Annual Report 2011

Powering Pakistan

HUBCO

growth through energy

Featured on the cover of our annual report this year is a wide-angle view of our Narowal power plant, which commenced commercial operation on April 22, 2011, with an installed capacity of 225 MW.

Annual Report 2011

The Hub Power Company Limited

HUBCO

growth through energy


Powering Pakistan

The Hub Power Company Limited has not only added to its oil base thermal electricity generation capacity, but has also invested in the generation of hydro-electricity. With our Narowal power plant coming into commercial operation on April 22, 2011, HUBCO has added a further 225 MW to the national grid, thus increasing its electricity generation capacity by over 17 percent.

HUBCO has also acquired 75 percent controlling interests in Laraib Energy Limited (LARAIB) and is setting up the first hydropower project in Pakistan in private sector. The project is an 84 MW, run of the river hydropower generating complex being set up about 8 KM downstream of Mangla Dam.

Energy is essential for the growth and development of our country. Pakistan has a huge potential of becoming a leading economy in Asia, but to realize this potential the country needs reliable power to meet the burgeoning present demand and the projected future demand. In this regard, our continued investment in the power generation sector, in spite of various challenges, including the ongoing circular debt issue, is testimony of our commitment to play our role in Powering Pakistan.

Code of Business Ethics

A company's paramount responsibility to both its shareholders and its stakeholders is to formulate a definitive Code of Ethics and embed the practice of this Code in all operations and activities of the company. Hubco's Code of Business Ethics, laid down in June 2002 forms the ethos of the company and the way it is governed.

This Code of Business Ethics sets out the minimum standards expected of the entire Hubco Team and stipulates that the Company's business should above all be characterized by honesty and integrity.

The Code first of all lays down certain General Principles that require all employees to promote the company's best interests whilst maintaining the highest standards of personal integrity and business practice. Employees are required to abide by the Company's stated standards of environmental, safety and management practices and the laws and regulations of the Country.

The Specific Requirements of the Code govern relations with officials and prospective business partners and require such relationships to be conducted ethically. The Code also lays down that the laws of Pakistan should be obeyed and the traditions, culture and conventions of the country should be respected at all times.

The Code recognizes that where its experience and expertise can be useful, the Company must co-operate with governments, individuals, agencies and other organizations in the development of proposed legislation and other regulations, which may affect such legitimate interests. In order to defend and promote its legitimate interests, Hubco has adopted the strategy of strengthening its corporate affairs activities. Corporate affairs are conducted under the direction of the Board through the CEO. No employee is allowed to take a representative role vis a vis government bodies, trade associations or the media unless authorised by the CEO for specific instances. At the same time the Code makes it clear that the Company does not support any political party or activity.

Other areas of professional and private behaviour for Hubco employees that the Code of Business Ethics covers include commissions, fees and similar payments, business gifts, hospitality, relations with suppliers and customers, use of Company resources, personal behaviour and public activities.

The Code also stipulates that a number of other current Company policies, standards, procedures and guidelines must be adhered to at all times. These include Hubco's:

a. Financial Control Systems

b. Financial and other Delegations of Authority

c. Procurement Policy and Procedures

d. Personnel Policy

e. Provident Fund Rules

f. Company Car Policy

Further the Code requires that the framework of legal and regulatory rules governing Hubco's operations must also be adhered to at all times. These include:

a. Companies Ordinance

b. Stock Exchange Listing Rules

c. Memorandum and Articles of Association

d. Corporate Governance Code for Hubco

To ensure compliance with its principles and regulations, the Code of Business Ethics emphasizes that the Company must maintain an adequate system of internal control and defines non-compliance as ranging from deliberate disregard, through breaches of specific policies and standards, to personal indiscretion and errors of omission. The Code makes it clear that any substantiated breach will be taken seriously and specified infringements may lead to dismissal and criminal proceedings.


7K


EDHI
115


HUBCO
مفت آئی کلینک

Corporate Social Responsibility at HUBCO

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

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

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

The CSR programme of Hubco is enacted in partnership with qualified, well-respected and reputable NGOs and other organizations, with an impeccable track record. Over the years the partners have been organizations that are widely recognized for their sterling work in their respective fields.

Some leading partners for Hubco's CSR Initiatives

Edhi Foundation
Layton Rahmatulla Benevolent Trust (LRBT)
Al-Ibrahim Eye Hospital
School of Leadership
Sardar Bahadur Khan Women University (SBKWU), Quetta
The Citizens Foundation (TCF)
Darul Sukun
The Kidney Centre

In the financial year under consideration, Hubco also extended its activities to Narowal Project area. These initiatives are described briefly below:

CSR initiatives in the field of education:

Hub Power Plant Area:

- Continuing support in terms of a fully funded TCF School in Hub, arranging free transportation to the students, in addition providing them free school bags and uniforms. Approximately 450 students from Hub & Gadani areas are studying in this school.
- Also support local Government schools in the district of Lasbella by providing free school bags, books and furniture, and where necessary, Hubco carried out repair and maintenance works in these schools.
- 50 female students belonging to Balochistan province are awarded scholarships, with full funding for studies and residence at the Sardar Bahadur Khan Women University (SBKWU) Quetta, when required.
- This year Hubco sponsored 20 student-participants from Balochistan province for the Young Leaders Conference 2011 held in Karachi. The sponsorship covered participation fee, return travel fare, accommodation and meals.

Narowal Project Area:

- Under the Narowal project umbrella, Hubco support six local Government primary and secondary schools in nearby villages, by providing free school bags, elementary charts and furniture, as well as through carrying out maintenance, repairs and painting where needed in these schools.

CSR initiatives in the field of healthcare:

Hub Power Plant Area:

- Hubco is providing an annual donation to LRBT Quetta of Rs. 1 Million, towards medical expenses of patients who are being treated at this hospital. The Company has previously donated a Laser Photo Coagulator and Yag Laser machine to LRBT Quetta.
- Donation to the Kidney Centre of Rs. 1 Million.
- Medicines provided to the government hospital in Hub and to 4 government dispensaries in Gadani and surrounding areas.
- Hubco also organize an annual free eye clinic, conducted by specialist eye doctors. Over 1200 out-patients were treated and well over a hundred surgeries performed.
- Hubco donated 2 ambulances in this financial year bringing the total to 6 donated ambulances for the people of Balochistan.

Narowal Project Area:

- The company also commenced preventive health services in the surroundings 3 villages of the Narowal Power Plant. A team consisting one lady doctor and one Lady Health Visitor (LHV) is dedicated in providing preventive health services like health education, first aid, consultation and free medicines.
- Hubco donated an ambulance for the people of catchment area.

CSR initiatives in the field of environment:

Hub Power Plant Area:

- In the field of environment Hubco had previously carried out extensive tree plantation at the power plant in Hub and during the current year, it carried out works for maintaining the plantation. In addition continuous monitoring of the environment is carried out to ensure compliance with the standards of World Bank and National Environment Quality Standards (NEQS).

Narowal Project Area:

- Additionally plantation of several thousand trees at Hubco Narowal plant site was initiated this year.

Contents

THE HUB POWER COMPANY LIMITED

Company Information	10
Notice of Meeting	12
Chairman's Review	15
Board of Directors	17
Committees of the Board	18
Report of the Directors	19
Statement of Compliance with Best Practices of Code of Corporate Governance and Auditor's Review Report	24
Auditors' Report	26
Unconsolidated Profit & Loss Account	28
Unconsolidated Statement of Comprehensive Income	29
Unconsolidated Balance Sheet	30
Unconsolidated Cash Flow Statement	31
Unconsolidated Statement of Changes in Equity	32
Notes to the Unconsolidated Financial Statements	33
Pattern of Shareholdings	60
Shareholders' Information	66

THE HUB POWER COMPANY LIMITED
and its Subsidiary Company

Report of Directors	68
Auditors' Report	69
Consolidated Profit & Loss Account	70
Consolidated Statement of Comprehensive Income	71
Consolidated Balance Sheet	72
Consolidated Cash Flow Statement	73
Consolidated Statement of Changes in Equity	74
Notes to the Consolidated Financial Statements	75
Proxy Form	

Company Information

HEAD OFFICE

3rd Floor, Islamic Chamber of Commerce Bldg;
ST-2/A, Block 9, Clifton,
P.O.Box No. 13841, Karachi-75600
Email: info@hubpower.com
Website: http://www.hubpower.com

REGISTERED OFFICE

C/o. Famco Associates (Pvt) Ltd.,
12, Capital Shopping Centre,
Second Floor, G-11 Markaz,
Islamabad

MANAGEMENT

Zafar Iqbal Sobani	Chief Executive Officer
Abdul Nasir	Chief Financial Officer
Huma Pasha	Chief Internal Auditor
Abdul Vakil	Chief Technical Officer
Shamsul Islam	Company Secretary
Wasif Mustafa Khan	Head of Projects
Lesley A. Middlecoat	Sr. Manager PR, HR & Admin

PRINCIPAL BANKERS

National Bank of Pakistan, Karachi

Accounts Banks:

Allied Bank of Pakistan
Askari Bank Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Bank of Punjab
Bank Islami Pakistan Limited
Barclays Bank PLC Pakistan
Burj Bank Limited
Citibank N.A. Karachi.
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
Meezan Bank Limited
MCB Bank Limited
NIB Bank Limited
Pak Brunei investment Company Limited
Pak China Investment Company Limited
Pak Kuwait Investment Company (Pvt) Ltd.,
Samba Bank Limited
Standard Chartered Bank (Pakistan) Ltd., Karachi
Sumitomo Mitsui Banking Corp. Europe Ltd., London
United Bank Limited

INTER-CREDITOR

AGENTS:

Allied Bank Limited
Habib Bank Limited
National Bank of Pakistan, Karachi
NIB Bank Limited

LEGAL ADVISORS

Rizvi, Isa, Afridi & Angell, Karachi

AUDITORS

M. Yousuf Adil Saleem & Co.,

REGISTRAR

Famco Associates (Pvt) Limited

Notice of the 20th Annual General Meeting

Notice is hereby given that the 20th Annual General Meeting of the Company will be held on Monday, October 31, 2011 at 11.30 am at Islamabad Serena Hotel, Islamabad to transact the following business.

1- To confirm the Minutes of the 19th Annual General Meeting of the Company held on September 22, 2010.

2- To receive and adopt the Audited Accounts of the Company for the year ended June 30, 2011 together with the Directors' & Auditors Reports thereon.

3- To approve and declare the final dividend of 30% (Rs. 3/- per share) as recommended by the Board of Directors and the 25% (Rs.2.50 per share) interim dividend already announced and paid on April 6, 2011 making a total dividend of 55% (Rs. 5.50 per share) for the year ended June 30, 2011.

4- To appoint M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as external auditors of the Company for the year ending June 2012 and fix their remuneration in place of the retiring auditors M/s. Yousuf Adil Salim & Co.

Shamsul Islam
Company Secretary

Karachi: September 19, 2011

Notes:

(i) The Share Transfer Books of the Company will remain closed from October 18, 2011 to October 31, 2011 (both days included) and the final dividend will be paid to the shareholders whose names will appear in the Register of Members on October 17, 2011.

(ii) 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.

(iii) Duly completed forms of proxy must be deposited with the Company Secretary at the Head Office of the Company not later than 48 hours before the time appointed for the meeting.

(iv) 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, State Life Building No. 1-A, 1st Floor, I. I. Chundigar Road, 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.

(v) Members who have not yet submitted photocopy of their valid Computerized National Identity Card are requested to send the same at the earliest directly to the Company's Share Registrar M/s. Famco Associated (Pvt) Ltd., State Life Building 1A, I.I. Chundrigar Road, Karachi.

CDC account holders will further have to follow the under-mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A For Attending the Meeting:

(i) In case of individuals, the account holders or sub account holders whose registration details are uploaded as per the Regulations, shall authenticate his/her original valid Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

(ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B For appointing Proxies

(i) In case of individuals, the account holder or sub-account holders whose registration details are uploaded as per the Regulations shall submit the proxy form as per the above requirement.

(ii) Attested copies of valid CNIC or the passport of the beneficial owners and the Proxy shall be furnished with the Proxy Form.

(iii) The proxy shall produce his original valid CNIC or original passport at the time of the meeting.

(iv) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

(v) The proxy form will be witnessed by two persons whose names, addresses and valid CNIC numbers shall be mentioned on the forms.

Chairman's Message

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

On behalf of the Board of Directors I am pleased to present the Annual Report of the Hub Power Group for the year ended June 30, 2011.

I am able to report that our Narowal Power Plant (214 MW net) commenced commercial operation in April 2011, regrettably 12 months behind schedule largely attributable to the inability of the EPC Contractor (MAN) to meet its contractual commitments. As previously reported, liquidated damages and insurance claims mitigated our losses. This Plant is operated and maintained by TNB REMACO, a subsidiary of TNB Malaysia; 237 GWh of electricity was supplied to the national grid through June 30, 2011.

Our subsidiary company, Laraib Energy Limited, is setting up the first private sector hydel power plant in Pakistan / Azad Jammu & Kashmir with a design capacity of 84 MW. Construction is progressing well and commercial operations is expected in mid 2013.

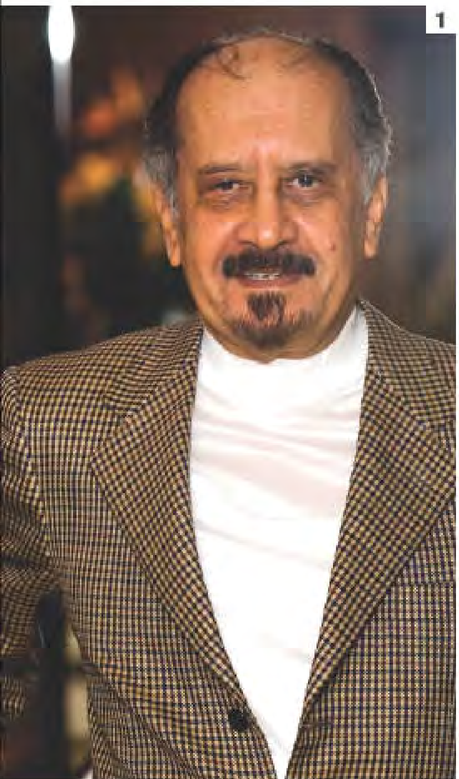
Our Hub Power Plant continues to perform efficiently and provided 8,115 GWh of electricity to WAPDA and maintained a load factor of 77.20%. Its operational and maintenance regime conforms to the best international standards.

The major concern facing not only our Company but the entire energy sector is the inability of the Government and its entities to meet the agreements and contracts entered into with IPPs. The problem of circular debt has been an issue for several years and despite repeated assurances that the resulting financial consequences will be solved, the matter remains unresolved and in fact is escalating. The Company and other IPPs are facing extreme liquidity constraints which have adverse consequences on the national economy as well as the profitability of the energy sector. We continue to receive advice from the highest levels at WAPDA / NTDC that both short term and long term solutions are imminent.

On behalf of all our shareholders I wish to thank the employees of Hubco, Narowal and Laraib as well as our Operators, International Power GDF Suez, and TNB REMACO for contributing to our continued success. I would also like to acknowledge the contribution of all the stakeholders in the progress of Hub Power Company.

Mohamed A. Alireza, H.I.
Chairman

Board of Directors


1

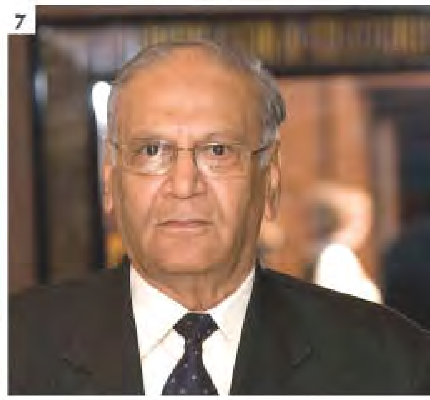

2


3

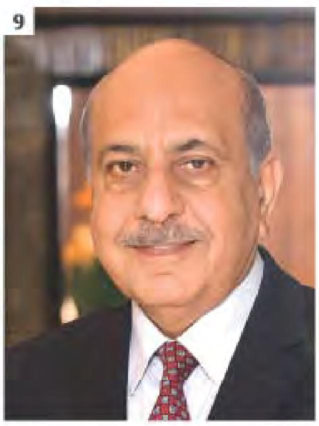

4


5


6


7


8


9


10


11


12


13


14


15

BOARD OF DIRECTORS

1.	Mr. Mohamed Ahmed Alireza, H.I.	Chairman
2.	Dr. Fereydoon Abtahi	
3.	Mr. Yousuf A. Alireza	
4.	Mr. Robin Anthony Bramley	
5.	Dr. Asif A. Brohi	NBP Nominee
6.	Mr. Malcolm Clampin	
7.	Mr. Taufique Habib*	
8.	Mr. Arshad A. Hashmi*	
9.	Mr. Qaiser Javed*	
10.	Mr. Ahmad Raza Khan	GOB Nominee
11.	Mr. Ali Munir*	
12.	Mr. Philippe F.A.L. Salmon	
13.	Syed Nizam A. Shah*	
14.	Mr. Zafar Iqbal Sobani	Chief Executive
15.	Mr. M. Ashraf Tumbi	

All the Directors of HUBCO, other than the CEO, are non-executive Directors.

Names marked with asterisks (*) are Independent Directors

Committees of the Board

COMMITTEES OF THE BOARD

All members of the Committees are non-executive Directors of which two are Independent Directors.

Audit Committee

Charter/Major Terms of Reference

- Recommend appointment & remuneration of external auditors
- Review accounts and ensure its compliance with requisite standards
- Review scope and extent of internal audit
- Review legislative and regulatory compliance

Members

1. Mr. M. A. Tumbi	Chairman
2. Mr. R. A. Bramley	
3. Mr. Malcolm Clampin	
4. Mr. Qaisar Javed	
5. Mr. Ali Munir	

Meetings held during the year - 4

Compensation Committee

Charter/Major Terms of Reference

- Recommends the appointment and remuneration of CEO and Senior Management
- Approves the Personnel Policy and ensure its implementation
- Ensures succession planning

Members

1. Mr. M. A. Tumbi	Chairman
2. Mr. R. A. Bramley	
3. Mr. Malcolm Clampin	
4. Mr. Taufique Habib	
5. Mr. S. N. A. Shah	

Meetings held during the year - 4

Operations Committee

Charter/Major Terms of Reference

- Review plants operations.
- Approve plant betterments and exceptional expenditures
- Review issues relating to O&M

Members

1. Mr. M. A. Alireza	Chairman
2. Dr. F. Abtahi	
3. Mr. R. A. Bramley	
4. Mr. Taufique Habib	
5. Mr. Qaiser Javed	

Meetings held during the year - 4

Corporate Communications Committee

Charter/Major Terms of Reference

- Monitor Social Action Programmes
- Monitor Public Relations

Members

1. Mr. S. N. A. Shah	Chairman
2. Mr. R. A. Bramley	
3. Mr. Qaiser Javed	
4. Dr. Asif A. Brohi	

Meeting held during the year - 1

Report of the Directors

The Board of Directors have pleasure in presenting the Annual Report with the Financial Statements of the Company for the year ended June 30, 2011.

General

The Hub Power Company Limited (the "Company") was incorporated in Pakistan on August 1, 1991 as a public limited company under the Companies Ordinance, 1984. The shares of the Company are listed on the Karachi, Lahore and Islamabad Stock Exchanges and its Global Depository Receipts are listed on the Luxembourg Stock Exchange. The principal activities of the Company are to develop, own, operate and maintain power stations. The Company owns an oil-fired power station with an installed net capacity of 1,200 MW at Mouza Kund, Hub, in Balochistan and an installed net capacity of 214 MW oil-fired power station at Mouza Poong, Narowal in Punjab. The Company also has a 75% controlling interest in Laraib Energy Limited, a subsidiary company that is developing a 84 MW hydel power plant near the New Bong Escape, 8 km downstream of Mangla Dam in Azad Kashmir. The project is required to achieve Commercial Operations Date by June 2013.

Finance

Our customer for the Hub plant, Water and Power Development Authority (WAPDA) continues to face financial difficulty and remains unable to meet its obligations to HUBCO under our Power Purchase Agreement (PPA). On the date of this Report an amount of Rs. 90 billion is outstanding against WAPDA of this Rs. 82 billion is classified overdue (payable immediately). The Company is in constant follow-up with WAPDA and the Federal Government for early release of the entire outstanding amounts.

WAPDA has not been able to provide its obligatory Letter of Credit to Hubco under our PPA for 2011-12 for an amount of Rs. 19.31 billion. WAPDA also did not provide the Letter of Credit for the year 2010-11 for the amount of Rs. 12.92 billion. In view of the foregoing, the obligations of WAPDA under our Power Purchase Agreement are secured through the Sovereign Guarantee from the Federal Government of Pakistan under the Implementation Agreement for the Hub plant.

As a result of the WAPDA's outstanding receipts, your Company presently owes Rs. 75 billion to Pakistan State Oil (PSO) for RFO supply to the Hub Power Plant of which Rs. 69 billion is classified as overdue. The Company's obligation to PSO remains covered by the Stand-by Letter of Credit of Rs. 8 billion provided to PSO under the Fuel Supply Agreement.

National Transmission and Despatch Company Limited (NTDC), the power purchaser under the 2002 Power Policy, owes Hubco Rs. 8.6 billion on account of our Narowal Plant of which Rs. 5.9 billion is classified as overdue. NTDC's obligations are fully guaranteed by GOP through a Sovereign Guarantee under the Implementation Agreement for Narowal.

Fuel is supplied to the Narowal Plant under a Fuel Supply Agreement with Bakri Trading Company Pakistan (Pvt.) Ltd. Hubco has provided Bakri with a Standby Letter of Credit to cover its obligations.

