



growth through energy

THE HUB POWER COMPANY LIMITED

UNAUDITED QUARTERLY FINANCIAL STATEMENTS

**FOR THE SECOND QUARTER ENDED
DECEMBER 31, 2009**

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COMPANY INFORMATION

BOARD OF DIRECTORS: Mr. Mohamed A. Alireza H.I. Chairman
Mr. Yousuf A. Alireza
Dr. Fereydoon Abtahi
Mr. Robin A. Bramley
Mr. Malcolm P. Clampin
Mr. Taufique Habib
Mr. Vince R. Harris, OBE
Mr. M. Jawaid Iqbal
Mr. Qaiser Javed
Mr. Ahmad Raza Khan
Mr. Ali Munir
Mr. Javed Mahmood Chief Executive
Mr. S. Ali Raza
Mr. S. Nizam A. Shah
Mr. M. Ashraf Tumbi

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

PRINCIPAL BANKERS
Accounts Banks: National Bank of Pakistan
Allied Bank of Pakistan
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Citibank N.A. Karachi.
Habib Bank Limited
MCB Bank Limited
Pak China Investment Company Limited
Standard Chartered Bank (Pakistan) Limited
Sumitomo Mitsui Banking Corp. Europe Ltd., London
United Bank Limited

INTER-CREDITOR
AGENT: National Bank of Pakistan
Habib Bank Limited

COMPANY INFORMATION

REGISTERED OFFICE:	C/o. Famco Associates (Pvt) Ltd., (Formerly Ferguson Associates (Pvt) Limited) 12, Capital Shopping Centre, Second 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
LEGAL ADVISORS:	Rizvi, Isa, Afridi & Angell, Karachi Kabraji & Talibuddin, Karachi Linklaters & Alliance, London
AUDITORS:	M. Yousuf Adil Saleem & Co.
REGISTRAR:	Famco Associates (Pvt) Limited (Formerly Ferguson Associates (Pvt) Limited)
HUBCO NAROWAL PROJECT	House No. 8, Street 15, Cavalry Ground Extension, Lahore Cantt

THE HUB POWER COMPANY LIMITED
REPORT OF THE DIRECTORS FOR THE
HALF YEAR ENDED 31 DECEMBER 2009

The Directors have pleasure in presenting the un-audited Financial Statements for the half year ended December 31, 2009. As required these have been subject to a limited review by our External Auditors and their Review Report is annexed.

The principal activities of the Company are to own, operate and maintain an oil-fired power station with a net capacity of 1,200 MW located at the Hub River estuary in Balochistan and also to carry out the business of power generation and sale to Water & Power Development Authority (WAPDA).

In spite of two tranches of Circular Debt settlement by the GOP, WAPDA still continues to experience difficulties in meeting its obligations to Hubco under our Power Purchase Agreement and at present an amount of Rs. 51 billion is owed to Hubco. In addition, WAPDA have not yet arranged the Letter of Credit for Rs 12.31 billion for 2009-10 as required by the Power Purchase Agreement. As a result of the outstanding amounts from WAPDA of Rs. 51 billion the Company currently owes Rs. 42 billion to Pakistan State Oil for fuel supplied to the Power Station.

During the period the Hub Power Plant operated at an average load factor of 76.3% and an average complex availability (ACA) of 84%. Electricity sold to Wapda was 4045 GWh. The Company earned a net profit of Rs. 2,855 million during the period resulting in earnings per share of Rs. 2.47, compared to a net profit of Rs. 1,691 million and earnings per share of Rs 1.46 in the corresponding period last year. The increase in profit is mainly because of currency devaluation and higher generation bonus due to higher electricity generation.

The Directors would like to draw your attention to the last paragraph of the Auditors' Report relating to note 14.5 to the Financial Statements.

