839 million acquiring 63,416,957 ordinary shares of Rs. 14.82 per share. SECMC achieved the Financial Close on April 4, 2016.

In addition to the USD 20 million equity, the Company is committed to:

14.6.1 Sponsor Support Guarantee to cover cost overruns – for an amount not exceeding USD 5 million (in equivalent Pak 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. The shareholders during the Extraordinary General Meeting held on January 14, 2016 approved the cost overrun support of USD 4 million and further approved the increase in cost overrun support to USD 5 million in the Extra Ordinary General Meeting held on June 22, 2018.

14.6.2 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 there is an overrun or shortfall, 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 31 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. As at June 30, 2018, the SBLC has been reduced to USD 8.562 million.

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.

Additionally, a Share Pledge Agreement was also executed by the Shareholders of SECMC including the Company on March 09, 2016 in favour of the Security Trustee in accordance with the provisions of the Finance Documents.

The effective shareholding of the Company in SECMC as at the reporting date is 8%. During the year, the management has reassessed the existence of significant influence over SECMC after the change in substantial ownership interest of the Company. As a result, investment in SECMC has now been designated as available-for-sale.

14.7 All investments have been made in accordance with the provisions of the Section 199 of the Act and the rules promulgated for this purpose.

		Note	2018	2017
			(PKR in '000)	
15.	**LONG TERM DEPOSITS AND PREPAYMENTS**			
	Deposits - non interest bearing		19,237	21,401
	Prepayments		1,646	111,538
			20,883	132,939
16.	**STORES, SPARES AND CONSUMABLES**			
	In hand		2,020,669	1,948,363
	In-transit		12,202	55,355
			2,032,871	2,003,718
	Provision against stores, spares and consumables	16.1	(78,063)	(43,801)
			1,954,808	1,959,917
16.1	**Provision against stores, spares and consumables**			
	Opening balance		43,801	25,449
	Provision for the year		34,262	28,867
	Transferred to NEL		–	(10,515)
	Closing balance		78,063	43,801
17.	**STOCK-IN-TRADE**			
	Furnace oil		5,674,602	2,775,985
	Diesel		13,320	10,361
			5,687,922	2,786,346
18.	**TRADE DEBTS - Secured**			
	Considered good	18.1 & 18.2	82,683,678	73,662,484

18.1 This includes an amount of Rs. 74,073 million (2017: Rs. 66,454 million) receivable from CPPA-G which is overdue but not impaired because the trade debts are secured by a guarantee from the GOP under the Implementation Agreement (IA). The delay in payments from CPPA-G carries mark-up at SBP discount rate plus 2% per annum compounded semi-annually.

The aging of these receivables is as follows:

	2018	2017
	(PKR in '000)	
Not yet due	8,610,186	7,208,884
Up to 3 months	20,409,684	23,625,578
3 to 6 months	16,807,348	22,361,645
Over 6 months	36,856,460	20,466,377
	82,683,678	73,662,484

18.2 This includes an amount of Rs. 373 million (2017: Rs. 373 million) receivable from CPPA-G on account of following:

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 CPPA-G, any tax paid by the Company on behalf of construction contractors and sub-contractors was to be reimbursed by CPPA-G.

Under the provisions of the 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 CPPA-G.

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. 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.

		Note	**2018**	2017
			(PKR in '000)	
19.	**LOANS AND ADVANCES**			
	Considered good - non interest bearing			
	Loans - unsecured			
	Executives	19.1	1,450	2,814
	Employees		236	1,518
			1,686	4,332
	Advances - unsecured			
	Executives		505	1,639
	Employees		573	3
	Suppliers		87,721	136,576
			88,799	138,218
			90,485	142,550

19.1 This includes Rs. 0.4 million (2017: Rs. 2.2 million) loan provided to key management personnel which is recoverable in 12 months equal installments in accordance with the Company policy.

	Note	2018	2017
		(PKR in '000)	
20. PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments			
LC commission and other loan related costs		4,464	1,695
Others		17,595	16,148
		22,059	17,843
Other receivables			
Interest accrued	20.1	325	2
Income tax - refundable	20.2	1,912,347	1,912,347
Sales tax		6,795,219	4,011,094
Advance tax		147,384	96,725
Receivable from LEL	20.3	6,794	6,455
Receivable from HPSL	20.3	8,935	39,608
Receivable from HPHL	20.3	41,306	42,150
Receivable from NEL	20.3	1,655	73,379
Receivable from TEL	20.3	64	2,681
Workers' profit participation fund recoverable from CPPA-G		681,275	347,010
Miscellaneous		472	41,460
		9,595,776	6,572,911
		9,617,835	6,590,754

20.1 This includes Rs. 0.231 million (2017: Rs. nil) relating to short term loan provided to NEL, a subsidiary company (refer note 29.4).

20.2 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.

20.3 The amounts receivable from subsidiaries are neither past due nor impaired and are recoverable in ordinary course of business. The maximum aggregate amounts at the end of any month during the year are as follows:

	Note	2018	2017
		(PKR in '000)	
LEL		491,251	171,513
HPSL		32,967	44,269
HPHL		47,132	194,425
NEL		156,379	401,257
TEL		4,385	24,247

21. CASH AND BANK BALANCES

	Note	2018	2017
Savings accounts	21.1 & 21.2	424,519	1,159,509
In hand			
Cash		166	65
Payorders		2,200	63,360
		2,366	63,425
		426,885	1,222,934

21.1 Savings and deposits accounts carry mark-up rates at 4.50% (2017: 3.75%) per annum.

21.2 This includes Rs. 388 million (2017: Rs. 1,151 million) restricted for dividend payable.

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

2018	2017		2018	2017
(No of Shares)			(PKR in '000)	
		Authorised :		
1,700,000,000	1,200,000,000	Ordinary shares of Rs.10/- each	17,000,000	12,000,000
		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
338,381,070	338,381,070		3,383,811	3,383,811
1,157,154,387	1,157,154,387		11,571,544	11,571,544

22.1 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 of lenders are satisfied.

22.2 Associated undertakings held 437,216,264 (2017: 404,293,397) shares in the Company as at year end.

22.3 On June 22, 2018, the shareholders in the Extra Ordinary General Meeting resolved to increase authorised share capital of the Company to Rs. 17,000 million comprising of 1,700 million ordinary shares of Rs. 10 each.

23. LONG TERM LOANS - Secured

From Banks / Financial Institutions	Note	As at July 01, 2017	Drawn	Repaid	Current portion	Amortisation of transaction costs	As at Jun 30, 2018
				(PKR in '000)			
Hub plant							
Musharaka finance facility	23.1	1,562,500	–	(625,000)	(625,000)	–	312,500
NEL investment							
Commercial facility	23.2	3,236,492	–	(780,167)	(888,191)	–	1,568,134
LEL investment							
Syndicated term finance facility	23.3.1	1,166,844	–	(777,896)	(388,948)	–	–
Islamic finance facility	23.3.2	253,000	–	(168,667)	(84,333)	–	–
		1,419,844	–	(946,563)	(473,281)	–	–
TEL / CPHGC / SECMC investment							
Syndicated term finance facility	23.4.1	1,574,929	3,856,195	–	–	–	5,431,124
Islamic finance facility	23.4.2	–	5,500,000	–	–	–	5,500,000
		1,574,929	9,356,195	–	–	–	10,931,124
Transaction costs		(17,110)	(140,827)	–	1,004	7,208	(149,725)
Total		7,776,655	9,215,368	(2,351,730)	(1,985,468)	7,208	12,662,033

From Banks / Financial Institutions	Note	As at July 01, 2016	Drawn	Repaid	Transferred to NEL	Current portion	Amortisation of transaction costs	As at Jun 30, 2017
					(PKR in '000)			
Hub plant								
Musharaka finance facility	23.1	2,187,500	–	(625,000)	–	(625,000)	–	937,500
NEL investment								
Commercial facility	23.2	3,921,784	–	(685,292)	–	(780,167)	–	2,456,325
LEL investment								
Syndicated term finance facility	23.3.1	1,944,740	–	(777,896)	–	(777,896)	–	388,948
Islamic finance facility	23.3.2	421,667	–	(168,667)	–	(168,667)	–	84,333
		2,366,407	–	(946,563)	–	(946,563)	–	473,281
TEL / CPHGC / SECMC investment								
Syndicated term finance facility	23.4.1	–	1,574,929	–	–	–	–	1,574,929
Islamic finance facility	23.4.2	–	–	–	–	–	–	–
		–	1,574,929	–	–	–	–	1,574,929
Transaction costs		(21,915)	(8,898)	–	–	7,208	13,703	(9,902)
Sub Total		8,453,776	1,566,031	(2,256,855)	–	(2,344,522)	13,703	5,432,133
Narowal plant								
Expansion facility		9,679,881	–	(1,168,642)	(8,511,239)	–	–	–
Syndicated term finance facility		3,100,000	–	–	(3,100,000)	–	–	–
Transaction costs		(152,678)	–	–	111,426	–	41,252	–
Sub Total		12,627,203	–	(1,168,642)	(11,499,813)	–	41,252	–
		21,080,979	1,566,031	(3,425,497)	(11,499,813)	(2,344,522)	54,955	5,432,133

23.1 The Company entered into a long term Musharaka arrangement with a bank for an amount of Rs. 2,500 million (2017: 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 0.60% 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 of Hub plant.

23.2 In order to finance the equity portion 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. The mark-up is payable on quarterly basis in arrear. The loan is secured pari passu by way of fixed charge over each of the following, namely

(a) (i) Company's Tangible Moveable Property;

(ii) Company's Intellectual Property; and

(iii) all goodwill (including all brand names not otherwise subject to a fixed charge or assignment by or pursuant to supplemental Composite Security Agreement) presently belonging to the Company,

(b) a floating charge on the whole of the Hub plant related undertaking and assets, present and future;

(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 the Hub plant only; and

(d) mortgage over the Hub plant measuring 347 acres land.

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.

23.3. In order to meet its investment obligation in LEL:

23.3.1 The Company 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 0.60% 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.

23.3.2 The Company 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 0.60% 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 23.3.1.

23.4 In order to meet investment requirements in TEL / CPHGC / SECMC:

23.4.1 The Company entered into a long term financing arrangement with various banks for an aggregate sum of Rs. 21,000 million to finance equity investment in CPHGC (via HPHL), TEL and SECMC. Disbursements under the facility are subject to fulfillment of certain conditions. The loan is repayable in 40 installments on quarterly basis after the end the availability period, which is 54 months from the Facility Effective Date. The Facility Effective Date was May 18, 2017. Mark-up is charged at three months KIBOR plus 0.30% per annum. The loan is secured pari passu over all present and future assets of the Company other than current assets. As at reporting date, the unutilised facility amounted to Rs. 15,569 million.

23.4.2 In addition, during the year, the Company also entered into a long term Musharaka arrangement with banks amounting to Rs. 5,500 million to finance equity investment in CPHGC (via HPHL). The loan under the arrangement is repayable on quarterly basis after the end of the availability period i.e. November 30, 2021. The Facility Effective Date was January 24, 2018. Mark-up is charged at three months KIBOR plus 0.30% per annum. The facility is secured pari passu over all present and future assets of the Company other than current assets.

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.

		Note	2018	2017
			(PKR in '000)	
24.	**TRADE AND OTHER PAYABLES**			
	Creditors			
	Trade - PSO	24.1	76,943,425	63,483,582
	Other		21,683	24,277
			76,965,108	63,507,859
	Accrued liabilities			
	Finance costs		1,194	1,219
	Miscellaneous		617,727	998,537
			618,921	999,756
	Unearned income	24.2	1,189,081	1,169,316
	Advance against management services	24.3	73,386	–
	Other payables			
	Provision for Workers' profit participation fund	9.1	935,191	490,984
	Staff gratuity	24.4	16,336	17,649
	Retention money		4,898	9,433
	Sales tax payable		7,557	–
	Withholding tax		11,016	26,474
			974,998	544,540
			79,821,494	66,221,471

24.1 This represents payable to Pakistan State Oil Company Limited (PSO), out of which overdue amount is Rs. 69,758 million (2017: Rs. 56,851 million).

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

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

24.3 This represents advance received from TEL against management service agreement.

		2018	2017
		(PKR in '000)	
24.4	**STAFF GRATUITY**	16,336	17,649

Actuarial valuation was carried out as at June 30, 2018. The present value of defined benefit obligation has been calculated using the Projected Unit Credit Actuarial Cost Method.

	2018	2017
	(PKR in '000)	
Reconciliation of the net liability recognised in the statement of financial position		
Present value of defined benefit obligation	209,793	202,661
Fair value of plan assets	(193,457)	(185,012)
Net liability recognised in the statement of financial position	16,336	17,649
Reconciliation of the movements during the year in the net liability recognised in the statement of financial position		
Opening net liability	17,649	75,439
Expense recognised	24,727	27,447
Remeasurement loss / (gain) recognised in Other Comprehensive Income (OCI)	7,619	(9,803)
Contributions to the fund made during the year	(33,659)	(75,434)
Closing net liability	16,336	17,649
Expense recognised		
Current service cost	24,702	25,163
Net Interest	25	2,284
Expense recognised	24,727	27,447
Re-measurements recognised in OCI during the year		
Remeasurement gain on defined benefit obligations	(5,699)	(2,914)
Remeasurement loss / (gain) on plan assets	13,318	(6,889)
	7,619	(9,803)
The movement in the defined benefit obligations are as follows		
Present value of defined benefit obligation at opening	202,661	214,588
Current service cost	24,702	25,163
Interest cost	15,095	13,701
Transferred to HPSL	–	(24,548)
Benefits paid	(26,966)	(23,329)
Remeasurement gain recognised in OCI	(5,699)	(2,914)
Present value of defined benefit obligation at closing	209,793	202,661
The movement in fair value of plan assets		
Fair value of plan assets at opening	185,012	139,149
Expected return on plan assets	15,070	11,417
Contributions made	33,659	75,434
Transferred to HPSL	–	(24,548)
Benefits paid	(26,966)	(23,329)
Remeasurement (loss) / gain recognised in OCI	(13,318)	6,889
Fair value of plan assets at closing	193,457	185,012
Actual return on plan assets	1,752	18,306

	2018 %	2018 (PKR in '000)	2017 %	2017 (PKR in '000)
Plan assets comprises of following:				
Pakistan Investment Bonds	45.25%	87,543	42.03%	77,757
Mutual funds	33.24%	64,298	42.73%	79,055
Term Finance Certificate	0.00%	–	12.50%	23,122
Treasury Bills	8.09%	15,653	0.00%	–
Quoted shares	6.92%	13,383	0.00%	–
Cash and cash equivalents	6.50%	12,580	2.74%	5,078
	100.00%	193,457	100.00%	185,012

	2018	2017
	(PKR in '000)	
Contribution expected to be paid to the plan during the next year	24,483	13,103

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

	2018	2017
- Valuation discount rate per annum	8.75%	8.00%
- Expected rate of return on plan assets per annum	8.75%	8.00%
- Expected rate of increase in salary level per annum	8.75%	8.00%
- 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 (PKR in '000)	More than 10 year	Total
Retirement benefit plan	5,169	55,034	92,674	332,702	485,579

	2018	2017	2016 (PKR in '000)	2015	2014
As at June 30					
Present value of defined benefit obligation	209,793	202,661	214,588	178,847	142,975
Fair value of plan assets	(193,457)	(185,012)	(139,149)	(124,165)	(101,541)
Deficit	16,336	17,649	75,439	54,682	41,434

	2018	2017
	(PKR in '000)	
Sensitivity analysis on significant actuarial assumptions		
Impact on defined benefit obligation		
- Discount rate +1%	17,474	16,332
- Discount rate -1%	(19,838)	(18,674)
- Salary increases +1%	(20,698)	(19,412)
- Salary increases -1%	18,511	17,239

The above sensitivity analysis is 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 statement of financial position.

The plan exposes the Company to the actuarial risks such as:

Investment risks:

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

		Note	2018	2017
			(PKR in '000)	
25.	**INTEREST / MARK-UP ACCRUED**			
	Interest / mark-up accrued on long term loans		51,040	73,614
	Mark-up accrued on short term borrowings		106,607	183,777
			157,647	257,391
26.	**SHORT TERM BORROWINGS - Secured**			
	Finances under mark-up arrangements	26.1 & 26.2	21,776,111	20,090,595

26.1 The facilities for running finance available from various banks / financial institutions amounted to Rs. 29,600 million (2017: Rs. 25,550 million) at mark-up ranging between 0.25% to 1.75% 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 24, 2018 to May 31, 2019. Any late payment by the Company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. The facilities 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.

26.2 The Company has also entered into a Musharaka agreement amounting to Rs. 400 million (2017: 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 August 31, 2018. 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 26.1.

27. COMMITMENTS AND CONTINGENCIES

27.1 Commitments in respect of capital and revenue expenditures amounted to Rs. 332 million (2017: Rs. 470 million).

27.2 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.

27.3 The Company has entered into Predictivity Enhancements and Performance Improvements Agreement (PEPI) with General Electric Global Services GmbH (GE), whereby GE has proposed to the Company PEPI solutions to improve the Facility net efficiency (heat rate) to achieve a guaranteed rate.

If PEPI is terminated at any time prior to March 31, 2037, the Company will be liable to pay USD 1.5 million to GE along with residual value of the Steam Turbine Retrofits (proposed solution) ranging from nil to USD 8.2 million depending on the implementation dates of these Steam Turbine Retrofits. However, non-renewal of PPA (which expires in 2027) will result in automatic termination of PEPI and the Company will have to pay GE USD 1.5 million and the residual values ranging from nil to USD 8.2 million. The potential savings from PEPI, assuming certain load factor and fuel price, would far outweigh these amounts to be paid to GE.

27.4 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 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) 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 CPPA-G 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 CPPA-G 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, 2018, the total financial exposure relating to the above case is Rs. 26,140 million (Rs. 3,136 million being the 5% of the profit and Rs. 23,004 million interest component and penalty 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.

During 2017, the Supreme Court of Pakistan (SCP) vide its judgement dated November 10, 2016 set aside the amendments made to the Companies Profits (Workers' Participation) Act, 1968 (the Act) by money bills (Finance Acts) of 2006, 2007 and 2008 as ultra vires to the provisions of the Constitution of Pakistan (the Constitution). Accordingly, subject to the provisions of the Sindh Companies Profits (Workers' Participation) Act, 2015 (Sindh WPPF) and 18th Amendment to the Constitution, the provisions of the Act are to be read as if the amendments brought about by the said money bills were never made. However, the Federal Board of Revenue (FBR) has filed a review petition with the SCP in respect of the said decision. In addition, in June 2018, the Government of Punjab passed the Companies Profits (Workers' Participation) Ordinance, 2018, whereby the Act has been made applicable in the Province of Punjab, with certain provisos having been deleted and or added.

Furthermore, in a separate case, on February 12, 2018, Sindh High Court (SHC) passed an order on WPPF devising a mechanism to compute contributions for trans-provincial companies. However, in July 2018, SCP suspended the SHC order dated February 12, 2018. SCP is yet to issue a detail order on this matter.

The Company is currently in the process of assessing the potential impact of the above decisions with respect to the applicability of the Act / Sindh WPPF, although financial impact, if any, will be a pass-through item under the respective PPAs.

27.5 **(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, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 314 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, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 15 million.

WWF is a pass through under the PPA and is recoverable from the CPPA-G. 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, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 5 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, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 164 million.

WWF is a pass through under the PPA and is recoverable from CPPA-G. 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, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 6 million.

(vi) FBR also imposed 2% WWF for the tax year 2013 and issued a demand for Rs. 162 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, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 258 million.

WWF is a pass through under the PPA and is recoverable from CPPA-G. 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 is of the opinion that the position of the Company is sound on technical basis and eventual outcome is expected 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.

27.6 **(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, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 812 million.

(ii) The FBR passed an order for the recovery of sales tax amounting to Rs. 8,519 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, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 20,635 million.

(iii) The FBR passed an order for the recovery of sales tax amounting to Rs. 3,442 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, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 7,064 million.

(iv) The FBR issued a Show Cause Notice to recover sales tax amounting to Rs. 3,692 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, 2018 is approximately Rs. 3,692 million.

(v) The FBR issued a show cause notice to recover sales tax amounting to Rs. 4,130 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, 2018 is approximately Rs. 4,130 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. The Company's maximum exposure as at June 30, 2018 is approximately Rs. 1,677 million.

(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. On 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, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 1,982 million.

(viii) 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 December 2017, the FBR issued a Show Cause Notice for the recovery Federal Excise Duty (FED) amounting to Rs. 911 million relating to the tax years 2014 to 2017. 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. The Company filed a Writ Petition in the Islamabad High Court (IHC) which asked the FBR not to issue any demand till next hearing. The Company's maximum exposure as at June 30, 2018 is approximately Rs. 911 million.

(ix) 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 allowed the Company to claim such BST paid till a final decision is made. The Company's maximum exposure as at June 30, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 254 million.

The management is of the opinion that the position of the Company is sound on technical basis and eventual outcome is expected 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.

27.7 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 2017 two 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) were dismissed in favor of the Company on the grounds that Honorable High Court Balochistan did not have jurisdiction in view of the constitution of Environment Tribunal. Afterwards, one of the aggrieved party in the above referred petitions approached the Environmental Protection Tribunal Balochistan praying for an order on environmental grounds to restrain the Company from execution of the Project. The management and their legal advisors are of the view that the position of the Company is sound on technical grounds and ultimate outcome of the case is expected be in favor of the Company.

27.8 During the year 2016, the Company received letter from the Power Purchaser stating that the Company did not maintain the requisite fuel stock at Hub plant as required under the PPA and has therefore incurred lower interest on working capital and therefore Power Purchaser is earmarking an estimated amount of Rs. 1,801 million for Hub Plant out of the Late Payment Interest invoices owed by the Power Purchaser. The Company has contested these claims.

27.9 Pursuant to the Fuel Supply Agreement (FSA) dated August 03, 1992 between the Company and Pakistan State Oil Company Limited (PSO), PSO supplied 128,000 Metric Tons (MT) of Residual Furnace Oil (RFO) as "First Fill" at no charge to the Company in 1996. Since 1996, there had been correspondence exchanged amongst PSO, WAPDA and the Company. PSO, in earlier days, sought payment for the cost of the First Fill RFO from WAPDA and the Company. Both WAPDA and the Company refused to make payment, citing that PSO's obligation under the FSA to supply First Fill RFO to the Company was at no charge.

PSO continued to claim the cost of the First Fill RFO from WAPDA. In fact, such cost was recorded in PSO's audited accounts as a receivable due from WAPDA. The relevant note in the PSO's audited accounts explicitly stated that a letter was signed between PSO and WAPDA on August 5, 1992 under which WAPDA undertook to pay PSO the cost of First Fill. Later through the intervention of President of Pakistan, an interest free loan of Rs. 802 million was sanctioned to WAPDA to enable it to settle PSO's claim for First Fill RFO. Following the payment to PSO, WAPDA started claiming reimbursement of the cost of the First Fill from the Company. The Company denied the same. Company's position was that it was under no obligation to pay to PSO under FSA.

In 2015, CPPA-G through back to back arrangements with WAPDA succeeded all the rights and obligations of WAPDA under the existing Power Purchase Agreements. On November 1, 2017, CPPA-G wrote to the Company requesting a meeting to discuss the payment of First Fill amounting to Rs. 802 Million, along with late payment interest. On November 10, 2017 the Company wrote to CPPA-G that the Company is under no obligation for any payment with regards to the First Fill and considered the matter closed. Therefore, there was no point in meeting in relation to the matter. On June 13, 2018, CPPA-G communicated to the Company that the CPPA-G had decided to adjust the amount of Rs. 802 Million along with interest of Rs. 10,723 Million against the Company's outstanding LPI invoices.

Due to the above-mentioned action of CPPA-G, the Company was constrained to file a suit before the Sindh High Court for a declarative injunction against CPPA-G. The Sindh High Court via its Order dated July 9, 2018, directed that status quo be maintained with respect to the amount demanded by CPPA-G from the Company on account of the First Fill and restrained CPPA-G from adjusting the First Fill claim amount. The next hearing of the case has been set on August 16, 2018.

Management along with its legal advisors are of an opinion that the position of the Company is sound on legal basis and eventual outcome is expected to be in favour of the Company. Pending the resolution of the matter stated above, no provision has been made in these unconsolidated financial statements.

28. 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	2018	2017
		(PKR in '000)	
		Chief Executive	
Managerial remuneration	28.1	64,685	58,288
Bonus		158,148	24,401
Other benefits		1,193	1,038
		224,026	83,727
Number of persons		1	1
		Directors	
Fees	28.2	10,450	16,550
Number of persons		13	14
		Executives	
Managerial remuneration		141,579	165,239
Ex-gratia payment		460	1,295
Bonus		91,772	41,986
House rent		47,875	54,509
Utilities		10,639	12,739
Retirement benefits		25,273	30,065
Other benefits		52,128	45,806
		369,726	351,639
Number of persons		41	39
		Total	
Managerial remuneration / Fees		216,714	240,077
Ex-gratia payment		460	1,295
Bonus		249,920	66,387
House rent		47,875	54,509
Utilities		10,639	12,739
Retirement benefits		25,273	30,065
Other benefits		53,321	46,844
		604,202	451,916
Number of persons		55	54

28.1 Retirement benefits to the Chief Executive are paid as 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 to subsidiary companies amounting to Rs. 37 million (2017: Rs. 310 million).