Due to WAPDA and NTDC delayed payments, your Company has to continue with its Running Finance Facilities. Despite the challenges faced by the Company due to delayed payments, the Company continues to meet its obligations under all its financing documents.

The current year figures include the results of Narowal operations after achieving commercial operations on April 21, 2011. The revenue from Narowal plant is recognized on the basis of reference tariff and the differential amount of revenue due to tariff adjustment will be recognized in the subsequent period.

The Company's turnover for the year was Rs. 123.310 billion (2010: Rs. 99.694 billion) and operating costs were Rs. 114.093 billion (2010: Rs. 92.006 billion), resulting in gross profit of Rs 9.217 billion (2010: Rs 7.688 billion). The Company earned a net profit of Rs. 5.425 billion resulting in earnings per share of Rs. 4.69 compared to a net profit of Rs. 5.556 billion and earnings per share of Rs. 4.80 last year. The decrease in profit is mainly due to the net effect of efficiency gains, lower repair & maintenance expenses, higher financing costs and recognition of Narowal revenue on reference tariff.

Operations

The Hub Plant continued to operate at optimal efficiency, high load factor and dispatched 8,115 GWh of electricity corresponding to a load factor of 77.20%. The Hub Plant maintained high availability of 89.10% for the full year.

The Company continues to allocate funds on various betterment expenditures towards the ongoing modernization of the Hub Plant in order to ensure its long term integrity and maximum availability for our customer WAPDA.

Narowal Plant since its COD generated 237 GWh of electricity in the ten weeks of operations during the year under review.

Laraib Energy Limited

Construction of Laraib Energy Limited's trailblazing 84 MW hydropower generating complex downstream of the Mangla Dam in Azad Jammu & Kashmir continued during the year. The Project is targeted to achieve Commercial Operations by June 2013 which is the required commercial operations date under the Power Purchase Agreement. The Operation and Maintenance of the Project has been awarded to TNB REMACO Pakistan (Private) Limited. Project Lenders comprising of Asian Development Bank, Islamic Development Bank, International Finance Corporation, Proparco (France), Habib Bank Limited and National Bank of Pakistan together have disbursed USD 78.6 million and PKR 1.88 billion of loans. Equity investment in the Project by the Sponsors to-date is PKR Equiv. of USD 48.74 million.

Corporate Social Responsibility

The Company continues to remain proactive in maintaining and expanding its Corporate Social Responsibility programme. Our focus is to support health and education programmes particularly in the areas where our plants are located in the provinces of Balochistan and Punjab.

Health care in local communities was strongly supported in the form of eye screening, eye clinics and supply of free medicine to Government dispensaries including carrying out regular clinics in the villages surrounding our Narowal Plant.

The Hub Power Plant's commitment to environment, safety and health standards has been recognized by being recipient of an award from the Royal Society for the Prevention of Accidents (RoSPA).

Corporate and Financial Reporting Framework

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

(a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in 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) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

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

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

(g) There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

Key operating and financial data of last six years is as follows:

Fiscal year ending June		2011	2010	2009	2008	2007	2006
Turnover	Rs. in millions	123,310	99,694	82,784	62,435	44,131	27,911
Profit	"	5,425	5,556	3,781	2,601	2,654	2,768
Assets	"	146,240	122,696	90,186	62,697	44,994	43,515
Dividend	"	5,786	5,207	2,719	3,182	3,587	4,455
Generation	(GWh)	8,352	8,337	8,257	7,205	7,214	3,930
Load Factor	%	77	79	79	68	69	37

Value of investments of provident fund and gratuity scheme based on their respective audited accounts as at June 30, 2010 were as follows:

	Rs. in million
Provident Fund	86.404
Gratuity Fund	64.739

Information in relation to Luxembourg Stock Exchange

The Directors in compliance with the requirements of the "Commission De Surveillance Du Secteur Financier, Societe de Bourse de Luxembourg SA", are pleased to confirm that to the best of their knowledge, the financial statements for the year ended June 30, 2011 give a true and fair view of the assets, liabilities, financial position and financial results of the Company and are in conformity with approved accounting standards as applicable in Pakistan. Further, the aforementioned business overview includes a fair review of the development and performance of the Company together with the potential risks and uncertainties faced, if any.

Board of Directors

The Current members of the Board are listed on Page No.17.

During the year and upto the date of this report the following changes also took place:

Mr. M. Jawaid Iqbal resigned on July 22, 2011 and Mr. Arshad A. Hashmi was appointed as Director w.e.f. September 8, 2011.

Mr. Vince R. Harris, CEO resigned on June 30, 2011 and Mr. Zafar Iqbal Sobani was appointed as CEO w.e.f. July 1, 2011.

Syed Ali Raza Nominee of NBP resigned on February 22, 2011 and Mr. Asif Brohi was appointed Nominee Director of NBP on February 22, 2011.

Mr. Keith Ulyett resigned on April 19, 2011 and Mr. Philippe F.A.L. Salmon was appointed Director on April 19, 2011.

During the year, five meetings of the Board of Directors were held. Attendance by the Directors and their alternates was as follows:

(1)	Mr. M. A. Alireza, H.I.	5
(2)	Dr. Fereydoon Abtahi	5
(3)	Mr. Yousuf A. Alireza	5
(4)	Mr. R.A. Bramley	5
(5)	Dr. Asif Brohi	1
(6)	Mr. Malcolm Clampin	5
(7)	Mr. Taufique Habib	5
(8)	Mr. Qaiser Javed	4
(9)	Mr. Ahmad Raza Khan	2
(10)	Mr. Ali Munir	5
(11)	Mr. Philippe F.A.L. Salmon	2
(12)	Syed Nizam A. Shah	5
(13)	Mr. M. Ashraf Tumbi	5

Meetings attended by outgoing Directors:

(1)	Mr. Vince Harris, OBE	5
(2)	Mr. M. Jawaid Iqbal	5
(3)	Syed Ali Raza	1
(4)	Mr. Keith Ulyett	3

The Pattern of Shareholdings as required by the SECP Code of Corporate Governance is attached with this Report.

Appropriation

The Board of Directors has pleasure in recommending a final dividend of Rs. 3/- per share. This will be paid to the shareholders on the Company's Register on October 17, 2011. An interim dividend of Rs. 2.50 per share that we declared on February 22, 2011 has already been paid in April 2011. The total dividend to be approved by the shareholders at the Annual General Meeting on Monday, October 31, 2011 will be Rs. 5.50 per share.

Movement in un-appropriated profit is as follows:

	Rs. in millions
NET PROFIT FOR THE YEAR	5,425
Unappropriated profit at the beginning of the year	18,310
Profit available for appropriations	23,735
APPROPRIATIONS	
Final dividend for the fiscal year 2009-10 @ Rs. 2.50 per share	(2,893)
Interim dividend for the fiscal year 2010-11 @ Rs. 2.50 per share	(2,893)
	(5,786)
Unappropriated profit at the end of the year	17,949
Basic and diluted earnings per share	Rs. 4.69

The Directors would like to draw your attention to the last paragraph of the Auditors' Report relating to note 22.10 to the financial statements.

Auditors

The retiring auditors Messrs M. Yousuf Adil Saleem & Co., Chartered Accountants being eligible offer themselves for reappointment. However, the Audit Committee has recommended the Board should consider the appointment of new auditors for the year ending June 2012.

By Order of the Board

Zafar Iqbal Sobani
Chief Executive

Karachi - September 8, 2011

Statement of Compliance with Best Practices of Code of Corporate Governance for the year ended June 30, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 (xlv) of listing regulations of The Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance. The Company has applied the principles contained in the Code in the following manner:

1. The Board of Directors of The Hub Power Company Limited has always supported and re-confirms its commitment to continued support and implementation of the highest standards of Corporate Governance at all times.

2. The Hubco Board had already approved the Company's own Code of Corporate Governance on June 24, 1994 before the Company issued its shares to the public in October, 1994. This code has been followed ever since.

   The Company was initially listed only on The Karachi Stock Exchange, however in order to facilitate its shareholders/investors all over Pakistan, the Company is now listed on all Stock Exchanges in Pakistan.

   The Board at its meeting on September 4, 2002 (the first meeting after May 2002) has amended Hubco's Code of Corporate Governance of June 1994 which, after the incorporation of the SECP Code in the Stock Exchange Listing Rules, now includes the following:

   a) Primary and Secondary Delegations - 1997;
   b) Karachi Stock Exchange circular dated May 9, 2002 incorporating the SECP Code of Corporate Governance dated March 28, 2002 in its Listing Rules;
   c) Hubco's Code of Business Ethics - dated June 10, 2002;
   d) Dealing by Directors and Employees in Shares of Hubco; and
   e) Role & Responsibilities of the Chairman - dated September 2, 2004.

3. The Board had also adopted a Vision and Mission Statements at its meeting on September 4, 2002. These have been amended and updated Vision & Mission Statements have been adopted at the Board Meeting on August 10, 2006.

4. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes four independent non-executive directors of which two directors represent minority shareholders.

5. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

6. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFI or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

7. Casual vacancy occurred and was filled by the Board in accordance with the law.

8. The Board has developed overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

9. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive have been taken by the Board.

10. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

11. The Directors have been provided with copies of the Listing Regulations of the Karachi Stock Exchange (guarantee) Ltd., Company's Memorandum and Articles of Association and the Code of Corporate Governance and they are well conversant with their duties and responsibilities.

12. The Board had approved appointment of the Chief Operations Officer, Chief Internal Auditor, Company Secretary and Chief Financial Officer (CFO), including their remuneration and terms and conditions of employment, as determined by the Chief Executive.

13. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

14. The financial statements of the Company are prepared in accordance with approved Accounting Standards as applicable in Pakistan and are duly endorsed by Chief Executive and the CFO before approval of the Board.

15. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

16. The Company has complied with all the major corporate and financial reporting requirements of the Code. All related party transactions have been reviewed and approved by the Board and are carried out on normal agreed terms and conditions in accordance with the Agreements.

17. The Board has formed an audit committee. It comprises of 5 members; all 5 are non-executive directors including the chairman of the committee. The Audit Committee ensures the independence of the internal audit function and the independence and objectivity of the External Auditors.

18. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

19. The Board has the following additional Committees with their Terms of Reference, these are composed of non-executive Directors:

    (a) Compensation Committee monitors the remuneration and appointments of Senior Management as well as the personnel policies and its implementation.

    (b) Operations Committee monitors the operation of the plant as well as all O&M Contractor related issues.

    (c) Corporate Communications Committee monitors the social action programmes and public relations.

    All the committees meet regularly before Board meetings and each committee report is presented to the full Board meetings.

20. The Board of Directors has implemented an organizational structure for the Company and has appointed the Chief Executive, the Chief Operations Officer, the CFO and the Company Secretary to manage the affairs in accordance with the Code of Corporate Governance of the Company as amended from time to time.

21. 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 and are involved in the internal audit function on a full time basis.

22. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants 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 Institute of Chartered Accountants of Pakistan.

23. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

24. We confirm that all other material principles contained in the Code have been complied with.

By order of the Board

Zafar Iqbal Sobani
Chief Executive

Karachi: September 8, 2011

Review Report to the Members on Statement of Compliance with best practices of Code of Corporate Governnance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of the The Hub Power Company Limited (the Company) to comply with the Regulations of the respective Stock Exchanges, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such Internal controls.

Further, Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which cause us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2011.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi
Date: September 08, 2011

Auditors' Report to the Members

We have audited the annexed unconsolidated balance sheet of The Hub Power Company Limited (the Company) as at June 30, 2011 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2011 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

We draw attention to the matter described in note 22.10 to the unconsolidated financial statements. The ultimate outcome of this contingency cannot presently be determined and accordingly, no provision for any liability that may result has been made in the unconsolidated financial statements. Our opinion is not qualified in respect of this matter.

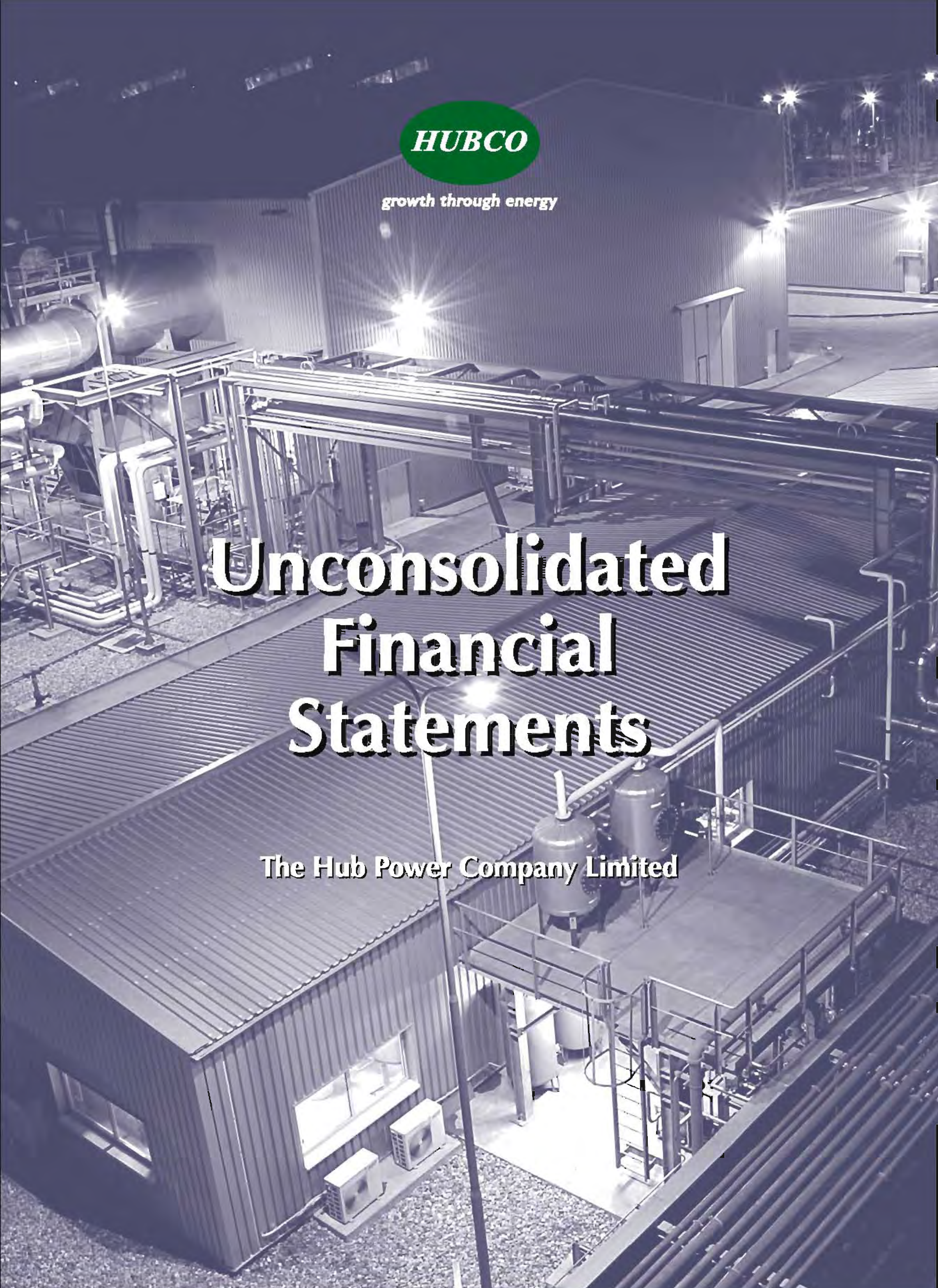
M. Yousuf Adil Saleem & Co.
Chartered Accountants

Audit Engagement Partner
Asad Ali Shah

Karachi
Date: September 08, 2011

HUBCO

growth through energy



Unconsolidated Financial Statements

The Hub Power Company Limited

Unconsolidated Profit and Loss Account

For the year ended June 30, 2011

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
Turnover	3	123,309,604	99,694,264
Operating costs	4	(114,092,576)	(92,006,319)
GROSS PROFIT		9,217,028	7,687,945
Other income	5	26,684	53,259
General and administration expenses	6	(436,708)	(391,491)
Finance costs	7	(3,382,172)	(1,793,591)
Workers' profit participation fund	8	-	-
PROFIT FOR THE YEAR		5,424,832	5,556,122
Basic and diluted earnings per share (Rupees)	28	4.69	4.80

The annexed notes from 1 to 35 form an integral part of these unconsolidated financial statements.

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

Unconsolidated Statement of Comprehensive Income

For the year ended June 30, 2011

	2011 (Rs. '000s)	2010 (Rs. '000s)
Profit for the year	5,424,832	5,556,122
Other comprehensive income for the year	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	5,424,832	5,556,122

The annexed notes from 1 to 35 form an integral part of these unconsolidated financial statements.

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

Unconsolidated Balance Sheet

As at June 30, 2011

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	9	48,890,480	49,614,595
Intangibles	10	6,698	8,369
Stores and spares		637,023	637,023
Investment in subsidiary		4,034,361	2,610,118
Long term advance, deposits and prepayments	11	50,652	4,133
CURRENT ASSETS			
Stores and spares		358,797	-
Stock-in-trade		3,773,699	1,559,876
Trade debts	12	85,806,069	66,712,461
Advances, prepayments and other receivables	13	1,066,697	739,628
Cash and bank balances	14	1,615,203	809,311
		92,620,465	69,821,276
TOTAL ASSETS		146,239,679	122,695,514
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Share Capital			
Authorised	15	12,000,000	12,000,000
Issued, subscribed and paid-up	15	11,571,544	11,571,544
Revenue Reserve			
Unappropriated profit		17,948,793	18,309,733
		29,520,337	29,881,277
NON-CURRENT LIABILITIES			
Long term loans	16	27,231,358	23,444,521
Share premium payable	17	-	41,208
Deferred liability - Gratuity	18	19,320	15,689
CURRENT LIABILITIES			
Trade and other payables	19	74,177,088	59,595,332
Interest / mark-up accrued	20	1,596,824	1,317,961
Short term borrowings	21	11,682,276	6,743,596
Current maturity of long term loans	16	2,012,476	1,655,930
		89,468,664	69,312,819
COMMITMENTS AND CONTINGENCIES	22		
TOTAL EQUITY AND LIABILITIES		146,239,679	122,695,514

The annexed notes from 1 to 35 form an integral part of these unconsolidated financial statements.

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

Unconsolidated Cash Flow Statement

For the year ended June 30, 2011

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		5,424,832	5,556,122
Adjustments for:			
Depreciation		1,953,856	1,719,556
Amortisation		3,877	1,753
Loss on disposal of fixed assets		744	879
Staff gratuity		16,033	9,222
Interest income		(11,722)	(15,637)
Interest / mark-up		3,119,728	1,587,340
Amortisation of transaction cost		12,432	-
Operating profit before working capital changes		10,519,780	8,859,235
Working capital changes	26	(7,753,020)	(3,400,552)
Cash generated from operations		2,766,760	5,458,683
Interest received		11,930	15,985
Interest / mark-up paid		(2,131,050)	(1,553,124)
Staff gratuity paid		(12,402)	(8,657)
Net cash from operating activities		635,238	3,912,887
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure - net		(1,236,885)	(13,452,528)
Proceeds from disposal of fixed assets		4,194	5,469
Investment in subsidiary		(1,843,896)	(1,438,489)
Long term advance, deposits and prepayments		(46,519)	142
Net cash used in investing activities		(3,123,106)	(14,885,406)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(5,775,871)	(5,193,788)
Proceeds from long term loans - Narowal plant		2,172,360	13,759,537
Proceeds from long term loans - Laraib's investment		3,367,794	-
Repayment of long term loans - Hub plant		(979,061)	(979,061)
Repayment of long term loans - Narowal plant		(430,142)	-
Repayment of finances under mark-up arrangements - Narowal plant		-	(1,148,890)
Net cash (used in) / from financing activities		(1,644,920)	6,437,798
Net decrease in cash and cash equivalents		(4,132,788)	(4,534,721)
Cash and cash equivalents at the beginning of the year		(5,934,285)	(1,399,564)
Cash and cash equivalents at the end of the year	27	(10,067,073)	(5,934,285)

The annexed notes from 1 to 35 form an integral part of these unconsolidated financial statements.

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

Unconsolidated Statement of Changes in Equity

For the year ended June 30, 2011

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
Issued capital			
Balance at the beginning of the year		11,571,544	11,571,544
Balance at the end of the year	15	11,571,544	11,571,544
Unappropriated profit			
Balance at the beginning of the year		18,309,733	17,960,806
Total comprehensive income for the year		5,424,832	5,556,122
Transactions with owners in their capacity as owners			
Final dividend for the fiscal year 2009-2010 @ Rs. 2.50 (2008-2009 @ Rs. 2.00) per share		(2,892,886)	(2,314,309)
Interim dividend for the fiscal year 2010-2011 @ Rs. 2.50 (2009-2010 @ Rs. 2.50) per share		(2,892,886)	(2,892,886)
		(5,785,772)	(5,207,195)
Balance at the end of the year		17,948,793	18,309,733
Total equity		29,520,337	29,881,277

The annexed notes from 1 to 35 form an integral part of these unconsolidated financial statements.

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

1. THE COMPANY AND ITS OPERATIONS

The Hub Power Company Limited (the "Company") was incorporated in Pakistan on August 1, 1991 as a public limited company under the Companies Ordinance, 1984 (the "Ordinance"). The shares of the Company are listed on the Karachi, Lahore and Islamabad Stock Exchanges and its Global Depository Receipts are listed on the Luxembourg Stock Exchange. The principal activities of the Company are to develop, own, operate and maintain power stations. The Company owns an oil-fired power station of 1,200 MW (net) in Balochistan (Hub plant) and a 214 MW (net) oil-fired power station in Punjab (Narowal plant). The Company also has a 75% controlling interest in Laraib Energy Limited, a subsidiary company which owns an under construction hydel power project of 84 MW.

