



growth through energy

THE HUB POWER COMPANY LIMITED

UNAUDITED QUARTERLY FINANCIAL STATEMENTS

**FOR THE SECOND QUARTER ENDED
DECEMBER 31, 2006**

CONTENTS

Company Information	2
Report of the Directors	4
Auditors' Review Report to the Members	5
Profit & Loss Account	6
Balance Sheet	7
Cash Flow Statement	8
Statement of Changes in Equity	9
Notes to the Financial Statements	10

COMPANY INFORMATION

BOARD OF DIRECTORS: Mr. Mohamed A. Alireza H.I. Chairman
Dr. Fereydoon Abtahi
Mr. Robin A. Bramley
Mr. Malcolm P. Clampin
Mr. Taufique Habib
Mr. Vince R. Harris, OBE
Mr. Arif Ijaz
Mr. Qaiser Javed
Mr. Ali Munir
Mr. Javed Mahmood Chief Executive
Mr. Ghulam Sarwar Mengal
Mr. S. Ali Raza
Mr. S. Nizam A. Shah
M. Ashraf Tumbi
Mr. Yutaka Ueda

MANAGEMENT: Javed Mahmood Chief Executive
Huma Pasha Chief Internal Auditor
Abdul Nasir Chief Financial Officer
Arshad A. Hashmi Company Secretary
Wasif Mustafa Khan Sr. Manager Projects
S. Hasnain Haider Treasurer
Lesley A. Middlecoat Sr. Manager HR & PR
Abdul Vakil Manager Operations

PRINCIPAL BANKERS
Accounts Banks: National Bank of Pakistan, Karachi
Citibank N.A. Karachi.
Standard Chartered Bank Ltd., Karachi
Sumitomo Mitsui Banking Corp. Europe Ltd., London

INTER-CREDITOR
AGENT: National Bank of Pakistan, Karachi

COMPANY INFORMATION

- REGISTERED OFFICE:** C/o. Ferguson Associates (Pvt) Limited,
27, Capital Shopping Centre,
First Floor, G-11 Markaz,
Islamabad
- 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>
- ISLAMABAD OFFICE:** Sardar M. Yusuf Khan, Corporate Affairs Advisor
House No. 22-A, (Annexe)
Street No. 2, Sector E-7,
Islamabad.
- LEGAL ADVISORS:** Rizvi, Isa, Afridi & Angell, Karachi
Kabraji & Talibuddin, Karachi
Linklaters & Alliance, London
- AUDITORS:** M. Yousuf Adil Saleem & Co.
- REGISTRAR:** Ferguson Associates (Pvt) Limited

REPORT OF THE DIRECTORS FOR THE QUARTER ENDED DECEMBER 31, 2006

The Directors have pleasure in presenting the financial statements (un-audited) for the Second quarter ended December 31, 2006. As required these have been subject to review by the External Auditors and their Report is annexed.

The principal activities of the Company are to own, operate and maintain an oil-fired power station with four generating units with total net installed capacity of 1,200MW. During the quarter, the power station generated 1,333 GWh of electricity resulting in a load factor of 50%. During the review period the major overhaul of Unit No. 2 was carried out and other scheduled outage activities were completed successfully. Routine and preventive maintenance continues on all four Units.

Turnover for the quarter was Rs. 8,001 million and operating costs were Rs. 7,106 million. Net profit for the quarter was Rs. 526 million, resulting in earnings per share of Rs. 0.45, compared to a net profit of Rs. 629 million in the same quarter last year. The current period profit is lower mainly due to higher repair and maintenance costs. The directors would like to draw your attention to the last paragraph of the Auditors' Review Report relating to note 7 to the financial statements.

The Hubco Social Action Programme progresses with the TCF School providing quality education to the children living near the power station. Hubco's contributions in the healthcare sector continued, especially the annual eye clinic which is of great benefit to the local people. In all these activities the O&M contractor, International Power, participated.

The Company continues its initiatives towards expansion in the energy sector.

The directors have pleasure in declaring an interim dividend of Rs. 1.25 per share.