29. RELATED PARTY TRANSACTIONS

Related parties comprise of subsidiaries, associates, 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:

	Note	2018	2017
		(PKR in '000)	
Subsidiaries			
Laraib Energy Limited			
Reimbursable expenses incurred on behalf of subsidiary		31,448	37,208
Receipts against reimbursement of expenses from subsidiary		29,665	185,712
Reimbursable expenses incurred by subsidiary		19	–
Dividend received		1,356,023	1,491,625
Disposal of an asset		–	1,425
Receipt against disposal of an asset		1,425	–
Hub Power Holdings Limited			
Investment in subsidiary		6,902,590	1,094,000
Reimbursable expenses incurred on behalf of subsidiary		9,312	152,276
Receipts against reimbursement of expenses from subsidiary		10,156	182,424
Hub Power Services Limited			
Reimbursable expenses incurred on behalf of subsidiary		30,942	141,667
Receipts against reimbursement of expenses from subsidiary		75,138	9,879
Reimbursable expenses incurred by subsidiary		11,240	22,220
Payments against reimbursement of expenses to subsidiary		12,888	28,283
Amount paid / payable for O&M services rendered		2,121,650	2,154,252
Dividend received		400,000	250,000
Disposal of assets		–	12,232
Advances to HPSL		–	34,000
Advances repaid by HPSL		–	54,000
Narowal Energy Limited			
Reimbursable expenses incurred on behalf of subsidiary		139,749	66,740
Receipts against reimbursement of expenses from subsidiary		211,473	19,302
Reimbursable expenses incurred by subsidiary		5,807	124,216
Payments against reimbursement of expenses to subsidiary		5,807	59,386
Dividend received		419,642	294,141
Payments against loan to subsidiary	29.4	2,719,000	–
Receipts against loan to subsidiary	29.4	2,719,000	–
Interest income on loan		7,121	–
Receipts against interest on loan to subsidiary		6,890	–
Advances to NEL		–	21,508

	Note	2018	2017
		(PKR in '000)	
Thar Energy Limited			
Investment in subsidiary		2,267,600	250,000
Reimbursable expenses incurred on behalf of subsidiary		8,467	73,057
Receipts against reimbursement of expenses from subsidiary		11,876	74,839
Reimbursable expenses incurred by subsidiary		9,689	–
Payments against reimbursement of expenses to subsidiary		10,481	–
Transfer of assets to subsidiary		8,470	–
Receipts against transfer of assets from subsidiary		4,643	–
Transfer of assets by subsidiary		7,450	–
Payments against transfer of assets to subsidiary		3,623	–
Services rendered to subsidiary		275,035	–
Advance received against services rendered to subsidiary		357,961	–
Other related parties			
Proceeds against disposal of Land to CPHGC		189,341	–
Proceeds from disposal of assets	29.5	2,002	1,528
Remuneration to key management personnel			
Salaries, benefits and other allowances		336,189	193,204
Retirement benefits		6,253	10,405
	29.1 & 29.3	342,442	203,609
Directors' fee	28.2	10,450	16,550
Contribution to staff retirement benefit plans		43,475	92,389

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

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

29.3 The above figures do not include cost allocated to subsidiary companies amounting to Rs. 23 million (2017: Rs. 117 million).

29.4 During the year, the Company provided unsecured short term loan to NEL and entered into an agreement for an amount of up to Rs. 1 billion to meet NEL's working capital requirements which carries markup at a rate of 0.4% per annum above three month KIBOR. Any late payment by NEL is subject to an additional payment of 1.00% per annum above the normal markup rate. Maximum aggregate amount outstanding at any time was Rs. 600 million and same has been repaid during the year.

29.5 This represents proceeds from disposal of assets having written down value of Rs. 1.99 million (2017: Rs. 0.45 million) to key management personnel.

30. RELATED PARTIES AND ASSOCIATED COMPANIES / UNDERTAKINGS

Following are the details of related parties and associated companies / undertakings with whom the Company had entered into transactions or had arrangements in place during the year:

Particulars	Relationship	% equity interest
Laraib Energy Limited	Subsidiary	74.95%
Hub Power Services Limited	Subsidiary	100%
Hub Power Holdings Limited	Subsidiary	100%
Narowal Energy Limited	Subsidiary	100%
Thar Energy Limited	Subsidiary	70%
China Power Hub Generation Company (Private) Limited	Associate	26%
Sindh Engro Coal Mining Company Limited	Common Directorship	8%
Allied Bank Limited	Common Directorship	-
Askari Bank Limited	Common Directorship	-
Engro Fertilizers Limited	Common Directorship	-
Fauji Fertilizer Company Limited	Common Directorship	-
Forbes Forbes Campbell & Co. (Private) Limited	Common Directorship	-
The Dawood Foundation	Common Directorship	-
Central Depository Company of Pakistan Limited	Common Directorship	-
Karachi School of Business & Leadership	Common Directorship	-
Overseas Investor Chamber of Commerce and Industry	Director was in Managing Committee	-
Mr. Khalid Mansoor	Chief Executive / Director	-
Mr. Abdul Nasir	Key Management Personnel	-
Mr. Shams-ul-Islam	Ex Key Management Personnel	-
Mr. Inam-ur-Rehman Siddiqui	Key Management Personnel	-
Mr. Mustafa Giani	Key Management Personnel	-
Mr. Farrukh Rasheed	Key Management Personnel	-
Syed Tahawar Ali Shah	Key Management Personnel	-
Mr. Shaharyar Nashat	Key Management Personnel	-
Mr. Hussain Dawood	Ex Director	-
Mr. Javed Akbar	Director	-
Mr. Iqbal Alimohamed	Director	-
Mr. Qaiser Javed	Director	-
Mr. Ruhail Mohammed	Ex Director	-
Mr. Owais Shahid	Director	-
Mr. Waseem Mukhtar	Director	-
Mr. Shahid Ghaffar	Ex Director	-
Mr. Shahzada Dawood	Ex Director	-
Mr. Andalib Alavi	Director	-
Mr. Inam Ur Rehman	Ex Director	-
Mr. Abdul Samad Dawood	Ex Director	-
Mr. Muhammad Sadiq Sanjrani	Ex Director	-
Mr. Muhammad Ejaz Sanjrani	Director	-
Mr. Manzoor Ahmed	Director	-
Mr. Tabish Gauhar	Director	-
Mr. Shafiuddin Ghani Khan	Director	-
The Hub Power Company Limited - Employees' Provident Fund	Retirement benefit fund	-
The Hub Power Company Limited - Staff Gratuity Fund	Retirement benefit fund	-

31. PROVIDENT FUND TRUST

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.

Investments out of provident fund have been made in accordance with the provisions of Section 218 to the Act and the rules formulated for this purpose.

		2018	2017
32.	**PLANT CAPACITY AND PRODUCTION**		
	HUB PLANT		
	Theoretical Maximum Output	10,512 GWh	10,512 GWh
	Total Output	5,201 GWh	6,793 GWh
	Load Factor	49%	65%

Practical maximum output for the power plant taking into account all the scheduled outages is 9,216 GWh (2017: 9,216 GWh). Output produced by the plant is dependent on the load demanded by CPPA-G and the plant availability.

		Note	2018 (PKR in '000)	2017
33.	**WORKING CAPITAL CHANGES**			
	Increase in current assets			
	Stores, spares and consumables		(29,153)	(656,844)
	Stock-in-trade		(2,901,576)	(771,648)
	Trade debts		(9,021,194)	(5,546,410)
	Loans, advances, prepayments and other receivables		(2,589,768)	(2,307,316)
			(14,541,691)	(9,282,218)
	Increase in current liabilities			
	Trade and other payables		13,157,129	1,960,765
			(1,384,562)	(7,321,453)
34.	**CASH AND CASH EQUIVALENTS**			
	Cash and bank balances	21	426,885	1,222,934
	Short term borrowings	26	(21,776,111)	(20,090,595)
			(21,349,226)	(18,867,661)

		2018	2017
35.	**BASIC AND DILUTED EARNINGS PER SHARE**		
35.1	Basic		
	Profit for the year from continuing operations (Rupees in thousands)	8,565,012	8,256,093
	Profit for the year from discontinued operations (Rupees in thousands)	–	1,343,980
	Profit for the year from continuing and discontinued operations (Rupees in thousands)	8,565,012	9,600,073
	Number of shares in issue during the year	1,157,154,387	1,157,154,387
	Basic earnings per share - continuing operations (Rupees)	7.40	7.13
	Basic earnings per share - discontinued operations (Rupees)	–	1.16
	Basic earnings per share (Rupees)	7.40	8.29

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

36. PROPOSED FINAL DIVIDEND

The Board of Directors proposed a final dividend for the year ended June 30, 2018 of Rs. 2.80 per share, amounting to Rs. 3,240.032 million, at their meeting held on August 20, 2018 for approval of the members at the Annual General Meeting to be held on October 05, 2018. These unconsolidated 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 Company's activities expose it to a variety of financial risks namely 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 these risks on the Company's performance are as follows:

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of 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. 27 million (2017: Rs. 111 million) in foreign currencies which are subject to currency risk exposure and financial liabilities of the Company include Rs. 235 million (2017: Rs. 635 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:

	2018	2017
	(PKR in '000)	
Fixed rate instruments at carrying amount:		
Financial assets		
Bank balances	424,519	1,159,509

	2018	2017
	(PKR in '000)	
Variable rate instruments at carrying amount:		
Financial assets		
Trade debts	54,712,227	46,261,728
Financial liabilities		
Long term loans	14,647,501	7,776,655
Trade and other payables	50,762,815	38,756,548
Short term borrowings	21,776,111	20,090,595
Total	87,186,427	66,623,798

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 or 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 CPPA-G, 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 CPPA-G at variable rate provided under the PPA and pays interest on delayed payments to PSO at variable rate provided under the FSA for Hub plant. The rates on all these 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.

In order to finance investments in LEL, NEL, CPHGC (via HPHL), TEL and SECMC and boiler rehabilitation works at Hub Plant, the Company entered into long term financing arrangements (Refer note 23). The Company has to manage the related finance cost from its own sources which exposes the Company to the risk of change in KIBOR. As at June 30, 2018, 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. 83.556 million (2017: Rs. 71.280 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.

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

	2018	2017
	(PKR in '000)	
Deposits	19,237	21,401
Trade debts	82,683,678	73,662,484
Loans and other receivables	742,276	555,559
Bank balances	424,519	1,159,509
Total	83,869,710	75,398,953

Trade debts are recoverable from CPPA-G under the PPA and are secured by guarantee from GOP under the IA. Further, the significant amount of other receivables is also recoverable from CPPA-G and is secured under IA.

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.

Banks / Financial Institutions	Rating Agency	Ratings Short term	Long term
Conventional			
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA+
Bank Al-Habib Limited	PACRA	A1+	AA+
Citibank N.A.	Moody's	P-1	A1
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Industrial and Commercial Bank of China	Moody's	P-1	A1
JS Bank Limited	PACRA	A1+	AA-
MCB Bank Limited	PACRA	A1+	AAA
National Bank of Pakistan	PACRA	A1+	AAA
Pak Brunei Investment Company Limited	JCR-VIS	A1+	AA+
Samba Bank Limited	JCR-VIS	A-1	AA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Sumitomo Mitsui Banking Corporation Europe Limited	Moody's	P-1	A1
United Bank Limited	JCR-VIS	A-1+	AAA
Shariah Compliant			
Meezan Bank Limited	JCR-VIS	A-1+	AA+
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A-1	AA-
Faysal Bank Limited	PACRA	A1+	AA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA

(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 26) to meet the short term funding requirements due to delay in payments by CPPA-G. The delay in payments by CPPA-G is mainly offset by the delay in payments to PSO.

The Company is exposed to liquidity risk because of the following:

(i) Delay in payment from Power Purchaser (CPPA-G);

(ii) the returns in form of dividends received from NEL and LEL may not be sufficient to meet the funding requirements for long term loans obtained for equity investment in NEL and LEL as mentioned in note 23.2 and 23.3;

(iii) long term loans obtained for funding in TEL / CPHGC / SECMC (note 23.4) may not be sufficient to meet their respective equity requirement;

(iv) repayments of loan obtained for boiler rehabilitation work (note 23.1).

The Company manages this liquidity risk from its own sources, future earnings and other alternative means.

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

	Less than 6 month	Between 6 to 12 month	Between 1 to 5 years (PKR in '000)	Between 5 to 10 years	Total
2017-18					
Long term loans	1,745,773	1,251,965	8,035,044	9,078,672	20,111,454
Trade and other payables	77,669,870	–	–	–	77,669,870
Unclaimed dividend	140,286	–	–	–	140,286
Unpaid dividend	247,281	–	–	–	247,281
Short term borrowings	21,882,718	–	–	–	21,882,718
Total	101,685,928	1,251,965	8,035,044	9,078,672	120,051,609
2016-17					
Long term loans	1,386,092	1,390,762	4,713,349	1,624,283	9,114,486
Trade and other payables	64,517,048	–	–	–	64,517,048
Unclaimed dividend	129,017	–	–	–	129,017
Unpaid dividend	1,022,335	–	–	–	1,022,335
Short term borrowings	20,274,372	–	–	–	20,274,372
Total	87,328,864	1,390,762	4,713,349	1,624,283	95,057,258

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.

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, 2018**
	(PKR in '000)	
Financial assets		
Deposits	19,237	19,237
Trade debts	82,683,678	82,683,678
Loans and other receivables	742,276	742,276
Cash and bank balances	426,885	426,885
Total	83,872,076	83,872,076

	Financial liabilities measured at amortised cost	**Total June 30, 2018**
	(PKR in '000)	
Financial Liabilities		
Long term loans	14,698,541	14,698,541
Trade and other payables	77,669,870	77,669,870
Unclaimed dividend	140,286	140,286
Unpaid dividend	247,281	247,281
Short term borrowings	21,882,718	21,882,718
Total	114,638,696	114,638,696

	Loans and receivables	Total June 30, 2017
	(PKR in '000)	
Financial assets		
Deposits	21,401	21,401
Trade debts	73,662,484	73,662,484
Loans and other receivables	557,077	557,077
Cash and bank balances	1,222,934	1,222,934
Total	75,463,896	75,463,896

	Financial liabilities measured at amortised cost	Total June 30, 2017
	(PKR in '000)	
Financial Liabilities		
Long term loans	7,850,269	7,850,269
Trade and other payables	65,668,400	65,668,400
Unclaimed dividend	129,017	129,017
Unpaid dividend	1,022,335	1,022,335
Short term borrowings	20,274,372	20,274,372
Total	94,944,393	94,944,393

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

Revised and amended standards and interpretation that are not yet effective and adopted in 2018

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 9	– Financial Instruments	July 1, 2018
IFRS 9	– Prepayment Features with Negative Compensation – (Amendments)	January 1, 2019
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 15	– Revenue from Contracts with Customers	July 1, 2018
IFRS 16	– Leases	January 1, 2019
IAS 19	– Plan Amendment, Curtailment or Settlement (Amendments)	January 1, 2019
IAS 28	– Long-term Interests in Associates and Joint Ventures – (Amendments)	January 1, 2019
IAS 40	– Investment Property: Transfers of Investment Property (Amendments)	January 1, 2019
IFRIC 22	– Foreign Currency Transactions and Advance Consideration	January 1, 2019
IFRIC 23	– Uncertainty over Income Tax Treatments	January 1, 2019

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.

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 lessee (CPPA-G) 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:

	2018	2017
	(PKR in '000)	
Decrease in unappropriated profit at the beginning of the year	(6,371,431)	(7,597,086)
Increase in profit for the year	684,777	1,225,655
Decrease in unappropriated profit at the end of the year	(5,686,654)	(6,371,431)

NOTES TO THE UNCONSOLIDATED
FINANCIAL STATEMENTS
For the year ended June 30, 2018

40. SHARIAH COMPLIANCE DISCLOSURE

	2018			2017		
	Conventional	Shariah Compliant	Total	Conventional	Shariah Compliant	Total
			(PKR in '000')			
Turnover						
Revenue	4,932,622	81,256,822	86,189,444	3,928,395	84,664,988	88,593,383
Other income						
Interest income	16,618	–	16,618	17,002	–	17,002
Dividend income	–	2,175,665	2,175,665	–	1,535,081	1,535,081
Income from management services	–	23,143	23,143	–	–	–
Finance Cost						
Long term loans	436,182	198,146	634,328	346,901	156,394	503,295
Short term borrowings	1,408,436	11,509	1,419,945	1,240,149	26,485	1,266,634
Other finance costs	192,267	1,400	193,667	13,703	–	13,703
Assets						
Bank balances	424,519	–	424,519	1,159,509	–	1,159,509
Liabilities						
Long term loans	8,125,927	6,521,574	14,647,501	5,962,814	1,813,841	7,776,655
Accrued markup	150,062	7,585	157,647	248,653	8,738	257,391
Short term borrowings	21,376,116	399,995	21,776,111	19,690,595	400,000	20,090,595

Exchange gain earned during the year amounts to Rs. 10 million (2017: Rs. 1 million)

41. REPRESENTATION / RECLASSIFICATION

Certain prior year figures have been represented / re-classified to reflect a more appropriate presentation of events and transactions for the purpose of consistency.

42. DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue on August 20, 2018 in accordance with the resolution of the Board of Directors.

43. GENERAL

Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2018

EY
Building a better working world

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INDEPENDENT **AUDITORS' REPORT**

To the members of The Hub Power Company Limited
Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of The Hub Power Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss and the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
1. Contingent liabilities	
As referred to in note 28.4, 28.5, 28.6 and 28.10.3 to the consolidated financial statements, the Group over the past years has received additional demands in respect of Income Tax, Sales Tax, Federal Excise Duty, and Workers Profits' Participation Fund from the concerned authorities. These demands are based on a range of tax issues such as the apportionment of input sales tax claims, applicability of FED on services, and applicability of WPPF on the operations of the Group, and are pending adjudication before different authorities and Courts of Law. Due to the significance of the amounts involved in such matters and the inherent uncertainties in respect of their ultimate outcome, the management judgements and estimates in relation to such contingencies may be complex and can significantly impact the consolidated financial statements. For such reasons we have considered the contingent liabilities as a key audit matter.	Our key audit procedures in respect of contingent liabilities included, amongst others, a review of the correspondence of the Group with the relevant authorities, tax advisors, and legal advisors, including judgments or orders passed by the competent authorities in relation to the issues involved or matters which have similarities with the issues involved. We obtained and reviewed confirmations from the Group's external advisors for their views on the legal position of the Group in relation to the contingent liabilities. We involved our internal tax professionals to assess management's conclusions on contingent tax matters and to evaluate the consistency of such conclusions with the views of the external tax advisors engaged by the Group. We also evaluated the adequacy of disclosures made in respect of the contingent liabilities in accordance with the requirements of the financial reporting standards as applicable in Pakistan.

Key audit matters	How the matter was addressed in our audit
2. Capital expenditure in Thar Energy Limited (TEL)	
As disclosed in note 1 and 12.8 to the consolidated financial statements and as part of the Group's investments in power and energy projects, the Group has plans to setup a coal power plant at Thar Block II, Sindh. Due to delays in achieving the financial close of this project and the regulatory timelines which are required to be adhered to in this regard, the capital expenditure in TEL is exposed to risk of impairment. Further, the Group is also subject to risk of loss on account of encashment of performance guarantee. As the impairment assessment involves significant management judgement we have considered this matter to be a key audit matter.	In respect of TEL project, we considered management's plans and assumptions and the status of the lending arrangements required to implement the project. We also reviewed correspondence with Private Power and Infrastructure Board (PPIB) in relation to the extensions allowed and requested by the Group in respect of the financial closing date, agreements with the strategic shareholders to inject equity into the project, and the status of commercial agreements including tariff determination, power purchase agreement, and coal supply agreement. We further considered the discussions in the meetings of the Board of Directors in relation to the implementation of this project and the potential challenges and action plans. We also assessed the adequacy of disclosures made in the consolidated financial statements to explain the factual position and impairment risks in respect of this expenditure.
3. The new Companies Act, 2017 and its impact on the financial statements	
As referred to in note 2.2 to the accompanying consolidated financial statements, the Companies Act 2017 (the Act) became applicable for the first time for the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2018. The Act forms an integral part of the statutory financial reporting framework as applicable to the Group and amongst others, prescribes the nature and content of disclosures in relation to various elements of the consolidated financial statements. In the case of the Group, specific additional disclosures and changes to the existing disclosures have been included in the consolidated financial statements as referred to in note 2.2 to the consolidated financial statements. The above changes and enhancements in the consolidated financial statements are considered important and a key audit matter because of the volume and significance of the changes to the consolidated financial statements from the transition to the new reporting requirements under the Act.	We assessed the procedures applied by the management for identification of the changes required in the consolidated financial statements due the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the consolidated financial statements.

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Arslan Khalid.

Chartered Accountants
Place: Karachi
Date: 20 August 2018

CONSOLIDATED STATEMENT OF
PROFIT OR LOSS

For the year ended June 30, 2018

	Note	2018	2017
		(PKR in '000)	
Turnover	5	99,999,433	101,188,378
Operating costs	6	(81,720,455)	(83,928,576)
GROSS PROFIT		18,278,978	17,259,802
General and administration expenses	7	(1,524,972)	(1,365,449)
Other income	8	218,863	156,372
Other operating expenses	9	(109,941)	(76,754)
PROFIT FROM OPERATIONS		16,862,928	15,973,971
Finance costs	10	(4,432,498)	(4,081,317)
Gain on dilution of interest in associates	14	–	1,191
Share of loss from associates	14	(280,075)	(186,148)
PROFIT BEFORE TAXATION		12,150,355	11,707,697
Taxation	11	(485,572)	(359,215)
PROFIT FOR THE YEAR		11,664,783	11,348,482
Attributable to:			
- Owners of the holding company		11,057,482	10,688,977
- Non-controlling interests		607,301	659,505
		11,664,783	11,348,482
Basic and diluted earnings per share attributable to owners of the holding company (Rupees)	37	9.56	9.24

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

CONSOLIDATED STATEMENT OF
OTHER COMPREHENSIVE INCOME

For the year ended June 30, 2018

	2018	2017
	(PKR in '000)	
Profit for the year	11,664,783	11,348,482
Other comprehensive (loss) / income for the year		
Items that will not be reclassified to Profit or Loss in subsequent periods		
(Loss) / gain on remeasurement of post employment benefit obligations - net	(28,900)	8,631
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	11,635,883	11,357,113
Attributable to:		
- Owners of the holding company	11,028,582	10,697,608
- Non-controlling interests	607,301	659,505
	11,635,883	11,357,113

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

CONSOLIDATED STATEMENT OF
FINANCIAL POSITION

As at June 30, 2018

	Note	2018	2017
		(PKR in '000)	
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	12	53,817,768	52,624,435
Intangibles	13	1,477,963	1,474,850
Long term investments	14	8,823,879	1,924,412
Long term deposits and prepayments	15	36,448	144,213
		64,156,058	56,167,910
CURRENT ASSETS			
Stores, spares and consumables	16	3,255,501	3,273,033
Stock-in-trade	17	6,347,109	3,442,694
Trade debts	18	98,856,377	85,613,761
Loans and advances	19	147,327	194,617
Deposits, prepayments and other receivables	20	10,588,866	7,063,765
Cash and bank balances	21	2,654,315	3,860,355
		121,849,495	103,448,225
Non-current asset classified as held for sale		–	3,665
TOTAL ASSETS		186,005,553	159,619,800
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Share Capital			
Authorised	22	17,000,000	12,000,000
Issued, subscribed and paid-up	22	11,571,544	11,571,544
Revenue Reserve			
Unappropriated profit		23,878,200	21,059,945
Attributable to owners of the holding company		35,449,744	32,631,489
NON-CONTROLLING INTERESTS		3,584,186	2,367,012
		39,033,930	34,998,501
NON-CURRENT LIABILITIES			
Long term loans	23	25,287,815	21,332,613
Liabilities against assets subject to finance lease	24	2,234,388	2,239,679
CURRENT LIABILITIES			
Trade and other payables	25	82,872,983	67,758,021
Unclaimed dividend		140,286	129,017
Unpaid dividend		247,281	1,022,335
Interest / mark-up accrued	26	779,949	883,002
Short term borrowings	27	28,804,770	24,846,559
Current maturity of long term loans	23	6,214,955	6,096,922
Current maturity of liabilities against assets subject to finance lease	24	366,320	313,106
Taxation-net		22,876	45
		119,449,420	101,049,007
TOTAL EQUITY AND LIABILITIES		186,005,553	159,619,800