Narowal plant achieved Commercial Operations Date (COD) on April 21, 2011. Electricity generated and dispatched during testing & commissioning of Narowal plant was capitalised. The current year profit and loss includes Narowal's post COD results. As per the Power Purchase Agreement (PPA), the reference tariff approved by National Electric Power Regulatory Authority (NEPRA) is to be adjusted after COD and the Company has filed an application with NEPRA for adjustment in tariff. These unconsolidated financial statements include revenue from Narowal plant on the basis of reference tariff and the differential amount of revenue due to tariff adjustment will be recognised in the subsequent period.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Accounting convention

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

2.3 Property, plant and equipment

(a) Operating property, plant, equipment and depreciation

These are stated at cost less accumulated depreciation and impairment losses, if any, except for freehold land which is stated at cost.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets at the rates shown in note 9.1 to the unconsolidated financial statements. Depreciation on additions is charged for the full month in which an asset is put to use and on disposals up to the month immediately preceding the disposals.

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

Gains and losses on disposals are taken to the profit and loss account.

(b) Capital work-in-progress

Capital work-in-progress is stated at cost. Items are transferred to operating property, plant and equipment as and when they are put to use.

2.4 Intangible assets and amortisation

These are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is computed using the straight-line method over the estimated useful lives of the assets at the rate shown in note 10.1 to the unconsolidated financial statements.

2.5 Impairment of non-current assets

The carrying amounts of non-current assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to assess whether asset's carrying value exceeds its recoverable amount. Where carrying value exceeds the estimated recoverable amount, asset is written down to its recoverable amount. Impairment losses are recognised as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.6 Stores and spares

Stores and spares classified under non-current assets are stated at cost. The Operation and Maintenance Contractor of the Hub plant is responsible to maintain and replenish stores and spares as they are used.

Stores and spares classified under current assets are valued at moving average cost except for the items in transit which are stated at cost. Provision is made for slow moving and obsolete items, if any.

2.7 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.

2.8 Cash and cash equivalents

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

2.9 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.

2.10 Staff retirement benefits

The Company operates a partially funded defined benefit gratuity plan covering eligible employees whose period of service with the Company is at least five years.

The Company operates a defined contribution provident fund for all its employees who are eligible for the plan. Equal contributions thereto are made by the Company and the employees in accordance with the fund's rules.

2.11 Revenue recognition

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

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

2.12 Interest income

Interest income is recorded on accrual basis.

2.13 Foreign currency transactions and translation

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

2.14 Taxation

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

2.15 Dividend

Dividend is recognised as a liability in the period in which it is approved.

2.16 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 profit and loss account over the period of the borrowings using the effective interest rate method.

(c) Trade and other payables

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

2.17 Borrowing costs

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

2.18 Investment in subsidiary

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

2.19 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.

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)

3. TURNOVER

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
Turnover		140,346,799	112,849,809
Less: Sales tax		(17,037,195)	(13,155,545)
		123,309,604	99,694,264

4. OPERATING COSTS

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
Fuel cost		108,141,995	86,246,924
Stores and spares		13,872	-
Operation and Maintenance	4.1	2,943,737	2,707,219
Insurance		517,972	542,272
Depreciation	9.3	1,930,256	1,697,242
Amortisation	10.1	163	302
Miscellaneous		544,581	812,360
		114,092,576	92,006,319

4.1 This includes Rs. 2,896.270 million (2010: Rs. 2,707.219 million) related to services rendered by an associated undertaking under the Operation & Maintenance Agreement for Hub plant.

5. OTHER INCOME

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
Interest income		11,722	15,637
Exchange gain		14,962	37,622
		26,684	53,259

6. GENERAL AND ADMINISTRATION EXPENSES

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
Salaries, benefits and other allowances	6.1	225,506	208,666
Travel and transportation		35,244	42,631
Fuel and power		6,099	5,345
Property, vehicles and equipment rentals		11,051	10,108
Repairs and maintenance		8,610	6,288
Legal and professional		12,180	24,836
Insurance		9,061	7,607
Auditors' remuneration	6.2	3,740	2,763
Donation	6.3	37,625	20,595
Depreciation	9.3	23,600	22,314
Amortisation	10.1	3,714	1,451
Loss on disposal of fixed assets		744	879
Miscellaneous		59,534	38,008
		436,708	391,491

6.1 These include Rs. 25.451 million (2010: Rs. 17.095 million) in respect of staff retirement benefits.

	2011 (Rs. '000s)	2010 (Rs. '000s)
6.2 Auditors' remuneration		
Statutory audit	1,805	1,668
Half yearly review	552	489
Other services	1,273	494
Out-of-pocket expenses	110	112
	3,740	2,763

6.3 No directors or their spouses had any interest in any donee to which donations were made.

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
7. FINANCE COSTS			
Hub plant			
Interest / mark-up on long term loans		931,221	1,065,602
Mark-up on short term borrowings		1,158,323	497,611
Miscellaneous finance costs		116,291	103,560
		2,205,835	1,666,773
Narowal plant			
Mark-up on long term loans		3,060,860	2,251,221
Mark-up on short term borrowings		94,333	15,150
Amortisation of transaction cost		12,432	-
Other finance costs		92,137	173,797
		3,259,762	2,440,168
Laraib's investment			
Mark-up on long term loans		290,332	-
Mark-up on short term borrowings		-	24,127
Unwinding of discount on share premium payable		37,770	39,288
Other finance costs		41,144	63,400
		369,246	126,815
		5,834,843	4,233,756
Less: amount capitalised in the cost of qualifying assets - Narowal plant		(2,452,671)	(2,440,165)
		3,382,172	1,793,591
8. WORKERS' PROFIT PARTICIPATION FUND			
Provision for Workers' profit participation fund	19	271,242	277,806
Payment of Workers' profit participation fund recoverable from WAPDA	13	(271,242)	(277,806)
		-	-

The Company is required to pay 5% of its profit to the Workers' profit participation fund (the "Fund"). However, such payment does not affect the Company's overall profitability because after payment to the Fund, the Company bills this to WAPDA as a pass through item under the Power Purchase Agreement (PPA).

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
9. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	9.1	**48,337,053**	27,598,326
Capital work-in-progress			
Plant betterments (Hub plant)	9.4	**37,751**	42,685
Narowal plant	9.5	**515,676**	21,973,584
		553,427	22,016,269
		48,890,480	49,614,595

9.1 Operating property, plant and equipment

	Freehold land	Building on freehold land	Leasehold property	Plant & machinery	Furniture & fixtures	Vehicles	Office equipment	Total
	(Rs. '000s)							
Cost:								
As at July 1, 2010	18,890	219,802	862	49,334,058	32,028	93,862	8,005	49,707,507
Additions	**49,734**	**308,861**	**-**	**22,323,941**	**1,489**	**14,695**	**1,278**	**22,699,998**
Disposals	**-**	**-**	**-**	**(6,912)**	**(4,493)**	**(12,196)**	**(656)**	**(24,257)**
As at June 30, 2011	**68,624**	**528,663**	**862**	**71,651,087**	**29,024**	**96,361**	**8,627**	**72,383,248**
Depreciation:								
Rate (%)	**-**	**3.33 to 20**	**3.33**	**3.33 to 33.33**	**20**	**25**	**20**	**-**
As at July 1, 2010	-	94,112	451	21,938,246	28,176	43,403	4,793	22,109,181
Charge for the year	**-**	**12,350**	**29**	**1,921,489**	**1,001**	**20,433**	**1,031**	**1,956,333**
Disposals	**-**	**-**	**-**	**(6,740)**	**(1,797)**	**(10,165)**	**(617)**	**(19,319)**
As at June 30, 2011	**-**	**106,462**	**480**	**23,852,995**	**27,380**	**53,671**	**5,207**	**24,046,195**
Net book value as at June 30, 2011	**68,624**	**422,201**	**382**	**47,798,092**	**1,644**	**42,690**	**3,420**	**48,337,053**
Net book value as at June 30, 2010	18,890	125,690	411	27,395,812	3,852	50,459	3,212	27,598,326
Cost of fully depreciated assets as at June 30, 2011	**-**	**18,372**	**-**	**198,062**	**25,565**	**17,740**	**3,161**	**262,900**
Cost of fully depreciated assets as at June 30, 2010	-	18,372	-	193,009	25,495	17,672	3,367	257,915

9.2 Disposal of operating property, plant and equipment

Assets	Cost	Accumulated depreciation	Net book value	Sale price	Mode of disposal	Particulars of buyer
	(Rs. '000s)					
Vehicle	630	578	52	400	Negotiation	Fahim Ahmed - Employee
Vehicle	630	578	52	400	Negotiation	Hamid Ali - Employee
Vehicle	1,076	874	202	740	Tender	Lal Muhammad
Vehicle	72	1	71	70	Insurance claim	Adamjee Insurance
Vehicle	1,811	189	1,622	1,740	Insurance claim	EFU General Insurance
Furniture & fixtures	4,493	1,797	2,696	-	Write off	N/A
Computer	127	28	99	105	Insurance claim	EFU General Insurance
Items having a net book value not exceeding Rs. 50,000 each						
Vehicles	7,977	7,945	32	570	Various	Various
Computers	6,785	6,712	73	135	Various	Various
Office equipment	656	617	39	34	Negotiation	Various
Total - June 30, 2011	**24,257**	**19,319**	**4,938**	**4,194**		
Total - June 30, 2010	30,106	23,758	6,348	5,469		

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
9.3 Depreciation charge for the year has been allocated as follows:			
Operating costs	4	1,930,256	1,697,242
General and administration expenses	6	23,600	22,314
Capital work-in-progress - Narowal plant		2,477	621
		1,956,333	1,720,177
9.4 Capital work-in-progress - Plant betterments (Hub plant)			
Opening balance		42,685	112,636
Additions during the year		40,687	21,565
Transfers during the year		(45,621)	(91,516)
		37,751	42,685
9.5 Capital work-in-progress - Narowal plant			
Opening balance		21,973,584	8,563,800
Additions during the year	9.5.1	1,553,714	13,409,784
Transfers during the year		(23,011,622)	-
		515,676	21,973,584

9.5.1 The additions for the year are net of Liquidated Damages (LDs) received from the EPC contractor less charged by Power Purchaser and Private Power and Infrastructure Board (PPIB) for delay in achieving commercial operations.

10. INTANGIBLES

	Cost as at July 1, 2010	Additions	Disposals	Cost as at June 30, 2011	Accumulated amortisation as at July 1, 2010	Charge for the year	Disposals	Accumulated amortisation as at June 30, 2011	Net book value as at June 30, 2011	Net book value as at June 30, 2010
	....	....	....	....	(Rs. '000s)	....	....	....	....	....
Computer software	36,535	2,206	-	38,741	28,166	3,877	-	32,043	6,698	8,369

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
10.1 Amortisation charge for the year at 33.33% has been allocated as follows:			
Operating costs	4	163	302
General and administration expenses	6	3,714	1,451
		3,877	1,753
11. LONG TERM ADVANCE, DEPOSITS AND PREPAYMENTS			
Advance - considered good		45,096	-
Deposits		3,110	1,564
Prepayments		2,446	2,569
		50,652	4,133
12. TRADE DEBTS - Secured			
Considered good	12.1 & 12.2	85,806,069	66,712,461

12.1 This includes an amount of Rs. 70,444 million (2010: Rs. 57,764 million) receivable from WAPDA and Rs. 668 million receivable from NTDC which are overdue but not impaired because the trade debts are secured by a guarantee from the Government of Pakistan under Implementation Agreements. The overdue from WAPDA carries mark-up at SBP discount rate plus 2% per annum compounded semi-annually and the overdue from NTDC carries mark-up at a rate of 3 month KIBOR plus 4.5% per annum compounded semi-annually. The aging of these overdue receivables is as follows:

	2011 (Rs. '000s)	2010 (Rs. '000s)
Up to 3 months	47,255,408	28,324,374
3 to 6 months	18,727,190	25,916,378
Over 6 months	5,130,005	3,523,136
	71,112,603	57,763,888

12.2 This includes Rs. 373 million relating to a tax matter (see note 22.11).

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
13. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - considered good			
Executives		353	208
Employees		74	25
Suppliers		39,562	4,297
		39,989	4,530
Prepayments			
LC commission and other loan related costs		5,724	6,109
Miscellaneous		5,673	5,759
		11,397	11,868
Other receivables			
Interest accrued		33	241
Income tax	22.10	296,872	296,872
Sales tax		446,790	104,980
Receivable from an associated undertaking		374	116
Payment of Workers' profit participation fund recoverable from WAPDA	8	271,242	277,806
Miscellaneous		-	43,215
		1,015,311	723,230
		1,066,697	739,628
14. CASH AND BANK BALANCES			
Savings accounts		1,615,128	169,111
Call and term deposits		-	640,125
In hand		75	75
	14.1 & 14.2	1,615,203	809,311

14.1 Savings, call and term deposits accounts carry mark-up rates ranging between 0.50% to 5% (2010: 0.36% to 5%) per annum.

14.2 This includes Rs. 673.689 million (2010: Rs. Nil) restricted for Narowal project related payments.

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

2011	2010		2011	2010
(No. of Shares)			(Rs. '000s)	(Rs. '000s)
		Authorised :		
1,200,000,000	1,200,000,000	Ordinary shares of Rs.10/- each	**12,000,000**	12,000,000
		Issued, subscribed and paid-up : 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

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

15.2 Associated undertakings held 484,790,642 (2010: 495,726,779) shares in the Company as at year end.

16. LONG TERM LOANS - Secured

From Banks / Financial Institutions	Note	As at July 01, 2010	Drawn	Repaid	Current portion	Transaction cost	As at June 30, 2011
		(Rs. '000s)					
Hub plant							
Under the Private Sector Energy Development Fund's (PSEDF I) Facility	16.1 & 16.1.1	4,656,182	-	(722,108)	(722,109)	-	3,211,965
Under the Private Sector Energy Development Fund's (PSEDF II) Facility	16.1 & 16.1.2	1,656,855	-	(256,953)	(256,953)	-	1,142,949
Sub Total		6,313,037	-	(979,061)	(979,062)	-	4,354,914
Narowal plant							
Commercial Facility	16.2.1	5,776,553	653,100	(146,206)	(358,425)	-	5,925,022
Expansion Facility	16.2.2	13,478,624	1,523,900	(283,936)	(712,284)	-	14,006,304
Transaction cost - net		(467,763)	-	-	37,295	7,792	(422,676)
Sub Total		18,787,414	2,177,000	(430,142)	(1,033,414)	7,792	19,508,650
Laraib's investment							
Syndicated term finance facility	16.3.1	-	2,681,874	-	-	-	2,681,874
Islamic finance facility	16.3.2	-	759,000	-	-	-	759,000
Transaction cost		-	-	-	-	(73,080)	(73,080)
Sub Total		-	3,440,874	-	-	(73,080)	3,367,794
Total		25,100,451	5,617,874	(1,409,203)	(2,012,476)	(65,288)	27,231,358

From Banks / Financial Institution	Note	As at July 01, 2009	Drawn	Repaid	Current portion	Transaction cost	As at June 30, 2010
		(Rs. '000s)					
Hub plant							
Under the Private Sector Energy Development Fund's (PSEDF I) Facility	16.1 & 16.1.1	5,378,290	-	(722,108)	(722,109)	-	3,934,073
Under the Private Sector Energy Development Fund's (PSEDF II) Facility	16.1 & 16.1.2	1,913,808	-	(256,953)	(256,953)	-	1,399,902
Sub Total		7,292,098	-	(979,061)	(979,062)	-	5,333,975
Narowal plant							
Commercial Facility	16.2.1	1,648,692	4,127,861	-	(229,320)	-	5,547,233
Expansion Facility	16.2.2	3,846,948	9,631,676	-	(447,548)	-	13,031,076
Transaction cost		(467,763)	-	-	-	-	(467,763)
Sub Total		5,027,877	13,759,537	-	(676,868)	-	18,110,546
Total		12,319,975	13,759,537	(979,061)	(1,655,930)	-	23,444,521

16.1 These loans are repayable in 30 equal installments on semi-annual payment dates starting from January 10, 2002. Any late payment by the Company is subject to payment of interest at 3% per annum above the normal rate of interest. The Company may not pay dividend until certain financial requirements under these facilities are satisfied. These loans are secured pari passu by way of:

(a) a fixed charge over each of the following, namely:

(i) the Tangible Moveable Property of the Company;

(ii) the Intellectual Property of the Company; and

(iii) all goodwill belonging to the Company.

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

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

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

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

(d) mortgages over the Company's real property situated in Lasbella, Islamabad and Karachi, together with all rights of easements, privileges and licences appurtenant thereto.

16.1.1 Interest is payable @ 14% per annum.

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

16.2 In connection with Narowal project:

16.2.1 The loan is repayable in 40 installments on quarterly basis starting from January 16, 2011 and then on each mark-up payment date at a mark-up rate of three month KIBOR plus 0.25% per annum. The mark-up is payable on quarterly basis in arrear. The loan is secured pari passu by way of same securities as mentioned in note 16.1 and a first ranking floating charge over the Commercial Facility Disbursement Account and all credit balances held therein from time to time and all rights, property and benefits arising therefrom at any time and from time to time.

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

The loan is secured pari passu by way of:

(a) mortgage by Deposit of Title Deeds over the immovable properties of the Company situated at Narowal and acquired for the purposes of Narowal plant;

(b) a first ranking floating charge over the Project Company's undertaking and assets (both present and future), fixed and current, tangible and intangible, wherever situated and all present and future trade deposits, trade debts, loans and advances, bills and other receivables in relation to the Narowal plant;

(c) by way of hypothecation, the creation of a first fixed charge over the present and future properties purchased for the purposes of Narowal plant;

(d) mortgage and assignment of the Company's rights, titles and interests, present and future, actual and contingent under and in connection with the Narowal Project Documents and all rights of the Company to make recovery under the Narowal Project Documents and all proceeds of whatsoever nature receivable by the Company under the Narowal Project Documents; and

(e) by way of first priority security, the Company has assigned, charged and granted a security interest on all and each of the Project Company's rights, title, interest and benefit, present and future, under and in connection with the GOP Guarantee (for Narowal plant) and all rights of the Project Company to make recovery under the GOP Guarantee and any proceeds thereof receivable by the Project Company under the GOP Guarantee.

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

During the year, the Company withdrew Rs. 2,177 million from the facilities mentioned in notes 16.2.1 and 16.2.2 after obtaining extension in the expiry of availability period up to April 21, 2011.

The outstanding balance of long term loans include Rs. 1,866.848 million (2010: Rs. 1,711.571) from an associated undertaking.

16.3 In order to meet its investment obligation in the Subsidiary:

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

16.3.2 The Company has also entered into a long term islamic financing arrangement with a bank for an amount of Rs. 759 million. The loan is repayable in nine equal installments on semi-annual basis following the six months after the end of availability period which is 42 months from the facility effective date at a mark-up rate of six month KIBOR plus 2.20% per annum. The facility became effective on November 24, 2010. The mark-up is payable on semi-annual basis in arrear starting from the availability period. Any late payment by the Company is subject to an additional payment of 2% per annum above the normal mark-up rate. The loan is secured by way of securities mentioned in note 16.3.1.

The outstanding balance of long term loans include Rs. 520.576 million out of the total available facility of Rs. 1,000 million from an associated undertaking.

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
17. SHARE PREMIUM PAYABLE			
Share premium payable		95,620	536,593
Less: current portion	19	(95,620)	(495,385)
		-	41,208

This represents share premium payable to Coate & Co. (Pvt.) Limited for the acquisition of shares of the Subsidiary.

	2011 (Rs. '000s)	2010 (Rs. '000s)

18. DEFERRED LIABILITY

Staff gratuity	19,320	15,689

Actuarial valuation was carried out as on June 30, 2011. The present value of defined benefit obligation has been calculated using the Projected Unit Credit Actuarial Cost method.

	2011 (Rs. '000s)	2010 (Rs. '000s)
Reconciliation of the net liability recognised in the balance sheet		
Present value of defined benefit obligation	97,139	110,529
Fair value of plan assets	(61,054)	(81,095)
Net actuarial losses not recognised	(16,765)	(13,745)
Net liability recognised in the balance sheet	19,320	15,689
Reconciliation of the movements during the year in the net liability recognised in the balance sheet		
Opening net liability	15,689	15,001
Expense recognised	16,033	9,345
Contributions to the fund made during the year	(12,402)	(8,657)
Closing net liability	19,320	15,689
Expense recognised		
Current service cost	8,039	6,242
Interest cost	12,816	12,958
Expected return on plan assets	(7,514)	(9,855)
Actuarial loss recognised	2,692	-
Expense recognised	16,033	9,345
Actual return on plan assets		
Expected return on plan assets	7,514	9,855
Actuarial loss on plan assets	(1,985)	(3,641)
Actual return on plan assets	5,529	6,214

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

	2011	2010
- Valuation discount rate per annum	14%	14%
- Expected return on plan assets per annum	11%	11%
- Expected rate of increase in salary level per annum	14%	14%

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
19. TRADE AND OTHER PAYABLES			
Creditors			
Trade	19.1	70,783,935	55,532,162
Other		113,724	73,582
		70,897,659	55,605,744
Accrued liabilities			
Due to operation and maintenance contractors		286,438	138,044
Project cost - Narowal plant		845,087	1,540,948
Miscellaneous finance costs		13,098	17,008
Miscellaneous		679,777	521,092
		1,824,400	2,217,092
Unearned income	19.2	938,512	880,249
Share premium payable	17	95,620	495,385
Unclaimed dividend		86,066	76,165
Other payables			
Provision for Workers' profit participation fund	8	271,242	277,806
Retention money		63,589	35,381
Withholding tax		-	7,510
		334,831	320,697
	19.3	74,177,088	59,595,332

19.1 This includes Rs. 69,687 million (2010: 55,532 million) payable to Pakistan State Oil, out of which overdue amount is Rs. 55,337 million (2010: Rs. 48,769 million). The overdue amount carries interest / mark-up at SBP discount rate plus 2% per annum compounded semi-annually.