By Order of the Board

Javed Mahmood
Chief Executive

February 13, 2007

AUDITORS' REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of The Hub Power Company Limited (the Company) as at December 31, 2006 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as "financial statements"), for the six months period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Without qualifying our review report, we draw attention to the matters described in note 7 to the financial statements. The ultimate outcome of these contingencies cannot presently be determined and accordingly, no provision for any liability that may result has been made in the financial statements.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi
Dated: February 13, 2007



THE HUB POWER COMPANY LIMITED
PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE SECOND QUARTER ENDED DECEMBER 31, 2006

	Note	3 months ended Dec. 2006 (Rs. '000s)	6 months ended Dec. 2006 (Rs. '000s)	3 months ended Dec. 2005 (Rs. '000s)	6 months ended Dec. 2005 (Rs. '000s)
Turnover		8,001,073	19,726,503	5,707,152	9,778,770
Operating costs	4	(7,105,532)	(17,743,868)	(4,634,382)	(7,670,521)
GROSS PROFIT		<u>895,541</u>	<u>1,982,635</u>	<u>1,072,770</u>	<u>2,108,249</u>
Other income		45,767	108,235	64,066	148,054
General and administration expenses		(61,074)	(131,973)	(104,569)	(171,027)
Financing costs		(354,185)	(710,610)	(403,593)	(818,326)
Workers' profit participation fund	5	-	-	-	-
NET PROFIT FOR THE PERIOD		<u><u>526,049</u></u>	<u><u>1,248,287</u></u>	<u><u>628,674</u></u>	<u><u>1,266,950</u></u>
Basic and diluted earnings per share (Rupees)		<u><u>0.45</u></u>	<u><u>1.08</u></u>	<u><u>0.54</u></u>	<u><u>1.09</u></u>

The annexed notes from 1 to 11 form an integral part of these financial statements.

Mohamed A. Alireza
Chairman

Javed Mahmood
Chief Executive



THE HUB POWER COMPANY LIMITED
BALANCE SHEET (UNAUDITED)
AS AT DECEMBER 31, 2006

	Note	Dec. 2006 (Rs. '000s)	June 2006 (Rs. '000s)
<u>ASSETS</u>			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment		32,556,495	33,319,208
Intangibles		5,904	5,472
Stores and spares		607,558	592,486
Long term deposits and prepayments		5,344	4,311
CURRENT ASSETS			
Inventory of fuel oil		1,962,379	1,890,864
Trade debts		2,656,156	2,938,436
Advances, deposits, prepayments and other receivables		1,347,577	1,401,309
Cash and bank balances		3,374,626	3,363,306
		9,340,738	9,593,915
TOTAL ASSETS		42,516,039	43,515,392
<u>EQUITY AND LIABILITIES</u>			
SHARE CAPITAL AND RESERVE			
Share Capital			
Authorised		12,000,000	12,000,000
Issued, subscribed and paid-up		11,571,544	11,571,544
Revenue Reserve			
Unappropriated profit		17,521,212	18,413,661
		29,092,756	29,985,205
NON-CURRENT LIABILITIES			
Long term loans		8,760,690	9,250,221
Deferred liability - Gratuity		10,930	14,986
CURRENT LIABILITIES			
Current maturity of long term loans		979,062	979,062
Trade and other payables		3,025,041	2,590,852
Interest / mark-up accrued on long term loans		647,560	695,066
		4,651,663	4,264,980
COMMITMENTS AND CONTINGENCIES	7	-	-
TOTAL EQUITY AND LIABILITIES		42,516,039	43,515,392

The annexed notes from 1 to 11 form an integral part of these financial statements.