COMMITMENTS AND CONTINGENCIES 28

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

CONSOLIDATED STATEMENT OF
CASH FLOWS

For the year ended June 30, 2018

	Note	2018	2017
		(PKR in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		12,150,355	11,707,697
Adjustments for:			
Depreciation		4,149,651	3,847,839
Amortisation		42,752	29,019
Gain on disposal of fixed assets		(6,775)	(4,182)
Provision against slow moving stores, spares and consumables		55,568	32,372
Provision for Workers' profit participation fund		109,941	76,754
Gain on dilution of interest in associates		–	(1,191)
Staff gratuity		59,343	52,663
Interest income		(143,456)	(122,026)
Interest / mark-up		4,082,859	3,847,282
Amortisation of transaction costs		103,054	126,388
Share of loss from associates		280,075	186,148
Fair value adjustment on associate	14.2	(1,899)	–
Operating profit before working capital changes		20,881,468	19,778,763
Working capital changes	35	(5,289,989)	(8,936,429)
Cash generated from operations		15,591,479	10,842,334
Interest received		142,573	120,743
Interest / mark-up paid		(4,185,912)	(3,902,454)
Workers' profit participation fund paid		–	(70,235)
Staff gratuity paid		(81,445)	(92,128)
Taxes paid		(533,254)	(345,775)
Net cash generated from operating activities		10,933,441	6,552,485
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(3,359,296)	(1,091,455)
Proceeds from disposal of fixed assets		20,475	25,003
Long term Investments made		(7,177,643)	(1,123,929)
Increase / (decrease) in long term deposits and prepayments		107,765	(108,188)
Net cash used in investing activities		(10,408,699)	(2,298,569)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to owners of the holding company		(8,979,582)	(10,400,256)
Dividends paid to non controlling interest		(453,194)	(498,514)
Proceeds from long term loans		9,215,368	1,566,031
Repayment of long term loans		(6,218,660)	(5,502,827)
Proceeds against issuance of shares to NCI		1,100,400	–
Repayment of liabilities against assets subject to finance lease		(321,462)	(436,867)
Shares issue costs		(31,863)	–
Net cash used in financing activities		(5,688,993)	(15,272,433)
Net decrease in cash and cash equivalents		(5,164,251)	(11,018,517)
Cash and cash equivalents at the beginning of the year		(20,986,204)	(9,967,687)
Cash and cash equivalents at the end of the year	36	(26,150,455)	(20,986,204)

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2018

	Note	2018	2017
		(PKR in '000)	
ISSUED CAPITAL			
Balance at the beginning of the year		11,571,544	11,571,544
Balance at the end of the year	22	11,571,544	11,571,544
UNAPPROPRIATED PROFIT			
Balance at the beginning of the year		21,059,945	19,634,379
Profit for the year		11,057,482	10,688,977
Other comprehensive (loss) / income for the year		(28,900)	8,631
Total comprehensive income for the year		11,028,582	10,697,608
Transactions with owners in their capacity as owners			
Final dividend for the fiscal year 2016-2017 @ Rs. 2.50 (2015-2016 @ Rs. 3.00) per share		(2,892,886)	(3,471,463)
First interim dividend for the fiscal year 2017-2018 @ Rs. 1.50 (2016-2017 @ Rs. 1.50) per share		(1,735,732)	(1,735,732)
Second interim dividend for the fiscal year 2017-2018 @ Rs. 1.50 (2016-2017 @ Rs. 1.50) per share		(1,735,732)	(1,735,732)
Third interim dividend for the fiscal year 2017-2018 @ Rs. 1.60 (2016-2017 @ Rs. 2.00) per share		(1,851,447)	(2,314,309)
		(8,215,797)	(9,257,236)
Shares issue cost		(30,813)	(14,806)
Disposal of partial interest in TEL		36,283	–
Balance at the end of the year		23,878,200	21,059,945
Attributable to owners of the holding company		35,449,744	32,631,489
NON-CONTROLLING INTERESTS			
Balance at the beginning of the year		2,367,012	2,038,687
Total comprehensive income for the year		607,301	659,505
Dividends paid		(453,194)	(331,180)
Investment made		1,100,400	–
Disposal of partial interest in TEL		(36,283)	–
Shares issue costs		(1,050)	–
Balance at the end of the year		3,584,186	2,367,012
TOTAL EQUITY		39,033,930	34,998,501

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

M. Habibullah Khan	Khalid Mansoor	Abdul Nasir
Chairman	Chief Executive	Chief Financial Officer

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
For the year ended June 30, 2018

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 repealed Companies Ordinance, 1984 (the "Ordinance") which has now been replaced with Companies Act, 2017. The shares of the holding company are listed on the Pakistan Stock Exchange (PSX). 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).

The Group consists of The Hub Power Company Limited (the holding company) and following subsidiaries / associate:

Subsidiaries:

- 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 70%.

Associate:

- China Power Hub Generation Company (Private) Limited (CPHGC) - Holding of 26%.

Head Offices:

- The registered offices of the holding company, HPSL, HPHL, NEL and TEL are situated at 11th Floor, Ocean Tower, G-3, Block-9, Main Clifton Road, Karachi.
- The registered office of LEL is situated at 12-B/1, Multi Mansion Plaza, G-8, Markaz, Islamabad.

Plants:

- Hub Plant is situated at Mouza Kund, Post Office Gaddani, District Lasbela, Balochistan.
- Narowal Plant is situated at Mouza Aroud Afghana, Muridkey Narowal Road, Narowal.
- Laraib Plant is situated at New Bong Escape Hydro-Electric Power Complex, Village Lehri, District Mirpur, Azad Jammu & Kashmir.

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.

In connection with investment in the 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.

(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.

Pursuant to the SSA in connection with the investment in LEL, the holding company entered into a facility agreement with a bank and has provided an LC of USD 23 million to LEL's lenders for cost overruns and debt repayment. During 2017, after meeting certain conditions by the subsidiary, the LC amount has been reduced to USD 10.875 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 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.

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 LEL under the terms of 'Operations and Maintenance Agreement' (the "O&M Agreement") dated December 28, 2017 for the term until March 22, 2038, unless terminated earlier. The service commencement date as per the O&M Agreement was March 23, 2018.

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 reporting 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 are to own, operate and maintain Narowal power plant. NEL owns a 214 MW (net) oil-fired power station in Punjab (Narowal plant).

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.

Project status and financial close

Pursuant to the proposal submitted by the holding company on April 05, 2016 for setting up 1 x 330 MW mine-mouth Coal Power Plant (the Project), Private Power & Infrastructure Board (PPIB) issued Notice to Proceed (NTP) on May 13, 2016. On August 02, 2016, PPIB issued Letter of Interest (LOI) which required TEL to submit within two months from the date of LOI petitions before NEPRA to obtain tariff determination and generation license. On August 11, 2016, TEL submitted its application for tariff determination and generation license before NEPRA which was approved on October 18, 2016 and June 07, 2017 respectively.

On December 29, 2016 TEL has signed the Offshore supply contract and the Onshore supply and services contract with China Machinery Engineering Complex (CMEC) and China-East Resources Import and Export Corporation (CERIEC). On May 9, 2018, TEL has paid the First Mobilization Advance amounting to USD 23.5 million to the Offshore Contractor. On May 13, 2017 TEL has also entered into Coal Supply Agreement with Sindh Engro Coal Mining Company (SECMC). During the year, TEL has signed the PPA, the WUA and the IA (including Supplemental IA) on July 27, 2017, October 17, 2017 and November 10, 2017, respectively and has also initialled its land lease agreement with SECMC for the purchase of 244 acres of land for the project.

PPIB issued the Letter of Support (LOS) to TEL on December 09, 2016. As per the terms of the LOS, the holding company provided performance guarantee amounting to USD 1.65 million in favour of PPIB. The LOS required TEL to (i) achieve the Financial Closing of the Project no later than nine months from the date of LOS and (ii) enter into the Implementation Agreement (IA), Power Purchase Agreement (PPA) and Water Use Agreement (WUA) not later than three months prior to the financial closing date. On June 23, 2017, PPIB granted extension in the Financial Closing date of the Project upto March 9, 2018 subject to achievement of Commercial Operation Date (COD) on or before December 31, 2020. On February 2, 2018, TEL requested PPIB to provide further extension of six months in the Financial Closing date i.e. till September 8, 2018 (Extended Financial Closing date). On June 21, 2018, PPIB approved the extension in the financial closing date till September 8, 2018 and approved the extension in the COD till March 31, 2021. To fulfil the requirements to obtain LOS extension from PPIB, the Company doubled the performance guarantee amount from USD 1.65 million to USD 3.30 million till December 31, 2018. Furthermore, PPIB also imposed following condition on TEL for granting extension in LOS:

(i) To amend TEL's PPA, at least one month prior to the Extended Financial Closing date, whereby it shall be made liable to pay in the form of liquidated damages an amount equivalent to the pro rata Transmission Service Charges (TSC) payable to Pakistan Matiari Lahore Transmission Company by National Transmission and Dispatch Company (NTDC) in case TEL fails to achieve COD by March 31, 2021.

PPIB is entitled to encash the performance guarantee in case TEL is not able to meet the above condition or TEL decides to exercise termination option as defined in the LOS. TEL is currently in negotiations with its lenders for the finalization of financing arrangements, however, considering the challenges faced with regards to financing arrangements, on August 7, 2018 TEL has requested the PPIB for an extension in the Financial Closing Date under LOS for at least six months from September 8, 2018 to March 8, 2019. TEL believes, based on its discussions with PPIB and Ministry of Energy, that the said extension will be granted.

In relation with issuance of LOS to TEL, the holding company entered into a facility agreement with Habib Bank Limited on November 09, 2016 for issuance of guarantee in favour of the PPIB amounting to USD 1.650 million. The facility was valid till June 30, 2018 or up to 3 months post financial close of the project. The facility is secured by 3rd ranking charge over all present and future plant and machinery of the holding company. The holding company, on March 15, 2018, increased the guarantee amount to USD 3.300 million and extended the facility validity upto March 30, 2019.

Holding company's commitments for TEL - Sponsors' support

In connection with the development of TEL's project and pursuant to Share Holder Agreement dated March 15, 2018, the holding company has obtained following approvals from shareholders in general meeting and is committed to:

(i) make investments in TEL up to an amount not exceeding USD 78 million (or PKR equivalent) by way of a subscription of shares. Such investment shall be made within a period up till December 2022;

(ii) arrange and provide a Standby Letter of Credit to the Lenders of TEL or TEL to cover for the equity investment of (and up to an amount not exceeding) USD 78 million (or PKR equivalent) to guarantee the subscription of equity. Such SBLC shall be for a period up till December 2022;

(iii) undertake to the Lenders of TEL and to arrange and/or provide working capital financing to TEL equivalent to an aggregate amount of US$ 36 million. Such investment shall be for a period up till December 2032;

(iv) assign its rights in respect of any investment made in TEL by way of Subordinated loan (which loan is to be treated as subordinated to the debt of the Lenders of TEL), in favour of the Lenders of TEL. Such investment shall be for a period up till December 2032;

(v) execute the Share Pledge Agreement including all necessary documentation related thereto and for the said purpose do or cause to do all acts, deeds and things that may be necessary or required in connection therewith, as may be deemed appropriate and as mutually agreed with the Lenders of TEL including any amendments thereto, or as required by law;

(vi) provide a guarantee (in the form of standby letter of credit) for the benefit of TEL and Intercreditor Agent for an aggregate amount of US$ 31 million (or PKR equivalent) to guarantee an investment in the form of equity or subordinated debt to cover (a) cost overrun, (b) any obligation under financing documents prior to Project Completion Date ("PCD"), and (c) COD undertakings. Such investment shall be for a period up till the earlier of Project Completion Date or December 2025;

(vii) issue a sponsor standby letter of credit to cover for the Initial Debt Service Reserve Account Shortfall, of an amount estimated not to exceed USD 20 million (or PKR equivalent), but which may be higher. Such SBLC shall be for a period up till the earlier of first payment of the instalment of the loan or December 2023;

(viii) issue a sponsor standby letter of credit to cover for the Debt Service Reserve Account, of an amount estimated not to exceed USD 20 million (or PKR equivalent), but which may be higher. Such SBLC shall be for a period up till the earlier of first payment of the installment of the loan or December 2032;

(ix) provide contractual commitments up to USD 22 million (or PKR equivalent) to Lenders for the purpose of TEL taking excess debt, which is over and above the cost approved by NEPRA. Such sponsor obligation shall be for a period earlier of the tenure of the project loan or December 2032;

(x) participate in the Put Option / Commercial Risk Guarantee ("Put Option / CRG") to be provided by local banks and financial institutions (including Habib Bank Limited) ("Put Option / CRG Financiers") to the foreign lenders and contributing payment of a sum not exceeding USD 15 million, ("Put Option / CG Contribution Amount") under the same as primary obligor and US$ 10 Million as markup on the forced loan not settled by project company (if any) and any excess exposure on account of US$ / PKR devaluation in accordance with the terms of the Put Option / CRG Agreement. Such sponsor obligation shall be valid till December 2032; and

(xi) provide a contractual commitment and a parent company guarantee to TEL guaranteeing the due and punctual performance obligations by HPSL pursuant to the terms of the O&M Agreement. Such sponsor obligation shall be for a period the earlier of the tenure of the project loan or December 2032.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Changes in accounting standards and interpretations

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

IAS 7	–	Statement of Cash Flows - Disclosure Initiative (Amendment)
IAS 12	–	Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

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

The Act is applicable from the current year and has brought certain changes with regard to the preparation and presentation of these consolidated financial statements. The significant changes include changes in nomenclature of the primary statements, disclosure of significant transactions and events (refer note 4), management assessment of sufficiency of tax provision (refer note 11.2), and disclosure requirements for related parties (refer note 31 and 32) etc.

2.3 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.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 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:

– 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 statement of profit or loss 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 the statement of profit or loss account where applicable. The gain / loss arising on dilution of interest in an equity accounted investee is recognized in the statement of profit or loss.

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 statement of profit or loss.

3.2 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 12.1 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 statement of profit or loss.

Maintenance and repairs are charged to the statement of profit or loss 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 reporting 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 12.1 to these consolidated financial statements.

The finance cost is charged to the statement of profit or 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.

3.3 Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. These assets are available for sale in their present condition subject only to terms that are usual and customary for sale of such assets and their sale is highly probable.

The holding company measures its non-current assets classified as held for sale at the lower of carrying amount and fair value less costs to sell. Costs to sell signify the incremental costs directly attributable to the disposal of assets, excluding finance costs and income tax expense.

3.4 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 13.1 to these consolidated financial statements.

3.5 Investments

Investments intended to be held for an indefinite period of time which may be sold in response to need for liquidity or changes in market conditions are classified as available-for-sale. At initial recognition, available-for-sale investments are measured at fair value plus directly attributable transaction costs.

For investments traded in active market, fair value is determined by reference to quoted market price and the investments for which a quoted market price is not available, or the fair value cannot be reasonably calculated, are measured at cost, subject to impairment review at each reporting date.

3.6 Impairment of non-current assets

The carrying amounts of non-current assets except goodwill are reviewed at each reporting 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 statement of profit or loss. 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.

3.7 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.

3.8 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 reporting date. Provision is made for slow moving and obsolete items, if any.

3.9 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.

3.10 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.

3.11 Share capital

Ordinary shares are classified as equity and recognised at their face value. Discount on issue of shares is separately reported in statement of changes in equity. Transactions costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3.12 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.

3.13 Staff retirement benefits

The holding company, TEL 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 25.3 to these consolidated financial statements.

The Board of Directors of LEL approved a funded defined contribution gratuity plan for the benefit of its employees with effect from July 1, 2016. LEL is in process of getting the approval from Commissioner Inland Revenue for recognition of the fund and the effective date of the fund will be later of July 1, 2016 or as approved by the Commissioner. Monthly contributions will be payable to the fund at the rate of 8.33% of basic salary. Accordingly necessary provision has been made in these consolidated financial statements of eligible service starting from July 01, 2016.

The holding company, LEL, TEL and HPSL operate recognised contributory provident funds covering all employees who are eligible for the plan. Equal monthly contributions are made by the companies and the employees in accordance with the respective funds' rule.

In addition to above, HPSL also has a defined contribution pension fund for certain 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.

3.14 Revenue recognition

3.14.1 Sale of electricity

Revenue from the sale of electricity to the Central Power Purchasing Agency (Guarantee) Limited (GPPA-G), 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 CPPA-G, as amended from time to time. PPA with CPPA-G 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 NEL, 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 the 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.

3.14.2 Services income

Revenue for service income is recongised on accrual basis as and when services are rendered, in accordance with the term of agreements.

3.14.3 Interest income

Interest income is recorded on accrual basis.

3.14.4 Other income

Revenue from sale of Certified Emission Reductions (CERs) is recognised upon delivery of the CERs.

3.15 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 the statement of profit or loss 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.

3.16 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, unless otherwise stated.

3.17 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 Rupee equivalents using the exchange rates at reporting date. 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 statement of profit or loss, except as follows:

SECP vide its S.R.O. 24/(1)/2012 dated January 16, 2012 has granted waiver to Power Sector Companies with immediate effect from the requirements of IAS 21 'The Effects of Changes in Foreign Exchange Rates' to the extent of the accounting principle of capitalization of exchange differences.

Accordingly, the exchange differences relating to foreign currency borrowings have been capitalized in the related 'operating property, plant and equipment'.

Had exchange differences, as allowed by the above mentioned S.R.O. not capitalized, the profit for the year would have been lower by Rs. 1,022 million and the operating property, plant and equipment and depreciation would have been lower by Rs. 1,732 million and Rs. 321 million, respectively.

3.18 Taxation

Income of the holding company, NEL, TEL 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.

Income of 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.

Income of HPSL is subject to taxation in Pakistan in accordance with the provisions of the Income Tax Ordinance, 2001 (ITO) and tax laws adopted by Azad Jammu and Kashmir (AJK). 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.

3.19 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.

3.20 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.

3.21 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 statement of profit or loss 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.

3.22 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.

3.23 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 intends either to settle on net basis, or to realise the assets and to settle the liabilities simultaneously.

3.24 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) Provisions;

d) Disclosures related to IFRIC 4, IFRIC 12, IAS 21 and IAS 39;

e) Recognition of taxation;

f) Recognition of provision for staff retirement benefits;

g) Impairment of goodwill, trade debts and other receivables; and

h) Commitments and contingencies.

4. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

4.1 During the year China Power Hub Generation Company (Pvt) Limited (CPHGC) achieved financial close on January 26, 2018. For details please refer to note 14.1.

4.2 In relation to TEL, on June 21, 2018, Private Power and Infrastructure Board (PPIB) has approved the extension in the financial closing date till September 8, 2018 and has approved the extension in the COD till March 31, 2021. Furthermore, PPIB has requested TEL to enter certain amendments in PPA. For details please refer to note 1.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
For the year ended June 30, 2018

		Note	2018	2017
			(PKR in '000)	
5.	**TURNOVER**			
	Turnover		111,641,084	113,226,801
	Less: Sales tax		(11,641,651)	(12,038,423)
			99,999,433	101,188,378
6.	**OPERATING COSTS**			
	Fuel cost		72,114,874	73,153,421
	Salaries, benefits and other allowances	6.1 & 7.3	1,391,364	1,232,295
	Water use charges		127,386	202,828
	Stores and spares		1,051,465	1,661,616
	Operation and maintenance		281,172	351,676
	Insurance		792,025	860,274
	Depreciation	12.4	4,088,521	3,787,603
	Amortisation	13.2	35,695	22,962
	Repairs, maintenance and other costs		1,837,953	2,655,901
			81,720,455	83,928,576

6.1 This includes Rs. 99 million (2017: 82 million) in respect of staff retirement benefits.

		Note	2018	2017
			(PKR in '000)	
7.	**GENERAL AND ADMINISTRATION EXPENSES**			
	Salaries, benefits and other allowances	7.1 to 7.3	824,363	595,481
	Travel and transportation		41,648	35,692
	Fuel and power		8,705	9,262
	Property, vehicles and equipment rentals		38,767	41,903
	Office running cost		77,057	96,784
	Repairs and maintenance		37,338	32,632
	Legal and professional charges		191,637	246,565
	Insurance		16,967	17,729
	Fee and subscription		16,864	5,880
	Training and development		16,214	9,679
	Auditors' remuneration	7.4	14,703	15,196
	Donations	7.5 & 7.6	55,953	82,895
	Corporate social responsibility		46,461	55,728
	Printing and stationery		14,466	19,878
	Depreciation	12.4	56,921	60,236
	Amortisation	13.2	7,057	6,057
	Miscellaneous		59,851	33,852
			1,524,972	1,365,449

7.1 This is net of costs of Rs. 3 million (2017: 124 million) allocated by HPHL to CPHGC.

7.2 This includes Rs. 43 million (2017: Rs. 61 million) in respect of staff retirement benefits.

7.3 Number of persons employed as at year end were 527 (2017: 496) and the average number of persons employed during the year were 479 (2017: 476). Total factory / plant employees as at year end were 375 (2017: 330) and average factory employees at year end were 326 (2017: 322).

7.4 Auditors' remuneration

The aggregate amount charged in respect of auditors' remuneration, including that of subsidiary companies, is as follows:

	2018	2017
	(PKR in '000)	
Statutory audits	5,833	5,396
Half yearly reviews	1,112	1,336
Tax and other services	7,073	7,415
Out-of-pocket expenses	685	1,049
	14,703	15,196

7.5 Donations include the following in which a director or his spouse was interested:

			2018	2017
			(PKR in '000)	
Name of Director	***Name / Address of Donee***	***Interest in Donee***		
Mr. Hussain Dawood / Mr. Shahzada Dawood / Mr. Abdul Samad Dawood	The Dawood Foundation / 10th Floor, Dawood Centre, MT. Khan Road, Karachi	Chairman / Trustee	1,000	500

7.6 Donation to following parties / organisations exceeded Rs. 0.5 million:

	2018	2017
	(PKR in '000)	
The Citizens Foundation	27,352	34,285
Institute of Business Administration Karachi	2,000	5,000
Dawood Foundation	1,000	500
Professional Education Foundation	600	500
Mr. Nazir Ahmed	–	2,000
Mrs. Talat Shehzadi	–	2,000

		Note	2018	2017
			(PKR in '000)	
8.	**OTHER INCOME**			
	Financial assets			
	Interest income		143,456	122,026
	Non-financial assets			
	Gain on disposal of fixed assets - net	8.1	6,775	4,182
	Loss from sale of CERs - net		–	(759)
	Income under shared facility agreement - net	8.2	9,518	30,567
	Exchange gain		56,159	181
	Others		2,955	175
			75,407	34,346
			218,863	156,372

8.1 This includes Rs. 0.01 million (2017: Rs. 1.08 million) gain on disposal of assets to key management personnel. This also includes loss recognized amounting to Rs. 3.842 million on the sale of 315 acres of land (having cost of Rs. 3.842 million) at hub site to CPHGC - associate company. The sale proceeds of the land sold to CPHGC have been passed on to the Power Purchaser of the Hub Plant, as approved by the shareholders of the holding company in their Annual General Meeting held on October 18, 2016.

8.2 This represents net income from provision of services to CPHGC at Hub site in accordance with the terms of service agreement entered into between HPSL and CPHGC on August 30, 2016.

		Note	2018	2017
			(PKR in '000)	
9.	**OTHER OPERATING EXPENSES**			
	Workers' profit participation fund	9.1	109,941	76,754
9.1	**Workers' profit participation fund**			
	Provision for Workers' profit participation fund	25	586,996	531,690
	Workers' profit participation fund recoverable from CPPA-G / NTDC		(477,055)	(454,936)
			109,941	76,754

The holding company and NEL are required to pay 5% of its profit to the Workers' profit participation fund (the "Fund"). The holding company and NEL are entitled to claim majority of this expense from Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) / National Transmission and Despatch Company Limited (NTDC) as a pass through item (refer note 28.4).

		2018	2017
		(PKR in '000)	
10.	**FINANCE COSTS**		
	Interest / mark-up on long term finances	2,102,167	2,150,716
	Mark-up on short term borrowings	1,819,185	1,533,237
	Interest on finance lease	161,507	163,329
	Amortization of transaction cost	103,054	126,388
	Other finance costs	246,585	107,647
		4,432,498	4,081,317

	Note	2018	2017
		(PKR in '000)	
11. TAXATION			
Current			
- For the year	11.1	485,572	359,215
11.1 Relationship between tax expense and accounting profit			
Profit before taxation		12,150,355	11,707,697
Tax calculated at the rate of 30% (2017: 31%)		3,645,107	3,629,386
Effect of exempt income		(3,426,473)	(3,509,358)
Effect of minimum tax		44,975	–
Impact of super tax		73,651	46,094
Others		148,312	193,093
		485,572	359,215

11.2 Adequate provision for tax has been provided in these consolidated financial statements for the current year in accordance with requirements laid under Income Tax Ordinance, 2001 (ITO 2001) and tax laws adopted by Azad Jammu & Kashmir. The provision for current year tax represents tax on taxable income at the rate 30% (2017: 31%). The returns of income have been filed on due date and are treated as deemed assessment order under section 120 of the ITO 2001. A comparison of last three years of income tax provision with tax assessed is presented below:

	2017*	2016	2015
		(PKR in '000)	
Income tax provision for the year	546,683	270,659	160,089
Income tax as per tax assessment	420,843	217,577	47,387

*During the year 2017, the holding company and HPSL, a wholly owned subsidiary, opted for Group Taxation under section 59AA of the Income Tax Ordinance, 2001.