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

19.3 This includes a sum of Rs. 853 million (2010: 613 million) payable to an associated undertaking.

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
20. INTEREST / MARK-UP ACCRUED			
Interest / mark-up accrued on long term loans		1,348,913	1,191,299
Mark-up accrued on short term borrowings		247,911	126,662
	20.1	1,596,824	1,317,961

20.1 Included herein is a sum of Rs. 140.831 million (2010: Rs. 63.095 million) payable to associated undertakings.

	Note	2011 (Rs. '000s)	2010 ((Rs. '000s)
21. SHORT TERM BORROWINGS - Secured			
Finances under mark-up arrangements	21.1, 21.2 & 27	11,682,276	6,743,596

21.1 The facilities for running finance available from various banks / financial institution amounted to Rs. 12,900 million (2010: Rs. 9,300 million) at mark-up ranging between 0.75% to 3.00% per annum above one month KIBOR. The mark-up on the facilities is payable on monthly / quarterly basis in arrears. The facilities will expire during the period from September 30, 2011 to June 30, 2012. These facilities are secured by way of charge over the trade debts and stocks of the Company pari passu with the existing charge. Any late payment by the Company is subject to an additional payment of 2% per annum above the normal mark-up rate.

21.2 This includes a sum of Rs. 898.991 million (2010: Rs. Nil) payable to an associated undertaking. The available facility amounts to Rs. 2,000 million (2010: Rs. Nil).

21.3 The Company has entered into a working capital facility agreement with various banks for an amount of Rs. 2,250 million (2010: Rs. Nil) at a mark-up of 2.00% per annum above three month KIBOR. The mark-up on the facility is payable on quarterly basis in arrears. The facility will expire on July 28, 2012. Any late payment by the Company is subject to an additional payment of 2% per annum above the normal mark-up rate. The facility is 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 opened for the purpose of this agreement, (ii) Fuel, lube, fuel stocks at the Narowal plant and Spares parts; and (iii) the Energy Payment Receivables of Narowal plant.

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

21.4 The Company has also entered into Murabahah facility agreements with banks for an amount of Rs. 625 million (2010: Rs. Nil) at a mark-up of 2.00% per annum above three month KIBOR. The mark-up on the facilities is payable on quarterly basis in arrears. These facilities will expire on July 28, 2012. Any late payment by the Company is subject to an additional payment of 2% per annum above the normal mark-up rate. These facilities are secured by way of securities mentioned in note 21.3.

22. COMMITMENTS AND CONTINGENCIES

22.1 The Company, under the Fuel Supply Agreement (FSA) for Hub plant, is committed to purchase a certain quantity of oil from Pakistan State Oil (PSO) every year.

22.2 Counter guarantees, to meet the requirements under the FSA, issued to various banks which are secured pari passu with long term loans (as mentioned in note 16.1) amount to Rs. 8,000 million (2010: Rs. 8,000 million).

22.3 Commitments in respect of capital and revenue expenditures amount to Rs. 422.630 million (2010: Rs. 839.865 million).

22.4 In connection with investment in the Subsidiary, 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 the Subsidiary'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 the Subsidiary; and

(b) all its rights, title and interest from time to time (whether present or future) in the Assigned Subordinated Loans (none at present) 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 (none at present).

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

Further, the Company is committed to maintain a minimum of 75% equity interest in the Subsidiary. As at June 30, 2011 on the basis of 75:25 debt to equity ratio, the Company's remaining equity commitment is likely to be USD 7.13 million (2010: USD 23.74 million). The Company has arranged long term loan facilities as mentioned in note 16.3 to fund the investment commitment.

22.5 Pursuant to the SSA in connection with the investment in the Subsidiary, the Company is committed to provide an LC of USD 46 million to the Subsidiary's lenders from Financial Close to the last repayment date of debt (expected in 2024). The Company entered into an agreement with a commercial bank (an associated undertaking) for the arrangement of this LC in the amount of USD 46 million or aggregating Rs. 4,000 million, whichever is lower, for a period of four years starting December 2009. The LC was arranged for one year under the agreement and is renewable each year subject to certain conditions. The LC amount reduces as the equity is injected into the Subsidiary and project achieves COD. The current outstanding amount of the LC is USD 33 million. Post COD, the Company will be required to maintain a maximum LC of USD 17 million up to 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 the Subsidiary including bonus shares and right shares.

22.6 After achieving COD of the Narowal plant on April 21, 2011, the Company has filed a tariff adjustment application with NEPRA. The outcome of this application may impact the future results and cash flows of the Narowal plant.

22.7 In connection with the Narowal plant, under the Fuel Supply Agreement, the Company is committed to purchase certain quantity of oil from Bakri Trading Company Pakistan (Pvt.) Ltd. and provide Stand By Letter of Credit (SBLC). During the year, the Company provided SBLC for an amount of Rs. 1,000 million which subsequent to the year end has been enhanced to Rs. 2,400 million. This SBLC will expire on August 04, 2012. Any default in payment by the Company is subject to a mark-up rate of three month KIBOR plus 4.00% per annum. This SBLC is secured by way of securities mentioned in note 21.3.

22.8 The Company has entered into an Operation and Maintenance agreement with O&M contractor for the Narowal plant for a period of five years starting from the Commercial Operations Date. Under the agreement, the Company is committed to pay certain fee to the operator of the plant payable in fixed and variable portions.

22.9 The Company is exposed to the liquidated damages if it is not able to meet the availability conditions of the Narowal plant as defined under the Narowal PPA. The Company remains exposed to LDs if Narowal plant does not have sufficient fuel to meet the availability conditions of the PPA.

22.10 (i) The Deputy Commissioner of Income tax (DCIT) 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 tax amounting to Rs. 297 million against the above assessments in accordance with the departmental procedures. Appeals filed by the Company before the Commissioner of Income tax (Appeals) [the "CIT(A)"] and thereafter with the Income Tax Appellate Tribunal (the "ITAT") were decided against the Company. Against the decision of the ITAT, the Company filed appeals before the High Court (the "HC"). The HC granted a stay of demand for the outstanding tax liability which according to the provisions of section 136 of the ITO,79 expired on August 2, 1999. However, the HC directed the DCIT not to institute recovery measures without its permission.

The management and their tax and legal advisors are of the opinion that the position of the Company is sound on technical basis and eventual outcome will be in favour of the Company.

(ii) Without prejudice to the above appeals, the Company filed an application for the resolution of the matter under the Alternate Dispute Resolution (ADR) provided under section 134A of the Income Tax Ordinance, 2001 with the Federal Board of Revenue (FBR). The Alternate Dispute Resolution Committee (ADRC) constituted by the FBR made certain recommendations to the FBR which required the Company to pay a total of Rs. 380 million (including Rs. 297 million already paid). However, the Company informed the FBR that the recommendation of the ADRC was not maintainable under the law because ADRC had gone beyond their mandate. The FBR, after reviewing the recommendations of the ADRC and the letter filed by the Company, decided not to agree with the recommendation of the ADRC and let the dispute be resolved by way of appeals pending before the HC.

Without prejudicing its rights, the Company has held several meetings with the FBR in order to settle the matter in an amicable manner. Various options have been discussed but no conclusion has yet been reached.

(iii) On the unpaid tax demands referred in (i) above, further assessment orders were issued for Rs. 50 million (Rs. 29 million being additional tax and Rs. 21 million being penalty). Against these orders, the Company filed appeals before the CIT(A), who has deleted the amount of additional tax levied of Rs. 29 million and reduced the penalty of Rs. 21 million by Rs. 6 million. Against the decision of the CIT(A), the Company and Income Tax Department filed further appeals before the ITAT which had upheld the decision of the CIT(A). Against this, the Company moved reference application to the ITAT to refer the issue to the HC, which stands rejected by the ITAT. The management and their tax advisors are of the opinion that if the HC decides the appeals against assessments made under section 52/86 of the ITO,79 in favour of the Company, the penalty would also be deleted.

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

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

Under the provisions of the Implementation Agreement (IA) between the Company and Government of Pakistan (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, during the construction phase, the FBR contended that Company was liable to pay tax at 8% instead of the agreed rate of 4% and was also liable to pay tax on taxes paid on behalf of contractors and sub-contractors on "tax on tax" basis at the corporate rates ranging from 52% to 58% instead of 4%. Accordingly, demand notices were issued and the Company was required to pay Rs. 966 million. On payment of Rs. 966 million, the Company immediately billed these amounts to WAPDA. Against these demands by FBR, appeals were filed by the Contractors and Sub-Contractors which were decided in their favour. The FBR has filed appeals before the courts which are pending adjudication.

On Hubco's and other Independent Power Producers' (IPPs) representation, the Economic Coordination Committee (ECC) of the Federal Cabinet of the GOP directed the FBR to refund the tax recovered by it over and above 4%. The FBR has so far refunded Rs. 593 million but withheld Rs. 373 million on the pretext that the ECC decision was not applicable on "tax on tax" issue and also because the FBR has filed appeals before the courts which are pending adjudication.

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

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

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

22.12 The Company had filed a petition on June 28, 2000 challenging the application of the Companies Profits (Workers' Participation) Act, 1968 (the Act) to the Company on the ground that since its inception the Company has not employed any persons who falls within the definition of the term "Worker" as it has been defined in the Act.

The petition was filed subsequent to the Company's receipt of the Labour, Manpower and Overseas Pakistanis' Division's letter dated March 14, 2000 directing the Company to allocate 5% of its net profit (since its establishment) towards the Workers' Profit Participation Fund and 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 Power Purchase Agreement (PPA), against the Water and Power Development Authority (WAPDA) as a pro forma party.

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 HUBCO and WAPDA agreed that this petition should proceed and a judgment obtained on merits. During the year, the petition was dismissed by the High Court (HC). Against the decision of the HC, the Company has filed petition for leave to appeal before the Supreme Court. 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 (see note 8).

23. 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	2011 (Rs. '000s)	2010 (Rs. '000s)
		Chief Executive	
Managerial remuneration		18,081	11,025
Ex-gratia payment		-	21,850
House rent		8,136	4,961
Utilities		1,808	1,102
Retirement benefits		1,808	1,102
Other benefits		6,920	3,940
		36,753	43,980
Number of persons		1	1
		Directors	
Fees	23.1	4,000	2,925
Number of persons		4	4
		Executives	
Managerial remuneration		73,383	65,610
Ex-gratia payment		2,908	2,673
Bonus		13,977	14,003
House rent		27,203	23,800
Utilities		7,339	6,561
Retirement benefits		21,831	15,294
Other benefits		23,092	21,811
		169,733	149,752
Number of persons		35	34
		Total	
Managerial remuneration / Fees		95,464	79,560
Ex-gratia payment		2,908	24,523
Bonus		13,977	14,003
House rent		35,339	28,761
Utilities		9,147	7,663
Retirement benefits		23,639	16,396
Other benefits		30,012	25,751
		210,486	196,657
Number of persons		40	39

23.1 This represents fee to four (2010: four) directors.

23.2 The Chief Executive and certain Executives are provided with the use of Company maintained automobiles in accordance with the terms of their employment.

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

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
24. TRANSACTIONS WITH RELATED PARTIES / ASSOCIATED UNDERTAKINGS			
Amounts paid for services rendered	24.1	**3,389,536**	3,303,535
Reimbursement of expenses and others		**2,210**	1,522
Proceeds from long term loans		**714,088**	1,223,070
Repayment of long term loans		**38,235**	-
Mark-up on long term loans		**301,525**	200,539
Mark-up on short term borrowings		**80,128**	-
Other finance cost		**112,993**	61,999
Remuneration to key management personnel			
Salaries, benefits and other allowances		**75,271**	59,725
Ex-gratia payment		**-**	21,850
Retirement benefits		**5,795**	4,749
	24.2	**81,066**	86,324
Fees	23.1	**4,000**	2,925
Contribution to staff retirement benefit plans		**21,990**	16,725

24.1 These include transactions with principal shareholders of the Company under various service agreements.

24.2 Transactions with key management personnel are carried out under the terms of their employment. Key management personnel are also provided with the use of Company maintained automobiles.

24.3 The transactions with associated undertakings are made under normal commercial terms and conditions.

25. PLANT CAPACITY AND PRODUCTION

HUB PLANT

	2011	2010
Theoretical Maximum Output	**10,512 GWh**	10,512 GWh
Total Output	**8,115 GWh**	8,337 GWh
Load Factor	**77%**	79%

Practical maximum output for the power plant taking into account all the scheduled outages is 9,216 GWh (2010: 9,216 GWh). Output produced by the plant is dependent on the load demanded by WAPDA and the plant availability.

NAROWAL PLANT

Narowal plant was declared commercially available with effect from April 22, 2011 and the following data covers the period from April 22, 2011 to June 30, 2011.

	2011	2010
Theoretical Maximum Output	**359 GWh**	-
Total Output	**237 GWh**	-
Load Factor	**66%**	-

Practical maximum output during the period for the power plant taking into account all the scheduled outages is 330 GWh. Output produced by the plant is dependent on the load demanded by NTDC and the plant availability.

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
26. WORKING CAPITAL CHANGES			
(Increase) / decrease in current assets			
Stores and spares		(358,797)	-
Stock-in-trade		(2,213,823)	981,011
Trade debts		(19,093,608)	(20,083,004)
Advances, prepayments and other receivables		(327,277)	45,833
		(21,993,505)	(19,056,160)
Increase in current liabilities			
Trade and other payables		14,240,485	15,655,608
		(7,753,020)	(3,400,552)
27. CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	1,615,203	809,311
Finances under mark-up arrangements	21	(11,682,276)	(6,743,596)
		(10,067,073)	(5,934,285)

	2011	2010
28. BASIC AND DILUTED EARNINGS PER SHARE		
28.1 Basic		
Profit for the year (Rupees in thousand)	5,424,832	5,556,122
Number of shares in issue during the year	1,157,154,387	1,157,154,387
Basic earnings per share (Rupees)	4.69	4.80

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

29. PROPOSED FINAL DIVIDEND

The Board of Directors proposed a final dividend for the year ended June 30, 2011 of Rs. 3 per share, amounting to Rs. 3,471.463 million, at their meeting held on September 08, 2011, for approval of the members at the Annual General Meeting to be held on October 31, 2011. These unconsolidated financial statements do not reflect this dividend payable which will be accounted for in the period in which it is approved.

30. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

(a) Market risk

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

(i) Foreign exchange risk

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

Financial assets of the Company include Rs. 1,263.067 million (2010: Rs. 761.729 million) in foreign currencies which are subject to currency risk exposure and financial liabilities of the Company include Rs. 897.249 million (2010: Rs. 187.186 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:

	2011 (Rs. '000s)	2010 (Rs. '000s)
Fixed rate instruments at carrying amount:		
Financial assets		
Bank balances	1,615,128	809,236
Financial liabilities		
Long term loans	3,934,074	4,656,182
Variable rate instruments at carrying amount:		
Financial assets		
Trade debts	71,112,603	57,763,888
Financial liabilities		
Long term loans	25,309,760	20,444,269
Trade & other payables	55,336,617	48,769,054
Short term borrowings	11,682,276	6,743,596
Total	92,328,653	75,956,919

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

In addition to above, the Company has long term loans (PSEDF II) for Hub plant at variable rates. The related finance cost is pass through to WAPDA under the PPA. Therefore, there is no significant impact of any change in interest rates on profit or loss.

The Company has a long term loan for Narowal plant (see note 16.2.2). Under the Narowal PPA, the related finance cost up to a mark-up rate of 3 month KIBOR plus 3% margin is allowed as a pass through to the Power Purchaser. Therefore, there is no significant impact of any change in interest rates on profit or loss.

The Company has another long term loan for Narowal plant (see note 16.2.1). The Company has to manage the related finance cost from its own sources which exposes the Company to the risk of change in 3 month KIBOR. As at June 30, 2011, 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. 12.050 million.

In order to meet its investment obligations in the Subsidiary, the Company has entered into long term loan facilities (see note 16.3). The Company has to manage related finance cost from its own sources which exposes the Company to the risk of change in 6 month KIBOR. As at June 30, 2011, if interest rate on the Company's borrowings were 1% higher / lower with all other variables held constant, the profit for the year would have been lower / higher by Rs. 24.613 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 balance sheet date was as follows:

	2011 (Rs. '000s)	2010 (Rs. '000s)
Deposits	3,110	1,564
Trade debts	85,806,069	66,712,461
Other receivables	271,649	321,378
Bank balances	1,615,128	809,236
Total	87,695,956	67,844,639

Trade debts are recoverable from WAPDA / NTDC under the PPAs and are secured by guarantees from Government of Pakistan under the Implementation Agreements.

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

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

(c) Liquidity risk

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

The Company maintains running finance facilities (see note 21) to meet the short term funding requirements due to delay in payments by WAPDA and NTDC. The delay in payments by WAPDA is mainly offset by the delay in payments to PSO whereas the delay in payments by NTDC is managed through bank borrowings.

The Company is exposed to liquidity risk to the extent that the returns (subject to tariff adjustment) from the project are not sufficient to meet the funding requirement for the Narowal plant's long term loan mentioned in note 16.2.1. The Company is also exposed to liquidity risk for the differential of 0.47% margin above the 3% allowed under the 2002 power policy (see note 16.2.2). After the COD, the Company has approached NEPRA for the adjustment of 0.47% margin. If 0.47% adjustment is not allowed by NEPRA, the Company's maximum liquidity exposure on remaining term of the loan will be Rs. 401 million.

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

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 5 to 10 years	Over 10 years	Total
	---(Rs. '000s)---					
2010-11						
Long term loans	**3,397,273**	**3,357,899**	**26,624,573**	**22,198,392**	**-**	**55,578,137**
Share premium payable	**96,071**	**-**	**-**	**-**	**-**	**96,071**
Trade and other payables	**72,871,714**	**-**	**-**	**-**	**-**	**72,871,714**
Short term borrowings	**11,930,187**	**-**	**-**	**-**	**-**	**11,930,187**
Total	**88,295,245**	**3,357,899**	**26,624,573**	**22,198,392**	**-**	**140,476,109**
2009-10						
Long term loans	3,365,134	2,829,503	21,243,298	20,299,368	932,357	48,669,660
Share premium payable	258,874	273,750	42,190	-	-	574,814
Trade and other payables	57,934,382	-	-	-	-	57,934,382
Short term borrowings	6,870,258	-	-	-	-	6,870,258
Total	68,428,648	3,103,253	21,285,488	20,299,368	932,357	114,049,114

The contractual maturities of long term loan related to the Narowal plant are subject to change due to final outcome of tariff adjustment application.

Fair value estimation

The carrying amount of the financial assets and liabilities reflected in the unconsolidated financial statements approximate their fair values.

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.

31. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Loans and receivables (Rs. '000s)	Total June 30, 2011 (Rs. '000s)
Assets as per balance sheet		
Deposits	3,110	3,110
Trade debts	85,806,069	85,806,069
Other receivables	271,649	271,649
Cash and bank balances	1,615,203	1,615,203
Total	87,696,031	87,696,031

	Financial liabilities measured at amortised cost (Rs. '000s)	Total June 30, 2011 (Rs. '000s)
Liabilities as per balance sheet		
Long term loans	30,592,747	30,592,747
Share premium payable	95,620	95,620
Trade and other payables	72,871,714	72,871,714
Short term borrowings	11,930,187	11,930,187
Total	115,490,268	115,490,268

	Loans and receivables (Rs. '000s)	Total June 30, 2010 (Rs. '000s)
Assets as per balance sheet		
Deposits	1,564	1,564
Trade debts	66,712,461	66,712,461
Other receivables	321,378	321,378
Cash and bank balances	809,311	809,311
Total	67,844,714	67,844,714

	Financial liabilities measured at amortised cost (Rs. '000s)	Total June 30, 2010 (Rs. '000s)
Liabilities as per balance sheet		
Long term loans	26,291,750	26,291,750
Share premium payable	536,593	536,593
Trade and other payables	57,934,382	57,934,382
Short term borrowings	6,870,258	6,870,258
Total	91,632,983	91,632,983

32. EXEMPTION OF INTERPRETATION

Exemption from applicability of IFRIC - 4 "Determining Whether an Arrangement Contains a Lease"

On June 22, 2009, the Securities and Exchange Commission of Pakistan (SECP) exempted the application of International Financial Reporting Interpretation Committee (IFRIC) - 4 "Determining Whether an Arrangement Contains a Lease" for power sector companies where Letter of Intent (LOI) is issued by the Government on or before June 30, 2010. However, the SECP made it mandatory to disclose the impact on the results of the application of IFRIC - 4.

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

	2011 (Rs. '000s)	2010 (Rs. '000s)
Decrease in unappropriated profit at the beginning of the year	(10,941,001)	(11,749,859)
Increase in profit for the year	892,463	808,858
Decrease in unappropriated profit at the end of the year	(10,048,538)	(10,941,001)

33. EVENTS AFTER THE BALANCE SHEET DATE

33.1 The Company entered into facilities for running finance with various banks amounting to Rs. 4,000 million at mark-up ranging between 2.00% to 2.25% per annum above one month KIBOR. The mark-up on the facilities is payable on monthly / quarterly basis in arrears. The facilities will expire during the period from December 15, 2011 to January 05, 2012. These facilities are secured by way of charge over the trade debts and stocks of the Company pari passu with the existing charge. Any late payment by the Company is subject to an additional payment of 2% per annum above the normal mark-up rate.