The Company's 214 MW Oil Fired Project in Narowal is now expected to achieve Commercial Operation before September 30, 2010 due to delays by the EPC Contractor. Efforts are in hand to achieve an earlier COD. Our subsidiary Laraib Energy Limited's 84 MW Hydro Project achieved Financial Close in December 2009, the EPC Contractor is already at Site and construction activities have commenced.

The Directors' Report on Consolidated Financial Statements (un-audited) of The Hub Power Company Limited (the Company) and its Subsidiary Laraib Energy Limited (the Subsidiary) for the half year ended December 31, 2009 has been separately presented in this Report.

The Directors have pleasure in declaring an Interim Dividend of Rs. 2.50 per share.

By Order of the Board

Javed Mahmood
Chief Executive

Karachi: February 24, 2010

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim unconsolidated balance sheet of The Hub Power Company Limited ("the Company") as at December 31, 2009 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated cash flow statement and condensed interim unconsolidated statement of changes in equity together with the notes forming part thereof [here-in-after referred to as "interim financial information"] for the six months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income for the quarters ended December 31, 2009 and 2008 have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2009.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, 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 14.5 to the interim financial information. 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 interim financial information.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi
Dated: February 24, 2010



THE HUB POWER COMPANY LIMITED
CONDENSED INTERIM UNCONSOLIDATED
PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE SECOND QUARTER ENDED DECEMBER 31, 2009

		3 months ended Dec 2009 (Rs. '000s)	3 months ended Dec 2008 (Rs. '000s)	6 months ended Dec 2009 (Rs. '000s)	6 months ended Dec 2008 (Rs. '000s)
Turnover		24,162,242	21,584,373	46,167,529	49,699,484
Operating costs	4	(21,898,292)	(19,939,960)	(42,388,820)	(46,732,254)
GROSS PROFIT		<u>2,263,950</u>	<u>1,644,413</u>	<u>3,778,709</u>	<u>2,967,230</u>
Other income		11,875	20,480	35,191	113,374
General and administration expenses		(87,822)	(77,974)	(175,412)	(158,500)
Finance costs	5	(440,687)	(597,432)	(783,141)	(1,230,860)
Workers' profit participation fund	6	-	-	-	-
PROFIT FOR THE PERIOD		<u><u>1,747,316</u></u>	<u><u>989,487</u></u>	<u><u>2,855,347</u></u>	<u><u>1,691,244</u></u>
Basic and diluted earnings per share (rupees)		<u>1.51</u>	<u>0.86</u>	<u>2.47</u>	<u>1.46</u>

The annexed notes from 1 to 20 form an integral part of these financial statements.

Javed Mahmood
Chief Executive

Syed Nizam A. Shah
Director



THE HUB POWER COMPANY LIMITED
CONDENSED INTERIM UNCONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SECOND QUARTER ENDED DECEMBER 31, 2009

	3 months ended Dec 2009 (Rs. '000s)	3 months ended Dec 2008 (Rs. '000s)	6 months ended Dec 2009 (Rs. '000s)	6 months ended Dec 2008 (Rs. '000s)
Profit for the period	1,747,316	989,487	2,855,347	1,691,244
Other comprehensive income for the period	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>1,747,316</u>	<u>989,487</u>	<u>2,855,347</u>	<u>1,691,244</u>

The annexed notes from 1 to 20 form an integral part of these financial statements.