	Note	2018	2017
		(PKR in '000)	
12. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	12.1	49,492,686	52,034,108
Capital work-in-progress (CWIP)			
Holding company	12.5	108,375	212,509
NEL	12.6	49,681	39,920
LEL	12.7	3,628	20,026
TEL	12.8	4,163,398	317,872
		4,325,082	590,327
		53,817,768	52,624,435

12.1 Operating property, plant and equipment

	Owned								Leased	
	Freehold land	Building on freehold	Building and civil structures on leasehold land	Leasehold property	Plant & machinery	Furniture & fixtures	Vehicles	Office equipment	Plant & machinery	Total
	(PKR in '000)									
Cost:										
As at July 1, 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
Additions / Transfers from CWIP (Note 12.1.1)	–	14,432	5,937	–	584,660	14,242	122,246	27,198	7,482	776,197
Asset classified as held for sale	(3,665)	–	–	–	–	–	–	–	–	(3,665)
Disposals	–	–	–	–	(3,964)	(378)	(48,990)	(1,092)	–	(54,424)
As at June 30, 2017	67,123	1,085,875	9,478,817	862	80,066,394	139,865	398,006	69,374	5,126,052	96,432,368
Additions / Transfers from CWIP (Note 12.1.1)	–	29,575	358,657	–	687,032	2,649	94,479	8,798	437,074	1,618,264
Adjustment	(177)	–	–	–	–	–	–	–	–	(177)
Disposals	–	–	–	–	(5,054)	–	(47,654)	(847)	–	(53,555)
As at June 30, 2018	66,946	1,115,450	9,837,474	862	80,748,372	142,514	444,831	77,325	5,563,126	97,996,900
Depreciation:										
Depreciation rate % per annum	–	3.33 to 25	4 to 10	3.33 to 20	3.33 to 36	10 to 20	20-25	10 to 50	4 to 6.67	–
As at July 1, 2016	–	333,582	1,211,348	625	38,101,486	69,175	152,830	19,846	691,210	40,580,102
Charge for the year	–	57,163	364,679	29	3,116,857	18,747	78,564	7,379	205,182	3,848,600
Adjustments	–	–	–	–	–	–	3,161	–	–	3,161
Disposals	–	–	–	–	(3,749)	(378)	(28,452)	(1,024)	–	(33,603)
As at June 30, 2017	–	390,745	1,576,027	654	41,214,594	87,544	206,103	26,201	896,392	44,398,260
Charge for the year	–	78,503	438,798	29	3,094,803	18,287	85,441	12,065	421,725	4,149,651
Disposals	–	–	–	–	(4,844)	–	(38,006)	(847)	–	(43,697)
As at June 30, 2018	–	469,248	2,014,825	683	44,304,553	105,831	253,538	37,419	1,318,117	48,504,214
Net book value as at June 30, 2018	66,946	646,202	7,822,649	179	36,443,819	36,683	191,293	39,906	4,245,009	49,492,686
Net book value as at June 30, 2017	67,123	695,130	7,902,790	208	38,851,800	52,321	191,903	43,173	4,229,660	52,034,108
Cost of fully depreciated assets as at June 30, 2018	–	23,190	–	–	575,589	41,417	92,052	6,098	8,796	747,142
Cost of fully depreciated assets as at June 30, 2017	–	23,190	–	–	526,170	40,317	73,230	6,740	7,303	676,950

12.1.1 Includes exchange loss capitalised amounting to Rs. 1,343 million (2017: Rs. 23 million).

12.2 Disposal of operating property, plant and equipment

Assets	Cost	Accumulated depreciation	Net book value	Sale price	Gain (loss)	Mode of disposal	Particulars of buyer/ Relationship
			(PKR in '000')				
Vehicle	2,168	1,084	1,084	1,094	10	Company policy	Mr. Salim Mahfooz Siddiqui - Employee
Vehicle	2,168	1,264	904	1,826	922	Tender	Syed Hassan Riaz Bokhari - Key Management Personnel (KMP)
Vehicle	2,656	664	1,992	2,002	10	Company policy	Mr. Shams-ul-Islam - Ex KMP
Vehicle	2,428	708	1,720	1,635	(85)	Company policy	Ms. Muneeza Iftikhar - Ex KMP
Vehicle	1,029	206	823	811	(12)	Company Policy	Mr. Mujeeb Ayubi - Employee
Items having a net book value not exceeding Rs. 500,000 each							
Vehicles	37,205	34,080	3,125	12,726	9,601	Various	Various
Office equipment	847	847	-	-	-	Various / write off	Various / insurance claim
Computers	1,453	1,453	-	47	47	Various	Various
Plant & Machinery	3,601	3,391	210	334	124	Various	Various
Total – June 30, 2018	53,555	43,697	9,858	20,475	10,617		
Total – June 30, 2017	54,424	33,603	20,821	25,003	4,182		

12.3 Details of Group's immovable fixed assets

Particulars	Area	Location
Freehold land and building	1,143 Acres	Hub Plant - District Lasbela, Balochistan
Freehold land and building	10 Kanal 09 Marla	Naorwal Plant - Tehsil and District Narowal, Punjab
Freehold land and building	4 Kanal 01 Marla	Naorwal Plant - Tehsil and District Narowal, Punjab
Freehold land and building	67 Acres	Naorwal Plant - Tehsil and District Narowal, Punjab
Freehold land	2.5 Acres	Mauza Maira Bagwal Tehsil and District Islamabad
Leasehold property	94.88 square yards	Marine Corner, Clifton, Karachi
Leasehold property	2,454 Kanals	Laraib Plant - New Bong Escape, Village Lehri, Mirpur AJK

	Note	2018	2017
		(PKR in '000)	
12.4 Depreciation charge for the year has been allocated as follows:			
Operating costs	6	4,088,521	3,787,603
General and administration expenses	7	56,921	60,236
Capital work-in-progress		4,209	761
		4,149,651	3,848,600
12.5 Capital work-in-progress - Holding company			
Opening balance		212,509	124,271
Additions during the year		75,125	276,413
Transfers during the year		(179,259)	(188,175)
		108,375	212,509

		Note	2018	2017
			(PKR in '000)	
12.6	**Capital work-in-progress - NEL**			
	Opening balance		39,920	9,500
	Additions during the year		30,160	65,155
	Transfers during the year		(20,399)	(34,735)
			49,681	39,920
12.7	**Capital work-in-progress - LEL**			
	Opening balance		20,026	–
	Additions during the year		15,906	22,454
	Transfers during the year		(32,304)	(2,428)
			3,628	20,026
12.8	**Capital work-in-progress - TEL**			
	Opening balance		317,872	6,114
	Additions during the year			
	Project development cost		3,334,025	108,765
	Project management cost		220,251	–
	Loan arrangement fee		950	19,418
	Legal and professional charges		255,652	71,330
	Other directly attributable costs	12.8.1	34,648	112,245
			3,845,526	311,758
			4,163,398	317,872

12.8.1 This includes Rs. 1.26 million (2017: Rs. 1.22 million) in respect of staff retirement benefits.

		Note	2018	2017
			(PKR in '000)	
13.	**INTANGIBLES**			
	Intangibles	13.1	1,477,963	1,474,675
	Capital work-in-progress		–	175
			1,477,963	1,474,850

		Goodwill (note 13.3)	Computer software	Total
			(PKR in '000)	
13.1	**Intangibles**			
	Cost:			
	As at July 1, 2016	1,414,096	125,375	1,539,471
	Additions / Transfers from CWIP	–	44,917	44,917
	As at June 30, 2017	1,414,096	170,292	1,584,388
	Additions / Transfers from CWIP	–	46,040	46,040
	Write-offs	–	(360)	(360)
	As at June 30, 2018	1,414,096	215,972	1,630,068

	Goodwill (note 13.3)	Computer software	Total
		(PKR in '000)	
Amortisation:			
Amortisation rate % per annum	–	33.33	–
As at July 1, 2016	–	80,694	80,694
Charge for the year	–	29,019	29,019
As at June 30, 2017	–	109,713	109,713
Charge for the year	–	42,752	42,752
Write-offs	–	(360)	(360)
As at June 30, 2018	–	152,105	152,105
Net book value as at June 30, 2018	1,414,096	63,867	1,477,963
Net book value as at June 30, 2017	1,414,096	60,579	1,474,675
Cost of fully amortised intangibles as at June 30, 2018	–	63,865	63,865
Cost of fully amortised intangibles as at June 30, 2017	–	61,110	61,110

		Note	2018	2017
			(PKR in '000)	
13.2	**Amortisation charge for the year has been allocated as follows:**			
	Operating costs	6	35,695	22,962
	General and administration expenses	7	7,057	6,057
			42,752	29,019

13.3 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, 2018. 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 5.91% (2017: 5.18%) 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	2018	2017
		(PKR in '000)	
14. LONG TERM INVESTMENTS			
Associate - unquoted			
Investment in China Power Hub Generation Company (Private) Limited - CPHGC	14.1	7,880,953	1,318,390
Others - unquoted			
Equity security available-for-sale			
- Sindh Engro Coal Mining Company Limited (SECMC)	14.2	942,926	606,022
		8,823,879	1,924,412

Investments have been made in accordance with the provisions of the Section 199 of the Act and the rules promulgated for this purpose.

14.1 Investment in China Power Hub Generation Company (Private) Limited (CPHGC)

	2018	2017
	(PKR in '000)	
Opening investment	1,318,390	414,199
Investment during the year	6,858,669	1,092,000
Less: Share of loss from associate	(280,075)	(183,844)
Less: Group's share in share issue cost	(16,031)	(3,965)
	7,880,953	1,318,390

As at the reporting date, the holding company 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 China Power International Holding Limited (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 would 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 January 11, 2016, the Board of Directors of the holding company and HPHL decided to initiate the process of exercising the Call Option with a view to increase HPHL's shareholding in CPHGC from 26% to 47.5%. The process requires that an independent valuation be carried out by an independent valuer. If both the sponsors agree on the valuation and their respective boards and shareholders approve the price so determined then the shareholding will be increased from 26% to 47.5% in accordance with the A&RSHA subject to Chinese and Pakistani regulatory / corporate approvals. This process is expected to be completed by the end of first quarter 2019.

Furthermore, on December 23, 2016, irrespective of the outcome of above Call Option, HPHL also entered into a Memorandum of Understanding (MoU) with CPIIL and Government of Balochistan (GoB). In accordance with the MoU, HPHL and CPIIL agreed to transfer 3% equity shareholding (1.5% each) in CPHGC to GoB, no later than the Commercial Operation Date (COD) of CPHGC. These share will be issued to GoB in lieu of resources and services to benefit CPHGC in a transparent and legal manner. On the basis of the current project cost, HPHL's estimated costs for this 1.5% share of CPHGC's shareholding would be approximately USD 7.5 million.

Project status of CPHGC

CPHGC has been granted generation license by National Electric Power Regulatory Authority (NEPRA) on September 8, 2016. The term of the license is 30 years from the date of commencement of commercial operations. CPHGC also submitted application for tariff determination, under Upfront Tariff (Approval and Procedures) Regulations, 2011, with NEPRA, which was approved on February 12, 2016. On Site project construction is underway as per the EPC contracts signed for the Power Plant and Dedicated Coal Import Jetty. On April 10, 2018, CPHGC entered into Operation and Maintenance (O&M) Contract with consortium comprising of CEEC Tianjin (Pakistan) Electric Power Construction (Private) Limited, China Energy Engineering Group Tianjin Electric Power Construction Company Limited and China Energy Engineering Group Science and Technology Development Company Limited to provide operation and maintenance service for coal-fired electric power generation plant. CPHGC has also arranged for a Standby Letter of Credit (SBLC) in favour of CPPA-G for an amount of USD 33.385 million as required by the Power Purchase Agreement, which will expire on August 22, 2019. CPHGC is committed to achieve COD by August 2019.

Sponsors' support for CPHGC

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.

Pursuant to Sponsor Support Agreement entered into with the lenders of CPHGC, the holding company is committed to provide an undertaking to the lenders to arrange or to provide for working capital financing through its wholly owned subsidiary (HPHL) amounting to USD 90.25 million in case CPHGC fails to arrange for working capital facility for its operations.

On November 24, 2017, an irrevocable Standby Letter of Credit (SBLC) was issued in favour of CPHGC amounting to USD 150 million, securing the holding company's obligations to make payment for Funding Shortfall Support and Debt Service Undertakings. The holding company entered into a SBLC facility agreement with various banks on October 23, 2017 to facilitate the issuance of SBLC which is valid till earlier of (i) four years from the facility effective date or (ii) the achievement of the Project Completion Date. The facility is secured against pari passu charge on all assets of the Hub Plant other than current assets.

As mentioned above, CPHGC has provided Letter of Credit to CPPA-G (PPA LC) as required under the PPA amounting to USD 33.385 million. In case PPA LC is encashed and the holding company's share of contribution cannot be encashed from the Completion Guarantee, which results in encashment of CPIH's LC security in excess of CPIH share proportion, the holding company is committed to pay its due share to CPIH subject to relevant Board and Shareholders' approval, as per the terms of the Amended and Restated Shareholders' Agreement.

The summarised financial information of the associate is set out below:

Summarised statement of financial position of CPHGC as at June 30, 2018

	(PKR in '000)
Non-current assets	137,872,128
Current assets	15,411,137
Total assets	153,283,265
Non-current liabilities	(36,192,652)
Current liabilities	(86,781,988)
Total liabilities	(122,974,640)
Net assets	30,308,625

The associate had no contingency as at June 30, 2018. Outstanding commitments as at June 30, 2018 amount to USD 171 million (Rs. 20,741 million).

Summarised statement of profit or loss of CPHGC for the period from July 01, 2017 to June 30, 2018

	(PKR in '000)
General and administrative expenses	(1,066,337)
Other income	22,143
Exchange loss - net	(26,610)
Taxation	(6,408)
Loss for the period	(1,077,212)
Other comprehensive income for the year	–
Total comprehensive income for the year	(1,077,212)

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:

	(PKR in '000)
Opening net assets as at July 01, 2017	5,074,938
Share issue cost	(61,657)
Advance received against issue of shares	26,371,597
Total comprehensive income for the year	(1,077,212)
Net assets of the associate available for distribution	30,307,666
Proportion of holding company's interest in associate	26%
	7,879,993
Add: Advance against issue of shares to the HPHL	960
Carrying amount of holding company's interest in associate as at June 30, 2018	7,880,953

		2018	2017
		(PKR in '000)	
14.2	**Investment in Sindh Engro Coal Mining Company Limited (SECMC)**		
	Cost of investment	606,022	575,206
	Investment made during the year	335,005	31,929
	Share of loss from associate	–	(2,304)
	Fair value adjustment	1,899	–
	Gain on dilution of interest	–	1,191
		942,926	606,022

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 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 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. As at the reporting date, the holding company has invested Rs. 939.839 million acquiring 63,416,957 ordinary shares of Rs. 14.82 per share. SECMC achieved the Financial Close on April 4, 2016.

In addition to the USD 20 million equity, the holding company is commited to:

14.2.1 Sponsor Support Guarantee to cover cost overruns – for an amount not exceeding USD 5 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. The shareholders during the Extraordinary General Meeting held on January 14, 2016 approved the cost overrun support of USD 4 million and further approved the increase in cost overrun support to USD 5 million in the Extra Ordinary General Meeting held on June 22, 2018.

14.2.2 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 there is an overrun or shortfall, 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 31 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. As at June 30, 2018, the SBLC has been reduced to USD 8.562 million.

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.

Additionally, a Share Pledge Agreement was also executed by the Shareholders of SECMC including the holding company on March 09, 2016 in favour of the Security Trustee in accordance with the provisions of the Finance Documents.

The effective shareholding of the holding company in SECMC as at the reporting date is 8%. During the year, the management has reassessed the existence of significant influence over SECMC after the change in substantial ownership interest of the holding company. As a result, investment in SECMC has now been designated as available-for-sale.

		Note	2018	2017
			(PKR in '000)	
15.	**LONG TERM DEPOSITS AND PREPAYMENTS**			
	Deposits - non interest bearing		25,881	25,010
	Prepaid operating lease rentals		7,300	7,665
	Other prepayments		3,267	111,538
			36,448	144,213
16.	**STORES, SPARES AND CONSUMABLES**			
	In hand		3,352,696	3,275,499
	In-transit		16,194	55,355
			3,368,890	3,330,854
	Provision against stores, spares and consumables	16.1	(113,389)	(57,821)
			3,255,501	3,273,033
16.1	**Provision against stores, spares and consumables**			
	Opening balance		57,821	25,449
	Provision for the year		55,568	32,372
	Closing balance		113,389	57,821
17.	**STOCK-IN-TRADE**			
	Furnace oil		6,304,800	3,392,894
	Diesel		13,320	10,361
	Lubricating oil		19,719	28,815
	Light diesel oil		9,270	10,624
			6,347,109	3,442,694

	Note	2018	2017
		(PKR in '000)	
18. TRADE DEBTS - Secured			
Considered good	18.1 & 18.2	98,856,377	85,613,761

18.1 This includes an amount of Rs. 74,073 million (2017: Rs. 66,454 million) receivable from CPPA-G and Rs. 10,529 million (2017: Rs. 7,088 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 CPPA-G 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:

	2018	2017
	(PKR in '000)	
Not yet due	14,253,703	12,071,854
Up to 3 months	26,564,674	27,760,404
3 to 6 months	18,784,543	22,652,377
Over 6 months	39,253,457	23,129,126
	98,856,377	85,613,761

18.2 This includes an amount of Rs. 373 million (2017: Rs. 373 million) receivable from CPPA-G on account of following:

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 CPPA-G, any tax paid by the holding company on behalf of construction contractors and sub-contractors was to be reimbursed by CPPA-G.

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 CPPA-G.

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. 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.

		Note	2018	2017
			(PKR in '000)	
19.	**LOANS AND ADVANCES**			
	Considered good - non interest bearing			
	Loans - unsecured			
	Executives	19.1	5,883	5,022
	Employees		5,819	3,467
	Advances			
	Unsecured			
	Executives		974	3,087
	Employees		1,643	124
	Suppliers		133,008	182,418
			135,625	185,629
	Secured			
	Suppliers		–	499
			147,327	194,617

19.1 This includes Rs. 0.4 million (2017: Rs. 2.2 million) loan provided to key management personnel which is recoverable in 12 months equal instalments in accordance with the respective company policies.

		Note	2018	2017
			(PKR in '000)	
20.	**DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**			
	Deposits		–	175
	Prepayments			
	Current portion of prepaid operating lease rentals		365	365
	LC commission and other loan related costs		11,106	24,827
	Others		43,063	34,474
			54,534	59,666
	Other receivables			
	Interest accrued		5,366	4,483
	Income tax - refundable	20.1	1,912,347	1,912,956
	Sales tax		7,410,778	4,399,795
	Receivable from CPHGC	20.2	62,342	41,826
	Advance tax		195,754	124,633
	Workers' profit participation fund recoverable from			
	CPPA-G / NTDC		931,991	454,936
	Miscellaneous		15,754	65,295
			10,534,332	7,003,924
			10,588,866	7,063,765

20.1 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.

20.2 This includes balances aggregating to Rs 6 million (2017: nil) which are past due, for a period up to six months, but are not impaired. The maximum aggregate amount at the end of any month during the year is Rs. 62 million (2017: Rs. 238 million).

		Note	2018	2017
			(PKR in '000)	
21.	**CASH AND BANK BALANCES**			
	Savings accounts	21.1 to 21.3	2,375,861	3,646,025
	Term deposits	21.1	–	150,000
			2,375,861	3,796,025
	In hand			
	Cash		954	970
	Payorders		277,500	63,360
			278,454	64,330
			2,654,315	3,860,355

21.1 Savings and deposits accounts carry mark-up rates ranging between 0.25% to 6.13% (2017: 0.25% to 5.6%) per annum.

21.2 This includes Rs. 388 million (2017: Rs. 1,151 million) restricted for dividend payable.

21.3 Amount deposited in debt payment accounts and maintenance reserve account are restricted for lenders' payments and major maintenance expenses of the plant, respectively.

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

2018	2017		2018	2017
(No of Shares)			(PKR in '000)	
		Authorised :		
1,700,000,000	1,200,000,000	Ordinary shares of Rs. 10/- each	17,000,000	12,000,000
		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
338,381,070	338,381,070		3,383,811	3,383,811
1,157,154,387	1,157,154,387		11,571,544	11,571,544

22.1 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 of lenders are satisfied.

22.2 Associated undertakings held 437,216,264 (2017: 404,293,397) shares in the holding company as at year end.

22.3 On June 22, 2018, the shareholders in the Extra Ordinary General Meeting resolved to increase authorised share capital of the holding company to Rs. 17,000 million comprising of 1,700 million ordinary shares of Rs. 10 each.

23. LONG TERM LOANS - Secured

From Banks / Financial Institutions	Note	As at July 01, 2017	Drawn / Translation	Repaid	Current portion	Amortisation of transaction costs	As at June 30, 2018
				(PKR in '000')			
Holding company							
Hub plant							
Musharaka finance facility	23.1	1,562,500	–	(625,000)	(625,000)	–	312,500
NEL investment							
Commercial facility	23.2	3,236,492	–	(780,167)	(888,191)	–	1,568,134
TEL / CPHGC / SECMC investment							
Syndicated term finance facility	23.3.1	1,574,929	3,856,195	–	–	–	5,431,124
Islamic finance facility	23.3.2	–	5,500,000	–	–	–	5,500,000
		1,574,929	9,356,195	–	–	–	10,931,124
LEL investment							
Syndicated term finance facility	23.4.1	1,166,844	–	(777,896)	(388,948)	–	–
Islamic finance facility	23.4.2	253,000	–	(168,667)	(84,333)	–	–
		1,419,844	–	(946,563)	(473,281)	–	–
Transaction costs		(17,110)	(140,827)	–	1,004	7,208	(149,725)
Long term loans of the holding company		7,776,655	9,215,368	(2,351,730)	(1,985,468)	7,208	12,662,033
Subsidiary - NEL							
Expansion facility	23.5.1	8,089,325	–	(1,867,861)	(2,193,542)	–	4,027,922
Syndicated term finance facility	23.5.2	3,100,000	–	(775,000)	(775,000)	–	1,550,000
Transaction costs		(98,627)	–	–	33,865	45,628	(19,134)
Long term loans of NEL		11,090,698	–	(2,642,861)	(2,934,677)	45,628	5,558,788
Subsidiary - LEL							
Foreign currency loans	23.6.1	6,880,253	973,473	(881,737)	(995,998)	–	5,975,991
Local currency loans	23.6.2	1,882,830	–	(342,332)	(342,334)	–	1,198,164
Transaction costs		(200,901)	–	–	43,522	50,218	(107,161)
Long term loans of LEL		8,562,182	973,473	(1,224,069)	(1,294,810)	50,218	7,066,994
		27,429,535	10,188,841	(6,218,660)	(6,214,955)	103,054	25,287,815

From Banks / Financial Institutions	Note	As at July 01, 2016	Drawn / Translation	Repaid	Current portion	Amortisation of transaction costs	As at June 30, 2017
				(PKR in '000')			
Holding company							
Hub plant							
Musharaka finance facility	23.1	2,187,500	–	(625,000)	(625,000)	–	937,500
NEL investment							
Commercial facility	23.2	3,921,784	–	(685,292)	(780,167)	–	2,456,325
TEL / CPHGC / SECMC investment							
Syndicated term finance facility	23.3.1	–	1,574,929	–	–	–	1,574,929
LEL investment							
Syndicated term finance facility	23.4.1	1,944,740	–	(777,896)	(777,896)	–	388,948
Islamic finance facility	23.4.2	421,667	–	(168,667)	(168,667)	–	84,333
		2,366,407	–	(946,563)	(946,563)	–	473,281
Transaction costs		(21,915)	(8,898)	–	7,208	13,703	(9,902)
Long term loans of the holding company		8,453,776	1,566,031	(2,256,855)	(2,344,522)	13,703	5,432,133
Subsidiary - NEL							
Expansion facility	23.5.1	9,679,881	–	(1,590,556)	(1,867,862)	–	6,221,463
Syndicated term finance facility	23.5.2	3,100,000	–	–	(775,000)	–	2,325,000
Transaction costs		(152,678)	–	–	42,172	54,051	(56,455)
Long term loans of NEL		12,627,203	–	(1,590,556)	(2,600,690)	54,051	8,490,008
Subsidiary - LEL							
Foreign currency loans	23.6.1	8,054,615	16,664	(1,191,026)	(860,032)	–	6,020,221
Local currency loans	23.6.2	2,347,220	–	(464,390)	(342,334)	–	1,540,496
Transaction costs		(259,535)	–	–	50,656	58,634	(150,245)
Long term loans of LEL		10,142,300	16,664	(1,655,416)	(1,151,710)	58,634	7,410,472
		31,223,279	1,582,695	(5,502,827)	(6,096,922)	126,388	21,332,613

23.1 The holding company entered into a long term Musharaka arrangement with a bank for an amount of Rs. 2,500 million (2017: 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 0.60% 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 of Hub plant.