33.2 The Company also entered into a Musharaka agreement amounting to Rs. 2,400 million at a mark-up of 1.10% per annum above six month KIBOR. The mark-up and principal is payable on the expiry of six months from the date of drawdown. The Company has drawn full amount on August 4, 2011. These facilities are secured by way of charge over the trade debts and stocks of the Company pari passu with the existing charge. Any late payment by the Company is subject to an additional payment of 2% per annum above the normal mark-up rate.

34. DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue on September 08, 2011 in accordance with the resolution of the Board of Directors.

35. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

Pattern of Shareholding
As at June 30, 2011

Number of Shares		Number of Shareholders	Number of Shars Held
From	To		
1	100	375	24,706
101	500	5,651	2,760,392
501	1000	1,554	1,468,571
1001	5000	2,483	7,522,060
5001	10000	950	7,832,105
10001	15000	382	4,972,782
15001	20000	282	5,204,979
20001	25000	195	4,597,450
25001	30000	150	4,304,065
30001	35000	95	3,183,888
35001	40000	75	2,883,159
40001	45000	60	2,577,879
45001	50000	110	5,422,412
50001	55000	40	2,121,568
55001	60000	25	1,466,815
60001	65000	22	1,399,766
65001	70000	26	1,784,979
70001	75000	24	1,780,637
75001	80000	22	1,734,400
80001	85000	22	1,834,058
85001	90000	17	1,509,504
90001	95000	4	375,488
95001	100000	78	7,772,200
100001	105000	11	1,129,266
105001	110000	10	1,083,794
110001	115000	9	1,029,025
115001	120000	8	953,000
120001	125000	12	1,484,230
125001	130000	9	1,155,686
130001	135000	11	1,462,143
135001	140000	5	694,000
140001	145000	7	1,003,033
145001	150000	12	1,799,400
150001	155000	3	458,500
155001	160000	6	949,207
160001	165000	6	983,000
165001	170000	6	1,005,290
170001	175000	5	865,700
175001	180000	1	180,000
180001	185000	6	1,096,623
185001	190000	4	753,966
190001	195000	5	959,945
195001	200000	23	4,594,388
200001	205000	3	610,500
205001	210000	7	1,458,007
210001	215000	2	426,500
215001	220000	5	1,091,500
220001	225000	3	675,000
225001	230000	5	1,141,163
230001	235000	3	701,500
240001	245000	4	972,025
245001	250000	7	1,750,000

Number of Shares From	To	Number of Shareholders	Number of Shars Held
250001	255000	2	506,000
255001	260000	1	260,000
260001	265000	1	265,000
265001	270000	2	540,000
270001	275000	2	550,000
275001	280000	5	1,394,500
280001	285000	2	565,050
285001	290000	4	1,155,800
290001	295000	1	292,000
295001	300000	4	1,200,000
300001	305000	3	911,000
305001	310000	1	310,000
310001	315000	1	313,700
315001	320000	1	319,000
320001	325000	3	968,550
325001	330000	1	326,500
335001	340000	2	671,500
340001	345000	1	343,000
345001	350000	4	1,396,000
350001	355000	3	1,060,000
355001	360000	3	1,069,683
365001	370000	1	370,000
370001	375000	2	747,000
385001	390000	1	390,000
390001	395000	1	395,000
395001	400000	7	2,796,500
400001	405000	1	405,000
405001	410000	1	410,000
410001	415000	3	1,238,075
425001	430000	5	2,142,405
435001	440000	2	874,702
440001	445000	3	1,327,510
445001	450000	1	450,000
450001	455000	2	907,000
455001	460000	1	457,863
480001	485000	1	484,000
485001	490000	1	486,600
490001	495000	1	492,000
495001	500000	4	2,000,000
500001	505000	1	504,500
510001	515000	1	514,783
520001	525000	3	1,570,800
535001	540000	3	1,612,829
540001	545000	3	1,631,300
545001	550000	3	1,650,000
550001	555000	1	552,000
555001	560000	1	556,000
570001	575000	1	573,500
575001	580000	2	1,154,930
590001	595000	1	594,000
595001	600000	1	600,000
600001	605000	1	605,000
610001	615000	1	611,100
615001	620000	2	1,235,214
625001	630000	1	626,250
630001	635000	2	1,264,747
635001	640000	1	640,000
640001	645000	1	645,000
645001	650000	3	1,947,000
655001	660000	1	655,632
665001	670000	1	667,081

Number of Shares From	To	Number of Shareholders	Number of Shars Held
675001	680000	1	679,171
680001	685000	2	1,364,089
685001	690000	2	1,377,343
690001	695000	1	692,303
695001	700000	3	2,100,000
730001	735000	1	731,200
735001	740000	1	740,000
740001	745000	1	743,382
745001	750000	2	1,500,000
750001	755000	1	753,419
795001	800000	2	1,600,000
800001	805000	1	804,000
835001	840000	1	835,020
865001	870000	1	870,000
870001	875000	2	1,749,000
880001	885000	1	885,000
885001	890000	1	888,306
895001	900000	3	2,700,000
920001	925000	1	920,800
945001	950000	1	950,000
955001	960000	1	957,977
995001	1000000	2	2,000,000
1045001	1050000	1	1,050,000
1050001	1055000	1	1,052,500
1070001	1075000	1	1,073,432
1075001	1080000	1	1,079,000
1085001	1090000	1	1,086,674
1115001	1120000	1	1,119,500
1150001	1155000	1	1,155,000
1185001	1190000	3	3,567,300
1195001	1200000	2	2,392,600
1205001	1210000	1	1,209,500
1210001	1215000	1	1,213,500
1215001	1220000	1	1,218,727
1220001	1225000	2	2,446,266
1235001	1240000	1	1,238,177
1270001	1275000	1	1,274,200
1330001	1335000	1	1,334,874
1355001	1360000	1	1,360,000
1390001	1395000	1	1,394,310
1425001	1430000	1	1,428,000
1470001	1475000	1	1,473,768
1490001	1495000	1	1,492,200
1525001	1530000	1	1,526,718
1605001	1610000	1	1,610,000
1655001	1660000	1	1,660,000
1665001	1670000	1	1,668,010
1670001	1675000	1	1,675,000
1680001	1685000	1	1,681,989
1840001	1845000	1	1,841,000
1850001	1855000	1	1,854,500
1875001	1880000	1	1,878,500
1900001	1905000	1	1,900,771
1930001	1935000	1	1,933,500
1940001	1945000	2	3,885,600
1950001	1955000	1	1,954,500
1995001	2000000	2	4,000,000
2090001	2095000	1	2,092,500
2095001	2100000	1	2,100,000
2140001	2145000	1	2,143,242
2195001	2200000	1	2,199,099

Number of Shares From	To	Number of Shareholders	Number of Shars Held
2245001	2250000	1	2,250,000
2295001	2300000	1	2,300,000
2410001	2415000	1	2,412,013
2495001	2500000	1	2,500,000
2505001	2510000	1	2,505,466
2520001	2525000	1	2,522,412
2595001	2600000	1	2,600,000
2605001	2610000	1	2,605,032
2670001	2675000	1	2,674,312
2775001	2780000	1	2,776,800
2845001	2850000	1	2,850,000
2875001	2880000	1	2,878,970
3235001	3240000	1	3,238,771
3345001	3350000	1	3,346,710
3375001	3380000	1	3,379,943
3520001	3525000	1	3,524,833
3545001	3550000	1	3,546,510
3620001	3625000	1	3,624,093
3645001	3650000	1	3,645,071
3670001	3675000	1	3,672,986
3775001	3780000	1	3,775,800
3845001	3850000	1	3,845,504
3945001	3950000	1	3,949,850
4245001	4250000	1	4,246,500
4470001	4475000	1	4,473,724
4720001	4725000	1	4,723,371
4825001	4830000	1	4,829,000
5130001	5135000	1	5,132,541
5745001	5750000	1	5,750,000
6080001	6085000	1	6,083,786
6270001	6275000	1	6,274,567
6445001	6450000	1	6,447,135
7285001	7290000	1	7,289,451
7725001	7730000	1	7,725,467
8245001	8250000	1	8,250,000
8320001	8325000	1	8,324,895
8395001	8400000	1	8,400,000
8405001	8410000	1	8,406,500
8795001	8800000	1	8,797,177
9605001	9610000	1	9,605,922
10880001	10885000	1	10,881,425
11995001	12000000	1	12,000,000
12110001	12115000	1	12,111,757
13690001	13695000	1	13,690,950
14095001	14100000	1	14,095,166
14310001	14315000	1	14,313,500
14865001	14870000	1	14,869,297
15365001	15370000	1	15,367,500
17145001	17150000	1	17,146,222
19645001	19650000	1	19,650,000
20430001	20435000	1	20,432,459
21245001	21250000	1	21,248,016
22775001	22780000	1	22,776,141
26600001	26605000	1	26,603,375
43995001	44000000	1	44,000,000
98390001	98395000	1	98,391,000
140280001	140285000	1	140,280,633
201800001	201805000	1	201,803,509
	TOTAL	**13,095**	**1,157,154,387**

Categories of Shareholding

As at June 30, 2011

Categories	No. of Shareholders	No. of Shares Held	Percentage
Individuals	12,584	167,789,970	14.50
Joint Stock Companies	164	367,824,520	31.79
Financial Institutions	64	270,548,829	23.38
Investment Companies	32	31,249,304	2.70
Insurance Companies	22	56,868,742	4.92
Modaraba/Mutual Fund & Leasing Cos.	64	71,181,695	6.15
Government of Balochistan	1	358,607	0.03
GDR Depository	1	14,095,166	1.22
Charitable Trusts	36	109,082,912	9.42
Cooperative Societies	9	922,000	0.08
Provident/Pension/Gratuity Fund	117	47,582,642	4.11
Employee's Old Age Benefits Institution	1	19,650,000	1.70
	13,095	**1,157,154,387**	**100.00**

The above two statements include 7,633 shareholders holding 1,095,448,957 shares through the Central Depository Company of Pakistan Limited (CDC).

Key Shareholdings

Information of shareholding required uner reporting framework is as follows:

ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	
National Power International Holdings BV	201,803,509
Xenel International	140,280,633
Committee of Admin. Fauji foundation	98,391,000
Allied Bank Limited	44,000,000
MCB Employees Foundation	200,000
Adamjee Insurance Company Limited	115,500
NIT / ICP	
National Bank of Pakistan, Trustee Department NI(U)T Fund	14,869,297
Investment Corporation of Pakistan (ICP)	1,100
DIRECTORS & CEO	
Zafar Iqbal Sobani	1,500
Syed Nizam Shah	1,000
Qaiser Javed	5,000
Taufique Habib	5,000
Ali Munir	1,000
Executives	86,500
Public Sector Companies & Corporations	20,008,607
Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modaraba & Mutual Funds	385,848,570
Shareholders holding ten percent or more voting interested in the company:	
National Power International Holdings BV	201,803,509
Xenel International	140,280,633

Details of trading in the shares by the CEO, Directors, Chief Financial Officer, Company Secretary and their spouses and minor children.

Mr. Taufique Habib Director of the Company sold 500 shares during the year. None of the other directors, CEO, Chief Financial Officer, Company Secretary and their spouses and minor children have traded in Hubco Shares during the financial year ended June 30, 2011.

Shareholders' Information

SHAREHOLDERS' ENQUIRIES

General enquiries relating to the Company should be addressed to:

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

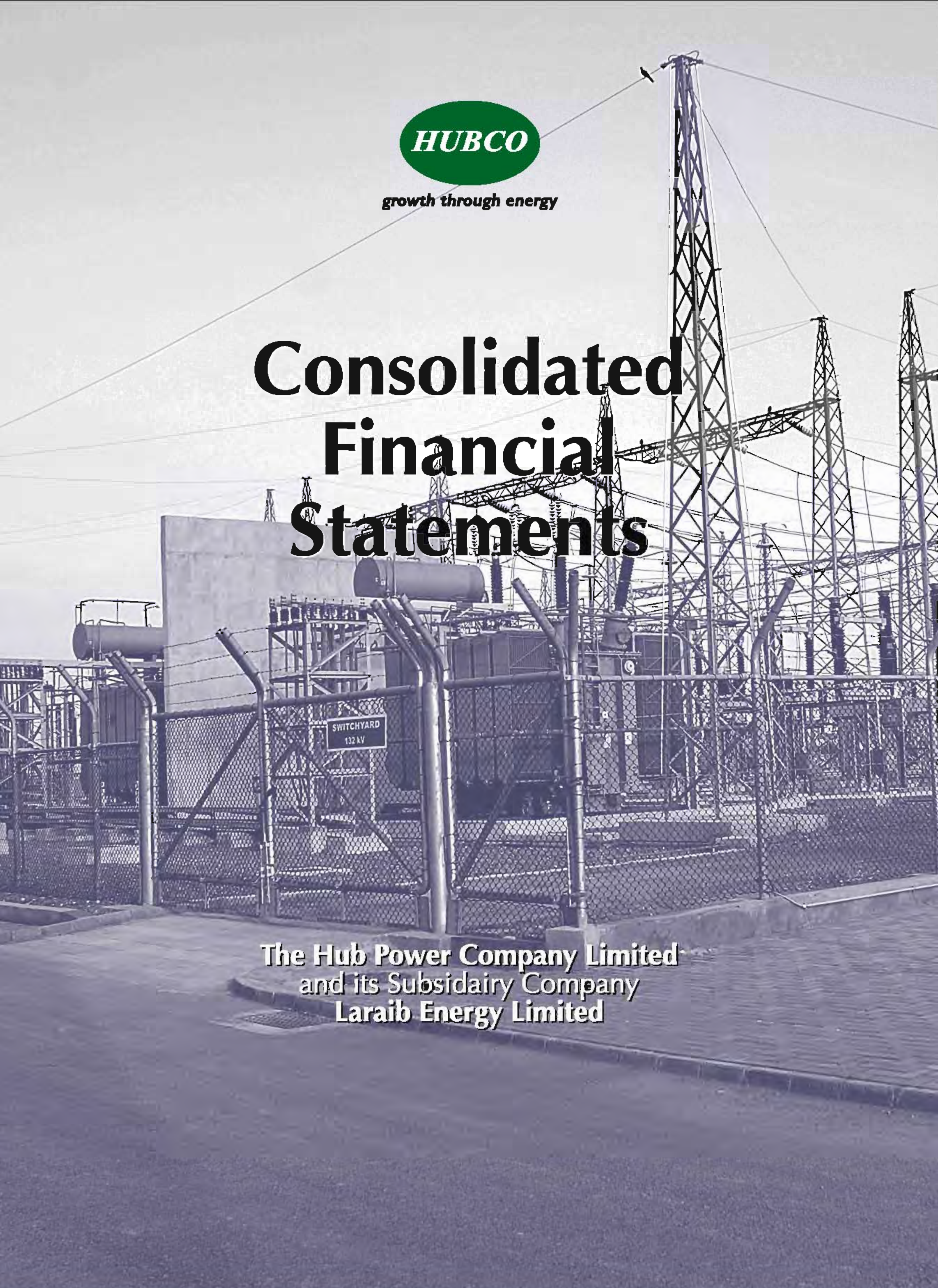
ENQUIRIES RELATING TO SHARES SHOULD BE ADDRESSED TO:

Famco Associates (Pvt) Limited,
State Life Building 1-A, 1st Floor, I. I. Chundrigar Road,
Karachi.

ENQUIRIES RELATING TO GDRS SHOULD BE ADDRESSED TO EITHER:

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

(2) Standard Chartered Bank (Pakistan) Limited,
I.I. Chundrigar Road,
Karachi.



HUBCO

growth through energy

Consolidated Financial Statements

The Hub Power Company Limited
and its Subsidairy Company
Laraib Energy Limited

Report of the Directors
on Consolidated Financial Statements

The Board of Directors have pleasure in presenting the Audited Financial Statements of The Hub Power Company Limited (the Company) and its Subsidiary Laraib Energy Limited (the Subsidiary) for the year ended June 30, 2011.

The Company holds 75% shares in the Subsidiary which is developing the 84 MW hydropower generating complex near the New Bong Escape 8 km downstream of the Mangla Dam in Azad Jammu & Kashmir. The Financial Close of the Subsidiary was achieved in December 2009 with a targeted Commercial Operation Date of June 2013.

The consolidated financials are as follows:

	2011 (Rs. '000s)
Turnover	123,309,604
Gross profit	9,217,028
Profit for the year	5,545,791
Attributable to:	
- Owners of the holding company	5,569,843
- Non Controlling interest	(24,052)
	5,545,791
Earnings per share attributable to owners of the holding company (Rupees)	4.81

The Directors would like to draw your attention to the last paragraph of the Auditors' Report relating to note 23.10 to the financial statements.

The Directors' Report on The Hub Power Company Limited for the year ended June 30, 2011 has been separately presented in this report.

By Order of the Board

Zafar Iqbal Sobani
Chief Executive

Karachi - September 8, 2011

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of The Hub Power Company Limited (the Holding Company) and its subsidiary company (the Group) as at June 30, 2011 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity, together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of the Holding Company and the subsidiary company. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the auditing standards as applicable in Pakistan and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at June 30, 2011 and the results of their operations, cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

We draw attention to the matter described in note 23.10 to the consolidated financial statements. The ultimate outcome of this contingency cannot presently be determined and accordingly, no provision for any liability that may result has been made in the consolidated financial statements. Our opinion is not qualified in respect of this matter.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Audit Engagement Partner
Asad Ali Shah

Karachi
Date: September 08, 2011

Consolidated Profit and Loss Account

For the year ended June 30, 2011

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
Turnover	3	**123,309,604**	99,694,264
Operating costs	4	**(114,092,576)**	(92,006,319)
GROSS PROFIT		**9,217,028**	7,687,945
Other income	5	**47,136**	67,024
General and administration expenses	6	**(535,231)**	(485,576)
Finance costs	7	**(3,165,721)**	(1,800,556)
Workers' profit participation fund	8	**-**	-
PROFIT BEFORE TAXATION		**5,563,212**	5,468,837
Taxation	9	**(17,421)**	-
PROFIT FOR THE YEAR		**5,545,791**	5,468,837
Attributable to:			
- Owners of the holding company		**5,569,843**	5,490,335
- Non-controlling interest		**(24,052)**	(21,498)
		5,545,791	5,468,837
Basic and diluted earnings per share attributable to owners of the holding company (Rupees)	30	**4.81**	4.74

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

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2011

	2011 (Rs. '000s)	2010 (Rs. '000s)
Profit for the year	**5,545,791**	5,468,837
Other comprehensive income for the year	**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**5,545,791**	5,468,837
Attributable to:		
- Owners of the holding company	**5,569,843**	5,490,335
- Non-controlling interest	**(24,052)**	(21,498)
	5,545,791	5,468,837

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

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

Consolidated Balance Sheet

As at June 30, 2011

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	10	58,330,782	53,981,348
Intangibles	11	1,422,162	1,424,160
Stores and spares		637,023	637,023
Long term advance, deposits and prepayments	12	67,111	25,023
CURRENT ASSETS			
Stores and spares		358,797	-
Stock-in-trade		3,773,699	1,559,876
Trade debts	13	85,806,069	66,712,461
Advances, deposits, prepayments and other receivables	14	1,080,307	764,397
Cash and bank balances	15	2,562,524	927,940
		93,581,396	69,964,674
TOTAL ASSETS		154,038,474	126,032,228
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Share Capital			
Authorised	16	12,000,000	12,000,000
Issued, subscribed and paid-up	16	11,571,544	11,571,544
Revenue Reserve			
Unappropriated profit		17,981,332	18,196,909
Attributable to owners of the holding company		29,552,876	29,768,453
Advance against issue of shares to minority shareholders		202,100	-
NON-CONTROLLING INTEREST		605,690	357,415
		30,360,666	30,125,868
NON-CURRENT LIABILITIES			
Long term loans	17	33,069,836	25,453,790
Liabilities against assets subject to finance lease		-	943
Share premium payable	18	-	41,208
Deferred liabilities	19	20,380	15,781
CURRENT LIABILITIES			
Trade and other payables	20	75,042,966	60,582,340
Interest / mark-up accrued	21	1,841,627	1,412,109
Short term borrowings	22	11,682,276	6,743,596
Current maturity of long term loans	17	2,012,476	1,655,930
Current maturity of liabilities against assets subject to finance lease		-	663
Taxation - provisions less payments		8,247	-
		90,587,592	70,394,638
COMMITMENTS AND CONTINGENCIES	23		
TOTAL EQUITY AND LIABILITIES		154,038,474	126,032,228

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

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

Consolidated Cash Flow Statement

For the year ended June 30, 2011

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		5,563,212	5,468,837
Adjustments for:			
Depreciation		1,958,883	1,722,895
Amortisation		4,517	2,280
(Gain) / loss on disposal of fixed assets		(11)	879
Deferred income realised		(249)	(157)
Staff gratuity		16,563	9,380
Interest income		(31,914)	(26,906)
Interest / mark-up		2,902,029	1,590,867
Amortisation of transaction cost		12,432	-
Operating profit before working capital changes		10,425,462	8,768,075
Working capital changes	28	(7,721,891)	(2,577,476)
Cash generated from operations		2,703,571	6,190,599
Interest received		39,486	19,890
Interest / mark-up paid		(1,913,351)	(1,556,665)
Staff gratuity paid		(12,402)	(8,657)
Taxes paid		(6,826)	-
Net cash from operating activities		810,478	4,645,167
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure - net		(6,316,436)	(17,498,510)
Proceeds from disposal of fixed assets		6,141	5,469
Share premium paid		(419,653)	(585,578)
Long term advance, deposits and prepayments		(42,088)	297,986
Net cash used in investing activities		(6,772,036)	(17,780,633)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance against issue of shares to minority shareholders		474,779	284,427
Dividends paid to owners of the holding company		(5,775,871)	(5,193,788)
Proceeds from long term loans - Narowal plant		2,172,360	13,759,537
Proceeds from long term loans - Laraib's investment		3,367,794	-
Proceeds from long term loans - Subsidiary		3,829,209	2,009,269
Repayment of long term loans - Hub plant		(979,061)	(979,061)
Repayment of long term loans - Narowal plant		(430,142)	-
Repayment of finances under mark-up arrangements - Narowal plant		-	(1,148,890)
Short term borrowing from an associated undertaking of the subsidiary		-	43,000
Repayment of short term borrowing from an associated undertaking of the subsidiary		-	(43,000)
Repayment of liabilities against assets subject to finance lease		(1,606)	(1,474)
Net cash from financing activities		2,657,462	8,730,020
Net decrease in cash and cash equivalents		(3,304,096)	(4,405,446)
Cash and cash equivalents at the beginning of the year		(5,815,656)	(1,410,210)
Cash and cash equivalents at the end of the year	29	(9,119,752)	(5,815,656)