Javed Mahmood
Chief Executive

Syed Nizam A. Shah
Director



THE HUB POWER COMPANY LIMITED
CONDENSED INTERIM UNCONSOLIDATED
BALANCE SHEET (UNAUDITED)
AS AT DECEMBER 31, 2009

	Note	Dec 2009 (Rs. '000s)	Jun 2009 (Rs. '000s)
<u>ASSETS</u>			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	7	47,563,651	37,895,720
Intangibles		1,493	2,250
Stores and spares		637,023	637,023
Investment in subsidiary	8	2,395,408	656,459
Other assets		4,103	4,275
CURRENT ASSETS			
Inventory of fuel oil		1,874,973	2,540,887
Trade debts	9	45,234,720	46,629,457
Advances, prepayments and other receivables		835,009	785,809
Cash and bank balances	10	1,444,523	1,033,791
		49,389,225	50,989,944
TOTAL ASSETS		99,990,903	90,185,671
<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		18,501,844	17,960,806
		30,073,388	29,532,350
NON-CURRENT LIABILITIES			
Long term loans		23,270,918	11,340,913
Share premium payable	11	261,728	-
Deferred liability - Gratuity		28,325	15,001
CURRENT LIABILITIES			
Current maturity of long term loans		1,394,624	979,062
Short term borrowings	12	4,704,281	3,582,245
Trade and other payables	13	39,081,935	43,970,160
Interest / mark-up accrued		1,175,704	765,940
		46,356,544	49,297,407
COMMITMENTS AND CONTINGENCIES	14		
TOTAL EQUITY AND LIABILITIES		99,990,903	90,185,671

The annexed notes from 1 to 20 form an integral part of these financial statements.

Javed Mahmood
Chief Executive

Syed Nizam A. Shah
Director



THE HUB POWER COMPANY LIMITED
CONDENSED INTERIM UNCONSOLIDATED
CASH FLOW STATEMENT (UNAUDITED)
FOR THE SECOND QUARTER ENDED DECEMBER 31, 2009

	Note	6 months ended Dec 2009 (Rs. '000s)	6 months ended Dec 2008 (Rs. '000s)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		2,855,347	1,691,244
Adjustments for:			
Depreciation		859,461	850,470
Amortisation		757	863
Gain on disposal of fixed assets		(183)	(446)
Staff gratuity		13,262	5,996
Interest income		(9,361)	(10,404)
Interest / mark-up		697,679	1,183,857
Operating profit before working capital changes		4,416,962	3,721,580
Working capital changes		(2,814,409)	4,125,602
Cash generated from operations		1,602,553	7,847,182
Interest received		9,386	14,642
Interest / mark-up paid		(667,389)	(1,152,895)
Staff gratuity paid		-	(11,138)
Net cash from operating activities		944,550	6,697,791
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(10,527,330)	(1,513,047)
Proceeds from disposal of fixed assets		183	899
Stores and spares		-	(11,773)
Investment in subsidiary		(1,169,572)	(656,084)
Other assets		172	3,187
Net cash used in investing activities		(11,696,547)	(2,176,818)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term loans		(489,531)	(489,531)
Dividends paid		(2,304,874)	(1,155,506)
Finances under mark-up arrangements - Narowal		-	1,300,154
Repayment of finances under mark-up arrangements - Narowal		(1,148,890)	(662,813)
Finances under mark-up arrangements - Laraib's investment		1,136,180	677,584
Proceeds from long term loans - Narowal		12,835,098	-
Net cash from / (used in) financing activities		10,027,983	(330,112)
Net (decrease) / increase in cash and cash equivalents		(724,014)	4,190,861
Cash and cash equivalents at the beginning of the period		(1,399,564)	(9,217,774)
Cash and cash equivalents at the end of the period	16	(2,123,578)	(5,026,913)

The annexed notes from 1 to 20 form an integral part of these financial statements.

Javed Mahmood
Chief Executive

Syed Nizam A. Shah
Director



THE HUB POWER COMPANY LIMITED
CONDENSED INTERIM UNCONSOLIDATED
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SECOND QUARTER ENDED DECEMBER 31, 2009

	6 months ended Dec 2009 (Rs. '000s)	6 months ended Dec 2008 (Rs. '000s)
Issued capital		
Balance at the beginning of the period	11,571,544	11,571,544
Balance at the end of the period	11,571,544	11,571,544
Unappropriated profit		
Balance at the beginning of the period	17,960,806	16,899,127
Total comprehensive income for the period	2,855,347	1,691,244
Final dividend for the fiscal year 2008-2009 @ Rs. 2.00 (2007-2008: @ Rs. 1.00) per share	(2,314,309)	(1,157,154)
Balance at the end of the period	18,501,844	17,433,217
Total equity	30,073,388	29,004,761

The annexed notes from 1 to 20 form an integral part of these financial statements.