Mohamed A. Alireza
Chairman

Javed Mahmood
Chief Executive



THE HUB POWER COMPANY LIMITED
CASH FLOW STATEMENT (UNAUDITED)
FOR THE SECOND QUARTER ENDED DECEMBER 31, 2006

	6 months ended Dec. 2006 (Rs. '000s)	6 months ended Dec. 2005 (Rs. '000s)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	1,248,287	1,266,950
Adjustments for:		
Depreciation	826,034	826,837
Amortisation	2,743	3,611
Loss/(Gain) on disposal of fixed assets	142	(83)
Staff gratuity	6,053	5,946
Interest income	(103,252)	(151,518)
Interest / mark-up expense	683,712	781,595
Operating profit before working capital changes	2,663,719	2,733,338
Working capital changes	694,044	(820,018)
Cash generated from operations	3,357,763	1,913,320
Interest received	101,984	181,692
Interest / mark-up paid	(731,218)	(734,002)
Staff gratuity paid	(10,109)	-
Net cash from operating activities	2,718,420	1,361,010
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure - net	(66,999)	(21,859)
Proceeds from disposal of fixed assets	360	545
Stores and spares	(15,072)	(21,507)
Long term deposits and prepayments	(1,033)	157,916
Net cash (used in) / from investing activities	(82,744)	115,095
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term loans	(489,531)	(1,715,003)
Dividends paid	(2,134,825)	(2,992,137)
Net cash used in financing activities	(2,624,356)	(4,707,140)
Net increase / (decrease) in cash and bank balances	11,320	(3,231,035)
Cash and bank balances at the beginning of the period	3,363,306	6,038,136
Cash and bank balances at the end of the period	3,374,626	2,807,101

The annexed notes from 1 to 11 form an integral part of these financial statements.

Mohamed A. Alireza
Chairman

Javed Mahmood
Chief Executive



THE HUB POWER COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SECOND QUARTER ENDED DECEMBER 31, 2006

	6 months ended Dec. 2006 (Rs. '000s)	6 months ended Dec. 2005 (Rs. '000s)
Issued capital		
Balance at the beginning of the period	11,571,544	11,571,544
Balance at the end of the period	<u>11,571,544</u>	<u>11,571,544</u>
Unappropriated profit		
Balance at the beginning of the period	18,413,661	20,100,268
Net profit for the period	<u>1,248,287</u>	<u>1,266,950</u>
Total recognised income and expenses for the period	1,248,287	1,266,950
Final dividend for the fiscal year 2005-2006 @ Rs. 1.85 (2004-2005: Rs. 2.60) per share	<u>(2,140,736)</u>	<u>(3,008,601)</u>
Balance at the end of the period	<u>17,521,212</u>	<u>18,358,617</u>
Total equity	<u>29,092,756</u>	<u>29,930,161</u>

The annexed notes from 1 to 11 form an integral part of these financial statements.

Mohamed A. Alireza
Chairman

Javed Mahmood
Chief Executive



THE HUB POWER COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SECOND QUARTER ENDED DECEMBER 31, 2006

1. THE COMPANY AND ITS OPERATIONS

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

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these financial statements are same as those applied in preparing the financial statements for the year ended June 30, 2006.

3. BASIS OF PREPARATION

These financial statements are unaudited but subject to limited scope review by auditors and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan.

	3 months ended Dec. 2006 (Rs. '000s)	6 months ended Dec. 2006 (Rs. '000s)	3 months ended Dec. 2005 (Rs. '000s)	6 months ended Dec. 2005 (Rs. '000s)
4. OPERATING COSTS				
Residual Fuel Oil	6,136,144	15,854,374	3,812,013	5,996,532
Operation & Maintenance - relating to an associated company	367,602	770,586	279,225	555,108
Insurance	92,327	184,653	103,827	207,608
Depreciation	410,498	820,683	410,503	821,553
Amortisation	1,218	2,584	1,311	3,533
Miscellaneous	97,743	110,988	27,503	86,187
	7,105,532	17,743,868	4,634,382	7,670,521

5. WORKERS' PROFIT PARTICIPATION FUND

Provision for Workers' profit participation fund	26,302	62,414	-	-
Payment of Workers' profit participation fund recoverable from WAPDA	(26,302)	(62,414)	-	-
	-	-	-	-

In the Finance Act, 2006 amendments have been made effective from July 1, 2006. These changes entail that the Company will be required to pay 5% of its profit to the workers' profit participation fund (the "Fund") commencing from Fiscal Year ending June 30, 2007. However, such payment will not affect the Company's overall profitability because after payment to the Fund, the Company will bill this to the Water and Power Development Authority (WAPDA) as a pass through item under the Power Purchase Agreement (PPA).