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

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

Consolidated Statement of Changes in Equity

For the year ended June 30, 2011

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
Attributable to owners of the holding company			
Issued capital			
Balance at the beginning of the year		11,571,544	11,571,544
Balance at the end of the year	16	11,571,544	11,571,544
Unappropriated profit			
Balance at the beginning of the year		18,196,909	17,912,568
Total comprehensive income for the year		5,569,843	5,490,335
Transactions with owners in their capacity as owners			
Final dividend for the fiscal year 2009-2010 @ Rs. 2.50 (2008-2009 @ Rs. 2.00) per share		(2,892,886)	(2,314,309)
Interim dividend for the fiscal year 2010-2011 @ Rs. 2.50 (2009-2010 @ Rs. 2.50) per share		(2,892,886)	(2,892,886)
Reduction in controlling interest of the holding company		352	1,201
		(5,785,420)	(5,205,994)
Balance at the end of the year		17,981,332	18,196,909
Attributable to owners of the holding company		29,552,876	29,768,453
Advance against issue of shares to minority shareholders			
Balance at the beginning of the year		-	-
Advance received during the year		474,779	284,427
Shares issued during the year		(272,679)	(284,427)
Balance at the end of the year		202,100	-
Non-controlling interest			
Balance at the beginning of the year		357,415	95,687
Shares issued during the year		272,679	284,427
Total comprehensive income for the year		(24,052)	(21,498)
Reduction in controlling interest of the holding company		(352)	(1,201)
Balance at the end of the year		605,690	357,415
Total equity		30,360,666	30,125,868

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

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

Notes to the Consolidated Financial Statements
For the year ended June 30, 2011

1. STATUS AND NATURE OF BUSINESS

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

Narowal plant achieved Commercial Operations Date (COD) on April 21, 2011. Electricity generated and dispatched during testing & commissioning of Narowal plant was capitalised. The current year profit and loss includes Narowal's post COD results. As per the Power Purchase Agreement (PPA), the reference tariff approved by National Electric Power Regulatory Authority (NEPRA) is to be adjusted after COD and the holding company has filed an application with NEPRA for adjustment in tariff. These consolidated financial statements include revenue from Narowal plant on the basis of reference tariff and the differential amount of revenue due to tariff adjustment will be recognised in the subsequent period.

The Group consists of:

- The Hub Power Company Limited (the holding company); and
- Laraib Energy Limited (the subsidiary) - Holding of 75.12%.

The subsidiary was incorporated in Pakistan on August 9, 1995 as a public limited company under the Companies Ordinance, 1984. The subsidiary is constructing 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 project achieved Financial Close in December 2009 and is required to achieve Commercial Operations Date within 42 months of Financial Close which will be June 2013 as per PPA entered between the subsidiary and the Power Purchaser.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Accounting convention

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

2.3 Basis of consolidation

All business combinations are accounted for using the purchase 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 include the financial statements of the holding company and its subsidiary - "the Group". The financial statements of the subsidiary are prepared for the same reporting period as the holding company, using consistent accounting policies.

The assets and liabilities of the subsidiary have been consolidated on a line-by-line basis and the carrying value of investment held by the holding company is eliminated against the subsidiary's 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 subsidiary, without a change of control, is accounted for as an equity transaction.

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 subsidiary is established and is excluded from consolidation from the date of disposal or cessation of control.

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

2.4 Property, plant and equipment

(a) Operating property, plant, equipment and depreciation

Owned assets

These are stated at cost less accumulated depreciation and impairment losses, if any, except for freehold land which is stated at cost.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets at the rates shown in note 10.1 to the consolidated financial statements. Depreciation on additions is charged for the full month in which an asset is put to use and on disposals up to the month immediately preceding the disposals.

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

Gains and losses on disposals are taken to the profit and loss account.

Leased assets

Assets held under finance lease are initially stated at lower of fair value of asset and present value of minimum lease payments at the inception of lease. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. Finance charges are allocated over the period of lease term so as to provide a constant periodic rate of finance charge on the outstanding liability. Depreciation is charged on the basis similar to owned assets.

(b) Capital work-in-progress

Capital work-in-progress is stated at cost. Items are transferred to operating property, plant and equipment as and when they are put to use.

2.5 Intangible assets and amortisation

(a) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the holding company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, if any. Impairment losses on goodwill are not reversed.

(b) Other intangible assets

These are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is computed using the straight-line method over the estimated useful lives of the assets at the rate shown in note 11.1 to the consolidated financial statements.

2.6 Impairment of non-current assets

The carrying amounts of non-current assets except goodwill are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to assess whether asset's carrying value exceeds its recoverable amount. Where carrying value exceeds the estimated recoverable amount, asset is written down to its recoverable amount. Impairment losses are recognised as expense in the profit and loss account. An impairment loss on non-current assets except goodwill is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.7 Stores and spares

Stores and spares classified under non-current assets are stated at cost. The Operation and Maintenance Contractor of the Hub plant is responsible to maintain and replenish stores and spares as they are used.

Stores and spares classified under current assets are valued at moving average cost except for the items in transit which are stated at cost. Provision is made for slow moving and obsolete items, if any.

2.8 Stock-in-trade

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

2.9 Cash and cash equivalents

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

2.10 Provisions

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

2.11 Staff retirement benefits

The holding company operates:

- a partially funded defined benefit gratuity plan covering eligible employees whose period of service with the holding company is at least five years.

- a defined contribution provident fund for all its employees who are eligible for the plan. Equal contributions thereto are made by the holding company and the employees in accordance with the fund's rules.

During the year, the subsidiary constituted a defined contribution provident fund for all its employees who are eligible for the plan. Equal contributions thereto are made by the subsidiary and the employees in accordance with the fund's rules.

2.12 Deferred income

Gain on sale and lease back transactions are deferred and recognised as income over the lease term of respective assets.

2.13 Revenue recognition

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

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

2.14 Interest income

Interest income is recorded on accrual basis.

2.15 Operating lease

An operating lease is a lease other than a finance lease, where a significant portion of the risks and rewards of ownership are retained by the lessor. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit and loss account on a straight-line basis over the lease term.

2.16 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pak Rupees, which is the Group's functional and presentation currency, at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees equivalents using balance sheet date exchange rates. Non-monetary assets and liabilities are stated using exchange rates that existed when the values were determined. Exchange differences on foreign currency transactions and translations are included in profit and loss account except as mentioned in note 2.21.

2.17 Taxation

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

The profits and gains of the subsidiary derived from electric power generation are exempt from tax in terms of Clause (132) of Part I of the Second Schedule to the Income Tax Ordinance, 2001. Provision for current taxation is made in the profit and loss account on income from sources not covered under the above clause at current rates of taxation after taking into account tax credits and rebates available, if any.

2.18 Dividend

Dividend is recognised as a liability in the period in which it is approved.

2.19 Segment reporting

Segments are reported in a manner consistent with the internal reporting provided to the Group's 'chief operating decision maker' in order to assess each segment's performance and to allocate resources to them. Segment reports are regularly reviewed by the board of directors of the holding company.

2.20 Financial instruments

(a) Trade debts and other receivables

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

(b) Borrowings

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

(c) Trade and other payables

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

2.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised. All other borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs include exchange differences arising on foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost. Qualifying assets are assets that necessarily take substantial period of time to get ready for their intended use.

2.22 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.

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)

3. TURNOVER

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
Turnover		140,346,799	112,849,809
Less: Sales tax		(17,037,195)	(13,155,545)
		123,309,604	99,694,264

4. OPERATING COSTS

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
Fuel cost		108,141,995	86,246,924
Stores and spares		13,872	-
Operation and Maintenance	4.1	2,943,737	2,707,219
Insurance		517,972	542,272
Depreciation	10.3	1,930,256	1,697,242
Amortisation	11.1	163	302
Miscellaneous		544,581	812,360
		114,092,576	92,006,319

4.1 This includes Rs. 2,896.270 million (2010: Rs. 2,707.219 million) related to services rendered by an associated undertaking under the Operation & Maintenance Agreement for Hub plant.

5. OTHER INCOME

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
Interest income		31,914	26,906
Gain on disposal of fixed assets		11	-
Deferred income realised		249	157
Exchange gain		14,962	39,961
		47,136	67,024

6. GENERAL AND ADMINISTRATION EXPENSES

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
Salaries, benefits and other allowances	6.1	260,083	257,127
Travel and transportation		42,284	48,939
Fuel and power		9,037	8,061
Property, vehicles and equipment rentals		18,791	16,646
Repairs and maintenance		16,488	14,308
Legal and professional		14,975	24,836
Insurance		11,214	8,762
Auditors' remuneration	6.2	4,434	3,521
Donation	6.3	38,025	20,602
Depreciation	10.3	28,627	25,653
Amortisation	11.1	4,354	1,978
Loss on disposal of fixed assets		-	879
Miscellaneous		86,919	54,264
		535,231	485,576

6.1 These include Rs. 27.235 million (2010: Rs. 17.594 million) in respect of staff retirement benefits.

	2011 (Rs. '000s)	2010 (Rs. '000s)
6.2 Auditors' remuneration		
Statutory audits	2,205	2,053
Half yearly review	552	489
Other services	1,417	852
Out-of-pocket expenses	260	127
	4,434	3,521

6.3 No directors or their spouses had any interest in any donee to which donations were made.

7. FINANCE COSTS

	2011 (Rs. '000s)	2010 (Rs. '000s)
Holding company		
Hub plant		
Interest / mark-up on long term loans	931,221	1,065,602
Mark-up on short term borrowings	1,158,323	497,611
Miscellaneous finance costs	116,291	103,560
	2,205,835	1,666,773
Narowal plant		
Mark-up on long term loans	3,060,860	2,251,221
Mark-up on short term borrowings	94,333	15,150
Amortisation of transaction cost	12,432	-
Other finance costs	92,137	173,797
	3,259,762	2,440,168
Laraib's investment		
Mark-up on long term loans	290,332	-
Mark-up on short term borrowings	-	24,127
Unwinding of discount on share premium payable	37,770	39,288
Other finance costs	41,144	63,400
	369,246	126,815
	5,834,843	4,233,756
Less: amount capitalised in the cost of qualifying assets - Narowal plant	(2,452,671)	(2,440,165)
Less: amount capitalised in the cost of qualifying assets - Subsidiary	(217,749)	-
Finance costs of the holding company	3,164,423	1,793,591
Subsidiary		
Interest / mark-up on long term loans	412,347	116,847
Mark-up on leased assets	50	260
Mark-up on salary payable to ex-CEO	-	837
Mark-up on short term borrowings from ex-CEO	-	122
Mark-up on short term borrowings	-	2,308
Other finance costs	73,850	29,815
	486,247	150,189
Less: amount capitalised in the cost of qualifying assets - Subsidiary	(484,949)	(143,224)
Finance costs of the subsidiary	1,298	6,965
	3,165,721	1,800,556

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
8. WORKERS' PROFIT PARTICIPATION FUND			
Provision for Workers' profit participation fund	20	271,242	277,806
Payment of Workers' profit participation fund recoverable from WAPDA	14	(271,242)	(277,806)
		-	-

The holding company is required to pay 5% of its profit to the Workers' profit participation fund (the "Fund"). However, such payment does not affect the holding company's overall profitability because after payment to the Fund, the holding company bills this to WAPDA as a pass through item under the Power Purchase Agreement (PPA).

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
9. TAXATION			
Current			
- For the year		13,751	-
- Prior years		3,670	-
		17,421	-
10. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	10.1	48,374,377	27,609,409
Capital work-in-progress			
Plant betterments (Hub plant)	10.4	37,751	42,685
Narowal plant	10.5	515,676	21,973,584
Subsidiary	10.6	9,402,978	4,355,670
		9,956,405	26,371,939
		58,330,782	53,981,348

10.1 Operating property, plant and equipment

	Owned								
	Freehold land	Building on freehold land	Leasehold property	Plant & machinery	Furniture & fixtures	Vehicles	Office equipment	Leased vehicles	Total
	(Rs. '000s)								
Cost:									
As at July 1, 2010	18,890	219,802	862	49,337,791	40,159	103,635	12,875	3,056	49,737,070
Additions	49,734	308,861	-	22,329,844	1,549	42,965	3,736	-	22,736,689
Disposals	-	-	-	(8,021)	(4,676)	(21,355)	(942)	-	(34,994)
Transfers	-	-	-	-	-	3,056	-	(3,056)	-
As at June 30, 2011	68,624	528,663	862	71,659,614	37,032	128,301	15,669	-	72,438,765
Depreciation:									
Rate (%)	-	3.33 to 20	3.33	3.33 to 33.33	10 to 20	25	10 to 20	25	-
As at July 1, 2010	-	94,112	451	21,939,838	35,244	49,193	6,368	2,455	22,127,661
Charge for the year	-	12,350	29	1,923,091	1,240	27,204	1,677	-	1,965,591
Disposals	-	-	-	(7,660)	(1,929)	(18,462)	(813)	-	(28,864)
Transfers	-	-	-	-	-	2,455	-	(2,455)	-
As at June 30, 2011	-	106,462	480	23,855,269	34,555	60,390	7,232	-	24,064,388
Net book value as at June 30, 2011	68,624	422,201	382	47,804,345	2,477	67,911	8,437	-	48,374,377
Net book value as at June 30, 2010	18,890	125,690	411	27,397,953	4,915	54,442	6,507	601	27,609,409
Cost of fully depreciated assets as at June 30, 2011	-	18,372	-	198,471	32,164	17,740	3,340	-	270,087
Cost of fully depreciated assets as at June 30, 2010	-	18,372	-	194,231	25,495	20,961	3,367	-	262,426

10.2 Disposal of operating property, plant and equipment

Assets	Cost	Accumulated depreciation	Net book value	Sale price	Mode of disposal	Particulars of buyer
	.... (Rs. '000s)			....		
Vehicle	630	578	52	400	Negotiation	Fahim Ahmed - Employee
Vehicle	630	578	52	400	Negotiation	Hamid Ali - Employee
Vehicle	1,076	874	202	740	Tender	Lal Muhammad
Vehicle	72	1	71	70	Insurance claim	Adamjee Insurance
Vehicle	1,811	189	1,622	1,740	Insurance claim	EFU General Insurance
Vehicle	900	559	341	355	Subsidiary company policy	Khalid Faizi - ex-CEO
Vehicle	925	613	312	950	Tender	Car Cottage
Vehicle	658	540	118	131	Subsidiary company policy	Mazhar Hussain - ex-Employee
Vehicle	574	483	91	115	Subsidiary company policy	Sajjad H. Akhtar - Employee
Furniture & fixtures	4,493	1,797	2,696	-	Write off	N/A
Computer	127	28	99	105	Insurance claim	EFU General Insurance
Items having a net book value not exceeding Rs. 50,000 each						
Vehicles	14,079	14,047	32	920	Various	Various
Computers	7,894	7,632	262	155	Various	Various
Office equipment	942	813	129	60	Various	Various
Furniture & fixtures	183	132	51	-	Write off	N/A
Total - June 30, 2011	**34,994**	**28,864**	**6,130**	**6,141**		
Total - June 30, 2010	30,106	23,758	6,348	5,469		

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
10.3 Depreciation charge for the year has been allocated as follows:			
Operating costs	4	1,930,256	1,697,242
General and administration expenses	6	28,627	25,653
Capital work-in-progress - Narowal plant		2,477	621
Capital work-in-progress - Subsidiary		4,231	-
		1,965,591	1,723,516
10.4 Capital work-in-progress - Plant betterments (Hub plant)			
Opening balance		42,685	112,636
Additions during the year		40,687	21,565
Transfers during the year		(45,621)	(91,516)
		37,751	42,685
10.5 Capital work-in-progress - Narowal plant			
Opening balance		21,973,584	8,563,800
Additions during the year	10.5.1	1,553,714	13,409,784
Transfers during the year		(23,011,622)	-
		515,676	21,973,584

10.5.1 The additions for the year are net of Liquidated Damages (LDs) received from the EPC contractor less charged by Power Purchaser and Private Power and Infrastructure Board (PPIB) for delay in achieving commercial operations.

	2011 (Rs. '000s)	2010 (Rs. '000s)
10.6 Capital work-in-progress - Subsidiary		
Opening balance	4,355,670	320,210
Additions during the year		
EPC costs	4,053,787	3,621,148
Professional services	174,554	113,234
Insurance cost	70,742	145,833
Borrowing cost	630,096	116,847
Other finance costs	72,602	26,377
Other directly attributable cost	45,527	12,021
	5,047,308	4,035,460
Transfers during the year	-	-
	9,402,978	4,355,670

11. INTANGIBLES

	Cost as at July 1, 2010	Additions	Disposals	Cost as at June 30, 2011	Accumulated amortisation as at July 1, 2010	Charge for the year	Disposals	Accumulated amortisation as at June 30, 2011	Net book value as at June 30, 2011	Net book value as at June 30, 2010
					(Rs. '000s)					
Goodwill (note 11.2)	1,414,096	-	-	1,414,096	-	-	-	-	1,414,096	1,414,096
Computer software	38,757	2,714	-	41,471	28,693	4,712	-	33,405	8,066	10,064
	1,452,853	2,714	-	1,455,567	28,693	4,712	-	33,405	1,422,162	1,424,160

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
11.1 Amortisation charge for the year at 33.33% has been allocated as follows:			
Operating costs	4	163	302
General and administration expenses	6	4,354	1,978
Capital work-in-progress - Subsidiary		195	-
		4,712	2,280

11.2 For impairment testing, goodwill has been allocated to under construction '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, 2011. 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 the subsidiary 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 4.25% and the cash flows are discounted over whole of the life of the project. The management believes that any reasonable possible change to the key assumptions on which calculation of recoverable amount is based, would not cause the carrying amount to exceed the recoverable amount.

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
12. LONG TERM ADVANCE, DEPOSITS AND PREPAYMENTS			
Advance - considered good		45,096	-
Deposits		3,613	2,466
Prepaid operating lease rentals		15,765	19,028
Other prepayments		2,637	3,529
		67,111	25,023
13. TRADE DEBTS - Secured			
Considered good	13.1 & 13.2	85,806,069	66,712,461

13.1 This includes an amount of Rs. 70,444 million (2010: Rs. 57,764 million) receivable from WAPDA and Rs. 668 million receivable from NTDC which are overdue but not impaired because the trade debts are secured by a guarantee from the Government of Pakistan under Implementation Agreements. The overdue from WAPDA carries mark-up at SBP discount rate plus 2% per annum compounded semi-annually and the overdue from NTDC carries mark-up at a rate of 3 month KIBOR plus 4.5% per annum compounded semi-annually. The aging of these overdue receivables is as follows:

	2011 (Rs. '000s)	2010 (Rs. '000s)
Up to 3 months	47,255,408	28,324,374
3 to 6 months	18,727,190	25,916,378
Over 6 months	5,130,005	3,523,136
	71,112,603	57,763,888

13.2 This includes Rs. 373 million relating to a tax matter (see note 23.11).

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
14. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - considered good			
Executives		353	327
Employees		74	398
Suppliers		42,299	9,181
		42,726	9,906
Deposits		69	268
Prepayments			
Current portion of prepaid operating lease rentals		3,308	3,308
LC commission and other loan related costs		5,724	6,109
Miscellaneous		12,264	11,303
		21,296	20,720
Other receivables			
Interest accrued		33	7,605
Income tax	23.10	296,872	296,872
Sales tax		446,790	104,980
Receivable from an associated undertaking		374	116
Payment of Workers' profit participation fund recoverable from WAPDA	8	271,242	277,806
Miscellaneous		905	46,124
		1,016,216	733,503
		1,080,307	764,397

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
15. CASH AND BANK BALANCES			
Savings accounts		2,562,007	287,704
Call and term deposits		-	640,125
In hand		517	111
	15.1 & 15.2	2,562,524	927,940

15.1 Savings, call and term deposits accounts carry mark-up rates ranging between 0.25% to 9.50% (2010: 0.25% to 9.00%) per annum.