Javed Mahmood
Chief Executive

Syed 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 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 and to carry out the business of power generation, distribution and sale at other places in Pakistan.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these condensed interim unconsolidated financial statements are same as those applied in preparing the financial statements for the year ended June 30, 2009, except amendments in IAS 1 (Revised) "Presentation of Financial Statements."

The presentation of these condensed interim unconsolidated financial statements has been amended to reflect the changes introduced by IAS 1 (Revised) "Presentation of Financial Statements" which became effective from the periods beginning on or after January 01, 2009. The adoption of IAS 1 (Revised) does not materially affect the computations of the results except some changes in presentation and disclosures. All 'non-owner changes in equity' are required to be presented separately in a performance statement. Companies can choose either to present one performance statement (statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income). The Company has adopted two statements approach to reflect these changes.

3. BASIS OF PREPARATION

These condensed interim unconsolidated 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 Ordinance and have been prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting" as applicable in Pakistan.

Note	3 months ended Dec 2009 (Rs. '000s)	3 months ended Dec 2008 (Rs. '000s)	6 months ended Dec 2009 (Rs. '000s)	6 months ended Dec 2008 (Rs. '000s)
4. OPERATING COSTS				
Residual fuel oil	20,542,159	18,806,649	39,712,147	44,465,072
Operation & Maintenance	657,637	523,465	1,318,532	1,070,665
Insurance	120,171	102,404	240,273	204,809
Depreciation	424,017	423,731	848,098	843,391
Amortisation	80	222	302	514
Miscellaneous	154,228	83,489	269,468	147,803
	<u>21,898,292</u>	<u>19,939,960</u>	<u>42,388,820</u>	<u>46,732,254</u>

4.1 This represents services rendered by an associated company.

5. FINANCE COSTS

Interest / mark-up on long term loans	277,508	286,604	556,970	574,971
Mark-up on short term borrowings	92,467	264,488	135,000	562,999
Miscellaneous finance costs	21,222	18,121	41,659	40,705
Bank charges	9	5	31	20
	<u>391,206</u>	<u>569,218</u>	<u>733,660</u>	<u>1,178,695</u>
Narowal				
Interest / mark-up on long term loans	569,198	-	869,188	-
Mark-up on short term borrowings	-	148,634	15,150	275,003
Other finance costs	63,497	-	146,613	51,794
	<u>632,695</u>	<u>148,634</u>	<u>1,030,951</u>	<u>326,797</u>
Laraib's acquisition				
Mark-up on short term borrowings	5,709	26,397	5,709	44,166
Other finance costs	43,772	94	43,772	6,276
	<u>49,481</u>	<u>26,491</u>	<u>49,481</u>	<u>50,442</u>
	<u>1,073,382</u>	<u>744,343</u>	<u>1,814,092</u>	<u>1,555,934</u>
Less: amount capitalised in the cost of qualifying assets - Narowal	7.2	(632,695)	(1,030,951)	(325,074)
		<u>440,687</u>	<u>597,432</u>	<u>1,230,860</u>

6. WORKERS' PROFIT PARTICIPATION FUND

Provision for Workers' profit participation fund	87,365	49,474	142,767	84,562
Payment of Workers' profit participation fund recoverable from WAPDA	(87,365)	(49,474)	(142,767)	(84,562)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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	Dec 2009 (Rs. '000s)	Jun 2009 (Rs. '000s)
7. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment		28,395,663	29,219,284
Capital work-in-progress			
Plant betterments		75,539	112,636
Narawal project	7.2	19,092,449	8,563,800
		19,167,988	8,676,436
	7.1	47,563,651	37,895,720

7.1 Additions to property, plant and equipment during the period were Rs. 10,527.392 million (June 2009: Rs. 5,665.948 million) and disposals therefrom at net book value were Rs. Nil (June 2009: Rs. 1.563 million).