6. FIXED ASSETS

- 6.1 Additions to property, plant and equipment during the period were Rs.70.652 million and deletions therefrom were Rs. 7.419 million.
- 6.2 Additions to intangible assets during the period were Rs.3.175 million and deletions therefrom were Rs. Nil.

7. COMMITMENTS AND CONTINGENCIES

- (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. 1,895.666 million stating that the Company did not withhold tax at the time of issue of shares to sponsors against project development costs incurred by them. The Company deposited tax amounting to Rs. 296.872 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 Lahore High Court (the "LHC") which are pending adjudication. The LHC granted a stay of demand for the outstanding tax liability which according to the provisions of section 136 of the ITO,79 expired on August 2, 1999. However, the LHC directed the DCIT not to institute recovery measures without its permission.

Without prejudice to the appeals before the LHC, 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 Central Board of Revenue (CBR). The Alternate Dispute Resolution Committee (ADRC) made certain recommendations to the CBR which required the Company to pay a total of Rs. 380 million. However, the Company informed the CBR that the recommendation of the ADRC was not maintainable under the law because ADRC had gone beyond their mandate. The CBR after reviewing the recommendations of the ADRC and Company's letter decided not to agree with the recommendation of the ADRC and let the dispute be decided by the LHC before which the appeal is pending.

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) On the unpaid tax demands referred in (i) above, further assessment orders were issued for Rs. 49.571 million (Rs. 28.399 million being additional tax and Rs. 21.172 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. 28.399 million and reduced the penalty of Rs. 21.172 million by Rs. 6.351 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 LHC, which stands rejected by the ITAT. The management and their tax advisors are of the opinion that if the LHC 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 the financial statements.

8. TRANSACTIONS WITH RELATED PARTIES / ASSOCIATED UNDERTAKINGS

	Note	6 months ended Dec. 2006 (Rs. '000s)	6 months ended Dec. 2005 (Rs. '000s)
Amounts paid for services rendered	8.1	832,332	678,612
Reimbursement of expenses and others		1,345	1,025
Remuneration to key management personnel			
Salaries, benefits and other allowances		12,572	25,416
Retirement benefits		1,465	4,248
Termination benefits	8.2	14,726	-
	8.3	28,763	29,664
Fees	8.4	1,807	2,965
Contribution to staff retirement benefit plans		8,578	9,564

- 8.1 These include transactions with principal shareholders of the Company under various service agreements.
- 8.2 In addition to this, certain assets having book value of Rs. 0.258 million were given to Ex- Director Finance as termination benefits.
- 8.3 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.



8.4 This includes fee of Rs. 0.750 million (2005: Rs. 0.750 million) to three (2005: three) independent directors. This also includes technical consultancy of Rs. 1.057 million (2005: Rs. 2.215 million) to one (2005: one) independent director.

8.5 The transactions with associated companies are made under normal commercial terms and conditions.

9. APPLICABILITY OF IAS 17 - LEASES

The Securities and Exchange Commission of Pakistan has deferred the application of International Financial Reporting Interpretation Committee (IFRIC) - 4 "Determining Whether an Arrangement Contains a Lease" for one year. Consequently, the Company will start applying this interpretation from the financial year beginning July 01, 2007.

After the application of the above interpretation, the Company will be required to account for a portion of its Power Purchase Agreement as a lease under International Accounting Standard (IAS) – 17. There will be significant changes on the Company's financial statements due to this, without affecting the overall cash flow position. This accounting change will not affect the contractual rights and obligations of both Hubco and WAPDA under the PPA and therefore there will be no impact on the dividend stream.

10. DIVIDEND

The Board of Directors declared an interim dividend for six months ended December 31, 2006 of Rs.1.25 per share, amounting to Rs.1,446.443 million, at their meeting held on February 13, 2007.

11. GENERAL

11.1 These financial statements were authorised for issue by the Board of Directors on February 13, 2007.

11.2 Figures have been rounded off to the nearest thousand rupees.

Mohamed A. Alireza
Chairman

Javed Mahmood
Chief Executive