23.2 In order to finance the equity portion of the project cost of Narowal plant, the holding 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. The mark-up is payable on quarterly basis in arrear. The loan is secured pari passu by way of fixed charge over each of the following, namely:

(a) (i) holding company's Tangible Moveable Property;

(ii) holding company's Intellectual Property; and

(iii) all goodwill (including all brand names not otherwise subject to a fixed charge or assignment by or pursuant to supplemental Composite Security Agreement) presently belonging to the holding company.

(b) a floating charge on the whole of the Hub plant related undertaking and assets, present and future;

(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 the Hub plant only; and

(d) mortgage over the Hub Plant measuring 347 acres land.

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.

23.3 In order to meet investment requirements in TEL / CPHGC / SECMC:

23.3.1 The holding company entered into a long term financing arrangement with various banks for an aggregate sum of Rs. 21,000 million to finance equity investment in CPHGC (via HPHL), TEL and SECMC. Disbursements under the facility are subject to fulfillment of certain conditions. The loan is repayable in 40 installments on quarterly basis after the end the availability period, which is 54 months from the Facility Effective Date. The Facility Effective Date was May 18, 2017. Mark-up is charged at three months KIBOR plus 0.30% per annum. The loan is secured pari passu over all present and future assets of the holding company other than current assets. As at reporting date, the unutilised facility amounts to Rs. 15,569 million.

23.3.2 In addition, during the year, the holding company also entered into a long term Musharaka arrangement with banks amounting to Rs. 5,500 million to finance equity investment in CPHGC (via HPHL). The loan under the arrangement is repayable on quarterly basis after the end of the availability period i.e. November 30, 2021. The Facility Effective Date was January 24, 2018. Mark-up is charged at three months KIBOR plus 0.30% per annum. The facility is secured pari pasu over all present and future assets of the holding company other than current assets.

23.4 In order to meet its investment obligation in LEL:

23.4.1 The holding company 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 instalments 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 0.60% 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 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.

23.4.2 The holding company 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 instalments 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 0.60% 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 23.4.1.

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.

Subsidiary - NEL

23.5 In connection with Narowal plant:

23.5.1 NEL entered into a long term financing arrangement which is repayable in 40 instalments 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 NEL;

(b) a first ranking floating charge over the NEL's assets (both present and future), fixed and current [other than those referred in note 27.3.1(a)], tangible and intangible, wherever situated and all present and future trade deposits, trade debts, loans and advances, bills and other receivables of NEL;

(c) hypothecation, the creation of a first fixed charge over the present and future properties of NEL;

(d) mortgage and assignment of the NEL's rights, titles and interests, present and future, actual and contingent under and in connection with the Narowal Project Documents and all rights of NEL to make recovery under the Narowal Project Documents and all proceeds of whatsoever nature receivable by NEL under the Narowal Project Documents; and

(e) by way of first priority security, the NEL has assigned, charged and granted a security interest on all and each of the NEL's rights, title, interest and benefit, present and future, under and in connection with the GOP Guarantee (for plant) and all rights of NEL to make recovery under the GOP Guarantee and any proceeds thereof receivable by NEL under the GOP Guarantee.

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

23.5.2 The loan is repayable in 16 equal installments on quarterly basis, starting from September 24, 2017 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 NEL 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 the holding company. The loan was obtained to fund the project cost overruns of Narowal plant.

Subsidiary - LEL

23.6 In connection with LEL:

23.6.1 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.

23.6.2 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.

23.6.3 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 personnel, tangible and intangible (if not otherwise assigned effectively charged or assigned as applicable to the security trustee); and

(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.

24. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	As at July 01, 2017	Translation	Repaid	Current	As at June 30, 2018
				(PKR in '000)		
Islamic Development Bank	24.1	2,552,785	369,385	(321,462)	(366,320)	2,234,388

	Note	As at July 01, 2016	Translation	Repaid	Current	As at June 30, 2017
				(PKR in '000)		
Islamic Development Bank	24.1	2,983,329	6,323	(436,867)	(313,106)	2,239,679

24.1 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 7.21% (2017: 6.78%) 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 23.6.3.

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:

	2018		2017	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
		(PKR in '000)		
Within one year	543,904	366,320	479,304	313,106
After one year but not more than five years	1,935,520	1,481,684	1,719,796	1,268,542
Later than five years	816,119	752,704	1,080,797	971,137
Total minimum lease payments	3,295,543	2,600,708	3,279,897	2,552,785
Less: Amount representing finance charges	(694,835)	–	(727,112)	–
Present value of minimum lease payments	2,600,708	2,600,708	2,552,785	2,552,785
Less: Current portion	(366,320)	(366,320)	(313,106)	(313,106)
	2,234,388	2,234,388	2,239,679	2,239,679

	Note	2018	2017
		(PKR in '000)	
25. TRADE AND OTHER PAYABLES			
Creditors			
Trade	25.1	78,289,764	64,423,835
Other		283,671	44,999
		78,573,435	64,468,834
Accrued liabilities			
Finance costs		1,194	1,219
Miscellaneous		1,876,872	1,463,848
		1,878,066	1,465,067
Unearned income	25.2	1,189,081	1,169,316
Other payables			
Provision for Workers' profit participation fund	9.1	1,118,686	531,690
Sales tax payable		39,033	29,884
Staff retirement benefits			
Gratuity		32,134	26,706
Provident fund		7,231	6,119
Pension fund		2,184	2,339
Retention money		14,485	17,728
Withholding tax		18,339	40,163
Others		309	175
		1,232,401	654,804
		82,872,983	67,758,021

25.1 This includes payable to Pakistan State Oil Company Limited (PSO) amounting to Rs. 76,943 million (2017: Rs. 63,484 million), out of which overdue amount is Rs. 69,758 million (2017: Rs. 56,851 million).

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

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

	Note	2018	2017
		(PKR in '000)	
25.3 STAFF GRATUITY			
Staff gratuity - holding company	25.3.1	16,336	17,649
Staff gratuity - HPSL	25.3.2	15,635	7,073
Staff gratuity - LEL		–	1,609
Staff gratuity - TEL	25.3.3	163	375
		32,134	26,706

25.3.1 Actuarial valuation was carried out as at June 30, 2018. The present value of defined benefit obligation has been calculated using the Projected Unit Credit Actuarial Cost Method.

	2018	2017
	(PKR in '000)	
Reconciliation of the net liability recognised in the statement of financial position		
Present value of defined benefit obligation	209,793	202,661
Fair value of plan assets	(193,457)	(185,012)
Net liability recognised in the statement of financial position	16,336	17,649
Reconciliation of the movements during the year in the net liability recognised in the statement of financial position		
Opening net liability	17,649	75,439
Expense recognised	24,727	27,447
Remeasurement loss / (gain) recognised in Other Comprehensive Income (OCI)	7,619	(9,803)
Contributions made	(33,659)	(75,434)
Closing net liability	16,336	17,649
Expense recognised		
Current service cost	24,702	25,163
Net Interest	25	2,284
Expense recognised	24,727	27,447
Re-measurements recognised in OCI during the year		
Remeasurement gain on defined benefit obligations	(5,699)	(2,914)
Remeasurement loss / (gain) on plan assets	13,318	(6,889)
	7,619	(9,803)
Movements in the present value of defined benefit obligation		
Present value of defined benefit obligation at opening	202,661	214,588
Current service cost	24,702	25,163
Interest cost	15,095	13,701
Transferred to HPSL	–	(24,548)
Benefits paid	(26,966)	(23,329)
Remeasurement gain recognised in Other Comprehensive Income (OCI)	(5,699)	(2,914)
Present value of defined benefit obligation at closing	209,793	202,661
The movement in fair value of plan assets		
Fair value of plan assets at opening	185,012	139,149
Expected return on plan assets	15,070	11,417
Contributions made	33,659	75,434
Transferred to HPSL	–	(24,548)
Benefits paid	(26,966)	(23,329)
Remeasurement (loss) / gain recognised in OCI	(13,318)	6,889
Fair value of plan assets at closing	193,457	185,012
Actual return on plan assets	1,752	18,306

	2018 %	2018 (PKR in '000)	2017 %	2017 (PKR in '000)
Plan assets comprises of following:				
Pakistan Investment Bonds	45.25%	87,543	42.03%	77,757
Mutual funds	33.24%	64,298	42.73%	79,055
Term Finance Certificate	0.00%	–	12.50%	23,122
Treasury Bills	8.09%	15,653	0.00%	–
Quoted shares	6.92%	13,383	0.00%	–
Cash and cash equivalents	6.50%	12,580	2.74%	5,078
	100.00%	193,457	100.00%	185,012

	2018	2017
	(PKR in '000)	
Contribution expected to be paid to the plan during the next year	24,483	13,103

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

	2018	2017
- Valuation discount rate per annum	8.75%	8.00%
- Expected rate of return on plan assets per annum	8.75%	8.00%
- Expected rate of increase in salary level per annum	8.75%	8.00%
- 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	More than 10 year	Total
			(PKR in '000)		
Retirement benefit plan	5,169	55,034	92,674	332,702	485,579

	2018	2017	2016	2015	2014
			(PKR in '000)		
As at June 30					
Present value of defined benefit obligation	209,793	202,661	214,588	178,847	142,975
Fair value of plan assets	(193,457)	(185,012)	(139,149)	(124,165)	(101,541)
Deficit	16,336	17,649	75,439	54,682	41,434

	2018	2017
	(PKR in '000)	
Sensitivity analysis on significant actuarial assumptions		
Impact on defined benefit obligation		
- Discount rate +1%	17,474	16,332
- Discount rate -1%	(19,838)	(18,674)
- Salary increases +1%	(20,698)	(19,412)
- Salary increases -1%	18,511	17,239

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 statement of financial position.

The plan exposes the holding company to the actuarial risks such as:

Investment risks:

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

25.3.2 Actuarial valuation was carried out as at June 30, 2018. The present value of defined benefit obligation has been calculated using the Projected Unit Credit Method.

	2018	2017
	(PKR in '000)	
Reconciliation of the net liability recognised in the statement of financial position		
Present value of defined benefit obligation	302,205	254,413
Fair value of plan assets	(286,570)	(247,340)
Net liability recognised in the statement of financial position	15,635	7,073
Reconciliation of the movements during the year in the net liability / (asset) recognised in the statement of financial position		
Opening net liability / (asset)	7,073	(8,685)
Expense recognised		
- Pakistan	32,537	23,416
- Azad Jammu and Kashmir	2,000	–
	34,537	23,416
Liability transferred on O&M takeover of Laraib plant	530	–
Remeasurement loss recognised in OCI	21,281	1,172
Contributions made	(47,786)	(8,830)
Closing net liability	15,635	7,073

	2018	2017
	(PKR in '000)	
Expense recognised		
Expense recognized - Pakistan		
Current service cost	31,915	24,024
Net Interest expense / (income)	622	(608)
	32,537	23,416
Expense recognized - Azad Jammu and Kashmir		
Past service cost	2,000	–
Expense recognised	34,537	23,416
Remeasurements recognised in OCI during the year		
Remeasurement loss on obligation	3,705	9,666
Remeasurement loss / (gain) on plan assets	17,576	(8,494)
	21,281	1,172
Movements in the present value of defined benefit obligation		
Present value of defined benefits obligation at opening	254,413	205,277
Liability transferred in respect of Laraib project employees	530	–
Liability transferred from holding company's gratuity fund	–	24,548
Current service cost	31,915	24,024
Past service cost Azad Jammu & Kashmir	2,000	–
Interest cost on defined benefits obligation	20,382	15,035
Benefits paid	(10,740)	(24,137)
Remeasurement loss recognised in OCI	3,705	9,666
Present value of defined benefits obligation at closing	302,205	254,413
The movement in fair value of plan assets		
Fair value of plan assets at opening	247,340	213,962
Expected return on plan assets	19,760	15,643
Contributions made	47,786	8,830
Amount transferred from holding company's gratuity fund	–	24,548
Benefits paid	(10,740)	(24,137)
Remeasurement (loss) / gain recognised in OCI	(17,576)	8,494
Fair value of plan assets at closing	286,570	247,340
Actual return on plan assets	2,184	24,137
Contribution expected to be paid to the plan during the next year	44,166	31,915

	2018 %	2018 (PKR in '000)	2017 %	2017 (PKR in '000)
Plan assets comprises of following:				
Mutual funds	21.74%	62,308	28.53%	70,578
Pakistan Investment Bonds	43.87%	125,714	0.00%	–
Market treasury bills	22.66%	64,945	51.61%	127,644
Cash and cash equivalents	11.73%	33,603	19.86%	49,118
	100.00%	286,570	100.00%	247,340

	2018	2017
	(PKR in '000)	
Significant actuarial assumptions used in the actuarial valuation were as follows:		
- Valuation discount rate per annum	9.00%	7.75%
- Expected return on plan assets per annum	9.00%	7.75%
- Expected rate of increase in salary level per annum	9.00%	7.75%
- Mortality rates	SLIC 2001-05	SLIC 2001-05

Expected maturity analysis of undiscounted retirement benefit plans:

	Less than 1 year	Between 1-2 years	Between 3-5 years (PKR in '000)	Over 5 years	Total
Retirement benefit plan	26,429	18,701	111,201	274,274	430,605

	2018	2017
	(PKR in '000)	
Sensitivity analysis on significant actuarial assumptions		
Impact on defined benefit obligation		
- Discount rate +0.5%	15,186	12,105
- Discount rate -0.5%	(16,821)	(13,226)
- Long Term salary increases +0.5%	(17,572)	(12,795)
- Long Term salary increases -0.5%	16,039	11,853

The plan exposes the HPSL to the actuarial risks such as:

Investment risks

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

25.3.3 TEL has not carried out the actuarial valuation of their gratuity liability as the effect would be immaterial to these consolidated financial statements.

		Note	2018	2017
			(PKR in '000)	
26.	**INTEREST / MARK-UP ACCRUED**			
	Interest / mark-up accrued on long term loans		598,671	645,279
	Mark-up accrued on short term borrowings		181,278	237,723
			779,949	883,002
27.	**SHORT TERM BORROWINGS - Secured**			
	Finances under mark-up arrangements	27.1 to 27.6	28,804,770	24,846,559

27.1 The facilities of the holding company for running finance available from various banks / financial institutions amounted to Rs. 29,600 million (2017: Rs. 25,550 million) at mark-up ranging between 0.25% to 1.75% 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 24, 2018 to May 31, 2019. Any late payment by the holding company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. The facilities 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.

27.2 The holding company has also entered into a Musharaka agreement amounting to Rs. 400 million (2017: 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 August 31, 2018. 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 27.1.

27.3 The facilities of NEL for running finances available from various banks / financial institutions amounted to Rs. 5,425 million (2017: Rs. 4,425 million) at mark-up ranging between 0.6% to 2.00% per annum above one / three month KIBOR. The mark-up on the facilities is payable on quarterly basis in arrears. The facilities will expire during the period commencing from August 26, 2018 to March 25, 2019. Any late payment by NEL is subject to an additional payment of 2.00% per annum above the normal mark-up rate.

27.3.1 The facilities 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 plant; and (iii) the Energy Payment Receivables of NEL.

(b) a subordinated charge on all present and future plant, machinery and equipment and other moveable assets of the NEL 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 NEL's right, title and interest in the Project Documents (including any receivables thereunder); and (vi) all current assets.

27.4 NEL also has Murabaha facility agreements with banks for an amount of Rs. 625 million (2017: Rs. 625 million) at a mark-up ranging from 0.6% to 1.5% per annum above three month KIBOR. The mark-up on the facilities is payable on quarterly basis in arrears. These facilities will expire on August 26, 2018. Any late payment by NEL 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 27.3.1.

27.5 NEL also has Musharaka agreements with banks amounting to Rs. 1,135 million (2017: Rs. 1,135 million), at a mark-up ranging from 0.60% to 0.75% per annum above three month KIBOR. The mark-up on the facilities are payable on quarterly basis in arrears. These facilities will expire on August 31, 2018 and September 30, 2018. Any late payment by NEL 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 27.3.1.

27.6 LEL entered into running finance facilities with Askari Bank Limited and Silk Bank Limited amounting to Rs. 250 million from each bank, carrying mark-up at the rate of 1.75% and 3.5% per annum, respectively, above three month KIBOR payable on quarterly basis in arrear. The facilities were unutilized at the year end and 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, 2018.

28. COMMITMENTS AND CONTINGENCIES

28.1 Commitments of the holding company in respect of capital and revenue expenditures amounted to Rs. 332 million (2017: Rs. 470 million).

28.2 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.

28.3 The holding company has entered into Predictivity Enhancements and Performance Improvements Agreement (PEPI) with General Electric Global Services GmbH (GE), whereby GE has proposed to the holding company PEPI solutions to improve the Facility net efficiency (heat rate) to achieve a guaranteed rate.

If PEPI is terminated at any time prior to March 31, 2037, the holding company will be liable to pay USD 1.5 million to GE along with residual value of the Steam Turbine Retrofits (proposed solution) ranging from nil to USD 8.2 million depending on the implementation dates of these Steam Turbine Retrofits. However, non-renewal of PPA (which expires in 2027) will result in automatic termination of PEPI and the holding company will have to pay GE USD 1.5 million and the residual values ranging from nil to USD 8.2 million. The potential savings from PEPI, assuming certain load factor and fuel price, would far outweigh these amounts to be paid to GE.

28.4 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 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) 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 CPPA-G 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 the holding company and CPPA-G 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, 2018, the total financial exposure relating to the above case is Rs. 26,140 million (Rs. 3,136 million being the 5% of the profit and Rs. 23,004 million interest component and penalty 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.

During 2017, the Supreme Court of Pakistan (SCP) vide its judgement dated November 10, 2016 set aside the amendments made to the Companies Profits (Workers' Participation) Act, 1968 (the Act) by money bills (Finance Acts) of 2006, 2007 and 2008 as ultra vires to the provisions of the Constitution of Pakistan (the Constitution). Accordingly, subject to the provisions of the Sindh Companies Profits (Workers' Participation) Act, 2015 (Sindh WPPF) and 18th Amendment to the Constitution, the provisions of the Act are to be read as if the amendments brought about by the said money bills were never made. However, the Federal Board of Revenue (FBR) has filed a review petition with the SCP in respect of the said decision. In addition, in June 2018, the Government of Punjab passed the Companies Profits (Workers' Participation) Ordinance, 2018, whereby the Act has been made applicable in the Province of Punjab, with certain provisos having been deleted and or added.

Furthermore, in a separate case, on February 12, 2018, Sindh High Court (SHC) passed an order on WPPF devising a mechanism to compute contributions for trans-provincial companies. However, in July 2018, SCP suspended the SHC order dated February 12, 2018. SCP is yet to issue a detail order on this matter.

The holding company and NEL are currently in the process of assessing the potential impact of the above decisions with respect to the applicability of the Act / Sindh WPPF, although financial impact, if any, will be a pass-through item under the respective PPAs.

28.5 **(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, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 314 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, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 15 million.

WWF is a pass through under the PPA and is recoverable from the CPPA-G. 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 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, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 5 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, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 164 million.

WWF is a pass through under the PPA and is recoverable from CPPA-G. 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, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 6 million.

(vi) FBR also imposed 2% WWF for the tax year 2013 and issued a demand for Rs. 162 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, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 258 million.

WWF is a pass through under the PPA and is recoverable from CPPA-G. 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.

The management is of the opinion that the position of the holding company is sound on technical basis and eventual outcome is expected 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.

28.6 **(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, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 812 million.

(ii) The FBR passed an order for the recovery of sales tax amounting to Rs. 8,519 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, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 20,635 million.

(iii) The FBR passed an order for the recovery of sales tax amounting to Rs. 3,442 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, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 7,064 million.

(iv) The FBR issued a Show Cause Notice to recover sales tax amounting to Rs. 3,692 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, 2018 is approximately Rs. 3,692 million.

(v) The FBR issued a show cause notice to recover sales tax amounting to Rs. 4,130 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, 2018 is approximately Rs. 4,130 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. The holding company's maximum exposure as at June 30, 2018 is approximately Rs. 1,677 million.

(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. On 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, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 1,982 million.

(viii) 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 December 2017, the FBR issued a Show Cause Notice for the recovery Federal Excise Duty (FED) amounting to Rs. 911 million relating to the tax years 2014 to 2017. 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. The holding company filed a Writ Petition in the Islamabad High Court (IHC) which asked the FBR not to issue any demand till next hearing. The holding company's maximum exposure as at June 30, 2018 is approximately Rs. 911 million.

(ix) 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 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, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 254 million.

The management is of the opinion that the position of the holding company is sound on technical basis and eventual outcome is expected 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.

28.7 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 2017 two 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) were dismissed in favor of the holding company on the grounds that Honorable High Court Balochistan did not have jurisdiction in view of the constitution of Environment Tribunal. Afterwards, one of the aggrieved party in the above referred petitions approached the Environmental Protection Tribunal Balochistan praying for an order on environmental grounds to restrain the holding company from execution of the Project. The management and their legal advisors are of the view that the position of the holding company is sound on technical grounds and ultimate outcome of the case is expected to be in favor of the holding company.

28.8 During the year 2016, the holding company has received letter from the Power Purchaser stating that the holding company did not maintain the requisite fuel stock at Hub plant as required under the PPA and has therefore incurred lower interest on working capital and therefore Power Purchaser is earmarking an estimated amount of Rs. 1,801 million for Hub Plant out of the Late Payment Interest invoices owed by the Power Purchaser. The holding company has contested these claims.

28.9 Pursuant to the Fuel Supply Agreement (FSA) dated August 03, 1992 between the holding company and Pakistan State Oil Company Limited (PSO), PSO supplied 128,000 Metric Tons (MT) of Residual Furnace Oil (RFO) as "First Fill" at no charge to the holding company in 1996. Since 1996, there had been correspondence exchanged amongst PSO, WAPDA and the holding company. PSO, in earlier days, sought payment for the cost of the First Fill RFO from WAPDA and the holding company. Both WAPDA and the holding company refused to make payment, citing that PSO's obligation under the FSA to supply First Fill RFO to the holding company was at no charge.

PSO continued to claim the cost of the First Fill RFO from WAPDA. In fact, such cost was recorded in PSO's audited accounts as a receivable due from WAPDA. The relevant note in the PSO's audited accounts explicitly stated that a letter was signed between PSO and WAPDA on August 5, 1992 under which WAPDA undertook to pay PSO the cost of First Fill. Later through the intervention of President of Pakistan, an interest free loan of Rs. 802 million was sanctioned to WAPDA to enable it to settle PSO's claim for First Fill RFO. Following the payment to PSO, WAPDA started claiming reimbursement of the cost of the First Fill from the holding company. The holding company denied the same. Holding company's position was that it was under no obligation to pay to PSO under FSA.

In 2015, CPPA-G through back to back arrangements with WAPDA succeeded all the rights and obligations of WAPDA under the existing Power Purchase Agreements. On November 1, 2017, CPPA-G wrote to the holding company requesting a meeting to discuss the payment of First Fill amounting to Rs. 802 Million, along with late payment interest. On November 10, 2017 the holding company wrote to CPPA-G that the holding company is under no obligation for any payment with regards to the First Fill and considered the matter closed. Therefore, there was no point in meeting in relation to the matter. On June 13, 2018, CPPA-G communicated to the holding company that the CPPA-G had decided to adjust the amount of Rs. 802 Million along with interest of Rs. 10,723 Million against the holding company's outstanding LPI invoices.

Due to the above-mentioned action of CPPA-G, the holding company was constrained to file a suit before the Sindh High Court for a declarative injunction against CPPA-G. The Sindh High Court via its Order dated July 9, 2018, directed that status quo be maintained with respect to the amount demanded by CPPA-G from the holding company on account of the First Fill and restrained CPPA-G from adjusting the First Fill claim amount. The next hearing of the case has been set on August 16, 2018.

Management along with its legal advisors are of an opinion that the position of the holding company is sound on legal basis and eventual outcome is expected to be in favour of the holding company. Pending the resolution of the matter stated above, no provision has been made in these consolidated financial statements.

28.10 In connection with the development and operation of the power plant of NEL:

28.10.1 Commitments in respect of capital and revenue expenditures amounted to Rs. 133 million (2017: Rs. 470 million).

28.10.2 Due to continuous payment defaults by NTDC, NEL called on the Sovereign Guarantee for recovery of overdue receivables. Subsequently, in light of the issue of circular debt and sovereign default, NEL filed a constitutional petition in the Honorable 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 January 15, 2013, the SCP passed an interim order that there shall be no reduction in capacity payment. On June 28, 2013, NEL and other Independent Power Producers ("IPPs") agreed with GOP that on settlement of all overdue amounts, NEL and other IPPs would withdraw the SCP case and pursue expert adjudication and arbitration in accordance with the Power Purchase Agreement ("PPA"). In January 2018, petitions of the IPPs before the SCP to withdraw petition have been disposed off with the direction to the Lahore High Court ("LHC") to decide IPPs Application 2 (as explained below).