15.2 This includes Rs. 673.689 million (2010: Rs. Nil) restricted for Narowal project related payments.

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

2011 (No. of Shares)	2010 (No. of Shares)		2011 (Rs. '000s)	2010 (Rs. '000s)
		Authorised :		
1,200,000,000	1,200,000,000	Ordinary shares of Rs.10/- each	12,000,000	12,000,000
		Issued, subscribed and paid-up : 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

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

16.2 Associated undertakings held 484,790,642 (2010: 495,726,779) shares in the holding company as at year end.

17. LONG TERM LOANS - Secured

From Banks / Financial Institutions	Note	As at July 01, 2010	Drawn	Repaid	Current portion	Transaction cost	As at June 30, 2011
		....	....	....	(Rs. '000s)	....	....
Holding company							
Hub plant							
Under the Private Sector Energy Development Fund's (PSEDF I) Facility	17.1 & 17.1.1	4,656,182	-	(722,108)	(722,109)	-	3,211,965
Under the Private Sector Energy Development Fund's (PSEDF II) Facility	17.1 & 17.1.2	1,656,855	-	(256,953)	(256,953)	-	1,142,949
Sub Total		6,313,037	-	(979,061)	(979,062)	-	4,354,914
Narowal plant							
Commercial Facility	17.2.1	5,776,553	653,100	(146,206)	(358,425)	-	5,925,022
Expansion Facility	17.2.2	13,478,624	1,523,900	(283,936)	(712,284)	-	14,006,304
Transaction cost - net		(467,763)	-	-	37,295	7,792	(422,676)
Sub Total		18,787,414	2,177,000	(430,142)	(1,033,414)	7,792	19,508,650
Laraib's investment							
Syndicated term finance facility	17.3.1	-	2,681,874	-	-	-	2,681,874
Islamic finance facility	17.3.2	-	759,000	-	-	-	759,000
Transaction cost		-	-	-	-	(73,080)	(73,080)
Sub Total		-	3,440,874	-	-	(73,080)	3,367,794
Long term loans of the holding company		25,100,451	5,617,874	(1,409,203)	(2,012,476)	(65,288)	27,231,358
Subsidiary							
Foreign currency loans	17.4.1	1,990,985	3,017,125	-	-	-	5,008,110
Local currency loans	17.4.2	555,000	830,000	-	-	-	1,385,000
Transaction cost		(536,716)	-	-	-	(17,916)	(554,632)
Long term loans of the subsidiary		2,009,269	3,847,125	-	-	(17,916)	5,838,478
		27,109,720	9,464,999	(1,409,203)	(2,012,476)	(83,204)	33,069,836

From Banks / Financial Institutions	Note	As at July 01, 2009	Drawn	Repaid	Current portion	Transaction cost	As at June 30, 2010
		....	....	(Rs. '000s)	....	....	....
Holding company							
Hub plant							
Under the Private Sector Energy Development Fund's (PSEDF I) Facility	17.1 & 17.1.1	5,378,290	-	(722,108)	(722,109)	-	3,934,073
Under the Private Sector Energy Development Fund's (PSEDF II) Facility	17.1 & 17.1.2	1,913,808	-	(256,953)	(256,953)	-	1,399,902
Sub Total		7,292,098	-	(979,061)	(979,062)	-	5,333,975
Narowal plant							
Commercial Facility	17.2.1	1,648,692	4,127,861	-	(229,320)	-	5,547,233
Expansion Facility	17.2.2	3,846,948	9,631,676	-	(447,548)	-	13,031,076
Transaction cost		(467,763)	-	-	-	-	(467,763)
Sub Total		5,027,877	13,759,537	-	(676,868)	-	18,110,546
Long term loans of the holding company		12,319,975	13,759,537	(979,061)	(1,655,930)	-	23,444,521
Subsidiary							
Foreign currency loans	17.4.1	-	1,990,985	-	-	-	1,990,985
Local currency loans	17.4.2	-	555,000	-	-	-	555,000
Transaction cost		-	-	-	-	(536,716)	(536,716)
Long term loans of the subsidiary		-	2,545,985	-	-	(536,716)	2,009,269
		12,319,975	16,305,522	(979,061)	(1,655,930)	(536,716)	25,453,790

Holding company

17.1 These loans are repayable in 30 equal installments on semi-annual payment dates starting from January 10, 2002. Any late payment by the holding company is subject to payment of interest at 3% per annum above the normal rate of interest. The holding company may not pay dividend until certain financial requirements under these facilities are satisfied. These loans are secured pari passu by way of:

(a) a fixed charge over each of the following, namely:

(i) the Tangible Moveable Property of the holding company;

(ii) the Intellectual Property of the holding company; and

(iii) all goodwill belonging to the holding company.

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

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

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

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

(d) mortgages over the holding company's real property situated in Lasbella, Islamabad and Karachi, together with all rights of easements, privileges and licences appurtenant thereto.

17.1.1 Interest is payable @ 14% per annum.

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

17.2 In connection with Narowal project:

17.2.1 The loan is repayable in 40 installments on quarterly basis starting from January 16, 2011 and then on each mark-up payment date at a mark-up rate of three month KIBOR plus 0.25% per annum. The mark-up is payable on quarterly basis in arrear. The loan is secured pari passu by way of same securities as mentioned in note 17.1 and a first ranking floating charge over the Commercial Facility Disbursement Account and all credit balances held therein from time to time and all rights, property and benefits arising therefrom at any time and from time to time.

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

The loan is secured pari passu by way of:

(a) mortgage by Deposit of Title Deeds over the immovable properties of the holding company situated at Narowal and acquired for the purposes of Narowal plant;

(b) a first ranking floating charge over the Project Company's undertaking and assets (both present and future), fixed and current, tangible and intangible, wherever situated and all present and future trade deposits, trade debts, loans and advances, bills and other receivables in relation to the Narowal plant;

(c) by way of hypothecation, the creation of a first fixed charge over the present and future properties purchased for the purposes of Narowal plant;

(d) mortgage and assignment of the holding company's rights, titles and interests, present and future, actual and contingent under and in connection with the Narowal Project Documents and all rights of the holding company to make recovery under the Narowal Project Documents and all proceeds of whatsoever nature receivable by the holding company under the Narowal Project Documents; and

(e) by way of first priority security, the holding company has assigned, charged and granted a security interest on all and each of the Project Company's rights, title, interest and benefit, present and future, under and in connection with the GOP Guarantee (for Narowal plant) and all rights of the Project Company to make recovery under the GOP Guarantee and any proceeds thereof receivable by the Project Company under the GOP Guarantee.

The 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.

During the year, the holding company withdrew Rs. 2,177 million from the facilities mentioned in notes 17.2.1 and 17.2.2 after obtaining extension in the expiry of availability period up to April 21, 2011.

The outstanding balance of long term loans include Rs. 1,866.848 million (2010: Rs. 1,711.571) from an associated undertaking.

17.3 In order to meet its investment obligation in the subsidiary:

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

17.3.2 The holding company has also entered into a long term islamic financing arrangement with a bank for an amount of Rs. 759 million. The loan is repayable in nine equal installments on semi-annual basis following the six months after the end of availability period which is 42 months from the facility effective date at a mark-up rate of six month KIBOR plus 2.20% per annum. The facility became effective on November 24, 2010. The mark-up is payable on semi-annual basis in arrear starting from the availability period. Any late payment by the holding company is subject to an additional payment of 2% per annum above the normal mark-up rate. The loan is secured by way of securities mentioned in note 17.3.1.

The outstanding balance of long term loans include Rs. 520.576 million out of the total available facility of Rs. 1,000 million from an associated undertaking.

Subsidiary

17.4 In connection with the construction of the power plant of the subsidiary:

17.4.1 The subsidiary has entered into long term loan facilities of USD 135.6 million with various banks / financial institutions at an interest rate of six month LIBOR plus 4.75% per annum. Disbursements under these facilities are subject to fulfilment of certain conditions precedent. The loans are repayable in 24 installments starting from November 5, 2013 and then on each interest payment date (January 1 and July 1) until and including the final maturity date of November 5, 2024. The availability period of loan facilities is 42 months from December 20, 2009 provided that in no event shall the availability period extend beyond August 5, 2013. Any late payment by the subsidiary is subject to an additional payment of 2% per annum above the normal mark-up rate.

17.4.2 The subsidiary has also entered into a long term loan facility of Rs. 3,250 million with banks at a mark-up rate of six month KIBOR plus 3.25% per annum. Disbursements under this facility are subject to fulfilment of certain conditions precedent. The loan is repayable in 19 installments starting from November 5, 2013 and then on each mark-up payment date (January 1 and July 1) until and including the final maturity date of May 5, 2022. The availability period of loan facility is 42 months from December 20, 2009 provided that in no event shall the availability period extend beyond August 5, 2013. Any late payment by the subsidiary is subject to an additional payment of 2.5% per annum above the normal mark-up rate.

The subsidiary is not expected to declare dividend before the Commercial Operations Date and satisfaction of Lenders conditionalities.

During the year, the subsidiary withdrew USD 34.9 million and Rs. 830 million after obtaining lenders' consent for deferment of certain conditions precedent.

The loan facilities are secured by way of:

(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 the Security Deed;

(iii) the authorisations 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 the Security Trust 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 the subsidiary's business;

(vii) all Insurances;

(viii) all other present and future assets of the subsidiary both real and personal, tangible and intangible (if not otherwise effectively charged or assigned, as applicable, to the Security Trustee); and

(ix) in charged accounts and in all authorised investments held by the subsidiary 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 the subsidiary's undertakings and assets, present and future other than any asset charged or assigned under Fixed charge.

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
18. SHARE PREMIUM PAYABLE			
Share premium payable		95,620	536,593
Less: current portion	20	(95,620)	(495,385)
		-	41,208

This represents share premium payable to Coate & Co. (Pvt.) Limited for the acquisition of shares of the subsidiary.

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
19. DEFERRED LIABILITIES			
Staff gratuity - Holding company	19.1	19,320	15,689
Staff gratuity - Subsidiary		1,060	-
Deferred income		-	92
		20,380	15,781

19.1 Staff gratuity - Holding company

Actuarial valuation was carried out as on June 30, 2011. The present value of defined benefit obligation has been calculated using the Projected Unit Credit Actuarial Cost method.

	2011 (Rs. '000s)	2010 (Rs. '000s)
Reconciliation of the net liability recognised in the balance sheet		
Present value of defined benefit obligation	97,139	110,529
Fair value of plan assets	(61,054)	(81,095)
Net actuarial losses not recognised	(16,765)	(13,745)
Net liability recognised in the balance sheet	19,320	15,689
Reconciliation of the movements during the year in the net liability recognised in the balance sheet		
Opening net liability	15,689	15,001
Expense recognised	16,033	9,345
Contributions to the fund made during the year	(12,402)	(8,657)
Closing net liability	19,320	15,689
Expense recognised		
Current service cost	8,039	6,242
Interest cost	12,816	12,958
Expected return on plan assets	(7,514)	(9,855)
Actuarial loss recognised	2,692	-
Expense recognised	16,033	9,345
Actual return on plan assets		
Expected return on plan assets	7,514	9,855
Actuarial loss on plan assets	(1,985)	(3,641)
Actual return on plan assets	5,529	6,214

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

	2011	2010
- Valuation discount rate per annum	14%	14%
- Expected return on plan assets per annum	11%	11%
- Expected rate of increase in salary level per annum	14%	14%

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
20. TRADE AND OTHER PAYABLES			
Creditors			
Trade	20.1	70,783,935	55,532,162
Other		113,724	73,582
		70,897,659	55,605,744
Accrued liabilities			
Due to operation and maintenance contractors		286,438	138,044
Project cost - Narowal plant		845,087	1,540,948
Miscellaneous finance costs		13,098	17,008
Miscellaneous		701,109	542,196
		1,845,732	2,238,196
Unearned income	20.2	938,512	880,249
Share premium payable	18	95,620	495,385
Unclaimed dividend		86,066	76,165
Current portion of deferred income		-	157
Other payables			
Provision for Workers' profit participation fund	8	271,242	277,806
Payable to EPC contractor of the subsidiary		750,493	882,965
Payable in respect of project development cost of the subsidiary		94,053	82,782
Retention money		63,589	35,381
Withholding tax		-	7,510
		1,179,377	1,286,444
	20.3	75,042,966	60,582,340

20.1 This includes Rs. 69,687 million (2010: 55,532 million) payable to Pakistan State Oil, out of which overdue amount is Rs. 55,337 million (2010: Rs. 48,769 million). The overdue amount carries interest / mark-up at SBP discount rate plus 2% per annum compounded semi-annually.

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

20.3 This includes a sum of Rs. 853 million (2010: 613 million) payable to an associated undertaking.

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
21. INTEREST / MARK-UP ACCRUED			
Interest / mark-up accrued on long term loans		1,593,716	1,285,447
Mark-up accrued on short term borrowings		247,911	126,662
	21.1	1,841,627	1,412,109

21.1 Included herein is a sum of Rs. 140.831 million (2010: Rs. 63.095 million) payable to associated undertakings.

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
22. SHORT TERM BORROWINGS - Secured			
Finances under mark-up arrangements	22.1, 22.2 & 29	**11,682,276**	6,743,596

22.1 The facilities for running finance available from various banks / financial institution amounted to Rs. 12,900 million (2010: Rs. 9,300 million) at mark-up ranging between 0.75% to 3.00% per annum above one month KIBOR. The mark-up on the facilities is payable on monthly / quarterly basis in arrears. The facilities will expire during the period from September 30, 2011 to June 30, 2012. These facilities are secured by way of charge over the trade debts and stocks of the holding company pari passu with the existing charge. Any late payment by the holding company is subject to an additional payment of 2% per annum above the normal mark-up rate.

22.2 This includes a sum of Rs. 898.991 million (2010: Rs. Nil) payable to an associated undertaking. The available facility amounts to Rs. 2,000 million (2010: Rs. Nil).

22.3 The holding company has entered into a working capital facility agreement with various banks for an amount of Rs. 2,250 million (2010: Rs. Nil) at a mark-up of 2.00% per annum above three month KIBOR. The mark-up on the facility is payable on quarterly basis in arrears. The facility will expire on July 28, 2012. Any late payment by the holding company is subject to an additional payment of 2% per annum above the normal mark-up rate. The facility is 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 opened for the purpose of this agreement, (ii) Fuel, lube, fuel stocks at the Narowal plant and Spares parts; and (iii) the Energy Payment Receivables of Narowal plant.

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

22.4 The holding company has also entered into Murabahah facility agreements with banks for an amount of Rs. 625 million (2010: Rs. Nil) at a mark-up of 2.00% per annum above three month KIBOR. The mark-up on the facilities is payable on quarterly basis in arrears. These facilities will expire on July 28, 2012. Any late payment by the holding company is subject to an additional payment of 2% per annum above the normal mark-up rate. These facilities are secured by way of securities mentioned in note 22.3.

23. COMMITMENTS AND CONTINGENCIES

23.1 The holding company, under the Fuel Supply Agreement (FSA) for Hub plant, is committed to purchase a certain quantity of oil from Pakistan State Oil (PSO) every year.

23.2 Counter guarantees, to meet the requirements under the FSA, issued to various banks which are secured pari passu with long term loans (as mentioned in note 17.1) amount to Rs. 8,000 million (2010: Rs. 8,000 million).

23.3 Commitments by the holding company in respect of capital and revenue expenditures amount to Rs. 422.630 million (2010: Rs. 839.865 million).

23.4 In connection with investment in the subsidiary, 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 the subsidiary'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 the subsidiary; and

(b) all its rights, title and interest from time to time (whether present or future) in the Assigned Subordinated Loans (none at present) 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 (none at present).

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

Further, the holding company is committed to maintain a minimum of 75% equity interest in the subsidiary. As at June 30, 2011 on the basis of 75:25 debt to equity ratio, the holding company's remaining equity commitment is likely to be USD 7.13 million (2010: USD 23.74 million). The holding company has arranged long term loan facilities as mentioned in note 17.3 to fund the investment commitment.

23.5 Pursuant to the SSA in connection with the investment in the subsidiary, the holding company is committed to provide an LC of USD 46 million to the subsidiary's lenders from Financial Close to the last repayment date of debt (expected in 2024). The holding company entered into an agreement with a commercial bank (an associated undertaking) for the arrangement of this LC in the amount of USD 46 million or aggregating Rs. 4,000 million, whichever is lower, for a period of four years starting December 2009. The LC was arranged for one year under the agreement and is renewable each year subject to certain conditions. The LC amount reduces as the equity is injected into the subsidiary and project achieves COD. The current outstanding amount of the LC is USD 33 million. Post COD, the holding company will be required to maintain a maximum LC of USD 17 million up to 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 the subsidiary including bonus shares and right shares.

23.6 After achieving COD of the Narowal plant on April 21, 2011, the holding company has filed a tariff adjustment application with NEPRA. The outcome of this application may impact the future results and cash flows of the Narowal plant.

23.7 In connection with the Narowal plant, under the Fuel Supply Agreement, the holding company is committed to purchase certain quantity of oil from Bakri Trading Company Pakistan (Pvt.) Ltd. and provide Stand By Letter of Credit (SBLC). During the year, the holding company provided SBLC for an amount of Rs. 1,000 million which subsequent to the year end has been enhanced to Rs. 2,400 million. This SBLC will expire on August 04, 2012. Any default in payment by the holding company is subject to a mark-up rate of three month KIBOR plus 4.00% per annum. This SBLC is secured by way of securities mentioned in note 22.3.

23.8 The holding company has entered into an Operation and Maintenance agreement with O&M contractor for the Narowal plant for a period of five years starting from the Commercial Operations Date. Under the agreement, the holding company is committed to pay certain fee to the operator of the plant payable in fixed and variable portions.

23.9 The holding company is exposed to the liquidated damages if it is not able to meet the availability conditions of the Narowal plant as defined under the Narowal PPA. The holding company remains exposed to LDs if Narowal plant does not have sufficient fuel to meet the availability conditions of the PPA.

23.10 (i) The Deputy Commissioner of Income tax (DCIT) 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 tax amounting to Rs. 297 million against the above assessments in accordance with the departmental procedures. Appeals filed by the holding company before the Commissioner of Income tax (Appeals) [the "CIT(A)"] and thereafter with the Income Tax Appellate Tribunal (the "ITAT") were decided against the holding company. Against the decision of the ITAT, the holding company filed appeals before the High Court (the "HC"). The HC granted a stay of demand for the outstanding tax liability which according to the provisions of section 136 of the ITO,79 expired on August 2, 1999. However, the HC directed the DCIT not to institute recovery measures without its permission.

The management and their tax and legal advisors are of the opinion that the position of the holding company is sound on technical basis and eventual outcome will be in favour of the holding company.

(ii) Without prejudice to the above appeals, the holding company filed an application for the resolution of the matter under the Alternate Dispute Resolution (ADR) provided under section 134A of the Income Tax Ordinance, 2001 with the Federal Board of Revenue (FBR). The Alternate Dispute Resolution Committee (ADRC) constituted by the FBR made certain recommendations to the FBR which required the holding company to pay a total of Rs. 380 million (including Rs. 297 million already paid). However, the holding company informed the FBR that the recommendation of the ADRC was not maintainable under the law because ADRC had gone beyond their mandate. The FBR, after reviewing the recommendations of the ADRC and the letter filed by the holding company, decided not to agree with the recommendation of the ADRC and let the dispute be resolved by way of appeals pending before the HC.

Without prejudicing its rights, the holding company has held several meetings with the FBR in order to settle the matter in an amicable manner. Various options have been discussed but no conclusion has yet been reached.

(iii) On the unpaid tax demands referred in (i) above, further assessment orders were issued for Rs. 50 million (Rs. 29 million being additional tax and Rs. 21 million being penalty). Against these orders, the holding company filed appeals before the CIT(A), who has deleted the amount of additional tax levied of Rs. 29 million and reduced the penalty of Rs. 21 million by Rs. 6 million. Against the decision of the CIT(A), the holding company and Income Tax Department filed further appeals before the ITAT which had upheld the decision of the CIT(A). Against this, the holding company moved reference application to the ITAT to refer the issue to the HC, which stands rejected by the ITAT. The management and their tax advisors are of the opinion that if the HC decides the appeals against assessments made under section 52/86 of the ITO,79 in favour of the holding company, the penalty would also be deleted.

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

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

Under the provisions of the Implementation Agreement (IA) between the holding company and Government of Pakistan (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, during the construction phase, the FBR contended that holding company was liable to pay tax at 8% instead of the agreed rate of 4% and was also liable to pay tax on taxes paid on behalf of contractors and sub-contractors on "tax on tax" basis at the corporate rates ranging from 52% to 58% instead of 4%. Accordingly, demand notices were issued and the holding company was required to pay Rs. 966 million. On payment of Rs. 966 million, the holding company immediately billed these amounts to WAPDA. Against these demands by FBR, appeals were filed by the Contractors and Sub-Contractors which were decided in their favour. The FBR has filed appeals before the courts which are pending adjudication.

On Hubco's and other Independent Power Producers' (IPPs) representation, the Economic Coordination Committee (ECC) of the Federal Cabinet of the GOP directed the FBR to refund the tax recovered by it over and above 4%. The FBR has so far refunded Rs. 593 million but withheld Rs. 373 million on the pretext that the ECC decision was not applicable on "tax on tax" issue and also because the FBR has filed appeals before the courts which are pending adjudication.

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

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

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

23.12 The holding company had filed a petition on June 28, 2000 challenging the application of the Companies Profits (Workers' Participation) Act, 1968 (the Act) to the holding company on the ground that since its inception the holding company has not employed any persons who falls within the definition of the term "Worker" as it has been defined in the Act.

The petition was filed subsequent to the holding company's receipt of the Labour, Manpower and Overseas Pakistanis' Division's letter dated March 14, 2000 directing the holding company to allocate 5% of its net profit (since its establishment) towards the Workers' Profit Participation Fund and 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 Power Purchase Agreement (PPA), against the Water and Power Development Authority (WAPDA) as a pro forma party.

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

Both HUBCO and WAPDA agreed that this petition should proceed and a judgment obtained on merits. During the year, the petition was dismissed by the High Court (HC). Against the decision of the HC, the holding company has filed petition for leave to appeal before the Supreme Court. 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 (see note 8).

23.13 In connection with the development of the power plant of the subsidiary:

(i) the subsidiary has entered into contracts for construction and operation of a hydel power plant. The subsidiary's remaining capital and revenue commitments against these contracts amount to Rs. 6,838.113 million (2010: Rs. 10,056.952 million).