The IPPs and NTDC jointly filed the case with the Expert in Pakistan. The Expert through his determination of August 15, 2015 issued the determination which was generally in favor of IPPs. The Expert determined inter alia that the power purchaser is liable to forthwith make payments for the claimed deemed capacity to NEL. The Expert also determined that IPPs are not entitled to payment of interest on the deemed capacity. IPPs were willing to implement the Expert determination, however, due to NTDC's unwillingness to implement the expert's determination, the IPPs on November 02, 2015 filed amended request for arbitration in the London Court of International Arbitration ("LCIA"). The LCIA has issued following awards:

(i) Partial Final Award on Preliminary Issues ["PFA"] dated June 08, 2017 whereby the Arbitrator beside other matters declared that the (a) current Arbitration before the LCIA has been validly commenced in accordance with the PPA, (b) Expert's Determination dated August 15, 2015 is final and binding on both NTDC & IPPs etc. On July 06, 2017, NTDC challenged the PFA before the High Court of Justice, Queen's Bench Division, Commercial Court, London ("HQJ") [NTDC HQJ-1]. NTDC also filed application ("NTDC Application 1") before the Senior Civil Judge ("SCJ") in Lahore seeking an order that the PFA be declared null and void. The SCJ suspended the PFA against which IPPs filed revision petitions in the District Court Lahore which has adjourned the hearing indefinitely while suspending the SCJ order.

The IPPs initiated anti-suit injunction ("ASI") application before the HQJ to restrain NTDC from challenging awards outside England. The IPPs also filed application ("IPPs Application 1") with the LHC for the recognition and enforcement of the PFA. Under the ASI Order, the HQJ (a) restrained NTDC from pursuing NTDC Application 1 before the Senior Civil Judge in Lahore and (b) restrained NTDC from taking any steps or proceedings in any court or tribunal outside England which sought to set aside or annul the PFA. HQJ also took an undertaking from IPPs (a) to compensate NTDC if the HQJ later finds that due to any misrepresentation etc. by IPPs, ASI Order has caused loss to NTDC, (b) not take any steps in the proceedings in IPPs Application 1 & NTDC Application 1 and (c) not to commence or continue any proceedings or applications in any court or tribunal outside England in relation to the PFA and any other awards that may be rendered by the LCIA. On May 04, 2018 the Commercial Court, London has confirmed the ASI that the IPPs are entitled to a final anti-suit injunction, continuing the interim injunction granted earlier, on the entirely straightforward basis that the seat of the Arbitration is London. NTDC is to be restrained on a permanent basis from challenging the Partial Final Award in proceedings in Lahore, Pakistan, or anywhere other than England and Wales.

(ii) Final Award (FA) dated October 29, 2017 in favor of IPPs by quantifying the LDs amounts along with interest, legal and other related costs (in case of NEL, the amount quantified by LCIA is Rs. 1,067 million up to October 29, 2017) payable by NTDC to the IPPs. On November 24, 2017, NTDC has challenged the FA before the HQJ, London ("NTDC HQJ-2") which is pending adjudication. Meanwhile the IPPs have also filed application ("IPPs Application 2") with the LHC for the recognition and enforcement of the FA. On November 29, 2017, NTDC also initiated challenge proceedings against the FA in the Lahore Civil Court, so as to stop the clock of limitation (purported limitation period).

Based on the Final Award dated October 29, 2017, the IPPs including NEL asked NTDC to pay the amounts quantified by the LCIA, however, NTDC denied the same on the ground that the amounts are not payable till finalization of the cases by the courts of England and Pakistan. During March 2018, NTDC applied to the High Court of Justice, Queen's Bench Division, Commercial Court, London, for the withdrawal of its applications NTDC HQJ-1 & NTDC HQJ-2. The IPPs including NEL informed NTDC that after withdrawal of its applications from the High Court of Justice, Queen's Bench Division, Commercial Court, London, there are no challenges from NTDC pending in the courts in the United Kingdom and the LCIA awards i.e. Partial Final Award on Preliminary Issues of June 08, 2017 and Final Award of October 29, 2017 attained finality. Accordingly, the IPPs including NEL demanded NTDC to pay the amounts quantified by the LCIA without any further delay.

NEL has already charged Rs. 567 million pertaining to the period prior to January 2013. Once the amounts are received by NEL from NTDC, the already charged amount of Rs. 567 million will be reversed.

28.10.3 Following notices / demand orders have been issued by tax authorities to the holding company in respect of combined operations of Hub and Narowal Plants prior to demerger. Pursuant to the demerger, the exposure related to Narowal Undertaking has been transferred to the NEL.

Further, an agreement dated May 11, 2017 has been entered into between NEL and the holding company whereby NEL has undertaken to reimburse any cost which may directly be incurred by the holding company in respect of exposures transferred pursuant to the scheme of demerger.

28.10.3.1 Federal Board of Revenue (FBR) imposed 2% Workers Welfare Fund (WWF) for the tax year 2013 and issued a demand for Rs. 25 million. The holding company filed appeal before the Commissioner of Inland Revenue Appeals (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 Appellate Tribunal Inland Revenue (ATIR) which is pending adjudication. NEL's maximum exposure as at June 30, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 40 million.

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

28.10.3.2 (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. 8 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 decided the appeals in favour of the holding company. Against ATIR orders, FBR filed appeals in the Honorable High Court of Islamabad (IHC) which are pending adjudication. NEL's maximum exposure as at June 30, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 14 million.

(ii) The FBR passed an order for the recovery of sales tax amounting to Rs. 172 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. NEL's maximum exposure as at June 30, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 417 million.

(iii) The FBR passed an order for the recovery of sales tax amounting to Rs. 595 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. NEL's maximum exposure as at June 30, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 1,148 million.

(iv) The FBR issued a show cause notice to recover sales tax amounting to Rs. 353 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 / Honorable High Court of Lahore (LHC) in other cases. Against this decision, the FBR filed appeal with IHC which is pending adjudication. NEL's maximum exposure as at June 30, 2018 Rs. 353 million.

(v) The FBR issued a show cause notice to recover sales tax amounting to Rs. 878 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 filed appeal with IHC which is pending adjudication. NEL's maximum exposure as at June 30, 2018 is approximately Rs. 878 million.

The management is of the opinion that the position of NEL is sound on technical basis and eventual outcome is expected to be in favour of NEL. Pending the resolution of the matters stated above, no provision has been made in these consolidated financial statements.

28.10.4 During the year 2016, NEL has received letter from the Power Purchaser stating that NEL did not maintain the requisite fuel stock at Narowal plant as required under the PPA and has therefore incurred lower interest on working capital and therefore Power Purchaser are earmarking an estimated amount of Rs. 857 million out of the Late Payment Interest invoices owed by the Power Purchaser. NEL has contested the claim.

28.11 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. LEL however has requested GOAJK for the removal of this obligation under the land lease agreement and the matter is under discussion.

(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:

	2018	2017
	(PKR 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	16,038	17,502
	23,360	24,824

(iv) LEL's other capital commitments against contracts amount to Rs. nil (2017: Rs. 2 million) and LEL's commitment in respect of revenue expenditure amounts to Rs. 327 million (2017: Rs. 312 million).

(v) Certain legal cases in relation to project land leasehold rights / compensation amounting to Rs. 489 million (2017: Rs. 511 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 on these consolidated financial statements.

(vi) As per terms of the PPA, LEL is liable to pay the Power Purchaser liquidated damages (LDs) for each KWh of Excess Outage Energy at the rate given in the PPA. During the year, LEL has received an invoice of Rs. 214.58 million from the Power Purchaser on account of LDs for the first Agreement Year under the PPA. However, LEL has disputed this invoice on the basis that LDs charged by the Power Purchaser are not in accordance with the provisions of the PPA. Accordingly, LEL has issued an Invoice Dispute Notice to the Power Purchaser for Rs. 201.15 million which is under resolution following the dispute resolution mechanism given in the PPA. Further, as per terms of the EPC contracts, such LDs, if determined to be payable by LEL, are recoverable from the EPC contractor, and therefore the final settlement of this matter would not result in net cash outflow from LEL.

28.12 In connection with the development and operation of the power plant of TEL:

28.12.1 Commitments in respect of capital and revenue expenditures amounted to Rs. 36,760 million (2017: Rs. 29,888 million).

28.12.2 On December 21, 2017, TEL has signed an addendum to the Offshore Supply Agreement with CMEC whereby the agreement price has been revised to USD 258.8 million from USD 253.8 million.TEL has also paid an amount of USD 23.5 million as mobilization advance prior to the Project Commencement Date under the aforesaid addendum. On March 21, 2018, TEL has signed a change order with CMEC to increase the agreement price by USD 0.19 million for additional design of blackout scheme.

28.12.3 TEL has signed a change order with CERIEC on April 06, 2018 to revise the agreement price of the Onshore Supply and Services Agreement from USD 28.2 million to USD 27.1 million for decrease in plant grade level. TEL has also signed an addendum to the agreement on December 21, 2017, whereby, TEL has agreed to pay an early taking over bonus amounting to USD 2 million in the event the taking over date is achieved on bonus accrual date (which will be sixty days earlier to the guaranteed taking over date). The early taking over bonus amount will be reduced by USD 33,330 for each day in case the taking over date is achieved subsequent to the bonus accrual date.

29. 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 Group were as follows:

		2018	2017
		(PKR in '000)	
		Chief Executive	
Managerial remuneration	29.1	116,504	82,400
Bonus		187,953	29,770
Utilities		1,949	639
Other benefits		15,990	11,628
		322,396	124,437
Number of persons		4	3
		Directors	
Fees	29.2	14,100	20,650
Number of persons		22	20
		Executives	
Managerial remuneration		439,869	382,996
Ex-gratia payment		460	1,295
Bonus		212,751	118,990
House rent		158,533	150,744
Utilities		35,230	34,105
Retirement benefits		89,622	85,159
Other benefits		211,483	170,965
		1,147,948	944,254
Number of persons		151	141
		Total	
Managerial remuneration / Fees		570,473	486,046
Ex-gratia payment		460	1,295
Bonus		400,704	148,760
House rent		158,533	150,744
Utilities		37,179	34,744
Retirement benefits		89,622	85,159
Other benefits		227,473	182,593
		1,484,444	1,089,341
Number of persons		177	164

29.1 Retirement benefits to the certain Chief Executives are paid as part of monthly emoluments.

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

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

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

29.5 The above figures do not include cost allocated by HPHL to CPHGC amounting to Rs. 2.5 million (2017: Rs. 123.3 million).

30. SEGMENT INFORMATION

30.1 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, Narowal plant and Laraib plant. Laraib plant O&M with HPSL became effective on March 23, 2018. The figures are immaterial and therefore not disclosed as seperate operating segment.

The unallocated items of profit and loss and assets and liabilities include items which cannot be allocated to a specific segment on a reasonable basis.

	2018							
	Power Generation			Operations and Maintenance				
	Hub plant	Narowal plant	Laraib plant	Hub plant	Narowal plant	Unallocated	Eliminations	Total
	(PKR in '000')							
Turnover	76,675,715	18,220,426	5,113,511	1,846,625	475,812	56,290	(2,388,946)	99,999,433
Operating costs	(66,872,606)	(13,890,417)	(1,791,817)	(1,250,410)	(233,588)	(30,951)	2,349,334	(81,720,455)
GROSS PROFIT	9,803,109	4,330,009	3,321,694	596,215	242,224	25,339	(39,612)	18,278,978
General and administration expenses	(900,198)	(146,041)	(116,383)	(161,896)	(40,247)	(160,207)	–	(1,524,972)
Other income	30,365	4,773	103,477	19,697	1,394	2,256,066	(2,196,909)	218,863
Other operating expenses	–	–	–	–	–	(109,941)	–	(109,941)
PROFIT FROM OPERATIONS	8,933,276	4,188,741	3,308,788	454,016	203,371	2,011,257	(2,236,521)	16,862,928
Finance costs	(1,438,126)	(1,332,942)	(851,050)	(182)	(26)	(810,172)	–	(4,432,498)
Share of loss from associate	–	–	–	–	–	(280,075)	–	(280,075)
PROFIT BEFORE TAXATION	7,495,150	2,855,799	2,457,738	453,834	203,345	921,010	(2,236,521)	12,150,355
Taxation	–	(825)	(13,741)	(188,580)	(50,677)	(231,749)	–	(485,572)
PROFIT FOR THE YEAR	7,495,150	2,854,974	2,443,997	265,254	152,668	689,261	(2,236,521)	11,664,783
Assets	115,921,230	32,729,272	21,717,212	220,317	101,313	33,078,489	(17,762,280)	186,005,553
Liabilities	102,974,223	17,413,751	11,633,326	297,006	48,809	14,744,668	(140,160)	146,971,623
Depreciation and amortisation	1,942,799	1,002,336	1,183,887	12,758	3,254	47,369	–	4,192,403
Capital expenditure	103,350	57,411	30,334	16,252	1,033	3,258,145	(107,229)	3,359,296

	2017							
	Power Generation			Operations and Maintenance				
	Hub plant	Narowal plant	Laraib plant	Hub plant	Narowal plant	Unallocated	Eliminations	Total
	(PKR in '000')							
Turnover	78,589,767	17,312,702	5,249,985	1,602,877	361,062	–	(1,928,015)	101,188,378
Operating costs	(69,272,692)	(13,590,156)	(1,606,880)	(1,135,791)	(211,460)	–	1,888,403	(83,928,576)
GROSS PROFIT	9,317,075	3,722,546	3,643,105	467,086	149,602	–	(39,612)	17,259,802
General and administration expenses	(615,204)	(190,332)	(138,109)	(260,079)	(64,068)	(97,657)	–	(1,365,449)
Other income	1,557,042	1,605	71,607	10,492	2,698	47,992	(1,535,064)	156,372
Other operating expenses	(76,754)	–	–	–	–	–	–	(76,754)
PROFIT FROM OPERATIONS	10,182,159	3,533,819	3,576,603	217,499	88,232	(49,665)	(1,574,676)	15,973,971
Finance costs	(1,493,625)	(1,375,255)	(922,056)	(35)	(30)	(290,316)	–	(4,081,317)
Gain on dilution of interest in associate	–	–	–	–	–	1,191	–	1,191
Share of loss from associate	–	–	–	–	–	(186,148)	–	(186,148)
PROFIT BEFORE TAXATION	8,688,534	2,158,564	2,654,547	217,464	88,202	(524,938)	(1,574,676)	11,707,697
Taxation	(142,434)	(714)	(21,792)	(150,977)	(34,236)	(9,062)	–	(359,215)
PROFIT FOR THE YEAR	8,546,100	2,157,850	2,632,755	66,487	53,966	(534,000)	(1,574,676)	11,348,482
Assets	110,199,066	29,933,883	21,185,000	237,189	44,136	6,583,363	(8,562,837)	159,619,800
Liabilities	92,435,467	17,053,695	11,735,894	222,343	38,424	3,307,239	(171,763)	124,621,299
Depreciation and amortisation	1,928,612	997,645	899,124	8,701	1,384	41,392	–	3,876,858
Capital expenditure	701,847	170,800	34,256	14,818	10,722	165,555	(6,543)	1,091,455

30.2 The customers of the Group are CPPA-G 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.

31. RELATED PARTY TRANSACTIONS

Related parties comprise of associates, 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 consolidated financial statements are as follows:

	Note	2018	2017
		(PKR in '000)	
Associate			
Proceeds against disposal of land to CPHGC		189,341	–
Loss on disposal of land to CPHGC		3,842	–
Investment in CPHGC		6,858,669	1,092,000
Reimbursable expenses incurred on behalf of CPHGC by HPHL		2,519	129,689
Receipts from CPHGC against reimbursement of expenses		–	159,173
Services rendered to CPHGC		21,529	46,108
Receipts against services rendered to CPHGC		–	43,068
Other related parties			
Proceeds from disposal of assets	31.2	5,463	3,057
Remuneration to key management personnel			
Salaries, benefits and other allowances		565,439	401,296
Retirement benefits		15,556	23,078
	31.1 & 31.4	580,995	424,374
Directors' fee	29.2	14,100	20,650
Contribution to staff retirement benefit plans		169,479	176,735
Dividend paid to NCI - Coate & Co. Private Limited		430,680	473,747

31.1 Transactions with Key Management Personnel (KMP) are carried out under the terms of their employment. KMP are also provided with the use of Company maintained automobiles and certain other benefits.

31.2 This represents proceeds from disposal of assets having written down value of Rs. 2 million (2017: Rs. 2 million) to key management personnel.

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

31.4 The above figures do not include cost allocated by HPHL to CPHGC amounting to Rs. 3 million (2017: Rs. 24 million).

32. RELATED PARTIES AND ASSOCIATED COMPANIES / UNDERTAKINGS

Following are the details of related parties and associated companies / undertakings with whom the Group had entered into transactions or had arrangements in place during the year:

Particulars	Relationship	% equity interest
China Power Hub Generation Company (Private) Limited	Associate	26%
Sindh Engro Coal Mining Company Limited	Common Directorship	8%
Allied Bank Limited	Common Directorship	-
Askari Bank Limited	Common Directorship	-
Central Depository Company of Pakistan Limited	Common Directorship	-
Engro Fertilizers Limited	Common Directorship	-
Fauji Fertilizer Company Limited	Common Directorship	-

Particulars	Relationship	% equity interest
Forbes Forbes Campbell & Co. (Private) Limited	Common Directorship	-
Karachi School of Business & Leadership	Common Directorship	-
The Dawood Foundation	Common Directorship	-
Overseas Investor Chamber of Commerce and Industry	Director was in Managing Committee	-
Mr. Khalid Mansoor	Chief Executive	-
Mr. Tahir Jawaid	Chief Executive	-
Mr. Kamran Kamal	Chief Executive	-
Mr. Saleemullah Memon	Chief Executive	-
Mr. Ahmad Muazzam	Director	-
Mr. Andalib Alavi	Director	-
Mr. Imtiaz Majeed	Director	-
Mr. Iqbal Alimohamed	Director	-
Mr. Javed Akbar	Director	-
Mr. Manzoor Ahmed	Director	-
Mr. Muhammad Ejaz Sanjrani	Director	-
Mr. Muhammad Munir Malik	Director	-
Mr. Owais Shahid	Director	-
Mr. Qaiser Javed	Director	-
Mr. Shafiuddin Ghani Khan	Director	-
Mr. Tabish Gauhar	Director	-
Mr. Waseem Mukhtar	Director	-
Lt. Gen. Tariq Khan	Director	-
Mr. Abdul Samad Dawood	Ex Director	-
Mr. Hussain Dawood	Ex Director	-
Mr. Inam Ur Rehman	Ex Director	-
Mr. Muhammad Sadiq Sanjrani	Ex Director	-
Mr. Ruhail Mohammed	Ex Director	-
Mr. Shahid Ghaffar	Ex Director	-
Mr. Shahzada Dawood	Ex Director	-
Mr. Abdul Nasir	Key Management Personnel	-
Mr. Amjad Raja	Key Management Personnel	-
Mr. Asim Rafat Khan	Key Management Personnel	-
Mr. Farrukh Rasheed	Key Management Personnel	-
Mr. Fayyaz Ahmed Bhatti	Key Management Personnel	-
Mr. Hassan Bokhari	Key Management Personnel	-
Mr. Inam-ur-Rehman Siddiqui	Key Management Personnel	-
Mr. Kaleem Khan	Key Management Personnel	-
Mr. Mohammad Uneeb	Key Management Personnel	-
Mr. Mustafa Giani	Key Management Personnel	-
Mr. Nazoor Baig	Key Management Personnel	-
Mr. Shaharyar Nashat	Key Management Personnel	-
Brig (R) Syed Tahawar Ali Shah	Key Management Personnel	-
Mr. Tariq Zia Qaisrani	Key Management Personnel	-
Mr. Usman Mazhar	Key Management Personnel	-
Mr. Shams-ul-Islam	Ex Key Management Personnel	-
Ms. Muneeza Iftikhar	Ex Key Management Personnel	-
The Hub Power Company Limited - Employees' Provident Fund	Retirement benefit fund	-
The Hub Power Company Limited - Staff Gratuity Fund	Retirement benefit fund	-

Particulars	Relationship	% equity interest
Hub Power Services Limited - Employees' Provident Fund	Retirement benefit fund	-
Hub Power Services Limited - Staff Gratuity Fund	Retirement benefit fund	-
Hub Power Services Limited - Staff Pension Fund	Retirement benefit fund	-
Laraib Energy Limited - Employees' Provident Fund	Retirement benefit fund	-

33. PROVIDENT FUND TRUSTS

Contribution to defined contribution plan of the holding company and HPSL, of members who consented, was transferred to Meezan Tahaffuz Pension Fund (MTPF) / UBL Fund Managers, the voluntary pension system (VPS) with the consent of all members of provident funds, as allowed under clause (aa) of sub-rule (1) of Rule 103 of the Income Tax Rules, 2002.

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.

34. PLANT CAPACITY AND PRODUCTION

	2018	2017
HUB PLANT		
Theoretical Maximum Output	10,512 GWh	10,512 GWh
Total Output	5,201 GWh	6,793 GWh
Load Factor	49%	65%

Practical maximum output for the power plant taking into account all the scheduled outages is 9,216 GWh (2017: 9,216 GWh). Output produced by the plant is dependent on the load demanded by CPPA-G and the plant availability.

	2018	2017
NAROWAL PLANT		
Theoretical Maximum Output	1,873 GWh	1,873 GWh
Total Output	1,200 GWh	1,334 GWh
Load Factor	64%	71%

Practical maximum output for the power plant taking into account all the scheduled outages is 1,648 GWh (2017: 1,723 GWh). Output produced by the plant is dependent on the load demanded by NTDC and the plant availability.

	2018	2017
LARAIB PLANT		
Theoretical Maximum Output	736 GWh	736 GWh
Average Energy	470 GWh	470 GWh
Total Output	381 GWh	463 GWh

Output produced by the plant is dependent on available hydrology and the plant availability.

	Note	2018	2017
		(PKR in '000)	
35. WORKING CAPITAL CHANGES			
(Increase) / decrease in current assets			
Stores, spares and consumables		(38,036)	(689,711)
Stock-in-trade		(2,904,415)	(879,367)
Trade debts		(13,242,616)	(6,071,217)
Loans and advances		47,290	74,225
Deposits, prepayments and other receivables		(3,047,163)	(2,600,613)
		(19,184,940)	(10,166,683)
Increase in current liabilities			
Trade and other payables		13,894,951	1,230,254
		(5,289,989)	(8,936,429)
36. CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	2,654,315	3,860,355
Finances under mark-up arrangements	27	(28,804,770)	(24,846,559)
		(26,150,455)	(20,986,204)
37. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY			
37.1 Basic			
Profit for the year (Rupees in thousands)		11,057,482	10,688,977
Number of shares in issue during the year		1,157,154,387	1,157,154,387
Basic earnings per share (Rupees)		9.56	9.24

37.2 There is no dilutive effect on the earnings per share of the holding company.

38. PROPOSED FINAL DIVIDEND

The Board of Directors of the holding company proposed a final dividend for the year ended June 30, 2018 of Rs. 2.80 per share, amounting to Rs. 3,420.032 million, at their meeting held on August 20, 2018 for approval of the members at the Annual General Meeting to be held on October 05, 2018. These consolidated financial statements do not reflect this dividend payable which will be accounted for in the period in which it is approved.

39. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks namely 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 these risks 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. 1,221 million (2017: Rs. 1,155 million) in foreign currencies which are subject to currency risk exposure and financial liabilities of the Group include Rs. 11,090 million (2017: Rs. 10,533 million) in foreign currencies which are subject to currency risk exposure. LEL is covered under the PPA to recover the forex loss on loans under the tariff.

(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 Group's exposure to the risk of changes in interest rates relates primarily to the following:

	2018	2017
	(PKR in '000)	
Fixed rate instruments at carrying amount:		
Financial assets		
Bank balances	2,375,861	3,796,025
Variable rate instruments at carrying amount:		
Financial assets		
Trade debts	66,582,420	53,350,035
Other receivables	11,388	–
Total	66,593,808	53,350,035
Financial liabilities		
Long term loans	31,502,770	27,429,535
Liabilities against assets subject to finance lease	2,600,708	2,552,785
Trade and other payables	50,878,336	38,853,381
Short term borrowings	28,804,770	24,846,559
Total	113,786,584	93,682,260

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 CPPA-G and NTDC, the holding company has delayed payments to PSO (fuel supplier for Hub plant). The holding company and NEL have also obtained short term running finances to meet its short term funding requirements. The holding company and NEL receive interest on delayed payments from CPPA-G 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 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.

In order to finance investments in LEL, NEL, CPHGC (via HPHL), TEL and SECMC and boiler rehabilitation works at Hub Plant, the holding company entered into long term financing arrangements (Refer note 23). 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 KIBOR. As at June 30, 2018, 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. 83.556 million (2017: Rs. 71.280 million).

NEL has a long term loan for Narowal plant (Refer note 23.5.1). 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.

In order to fund cost overruns of Narowal plant, NEL has entered into syndicated term finance facility (Refer note 23.5.2). NEL has to manage the related finance cost from its own sources which exposes NEL to the risk of change in 3 month KIBOR. As at June 30, 2018, if interest rate on NEL's borrowings were 1% higher / lower with all other variables held constant, the profit for the year would have been lower / higher by Rs. 28 million.

LEL has entered into long-term loans / finance facilities for the development of the project with various lenders / financial institutions, which exposes LEL to the risk of change in six month LIBOR and six month KIBOR. However, the risk is substantially mitigated as LEL is covered under the PPA to recover interest rate fluctuation under the tariff.

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 reporting date was as follows:

	2018	2017
	(PKR in '000)	
Deposits	25,881	25,185
Trade debts	98,856,377	85,613,761
Loans and other receivables	1,027,155	575,029
Bank balances	2,375,861	3,796,025
Total	102,285,274	90,010,000

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

The significant amount of other receivables is also recoverable from CPPA-G / NTDC 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.

Banks / Financial Institutions	Rating Agency	Ratings	
		Short term	Long term
Conventional			
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA+
Bank Al-Habib Limited	PACRA	A1+	AA+
Bank of Punjab Limited	PACRA	A1+	AA
Citibank N.A.	Moody's	P-1	A1
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Industrial and Commercial Bank of China	Moody's	P-1	A1
JS Bank Limited	PACRA	A1+	AA-
MCB Bank Limited	PACRA	A1+	AAA
National Bank of Pakistan	PACRA	A1+	AAA
Pak Brunei Investment Company Limited	JCR-VIS	A1+	AA+
Samba Bank Limited	JCR-VIS	A-1	AA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Sumitomo Mitsui Banking Corporation Europe Limited	Moody's	P-1	A1
United Bank Limited	JCR-VIS	A-1+	AAA
Shariah Compliant			
Al Baraka Bank (Pakistan) Limited	PACRA	A1	A
Bank Islami Pakistan Limited	PACRA	A1	A+
Meezan Bank Limited	JCR-VIS	A-1+	AA+
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A-1	AA-
Faysal Bank Limited	PACRA	A1+	AA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA

(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 27) to meet the short term funding requirements due to delay in payments by CPPA-G / NTDC. The delay in payments by CPPA-G is mainly offset by the delay in payments to PSO.

The Group is exposed to liquidity risk because of the following:

(i) Delay in payment from Power Purchaser (CPPA-G / NTDC);

(ii) the cashflows from LEL and NEL operations may not be sufficient to meet the funding requirements for long term loans obtained for equity investment in LEL and NEL as mentioned in note 23.4 and 23.5;

(iii) long term loans obtained for funding in TEL / CPHGC / SECMC (note 23.3) may not be sufficient to meet their respective equity requirement;

(iv) repayments of loan obtained for boiler rehabilitation work (note 23.1).

The Group manages this liquidity risk from its own sources, future earnings and other alternative means.

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

	Less than 6 month	Between 6 to 12 month	Between 1 to 5 years (PKR in '000)	Between 5 to 10 years	Total
2017-18					
Long term loans	4,521,938	4,018,006	20,538,743	11,229,462	40,308,149
Liabilities against assets					
subject to finance lease	273,279	270,625	1,935,520	816,118	3,295,542
Trade and other payables	80,468,479	–	–	–	80,468,479
Unclaimed dividend	140,286	–	–	–	140,286
Unpaid dividend	247,281	–	–	–	247,281
Short term borrowings	28,986,048	–	–	–	28,986,048
Total	114,637,311	4,288,631	22,474,263	12,045,580	153,445,785
2016-17					
Long term loans	4,019,962	4,017,892	20,475,894	4,651,705	33,165,453
Liabilities against assets					
subject to finance lease	241,672	237,632	1,719,796	1,080,797	3,279,897
Trade and other payables	65,984,027	–	–	–	65,984,027
Unclaimed dividend	129,017	–	–	–	129,017
Unpaid dividend	1,022,335	–	–	–	1,022,335
Short term borrowings	25,325,227	–	–	–	25,325,227
Total	96,722,240	4,255,524	22,195,690	5,732,502	128,905,956

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.

40. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Loans and receivables	Total June 30, 2018
	(PKR in '000)	
Financial assets		
Deposits	25,881	25,881
Trade debts	98,856,377	98,856,377
Loans and other receivables	1,027,155	1,027,155
Cash and bank balances	2,654,315	2,654,315
Total	102,563,728	102,563,728

	Financial liabilities measured at amortised cost	Total June 30, 2018
	(PKR in '000)	
Financial Liabilities		
Long term loans	31,502,770	31,502,770
Liabilities against assets subject to finance lease	2,600,708	2,600,708
Trade and other payables	80,468,479	80,468,479
Unclaimed dividend	140,286	140,286
Unpaid dividend	247,281	247,281
Short term borrowings	28,804,770	28,804,770
Total	143,764,294	143,764,294

	Loans and receivables	Total June 30, 2017
	(PKR in '000)	
Financial assets		
Deposits	25,185	25,185
Trade debts	85,613,761	85,613,761
Loans and other receivables	575,029	575,029
Cash and bank balances	3,860,355	3,860,355
Total	90,074,330	90,074,330

	Financial liabilities measured at amortised cost	Total June 30, 2017
	(PKR in '000)	
Financial Liabilities		
Long term loans	27,429,535	27,429,535
Liabilities against assets subject to finance lease	2,552,785	2,552,785
Trade and other payables	67,135,379	67,135,379
Unclaimed dividend	129,017	129,017
Unpaid dividend	1,022,335	1,022,335
Short term borrowings	24,846,559	24,846,559
Total	123,115,610	123,115,610

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

Revised and amended standards and interpretation that are not yet effective and adopted in 2018

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 9	– Financial Instruments	July 1, 2018
IFRS 9	– Prepayment Features with Negative Compensation – (Amendments)	January 1, 2019
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 15	– Revenue from Contracts with Customers	July 1, 2018
IFRS 16	– Leases	January 1, 2019
IAS 19	– Plan Amendment, Curtailment or Settlement (Amendments)	January 1, 2019
IAS 28	– Long-term Interests in Associates and Joint Ventures – (Amendments)	January 1, 2019
IAS 40	– Investment Property: Transfers of Investment Property (Amendments)	January 1, 2019
IFRIC 22	– Foreign Currency Transactions and Advance Consideration	January 1, 2019
IFRIC 23	– Uncertainty over Income Tax Treatments	January 1, 2019

The above standards and amendments are not expected to have any material impact on these consolidated financial statements in the period of initial application.

Waiver from application of standards and interpretations

Holding company and NEL

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 (CPPA-G 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:

	2018	2017
	(PKR in '000)	
Decrease in unappropriated profit at the beginning of the year	(7,538,061)	(8,247,997)
(Decrease) / Increase in profit for the year	(84,029)	709,936
Decrease in unappropriated profit at the end of the year	(7,622,090)	(7,538,061)

Embedded derivatives - NEL

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. However, the said S.R.O requires the companies, to give an additional disclosure as if accounting for embedded derivative IAS-39 had been adopted in preparing the financial statements.

Had IAS-39 been applied, the unappropriated profits of NEL would have been lower by 616 million.

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.

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:

	2018	2017
	(PKR in '000)	
Increase in unappropriated profit and NCI at the beginning of the year	5,565,008	5,447,127
Increase in profit for the year	167,894	117,881
Decrease in unappropriated profit and NCI at the end of the year	5,732,902	5,565,008

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 3.17). However, the said S.R.O requires the companies which have chosen to capitalize exchange difference (as disclosed in note 12.1), 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 adjustments to the consolidated financial statements would have been made:

	Unappropriated profit (Increase)/ decrease	Property, plant equipment increase / (decease)	Derivative financial asset increase / (decease)
As at July 1, 2016	17,472,308	(724,741)	(16,747,567)
For the year ended June 30, 2017			
- Charge off of exchange loss	(14,447)	14,447	–
- Remeasurement of embedded derivative	(2,086,848)	–	2,086,848
	(2,101,295)	14,447	2,086,848
As at June 30, 2017	15,371,013	(710,294)	(14,660,719)
For the year ended June 30, 2018			
- Charge off of exchange loss	1,022,014	(1,022,014)	–
- Remeasurement of embedded derivative	(662,632)	–	662,632
	359,382	(1,022,014)	662,632
As at June 30, 2018			
Change due to remeasurement of derivative			
and non-capitalization of exchange loss	15,730,395	(1,732,308)	(13,998,087)

42. SHARIAH COMPLIANCE DISCLOSURE

	2018			2017		
	Conventional	Shariah Compliant	Total	Conventional	Shariah Compliant	Total
			(PKR in '000')			
Turnover						
Revenue	5,753,070	105,888,014	111,641,084	4,396,486	108,830,315	113,226,801
Other income						
Interest income	143,456	–	143,456	122,026	–	122,026
Income from other services	–	12,473	12,473	–	29,983	29,983
Finance Cost						
Long term loans	2,065,528	198,146	2,263,674	2,157,651	156,394	2,314,045
Short term borrowing	1,686,026	133,159	1,819,185	1,450,871	82,366	1,533,237
Other finance cost	348,239	1,400	349,639	234,035	–	234,035
Assets						
Bank balances	2,375,861	–	2,375,861	3,796,025	–	3,796,025
Liabilities						
Long term loans	27,581,904	6,521,574	34,103,478	28,168,479	1,813,841	29,982,320
Accrued markup	749,260	30,689	779,949	854,419	28,583	883,002
Short term borrowings	26,869,780	1,934,990	28,804,770	22,688,365	2,158,194	24,846,559

Exchange gain earned during the year amounts to Rs. 56 million (2017: Rs. 1 million)

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

For the year ended June 30, 2018

43. REPRESENTATION / RECLASSIFICATION

Certain prior year figures have been represented / re-classified to reflect a more appropriate presentation of events and transactions for the purpose of consistency.

44. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on August 20, 2018 in accordance with the resolution of the Board of Directors of the holding company.

45. GENERAL

Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

PATTERN OF SHAREHOLDING

As at June 30, 2018

Number of Shares From	Number of Shares To	Number of Shareholders	Number of Shares Held
1	100	854	45,778
101	500	5,270	2,522,971
501	1,000	1,531	1,427,443
1,001	5,000	2,594	7,674,156
5,001	10,000	955	7,738,955
10,001	15,000	398	5,159,655
15,001	20,000	311	5,665,999
20,001	25,000	221	5,161,314
25,001	30,000	188	5,343,001
30,001	35,000	80	2,635,385
35,001	40,000	92	3,519,466
40,001	45,000	82	3,531,754
45,001	50,000	121	5,938,365
50,001	55,000	52	2,750,261
55,001	60,000	42	2,471,002
60,001	65,000	26	1,641,184
65,001	70,000	34	2,324,039
70,001	75,000	24	1,769,245
75,001	80,000	40	3,150,745
80,001	85,000	21	1,745,650
85,001	90,000	19	1,680,010
90,001	95,000	5	463,058
95,001	100,000	54	5,374,800
100,001	105,000	12	1,239,640
105,001	110,000	7	764,000
110,001	115,000	11	1,244,563
115,001	120,000	7	832,412
120,001	125,000	9	1,116,325
125,001	130,000	9	1,153,948
130,001	135,000	8	1,063,425
135,001	140,000	11	1,527,950
140,001	145,000	9	1,286,900
145,001	150,000	22	3,281,914
150,001	155,000	4	613,803
155,001	160,000	8	1,256,911
160,001	165,000	4	652,050
165,001	170,000	4	674,500
170,001	175,000	7	1,216,325
175,001	180,000	4	712,563
180,001	185,000	6	1,091,048
185,001	190,000	3	570,000
190,001	195,000	7	1,351,245
195,001	200,000	31	6,188,080
200,001	205,000	8	1,621,550
205,001	210,000	2	412,500
210,001	215,000	5	1,061,600
215,001	220,000	6	1,305,357
220,001	225,000	1	225,000

PATTERN OF **SHAREHOLDING**

As at June 30, 2018

Number of Shares		Number of	Number of
From	To	Shareholders	Shares Held
225,001	230,000	4	913,000
230,001	235,000	1	234,000
235,001	240,000	4	952,400
240,001	245,000	4	972,384
245,001	250,000	11	2,734,130
250,001	255,000	1	253,000
255,001	260,000	1	255,500
260,001	265,000	2	523,300
265,001	270,000	5	1,339,817
270,001	275,000	1	275,000
275,001	280,000	4	1,109,600
280,001	285,000	5	1,414,251
285,001	290,000	2	580,000
290,001	295,000	5	1,468,063
295,001	300,000	12	3,586,881
300,001	305,000	2	605,500
305,001	310,000	3	923,888
310,001	315,000	1	311,000
315,001	320,000	2	633,700
320,001	325,000	5	1,616,184
325,001	330,000	2	652,500
330,001	335,000	1	333,200
335,001	340,000	4	1,358,000
340,001	345,000	3	1,031,000
345,001	350,000	3	1,046,400
350,001	355,000	1	354,014
355,001	360,000	2	718,607
365,001	370,000	1	370,000
375,001	380,000	3	1,134,200
380,001	385,000	4	1,537,100
385,001	390,000	2	777,500
390,001	395,000	1	394,000
395,001	400,000	6	2,396,000
400,001	405,000	2	804,295
405,001	410,000	4	1,628,000
410,001	415,000	2	825,641
415,001	420,000	1	416,000
420,001	425,000	2	841,200
425,001	430,000	6	2,570,120
430,001	435,000	1	433,940
435,001	440,000	3	1,315,300
440,001	445,000	2	887,000
450,001	455,000	1	450,700
455,001	460,000	1	460,000
460,001	465,000	3	1,392,000
485,001	490,000	1	488,634
490,001	495,000	1	491,200
495,001	500,000	8	3,996,500
500,001	505,000	2	1,000,393

Number of Shares		Number of	Number of
From	To	Shareholders	Shares Held
505,001	510,000	1	507,000
510,001	515,000	1	511,700
515,001	520,000	2	1,037,500
525,001	530,000	1	527,755
555,001	560,000	3	1,669,700
580,001	585,000	1	582,000
585,001	590,000	1	589,900
590,001	595,000	1	594,000
595,001	600,000	5	3,000,000
600,001	605,000	3	1,806,900
605,001	610,000	1	610,000
615,001	620,000	1	619,900
620,001	625,000	4	2,490,900
630,001	635,000	1	633,310
635,001	640,000	2	1,277,800
645,001	650,000	2	1,295,900
650,001	655,000	1	654,910
680,001	685,000	1	682,089
685,001	690,000	2	1,378,200
690,001	695,000	1	692,602
695,001	700,000	2	1,400,000
700,001	705,000	1	705,000
715,001	720,000	2	1,434,781
725,001	730,000	1	727,338
730,001	735,000	2	1,465,751
735,001	740,000	2	1,474,100
745,001	750,000	1	750,000
750,001	755,000	1	754,700
755,001	760,000	2	1,513,900
770,001	775,000	1	771,000
775,001	780,000	1	779,071
785,001	790,000	1	785,500
795,001	800,000	1	800,000
820,001	825,000	1	823,300
870,001	875,000	1	874,000
890,001	895,000	1	892,700
910,001	915,000	1	911,000
925,001	930,000	1	928,842
935,001	940,000	1	940,000
940,001	945,000	1	940,146
950,001	955,000	1	954,300
985,001	990,000	1	985,100
995,001	1,000,000	3	3,000,000
1,010,001	1,015,000	1	1,014,000
1,035,001	1,040,000	1	1,035,400
1,040,001	1,045,000	1	1,043,600
1,060,001	1,065,000	1	1,062,900
1,065,001	1,070,000	1	1,068,932
1,070,001	1,075,000	1	1,074,500

PATTERN OF SHAREHOLDING

As at June 30, 2018

Number of Shares		Number of Shareholders	Number of Shares Held
From	To		
1,115,001	1,120,000	1	1,119,919
1,120,001	1,125,000	1	1,123,300
1,130,001	1,135,000	1	1,133,200
1,135,001	1,140,000	2	2,273,400
1,145,001	1,150,000	1	1,149,725
1,150,001	1,155,000	1	1,155,000
1,200,001	1,205,000	1	1,200,488
1,250,001	1,255,000	1	1,252,232
1,265,001	1,270,000	1	1,267,195
1,275,001	1,280,000	1	1,277,500
1,280,001	1,285,000	1	1,282,013
1,295,001	1,300,000	1	1,299,876
1,300,001	1,305,000	2	2,605,150
1,325,001	1,330,000	1	1,326,000
1,335,001	1,340,000	1	1,339,800
1,350,001	1,355,000	1	1,354,000
1,395,001	1,400,000	3	4,198,500
1,490,001	1,495,000	2	2,984,870
1,495,001	1,500,000	2	3,000,000
1,535,001	1,540,000	2	3,076,500
1,645,001	1,650,000	1	1,648,168
1,665,001	1,670,000	1	1,667,200
1,695,001	1,700,000	1	1,698,190
1,895,001	1,900,000	1	1,900,000
1,925,001	1,930,000	1	1,928,000
1,995,001	2,000,000	1	2,000,000
2,025,001	2,030,000	1	2,029,744
2,070,001	2,075,000	1	2,075,000
2,075,001	2,080,000	1	2,078,800
2,085,001	2,090,000	1	2,085,287
2,095,001	2,100,000	1	2,100,000
2,100,001	2,105,000	1	2,102,200
2,155,001	2,160,000	1	2,158,145
2,200,001	2,205,000	1	2,201,100
2,270,001	2,275,000	1	2,270,147
2,300,001	2,305,000	1	2,303,400
2,395,001	2,400,000	1	2,400,000
2,410,001	2,415,000	1	2,414,000
2,445,001	2,450,000	1	2,448,100
2,575,001	2,580,000	1	2,576,432
2,655,001	2,660,000	1	2,657,812
2,775,001	2,780,000	1	2,776,800
2,835,001	2,840,000	1	2,837,600
3,010,001	3,015,000	1	3,015,000
3,040,001	3,045,000	1	3,041,300
3,085,001	3,090,000	1	3,086,500
3,090,001	3,095,000	1	3,093,400
3,100,001	3,105,000	1	3,102,100
3,160,001	3,165,000	1	3,162,624

Number of Shares		Number of	Number of
From	To	Shareholders	Shares Held
3,300,001	3,305,000	1	3,302,400
3,385,001	3,390,000	1	3,388,900
3,475,001	3,480,000	1	3,477,460
3,505,001	3,510,000	1	3,507,990
3,535,001	3,540,000	1	3,539,500
3,775,001	3,780,000	1	3,777,300
3,795,001	3,800,000	1	3,799,900
3,815,001	3,820,000	1	3,817,700
3,910,001	3,915,000	1	3,915,000
3,945,001	3,950,000	1	3,945,400
4,045,001	4,050,000	1	4,046,600
4,280,001	4,285,000	1	4,282,000
4,335,001	4,340,000	1	4,336,397
4,455,001	4,460,000	2	8,912,566
4,465,001	4,470,000	1	4,466,500
4,525,001	4,530,000	1	4,529,070
4,690,001	4,695,000	1	4,691,990
4,760,001	4,765,000	1	4,764,400
5,055,001	5,060,000	1	5,058,900
5,550,001	5,555,000	1	5,554,000
5,615,001	5,620,000	1	5,615,628
6,445,001	6,450,000	1	6,446,495
7,605,001	7,610,000	1	7,610,000
7,725,001	7,730,000	1	7,725,467
8,155,001	8,160,000	1	8,158,850
9,045,001	9,050,000	1	9,046,272
9,220,001	9,225,000	1	9,223,072
9,635,001	9,640,000	1	9,635,550
10,135,001	10,140,000	1	10,135,600
10,265,001	10,270,000	1	10,265,341
10,595,001	10,600,000	1	10,597,857
10,995,001	11,000,000	1	11,000,000
12,160,001	12,165,000	1	12,164,500
13,745,001	13,750,000	1	13,745,500
14,700,001	14,705,000	1	14,700,943
17,115,001	17,120,000	1	17,116,616
20,805,001	20,810,000	1	20,807,435
21,315,001	21,320,000	1	21,317,911
25,690,001	25,695,000	1	25,691,982
38,185,001	38,190,000	1	38,189,500
46,675,001	46,680,000	1	46,676,300
98,390,001	98,395,000	1	98,391,000
111,995,001	112,000,000	1	112,000,000
224,425,001	224,430,000	1	224,428,064
		13,539	1,157,154,387

CATEGORIES OF **SHAREHOLDING**

As at June 30, 2018

Categories	No. of Shareholders	No. of Shares Held	Percentage
Individuals			
Local	12,457	182,754,528	15.79%
Foreign	350	1,602,646	0.14%
Joint Stock Companies	172	14,602,337	1.26%
Financial Institutions	81	190,417,693	16.46%
Investment Companies	30	10,487,335	0.91%
Insurance Companies	32	79,390,398	6.86%
Associated Companies	8	437,216,264	37.78%
Directors & their spouse(s) and minor children	13	1,653,725	0.14%
Executives	8	51,100	0.00%
Nit & ICP	1	4,336,397	0.37%
Modaraba/Mutual Fund & Leasing Companies	117	151,533,474	13.10%
OTHERS			0.00%
Others - Government of Balochistan	1	358,607	0.03%
Others - GDR Depository	1	10,265,341	0.89%
Others - Charitable Trusts	46	12,817,207	1.11%
Others - Cooperative Societies	11	944,600	0.08%
Others - Provident/Pension/Gratuity Fund etc	210	58,722,735	5.07%
Employee's Old Age Benefits Inst.	–	–	0.00%
	13,539	1,157,154,387	100%

KEY SHAREHOLDING

Associated Companies, Undertakings and related parties

S. No	Name	Holding
1	ALLIED BANK LIMITED	112,000,000
2	COMMITTEE OF ADMIN. FAUJI FOUNDATION	98,391,000
3	ASKARI BANK LIMITED	1,133,200
4	FORBES SHIPPING COMPANY (PRIVATE) LIMITED	421,000
5	IMPERIAL DEVELOPERS AND BUILDER (PRIVATE) LIMITED	210,500
6	INSHIPPING (PRIVATE) LIMITED.	439,000
7	MEGA CONGLOMERATE (PVT.) LIMITED	224,428,064
8	INSERVEY PAKISTAN (PVT) LTD.	193,500
	TOTAL	437,216,264

Modaraba/Mutual Fund and Leasing Companies

1	KAPITALFORENINGEN LAERERNES PENSION INVEST [1547-5]	603,300
2	FRANKLIN TEMPLETON INVESTMENT FUNDS [1610-5]	7,610,000
3	VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	10,597,857
4	VANGUARD FTSE ALL-WORLD EX-US SMALL CAP INDEX FUND	2,102,200
5	GLOBAL X FUNDS-GLOBAL X MSCI PAKISTAN ETF	928,842
6	TEMPLETON GLOBAL INVESTMENT TRUST-TEMPLETON EMG MAR SMA CA F	600,000
7	FSST FIDELITY TOTAL INTERNATIONAL INDEX FUND	17,200
8	BLACKROCK INDEXED EMERGING MARKETS IMI EQUITY FUND	128,600
9	PUB INSTITUTIONAL FUND UMBRELLA - PUB EQUITIES EMG MKTS 1	293,900
10	PUB INSTITUTIONAL FUND UMBRELLA - PUB EQUITIES EMG MKTS 2	237,400
11	AQR EMERGING SMALL CAP EQUITY FUND L.P.	59,700
12	FLEXSHARES MORNINGSTAR EMERGING MARKETS FACTOR TILT INDEX FD	31,200
13	VANGUARD EMERGING MARKETS STOCK INDEX FUND	14,700,943
14	EMERGING MKTS SML CAPITALIZATION EQTY INDEX NON-LENDABLE FD	1,648,168
15	EMERGING MKTS SML CAPITALIZATION EQTY INDX NON-LENDABLE FD B	295,300
16	NATIONWIDE (PVT) LTD	3,000
17	FIRST PRUDENTIAL MODARABA	79,500
18	B.F.MODARABA	20,000
19	FIRST HABIB MODARABA	100,000
20	FIRST ELITE CAPITAL MODARABA	5,000
21	CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	4,466,500
22	MCBFSL - TRUSTEE JS VALUE FUND	518,000
23	CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	190,500
24	CDC - TRUSTEE PICIC INVESTMENT FUND	1,667,200
25	CDC - TRUSTEE JS LARGE CAP. FUND	401,900
26	CDC - TRUSTEE PICIC GROWTH FUND	3,102,100
27	CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	2,576,432
28	CDC - TRUSTEE ATLAS STOCK MARKET FUND	2,075,000
29	CDC - TRUSTEE MEEZAN BALANCED FUND	2,270,147
30	CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	27,000
31	CDC - TRUSTEE JS ISLAMIC FUND	1,035,400
32	CDC - TRUSTEE FAYSAL STOCK FUND	48,500
33	CDC - TRUSTEE ALFALAH GHP VALUE FUND	754,700
34	CDC - TRUSTEE UNIT TRUST OF PAKISTAN	589,900
35	CDC - TRUSTEE AKD INDEX TRACKER FUND	155,741
36	CDC - TRUSTEE HBL ENERGY FUND	689,700
37	CDC-TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND	2,029,744