(ii) pursuant to the PPA, the subsidiary in order to meet its obligation to achieve COD within 42 months of Financial Close had arranged the issuance of letter of credit (LC) in favour of the Power Purchaser for an amount of USD 1.680 million from commercial banks. The LC will expire on June 25, 2013. Any default in payment by the subsidiary is subject to a mark-up rate of three month KIBOR plus 4% per annum compounded semi-annually. This LC is secured by way of securities mentioned in note 17.4.

(iii) the subsidiary entered into land lease agreements with the GOAJK for (i) 424 kanals and (ii) 7,243 kanals of land for the project. The lease of 424 kanals is for a term of 30 years starting from October 2003 and is renewable after the end of the lease term. The subsidiary had paid advance rental for the lease of 7,243 kanals for a period of 5 years starting from July 2009 after which land measuring 3,515 kanals, required for permanent structures, will be leased again for a period of 20 years while the remaining land will revert to the Government. Under AJK Implementation Agreement, the GOAJK is committed to extend the term of the land lease agreement over the project life.

The amount of future payments under the non-cancellable operating leases and the period in which these payments will become due are as follows:

	2011 (Rs. '000s)	2010 (Rs. '000s)
Not later than one year	170	170
Later than one year but not later than five years	3,434	2,085
Later than five years	28,299	29,772
	31,903	32,027

(iv) The subsidiary has filed appeals against the Order of the Taxation Officer for the alleged non-withholding of tax on payments made to Islamic Development Bank (IDB) amounting to Rs. 11.39 million and lenders' legal counsel amounting to Rs. 2.06 million respectively. The subsidiary is also pursuing the matter with the AJ&K Council for the retrospective exemption on payments made to IDB, whereas in case of lenders' legal counsel the subsidiary expects a favourable outcome due to decisions of the Appellate authorities in parallel cases. Further, adverse outcome, if any, in the matter of IDB will not have any impact on the consolidated financial statements as any such payment is a pass through item under the AJ&K Implementation Agreement and shall be recoverable within 30 days from the date of delivery of invoice raised by the subsidiary.

24. REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

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

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
Chief Executives			
Managerial remuneration		24,441	27,723
Ex-gratia payment		-	21,850
House rent		10,998	4,961
Utilities		2,444	1,102
Retirement benefits		3,504	1,102
Other benefits		12,583	3,940
		53,970	60,678
Number of persons		2	2
Directors			
Fees	24.1	4,000	2,925
Number of persons		4	4
Executives			
Managerial remuneration		87,372	76,904
Ex-gratia payment		2,908	2,673
Bonus		13,977	27,433
House rent		33,498	28,486
Utilities		8,738	7,593
Retirement benefits		22,660	16,064
Other benefits		30,120	23,996
		199,273	183,149
Number of persons		47	40
Total			
Managerial remuneration / Fees		115,813	107,552
Ex-gratia payment		2,908	24,523
Bonus		13,977	27,433
House rent		44,496	33,447
Utilities		11,182	8,695
Retirement benefits		26,164	17,166
Other benefits		42,703	27,936
		257,243	246,752
Number of persons		53	46

24.1 This represents fee to four (2010: four) directors of the holding company.

24.2 Chief Executives and certain Executives are provided with the use of Company maintained automobiles in accordance with the terms of their employment.

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

25. SEGMENT INFORMATION

25.1 SEGMENT ANALYSIS

The Group has three reportable segments on the basis of power plants; the Hub plant which is in operation, Narowal plant which is also in operation and Laraib plant (Hydel power plant) which is under construction.

The unallocated items of profit and loss relate to costs incurred by the holding company for investment in the subsidiary. The unallocated liabilities represent amounts payable in respect of investment in the subsidiary.

	2011				
	Hub plant	Narowal plant	Laraib plant	Unallocated	Total
	(Rs. '000s)				
Turnover	119,418,975	3,890,629	-	-	123,309,604
Operating costs	(110,813,294)	(3,279,282)	-	-	(114,092,576)
GROSS PROFIT	8,605,681	611,347	-	-	9,217,028
Other income	21,851	124	21,196	3,965	47,136
General and administration expenses	(363,743)	(71,215)	(99,267)	(1,006)	(535,231)
Finance costs	(2,205,835)	(807,091)	(1,298)	(151,497)	(3,165,721)
Workers' profit participation fund					-
PROFIT BEFORE TAXATION	6,057,954	(266,835)	(79,369)	(148,538)	5,563,212
Taxation	-	-	(17,421)	-	(17,421)
PROFIT FOR THE YEAR	6,057,954	(266,835)	(96,790)	(148,538)	5,545,791
Assets	111,910,567	30,289,094	11,833,156	5,657	154,038,474
Liabilities	89,554,865	23,605,728	6,958,466	3,558,749	123,677,808
Depreciation and amortisation	1,720,330	239,880	10,093	-	1,970,303
Capital expenditure	94,422	1,144,940	5,084,507	-	6,323,869

	2010				
	Hub plant	Narowal plant	Laraib plant	Unallocated	Total
	(Rs. '000s)				
Turnover	99,694,264	-	-	-	99,694,264
Operating costs	(92,006,319)	-	-	-	(92,006,319)
GROSS PROFIT	7,687,945	-	-	-	7,687,945
Other income	52,712	45	8,242	6,025	67,024
General and administration expenses	(342,184)	(47,099)	(94,085)	(2,208)	(485,576)
Finance costs	(1,666,773)	(3)	(6,965)	(126,815)	(1,800,556)
Workers' profit participation fund					-
PROFIT BEFORE TAXATION	5,731,700	(47,057)	(92,808)	(122,998)	5,468,837
Taxation	-	-	-	-	-
PROFIT FOR THE YEAR	5,731,700	(47,057)	(92,808)	(122,998)	5,468,837
Assets	98,086,517	21,992,687	5,946,832	6,192	126,032,228
Liabilities	71,137,811	21,139,833	3,092,123	536,593	95,906,360
Depreciation and amortisation	1,719,017	2,913	3,866	-	1,725,796
Capital expenditure	32,026	13,421,246	4,046,139	-	17,499,411

25.2 The customers of the Group are NTDC/CPPA/WAPDA (Power Purchasers) under the long term PPAs of the respective power plants. The obligations of Power Purchasers are guaranteed by the Government of Pakistan under Implementation Agreements of the respective power plants.

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
26. TRANSACTIONS WITH RELATED PARTIES / ASSOCIATED UNDERTAKINGS			
Amounts paid for services rendered	26.1	3,389,536	3,303,535
Reimbursement of expenses and others		2,210	1,522
Shares issued to an associated undertaking of the subsidiary		272,679	284,427
Proceeds from long term loans		714,088	1,223,070
Repayment of long term loans		38,235	-
Short term borrowing from an associated undertaking of the subsidiary		-	43,000
Repayment of short term borrowing from an associated undertaking of the subsidiary		-	43,000
Mark-up on long term loans		301,525	200,539
Mark-up on short term borrowings		80,128	-
Other finance cost		112,993	61,999
Mark-up on short term borrowings from subsidiary's ex-CEO	7	-	122
Mark-up on salary payable to subsidiary's ex-CEO	7	-	837
Remuneration to key management personnel			
Salaries, benefits and other allowances		94,984	91,697
Ex-gratia payment		-	21,850
Retirement benefits		7,565	5,519
	26.2	102,549	119,066
Fees	24.1	4,000	2,925
Contribution to staff retirement benefit plans		23,731	17,179

26.1 These include transactions with principal shareholders of the holding company under various service agreements.

26.2 Transactions with key management personnel are carried out under the terms of their employment. Key management personnel are also provided with the use of Company maintained automobiles.

26.3 The transactions with associated undertakings are made under normal commercial terms and conditions.

	2011	2010

27. PLANT CAPACITY AND PRODUCTION

HUB PLANT

	2011	2010
Theoretical Maximum Output	10,512 GWh	10,512 GWh
Total Output	8,115 GWh	8,337 GWh
Load Factor	77%	79%

Practical maximum output for the power plant taking into account all the scheduled outages is 9,216 GWh (2010: 9,216 GWh). Output produced by the plant is dependent on the load demanded by WAPDA and the plant availability.

NAROWAL PLANT

Narowal plant was declared commercially available with effect from April 22, 2011 and the following data covers the period from April 22, 2011 to June 30, 2011.

	2011	2010
Theoretical Maximum Output	359 GWh	-
Total Output	237 GWh	-
Load Factor	66%	-

Practical maximum output during the period for the power plant taking into account all the scheduled outages is 330 GWh. Output produced by the plant is dependent on the load demanded by NTDC and the plant availability.

28. WORKING CAPITAL CHANGES

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
(Increase) / decrease in current assets			
Stores and spares		(358,797)	-
Stock-in-trade		(2,213,823)	981,011
Trade debts		(19,093,608)	(20,083,004)
Advances, deposits, prepayments and other receivables		(325,830)	34,161
		(21,992,058)	(19,067,832)
Increase in current liabilities			
Trade and other payables		14,270,167	16,490,356
		(7,721,891)	(2,577,476)

29. CASH AND CASH EQUIVALENTS

	Note	2011 (Rs. '000s)	2010 (Rs. '000s)
Cash and bank balances	15	2,562,524	927,940
Finances under mark-up arrangements	22	(11,682,276)	(6,743,596)
		(9,119,752)	(5,815,656)

	2011	2010

30. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY

30.1 Basic

	2011	2010
Profit for the year attributable to owners of the holding company (Rupees in thousand)	5,569,843	5,490,335
Number of shares in issue during the year	1,157,154,387	1,157,154,387
Basic earnings per share attributable to owners of the holding company (Rupees)	4.81	4.74

30.2 There is no dilutive effect on the earnings per share attributable to owners of the holding company.

31. PROPOSED FINAL DIVIDEND

The Board of Directors of the holding company proposed a final dividend for the year ended June 30, 2011 of Rs. 3 per share, amounting to Rs. 3,471.463 million, at their meeting held on September 08, 2011, for approval of the members of the holding company at the Annual General Meeting to be held on October 31, 2011. These consolidated financial statements do not reflect this dividend payable which will be accounted for in the period in which it is approved.

32. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

(a) Market risk

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

(i) Foreign exchange risk

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

Financial assets of the Group include Rs. 1,334.513 million (2010: Rs. 761.729 million) in foreign currencies which are subject to currency risk exposure and financial liabilities of the Group include Rs. 1,491.523 million (2010: Rs. 187.186 million) in foreign currencies which are subject to currency risk exposure.

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

	2011 (Rs. '000s)	2010 (Rs. '000s)
Fixed rate instruments at carrying amount:		
Financial assets		
Bank balances	2,562,007	927,829
Financial liabilities		
Long term loans	3,934,074	4,656,182
Variable rate instruments at carrying amount:		
Financial assets		
Trade debts	71,112,603	57,763,888
Financial liabilities		
Long term loans	31,148,238	22,453,538
Liabilities against assets subject to finance lease	-	1,606
Trade & other payables	55,336,617	48,769,054
Short term borrowings	11,682,276	6,743,596
Total	98,167,131	77,967,794

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

In addition to above, the holding company has long term loans (PSEDF II) for Hub plant at variable rates. The related finance cost is pass through to WAPDA under the PPA. Therefore, there is no significant impact of any change in interest rates on profit or loss.

The holding company has a long term loan for Narowal plant (see note 17.2.2). Under the Narowal PPA, the related finance cost up to a mark-up rate of 3 month KIBOR plus 3% margin is allowed as a pass through to the Power Purchaser. Therefore, there is no significant impact of any change in interest rates on profit or loss.

The holding company has another long term loan for Narowal plant (see note 17.2.1). The holding company has to manage the related finance cost from its own sources which exposes the holding company to the risk of change in 3 month KIBOR. As at June 30, 2011, 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. 12.050 million.

In order to meet its investment obligations in the subsidiary, the holding company has entered into long term loan facilities (see note 17.3). The holding company has to manage related finance cost from its own sources which exposes the holding company to the risk of change in 6 month KIBOR. Since the subsidiary's hydel project is under construction and the significant amount of the related finance cost is capitalised as at balance sheet date, therefore, a change in interest rate does not have a significant impact on profit or loss.

The subsidiary has long term loan facilities with various banks / financial institutions (see note 17.4). Since the subsidiary's hydel project is under construction and the related finance cost is capitalised as at balance sheet date, therefore, a change in interest rate does not have any impact on profit or loss.

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

(b) Credit risk

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

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

	2011 (Rs. '000s)	2010 (Rs. '000s)
Deposits	3,682	2,734
Trade debts	85,806,069	66,712,461
Other receivables	272,554	331,651
Bank balances	2,562,007	927,829
Total	88,644,312	67,974,675

Trade debts of the holding company are recoverable from WAPDA / NTDC under the PPAs and are secured by guarantees from Government of Pakistan under the Implementation Agreements.

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

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

(c) Liquidity risk

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

The holding company maintains running finance facilities (see note 22) to meet the short term funding requirements due to delay in payments by WAPDA and NTDC. The delay in payments by WAPDA is mainly offset by the delay in payments to PSO whereas the delay in payments by NTDC is managed through bank borrowings.

The holding company is exposed to liquidity risk to the extent that the returns (subject to tariff adjustment) from the project are not sufficient to meet the funding requirement for the Narowal plant's long term loan mentioned in note 17.2.1. The holding company is also exposed to liquidity risk for the differential of 0.47% margin above the 3% allowed under the 2002 power policy (see note 17.2.2). After the COD, the holding company has approached NEPRA for the adjustment of 0.47% margin. If 0.47% adjustment is not allowed by NEPRA, the holding company's maximum liquidity exposure on remaining term of the loan will be Rs. 401 million.

The financing arrangements of the subsidiary are entered in such a way that there is a time lag between payments made and drawdown available from long term loans. The subsidiary meets this time lag by calling equity injections from sponsors as allowed by financing arrangements.

The subsidiary is exposed to liquidity risk in relation to the project financing arrangements (see note 17.4) where the subsidiary is required to meet certain conditions precedent before withdrawal. If the withdrawal from these long term loan facilities is not available, the subsidiary will be required to manage the funding from its own sources.

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

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 5 to 10 years	Over 10 years	Total
	(Rs. '000s)					
2010-11						
Long term loans	**3,643,912**	**3,608,626**	**30,127,362**	**26,459,113**	**2,213,944**	**66,052,957**
Share premium payable	**96,071**	**-**	**-**	**-**	**-**	**96,071**
Deferred liability	**-**	**-**	**1,060**	**-**	**-**	**1,060**
Trade and other payables	**73,737,592**	**-**	**-**	**-**	**-**	**73,737,592**
Short term borrowings	**11,930,187**	**-**	**-**	**-**	**-**	**11,930,187**
Total	**89,407,762**	**3,608,626**	**30,128,422**	**26,459,113**	**2,213,944**	**151,817,867**
2009-10						
Long term loans	3,460,741	2,929,199	22,437,370	22,095,345	2,119,279	53,041,934
Liabilities against assets subject to finance lease	569	208	1,017	-	-	1,794
Share premium payable	258,874	273,750	42,190	-	-	574,814
Trade and other payables	58,921,233	-	-	-	-	58,921,233
Short term borrowings	6,870,258	-	-	-	-	6,870,258
Total	69,511,675	3,203,157	22,480,577	22,095,345	2,119,279	119,410,033

The contractual maturities of long term loan related to the Narowal plant are subject to change due to final outcome of tariff adjustment application.

Fair value estimation

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.

33. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Loans and receivables (Rs. '000s)	Total June 30, 2011 (Rs. '000s)
Assets as per balance sheet		
Deposits	3,682	3,682
Trade debts	85,806,069	85,806,069
Other receivables	272,554	272,554
Cash and bank balances	2,562,524	2,562,524
Total	88,644,829	88,644,829

	Financial liabilities measured at amortised cost (Rs. '000s)	Total June 30, 2011 (Rs. '000s)
Liabilities as per balance sheet		
Long term loans	36,676,028	36,676,028
Share premium payable	95,620	95,620
Deferred liability	1,060	1,060
Trade and other payables	73,737,592	73,737,592
Short term borrowings	11,930,187	11,930,187
Total	122,440,487	122,440,487

	Loans and receivables (Rs. '000s)	Total June 30, 2010 (Rs. '000s)
Assets as per balance sheet		
Deposits	2,734	2,734
Trade debts	66,712,461	66,712,461
Other receivables	331,651	331,651
Cash and bank balances	927,940	927,940
Total	67,974,786	67,974,786

	Financial liabilities measured at amortised cost (Rs. '000s)	Total June 30, 2010 (Rs. '000s)
Liabilities as per balance sheet		
Long term loans	28,395,167	28,395,167
Liabilities against assets subject to finance lease	1,606	1,606
Share premium payable	536,593	536,593
Trade and other payables	58,921,233	58,921,233
Short term borrowings	6,870,258	6,870,258
Total	94,724,857	94,724,857

34. EXEMPTION OF INTERPRETATIONS

Holding company

Exemption from applicability of IFRIC - 4 "Determining Whether an Arrangement Contains a Lease"

On June 22, 2009, the Securities and Exchange Commission of Pakistan (SECP) exempted the application of International Financial Reporting Interpretation Committee (IFRIC) - 4 "Determining Whether an Arrangement Contains a Lease" for power sector companies where Letter of Intent (LOI) is issued by the Government on or before June 30, 2010. However, the SECP made it mandatory to disclose the impact on the results of the application of IFRIC - 4.

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

	2011 (Rs. '000s)	2010 (Rs. '000s)
Decrease in unappropriated profit at the beginning of the year	(10,941,001)	(11,749,859)
Increase in profit for the year	892,463	808,858
Decrease in unappropriated profit at the end of the year	(10,048,538)	(10,941,001)

Subsidiary

Exemption from applicability of IFRIC - 12 "Service Concession Arrangements"

On June 22, 2009, the Securities and Exchange Commission of Pakistan (SECP) exempted the application of International Financial Reporting Interpretation Committee (IFRIC) - 12 "Service Concession Arrangements" for power sector companies where Letter of Intent (LOI) is issued by the Government on or before June 30, 2010. 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 Company has an unconditional contractual right to receive cash irrespective of the usage of infrastructure. If the subsidiary were to follow IFRIC - 12 and IAS - 11, the effect on the consolidated financial statements would be as follows:

	2011 (Rs. '000s)	2010 (Rs. '000s)
Increase in unappropriated profit and non-controlling interest at the beginning of the year	156,700	63,892
Increase in profit for the year	386,519	92,808
Increase in unappropriated profit and non-controlling interest at the end of the year	543,219	156,700

35. EVENTS AFTER THE BALANCE SHEET DATE

35.1 The holding company entered into facilities for running finance with various banks amounting to Rs. 4,000 million at mark-up ranging between 2.00% to 2.25% per annum above one month KIBOR. The mark-up on the facilities is payable on monthly / quarterly basis in arrears. The facilities will expire during the period from December 15, 2011 to January 05, 2012. These facilities are secured by way of charge over the trade debts and stocks of the holding company pari passu with the existing charge. Any late payment by the holding company is subject to an additional payment of 2% per annum above the normal mark-up rate.

35.2 The holding company also entered into a Musharaka agreement amounting to Rs. 2,400 million at a mark-up of 1.10% per annum above six month KIBOR. The mark-up and principal is payable on the expiry of six months from the date of drawdown. The holding company has drawn full amount on August 4, 2011. These facilities are secured by way of charge over the trade debts and stocks of the holding company pari passu with the existing charge. Any late payment by the holding company is subject to an additional payment of 2% per annum above the normal mark-up rate.

36. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on September 08, 2011 in accordance with the resolution of the Board of Directors of the holding company.

37. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

PROXY FORM

The Company Secretary,
The Hub Power Company Limited,
3rd Floor, Islamic Chamber Building,
ST-2/A, Block 9, Clifton,
P.O.Box No. 13841,
Karachi.75600

I/We ____
of ____
being a member of THE HUB POWER COMPANY LIMITED and holder of ____________
Ordinary Shares as per the Share Register Folio No.____________ and/or CDC Participant ID No. ____________ and Account / Sub-Account No.____________ hereby appoint ____________ of ____________ or failing him/her ____________
as my/our proxy to vote for me & on my/our behalf at the 20th Annual General Meeting of the Company to be held at Islamabad Serena Hotel, Islamabad on October 31, 2011 at 11.30 am and at any adjournment thereof.

Signature on
Revenue Stamp
of Rs.5/-

Signature of Shareholder ____________
Folio / CDC No. ____________

Witnesses:

(1)	(2)
Signature ____________	Signature ____________
Name ____________	Name ____________
Address ____________	Address ____________
____________	____________
NIC / Passport No. ____________	NIC / Passport No. ____________

Notes:

- A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A Proxy need not be a member of the Company.
- If a member is unable to attend the meeting, they may complete and sign this form and send it to the Company Secretary, The Hub Power Company Limited, Head Office at 3rd Floor, Islamic Chamber Building, ST-2/A, Block 9, Clifton, Karachi 75600 so as to reach not less than 48 hours before the time appointed for holding the Meeting.
- **For CDC Account Holders / Corporate Entities**

  In addition to the above the following requirements have to be met.

(i) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be stated on the form.

(ii) Attested copies of valid 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 valid 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.

growth through energy

AFFIX
CORRECT
POSTAGE

The Company Secretary,
The Hub Power Company Limited,
3rd Floor, Islamic Chamber of Commerce Building,
ST-2/A, Block-9, Clifton, P.O. Box No. 13841,
Karachi-75600.

The Hub Power Company Limited
3rd Floor, Islamic Chamber of Commerce Building,
ST-2/A, Block-9, Clifton, P.O. Box No. 13841,
Karachi - 75600
www.hubpower.com