KEY SHAREHOLDING

S. No	Name	Holding
38	CDC - TRUSTEE AL MEEZAN MUTUAL FUND	2,837,600
39	CDC - TRUSTEE MEEZAN ISLAMIC FUND	17,116,616
40	TRUST MODARABA	3,500
41	CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	50,000
42	CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	3,777,300
43	B.R.R. GUARDIAN MODARABA	13,600
44	CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1,300,150
45	CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	5,615,628
46	CDC - TRUSTEE NAFA STOCK FUND	4,456,666
47	CDC - TRUSTEE NAFA MULTI ASSET FUND	269,748
48	CDC - TRUSTEE MCB DCF INCOME FUND	7,500
49	CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	155,000
50	CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	2,158,145
51	CDC - TRUSTEE DAWOOD ISLAMIC FUND	27,000
52	CDC - TRUSTEE APF-EQUITY SUB FUND	147,500
53	CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	69,000
54	CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	3,162,624
55	CDC - TRUSTEE HBL - STOCK FUND	3,093,400
56	CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	3,477,460
57	CDC - TRUSTEE APIF - EQUITY SUB FUND	213,100
58	MC FSL - TRUSTEE JS GROWTH FUND	1,354,000
59	CDC - TRUSTEE HBL MULTI - ASSET FUND	78,300
60	CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	175,000
61	CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS FUND-EQUITY ACCOUNT	65,900
62	CDC - TRUSTEE ALFALAH GHP STOCK FUND	985,100
63	CDC - TRUSTEE ALFALAH GHP ALPHA FUND	758,600
64	CDC - TRUSTEE ABL INCOME FUND	98,000
65	CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	377,900
66	CDC - TRUSTEE ABL STOCK FUND	2,414,000
67	M C F S L-TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND	107,500
68	CDC - TRUSTEE FIRST HABIB STOCK FUND	69,900
69	CDC - TRUSTEE LAKSON EQUITY FUND	1,200,488
70	CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	511,700
71	CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	42,000
72	CDC-TRUSTEE HBL ISLAMIC STOCK FUND	1,326,000
73	CDC - TRUSTEE HBL EQUITY FUND	114,500
74	CDC - TRUSTEE HBL IPF EQUITY SUB FUND	88,600
75	CDC - TRUSTEE HBL PF EQUITY SUB FUND	104,400
76	CDC - TRUSTEE ASKARI EQUITY FUND	82,500
77	CDC - TRUSTEE KSE MEEZAN INDEX FUND	1,252,232
78	MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	77,100
79	MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	182,000
80	CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND	83,300
81	CDC - TRUSTEE ATLAS INCOME FUND - MT	40,500
82	MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	892,700
83	CDC - TRUSTEE UBL ASSET ALLOCATION FUND	601,800
84	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	14,000
85	CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	2,303,400
86	CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	1,123,300
87	CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	582,000
88	CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	954,300

S. No	Name	Holding
89	CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	27,500
90	CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	3,086,500
91	CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND - MT	4,500
92	CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	2,201,100
93	CDC-TRUSTEE NITIPF EQUITY SUB-FUND	42,000
94	CDC-TRUSTEE NITPF EQUITY SUB-FUND	35,000
95	MCBFSL - TRUSTEE NAFA INCOME FUND - MT	4,000
96	CDC - TRUSTEE FAYSAL ISLAMIC ASSET ALLOCATION FUND	200,000
97	MCBFSL TRUSTEE MCB PAKISTAN FREQUENT PAYOUT FUND	110,000
98	CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	9,223,072
99	CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	911,000
100	CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	496,500
101	MC FSL TRUSTEE JS - INCOME FUND - MT	50,000
102	CDC - TRUSTEE FAYSAL MTS FUND - MT	2,500
103	CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	738,200
104	CDC - TRUSTEE NAFA ISLAMIC ENERGY FUND	735,900
105	CDC - TRUSTEE LAKSON TACTICAL FUND	218,902
106	CDC - TRUSTEE LAKSON ISLAMIC TACTICAL FUND	40,893
107	CDC - TRUSTEE MEEZAN ENERGY FUND	360,000
108	CDC - TRUSTEE PAKISTAN INCOME FUND - MT	12,000
109	MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	623,500
110	CDC - TRUSTEE UBL INCOME OPPORTUNITY FUND - MT	32,000
111	CDC - TRUSTEE UBL CAPITAL PROTECTED FUND-III	6,400
112	CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	1,299,876
113	CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	621,500
114	CDC - TRUSTEE ALFALAH GHP ISLAMIC VALUE FUND	141,500
115	CDC - TRUSTEE JS ISLAMIC DEDICATED EQUITY FUND (JSIDEF)	1,398,500
116	CDC - TRUSTEE ALFALAH CAPITAL PRESERVATION FUND II	198,000
117	CDC - TRUSTEE UBL DEDICATED EQUITY FUND	39,500
	TOTAL	151,533,474

KEY SHAREHOLDING

S. No	Name	Holding
Directors, Spouses and their Children		
Director		
1	QAISER JAVED	5,000
2	SHAFIUDDIN GHANI KHAN	500
3	MUHAMMAD HABIB ULLAH KHAN	500
4	ALY KHAN	500
5	ALEEYA KHAN	500
6	MOHAMMAD WASEEM MUKHTAR	500
7	IQBAL ALI MOHAMED	1,267,195
8	OWAIS SHAHID	90,000
9	ANDALIB ALAVI	53,000
10	TABISH GAUHAR	10,700
11	JAVED AKBAR	5
	TOTAL	1,428,400
CEO		
12	KHALID MANSOOR	172,325
Spouses and Children		
13	SHAISTA ALAVI	53,000
Executives		52,600
Public Sector Companies and Corporations		
1	NATIONAL BANK OF PAKISTAN	46,684,176
2	STATE LIFE INSURANCE CORP. OF PAKISTAN	25,391,982
		72,076,158

Name of Shareholders	Holding	Percentageage
MEGA CONGLOMERATE (PVT.) LIMITED	224,428,064	19%
ALLIED BANK LIMITED	112,000,000	10%
COMMITTEE OF ADMIN. FAUJI FOUNDATION	98,391,000	9%

Details of trading in shares by Directors, Executives and their spouse/minor children

Name of Shareholders	Date of Purchase Sale	No. of Shares	Rate per share (Rs)
Mrs. Ayesha Dawood w/o Mr. Abdul Samad Dawood	1-Oct-18	75,000.0	92.880
Mr. Hussain Dawood	23-Jan-18	7,000,000.0	–
Mr. Hussain Dawood	16-Mar-18	4,090,500.0	105.120
Mrs. Kulsum Dawood w/o Mr. Hussain Dawood	16-Mar-18	532,105.0	105.120
Mr. Abdul Samad Dawood	16-Mar-18	7,347,000.0	105.120
Andalib Alavi	20-Jul-18	16,000.0	94.080
Shaista Alavi w/o Andalib Alavi	20-Jul-18	15,000.0	93.390
Aleeya Khan	05-Jul-18	500.0	100.770
Aly Khan	05-Jul-18	500.0	100.770
Muhammad Habibullah Khan	05-Jul-18	500.0	100.770

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) BNY Mellon
240 Greenwich Street
New York, NY 10286
USA

(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 Ordnance, 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 onewatt 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

GLOSSARY

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.

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 27TH
ANNUAL GENERAL MEETING

Notice is hereby given that the 27th Annual General Meeting of the Company will be held on Friday, October 05, 2018 at 10.00 am at Marriott Hotel, Abdullah Haroon Road, Karachi to transact the following business:

A. ORDINARY BUSINESS

1. To receive and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2018 together with the Directors' and Auditor's Reports thereon.

2. To approve and declare the final dividend of PKR 2.80 (28%) per share as recommended by the Board of Directors for the year ended June 30, 2018.

3. To appoint A.F.Ferguson & Co., Chartered Accountants as Auditors of the Company and to fix their remuneration for the year ending June 30, 2019.

4. To elect 9 (Nine) Directors in accordance with the Companies Act, 2017 for a term of three years commencing from the date of holding of AGM i.e. October 05, 2018.

   The following Directors of the Company will cease to hold office upon the election of a new Board of Directors:

1) Mr. Muhammad Habibullah Khan
2) Mr. Aly Khan
3) Ms. Aleeya Khan
4) Mr. Tabish Gauhar
5) Mr. Shafiuddin Ghani Khan
6) Mr. Qaiser Javed
7) Mr. Iqbal Alimohamed
8) Mr. Andalib Alavi
9) Mr. Manzoor Ahmed
10) Mr. Javed Akbar
11) Mr. Muhammad Waseem Mukhtar
12) Mr. Owais Shahid

B. SPECIAL BUSINESSES

To consider and if thought appropriate, to pass with or without modification, the following resolution as special resolution:

1. **Approval for Issuance of Letter of Support (LOS) Guarantee to Private Power & Infrastructure Board (PPIB) for Thar Energy Limited (TEL)**

   RESOLVED that the approval of the members of the Company be and is hereby accorded in terms of Section 199 to authorize the Company to arrange and provide a bank guarantee to Private Power & Infrastructure Board ("PPIB") to cover the obligations of Thar Energy Limited ("TEL") to USD 2,310,000. The bank guarantee shall be for a period up till June 2019.

   FURTHER RESOLVED that, subject to Shareholders' approval, the Chief Executive Officer, Chief Financial Officer and/or the Company Secretary, acting jointly or severally are authorized to procure finance facility(ies) from banks/financial institution(s) for the issuance of Bank Guarantee to PPIB on such terms and conditions as may be deemed appropriate including creation of charge, or hypothecation for the guarantee amount with appropriate margin over (movable or immovable) assets of the Company and for the said purposes execute agreements, security documents, confirmations, notices, filings and certificates as may be agreed with the financiers, including any amendments thereto, or as required by law.

C. OTHER BUSINESS

1. To transact any other business with the permission of the Chair

By Order of the Board

Date: August 20, 2018
Place: Karachi

Shaharyar Nashat
Company Secretary

NOTES:

i All members are entitled to attend and vote at Meeting.

ii The Share Transfer Books of the Company will remain closed from Friday, September 28, 2018 to Friday, October 05, 2018 (both days included) and the final dividend will be paid to the shareholders whose names appear in the Register of Members on September 27, 2018.

iii Members may exercise their right to vote as per provision of the Companies (Postal and Ballot) Regulations 2018, subject to the requirements of Section 143 & 144 of the Companies Act 2017. Further details in this regard will be communicated to the shareholders within legal time frame as stipulated under these Regulations if required.

iv 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.

v 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.

vi 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, 8F, Next to Hotel Faran, Nursery, Block 6, PECHS, Shahra-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.

A. For Attending the Meeting

i. In case of individuals, the Account Holders of Sub-account Holders and / or the persons whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate their identity by showing original Computerized National Identity (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 (if it has not been provided earlier) at the time of attending the Meeting.

B. For Appointing Proxies

i. In case of individuals, the Account Holders of Sub-account Holders and / or the persons whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit their proxy forms as per the above mentioned requirements.

ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be stated on the form.

iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.

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.

C. Election of Directors Procedure

The term of the office of the present Board of Directors of the Company will expire on October 04, 2018. In terms of Section 159(1) of the Companies Act, 2017 ("Act") the Board of Directors in its 155th meeting held on August 20, 2018 has fixed the number of elected Directors at 9 (Nine) to be elected in the Annual General Meeting of the Company for the period of next three years

Any person who seeks to contest the election to the office of a Director, whether he is retiring director or otherwise, shall file the following documents with the Company Secretary, at the Registered Office of the Company located at 11th Floor, Ocean Tower, Block-9, Main Clifton Road, Karachi, not later than 14 days before the date of Annual General Meeting.

a) Notice of his / her intention to offer him / herself for the election to the Office of Director in terms of section 159(3).

b) Consent to act as director of the Company along with consent on Form 28 prescribed under the Act.

c) A detail profile along with office address as required under SECP' SRO 634(1)2014 dated July 10, 2014.

d) Declaration under Clause 3 of the Listed Companies (Code of Corporate Governance) Regulations 2017.

e) Declaration that he/she is not ineligible to become a director of Hubco in terms of Section 153 of the Act.

f) A director must be holding 1 qualification share of the Company at the time of filing of his / her consent to act as director. The aforesaid qualification shall not be applicable for instances mentioned in Section 153(i) of the Companies Act 2017.

g) Independent Director(s) will be elected through the process of election of director in terms of section 159 of the Act and they shall meet the criteria laid down in Section 166 of the Act, and the Companies (Manner and Selection of Independent Directors) Regulations 2018, accordingly the following additional documents are to be submitted by the candidates intending to contest election of directors as an independent director:

- Declaration by Independent Director(s) under Clause 6(2) of the Listed Companies (Code of Corporate Governance) Regulation 2017.
- Undertaking on non-judicial stamp paper that he / she meet the requirements of sub-regulation (1) of Regulation 4 of the Companies (Manner and Selection of Independent Directors) Regulations, 2018.

D. Consent for Video Conference Facility

(i) In compliance with Section 134(1)(b) of the Companies Act, 2017, if the Company receive consent from members holding aggregate 10% or more shareholding residing at geographical location to participate in the meeting through video link facility at least 10 days prior to the date of general meeting, the Company will arrange video link facility in that city. To avail this facility, please provide following information and submit to registered address of the Company.

(ii) The Company will intimate members regarding venue of video conference facility at least 5 days before the date of the 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

STATEMENT PURSUANT TO SECTION 134(3) OF THE COMPANIES ACT, 2017

Pursuant to Section 134 (3) of the Companies Act, 2017, this Statement sets forth the material facts concerning the special business listed hereinabove, to be transacted at the Annual General Meeting of The Hub Power Company Limited (the "Company") to be held on Friday, October 05, 2018.

1. Approval for Issuance of Letter of Support (LOS) Guarantee to Private Power & Infrastructure Board (PPIB) for Thar Energy Limited (TEL)

TEL was incorporated in Pakistan on May 17, 2016 as a wholly owned subsidiary of the Company under the repealed Companies Ordinance, 1984. The principal activities of TEL are to develop, own, operate and maintain a 330 MW mine-mouth coal fired power plant to be established at Thar Block II, Thar Coal Mine, Sindh ("Project").

TEL has received commitment from Sindh Engro Coal Mining Company Limited ("SECMC") for mining of coal in Thar Block II (Phase II) for supply of 1.9 million ton per annum of Thar Lignite coal for sustainable operations of the Thar Plant.

The Company has entered into the Shareholders' Agreement on March 15, 2018 with Fauji Fertilizer Company Limited ("FFC"), CMEC TEL Power Investments Limited Emirates ("CMEC Dubai") as shareholder and China Everbest Development International Limited ("CMEC HK") as Sponsor. The Shareholders' Agreement provides for investment in equity of TEL by each of the shareholders such that the shares of TEL will be distributed as follows: the Company holds 60% of the total shareholding of TEL, FFC holds 30% and CMEC Dubai holds 10%. The Company, FFC and CMEC HK would be collectively referred as ("Sponsors").

Pursuant to the proposal submitted by TEL on April 05, 2016 for setting up the Project, Private Power & Infrastructure Board ("PPIB") issued Letter of Support ("LOS") on December 9, 2016. As per the terms of the LOS, the Company provided performance guarantee amounting to USD 1.65 million in favour of PPIB.

TEL requested PPIB to provide extension in the Financial Closing date i.e. till September 8, 2018 (Extended Financial Closing date). On June 21, 2018, PPIB approved the extension in the financial closing date till September 8, 2018 and also approved the extension in the COD till March 31, 2021. To fulfil the requirements to obtain LOS extension from PPIB, the Company doubled the performance guarantee amount from USD 1.65 million to USD 3.30 million till December 31, 2018.

TEL is currently in negotiations with its lenders for the finalization of financing arrangements, however, considering the challenges faced with regards to financing arrangements, TEL has requested PPIB for further extension in the Financial Closing Date under LOS for at least six months from September 8, 2018 to March 8, 2019. Therefore, Company is required to extend the tenure of the Performance Guarantee from Dec 2018 to June 2019.

Previously, the guarantee was based on Hubco's 100% Shareholding in TEL as at that time the equity was not injected by FFC and CMEC. FFC has injected its equity portion in TEL on April 17, 2018. CMEC Dubai has yet to contribute its portion of equity representing 10% of the total equity interest in TEL which has resulted in HUBCO and FFC holding 70% and 30%, respectively. Based on the equity contribution, the company is required to extend the guarantee for 70% of the LOS guarantee amount i.e. USD 2,310,000/- for which shareholders' approval is being sought.

INFORMATION PURSUANT **TO THE COMPANIES**

(Investment in Associated Companies or Associated Undertakings) Regulations 2017 (The "Regulations")

(A) PERFORMANCE GUARANTEE TO PPIB

Investment for an amount not exceeding USD 2,310,000 (USD Two Million Three Hundred Ten Thousand) (or PKR equivalent)

(i) Investment in the form of debt

(a) Disclosures under Regulation 3(a)

Information Required	Information Provided
Name of the "associated company	Thar Energy Limited (TEL)
Basis of relationship;	The Company holds 70% of the total issued shares of TEL. Mr. Khalid Mansoor, CEO, and Mr. Iqbal Alimohamed, Director of the Company, are also on the Board of TEL.
Earnings per share for the last three years;	2018 (0.17) 2017 (2.27) 2016* (0.49) *Being the first year of incorporation
Break-up value per share, based on latest audited financial statements;	Rs. 9.62 per share as of June 2018
Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	Position as of June 30, 2018 — In '000' Total Assets 4,399,988 Equity 3,527,156 Current Liabilities 872,832 General and Administration Expenses (100,672) Loss for the Period (62,545)
In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely;-	
(I) Description of the project and its history since conceptualization;	(I) Please see preamble above for project description
(II) Starting date and expected date of completion of work;	(II) Work has commenced on the Project, and the Project is expected to achieve Commercial Operations Date ("COD") by March 31, 2021
(III) Time by which such project shall become commercially operational;	(III) The Project is expected to achieve Commercial Operations Date around March 2021
(IV) Expected time by which the project shall start paying return on investment; and	(IV) The Project is expected to start paying return on investment after the project completion date and subject to TEL lenders' approval.
(V) Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;	(V) Non-Funded: Performance guarantee of USD 2,310,000/-
Maximum amount of investment to be made;	USD 2,310,000/- (in equivalent Pakistan Rupees)

STATEMENT PURSUANT TO SECTION 134(3) OF THE COMPANIES ACT, 2017

Information Required	Information Provided
Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To construct, own, and operate 330 MW at the Thar Site in the province of Sindh Pakistan ('Project') at a total cost of about USD 520 Million. In terms of Commercial Operations Date of the Project, the commissioning of the facility is anticipated by March 2021. In terms of the benefits to the Company, the Project is being set under the 2015 Power Policy which is anticipated to offers an IRR of 20% in USD following the COD. The investment would be made as and when needed till the project completion date of the Project being set up by TEL as required by the lenders of TEL.
Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds;- (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis;	(I) The cost of funds if provided through borrowings would be much less than 20% IRR. Further where the Company takes long term debt to fund such investments, the Company is able to share the risk of loss with the lenders (II) The facility is secured by 3rd ranking charge over all present and future plant and machinery of the Company (III) Project is anticipated to offers an IRR of 20% in USD following COD
Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	Equity investment equivalent to 70% of the total issued shares of TEL The Shareholders' Agreement contemplates investment in equity of TEL by each of the shareholders such that the shares of TEL are distributed as follows: the Company holds 60% of the total shareholding of TEL, FFC holds 30% and CMEC Dubai holds 10% CMEC Dubai has yet to contribute its portion of equity representing 10% of the total equity interest in TEL which has resulted in HUBCO and FFC holding 70% and 30%, respectively
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;	Mr. Khalid Mansoor, is the CEO of the Company and Director of TEL and holds 1 qualifying share as nominee of the Company. Mr. Iqbal Alimohamed is a Director of the Company and Chairman of TEL and holds 1 qualifying share as nominee of the Company. Mr. Tahir Jawaid is an employee of Hub Power Services Ltd. (which is a wholly-owned subsidiary of Hubco) and a Director of TEL and holds 1 qualifying share as nominee of the Company. Mr. Abdul Nasir is the CFO of the Company and Director of TEL and holds 1 qualifying share as a nominee of the Company. Mr. Saleemullah Memon is an employee of the Company and has been seconded as the CEO of TEL

Information Required	Information Provided
In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/ justification for any impairment or write offs;	All major project agreements including offshore supply contract, onshore construction contract, coal supply agreement, power purchase agreement, implementation agreement and supplemental implementation agreement have been signed. With regards to achievement of financial close of the project, foreign and local term sheets have been signed and TEL is expected to achieve the financial close within the timelines required. TEL is committed to ensuring Commercial Operations Date of the Project by March 2021. In terms of the benefits to the Company, the Project is being set up under the 2015 Power Policy. Project is offering an IRR of 20% in USD, following the Commercial Operations Date. No impairment conditions exist on the investment; accordingly, no charge/write offs have been made till date.
Any other important details necessary for the members to understand the transaction;	The Shareholders' Agreement entered between the Company, CMEC Dubai, CMEC HK, and FFC is available for your perusal. Sponsor.
(b) Disclosures under Regulation 3(c)	
Category-wise amount of investment;	As mentioned above in preamble
Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and	Commission of 0.05% per annum approximately and in case of any default; Liquidated Damages at the rate of one-month KIBOR plus 4% per annum on all amounts outstanding.
Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company	In the event any amount is invested as a loan the Company shall require TEL to pay interest at the standard bank rates, to be mutually agreed between the parties
Particulars of collateral or security to be obtained in relation to the proposed investment	No security will be obtained from the borrowing company as it will be a subordinated loan from the Company to TEL
if the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable;	N/A
Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking	Any amount paid as loan to TEL pursuant to Performance Guarantee shall be marked as subordinated debt to the TEL project Lenders and shall be repayable after the repayment of amounts due to the Lenders of TEL Since it is a non-funded obligation, there is no repayment schedule

PROXY FORM

The Company Secretary,

The Hub Power Company Limited

11th Floor, Ocean Tower, Block 9 Main Clifton Road Karachi

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 for me & on my/our behalf at the 27th Annual General Meeting of the Company to be held on Friday, October 05, 2018 at 10:00 am at Marriott Hotel, Karachi.

Signature on Revenue Stamp of PKR 5/-

____
Signature of Shareholder
Folio / CDC Nos.

Witnesses:

(1) Signature_______________________________	(2) Signature_____________________________
Name____________________________________	Name__________________________________
Address__________________________________	Address________________________________
____	______________________________________
CNIC / Passport No._________________________	CNIC / Passport No.________________________

Notes:

- 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.
- 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 no 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:

(i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be stated on the form.

(i) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.

(iii) 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.

AFFIX
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The Company Secretary
The Hub Power Company Limited
11th Floor, Ocean Tower, Black 9,
Main Clifton Road P.O. Box No. 13841,
Karachi - 75600

تشکیل نیابت داری

جناب کمپنی سیکریٹری
دی حب پاور کمپنی لمیٹڈ
11 فلور، اوشین ٹاور، بلاک 9، مین کلفٹن روڈ، کراچی

میں/ہم ____________________

ساکن ____________ بحیثیت دی حب پاور کمپنی لمیٹڈ کے رکن وحامل ____________

عام حصص برطابق شیئر رجسٹرڈ فولیونمبر ____________ 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 جمعہ مورخہ 05 اکتوبر 2018 بوقت 10:00 بجے صبح بمقام میریٹ ہوٹل، کراچی میں منعقد یا

ملتوی ہونے والے سالانہ اجلاس عام میں رائے دہندگی کیلئے اپنا نمائندہ مقرر کرتا/کرتی ہوں۔

گواہ:

(1) دستخط ____________
نام ____________
پتہ ____________
سی این آئی سی یا پاسپورٹ نمبر ____________

ریونیوٹکٹ چسپاں کریں۔

(دستخط کمپنی میں پہلے سے موجود
نمونہ کے مطابق ہونے چاہیئے)

____
دستخط

(2) دستخط ____________
نام ____________
پتہ ____________
سی این آئی سی یا پاسپورٹ نمبر ____________

نوٹ: نیابت داروں کے موثر ہونے کے لیے ضروری ہے کہ انکی تفصیل اجلاس شروع ہونے سے 48 گھنٹے قبل کمپنی کو موصول ہو جائے۔
سی ڈی سی شیئر ہولڈرز اوران کے نیابت داروں سے گزارش ہے کہ وہ اپنے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ فوٹو کاپی کمپنی کو پیش کرنے سے قبل اس پر اکسی فارم کے ساتھ منسلک کریں۔

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The Hub Power Company Limited
11th Floor, Ocean Tower, Black 9,
Main Clifton Road P.O. Box No. 13841,
Karachi - 75600


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SECP
*Mobile apps are also available for download for android and ios devices

HUBCO

THE HUB POWER COMPANY LIMITED
11th Floor, Ocean Tower, G-3, Block 9, Main Clifton Road,
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