	Note	Dec 2009 (Rs. '000s)	Jun 2009 (Rs. '000s)
7.2 Capital work-in-progress - Narawal			
Opening balance		8,563,800	3,642,242
Additions during the period / year			
Payments for land		850	10,952
Payments to contractors		9,389,287	3,615,240
Professional services		29,119	120,643
Insurance cost		-	182,586
Land development		72,660	214,547
Borrowing & related transaction cost	5 & 7.2.2	884,338	1,102,523
Other finance costs	5	146,613	137,867
Government fees		1,612	2,387
Miscellaneous		4,170	2,576
		10,528,649	5,389,321
Transfers during the period / year		-	-
Transaction cost directly attributable to borrowings		-	(467,763)
		-	(467,763)
	7.2.1	19,092,449	8,563,800

7.2.1 This includes expenditures which are under discussion with various suppliers and are also subject to final tariff determination by NEPRA.

7.2.2 This includes interest / mark-up capitalisation of Rs. 15.150 million (June 2009: Rs. 86.077 million) using weighted average borrowing capitalisation rate of 13.95% per annum (June 2009: 14.42% per annum) on general purpose borrowings used for Narawal.

8. INVESTMENT IN SUBSIDIARY

On August 02, 2008, the Company acquired 75.5% controlling interest in Laraib Energy Limited ("the Subsidiary"), a company incorporated in Pakistan on August 9, 1995 as a public limited company under the Companies Ordinance, 1984 through a Share Purchase Agreement ("SPA") executed on June 23, 2008 with Coate & Co (Pvt.) Limited ("Seller"). The Subsidiary is developing a 84 MW hydropower generating complex near the New Bong Escape, which is 8 km downstream of the Mangla Dam in Azad Jammu & Kashmir, under Implementation Agreements with the Government of Pakistan and the Azad Government of the State of Jammu & Kashmir. Electricity will be supplied to National Transmission and Dispatch Company Limited (NTDC) under a long term Power Purchase Agreement (PPA) which was signed on October 22, 2009. This 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.

The SPA was amended on September 29, 2009. By such amendment the share premium payable to the Seller was reduced from previously estimated PKR Equiv. USD 17.5 million to PKR Equiv. USD 15 million. As at December 31, 2009, the outstanding share premium payable is PKR Equiv. USD 7.475 million which is payable in installments as and when equity is required to be injected by the Seller into the Subsidiary (Refer note 11).

Up to December 31, 2009 the Company had made a total payment of Rs. 1,815.57 million, out of which Rs. 617.37 million represents share premium on acquisition of shares from the Seller.

Included herein is a sum of Rs. 638.20 million paid to the Subsidiary as advance against issue of new shares.

On September 30, 2009 the Shareholders of the Company passed a Special Resolution in accordance with the terms of the Sponsor Support Agreement (SSA) to be entered into by and between the Company, the Subsidiary and its lenders allowing the Company:

- to make investments, from time to time, in the Subsidiary as equity contributions for an amount not exceeding USD 36 million;
- to invest as equity or provide loan to the Subsidiary, as deemed appropriate by the Chief Executive of the Company at the relevant time, an amount not exceeding USD 12.5 million, USD 6.0 million in the form of an LC [as mentioned in paragraph (d) below] and USD 6.5 million as contractual commitment, to enable the Subsidiary to meet any increase in project costs;
- to invest as equity or provide loan to the Subsidiary, as deemed appropriate by the Chief Executive of the Company at the relevant time, an amount not exceeding USD 17 million to enable the Subsidiary to meet any shortfall in debt servicing;
- to arrange and provide letter(s) of credit to guarantee the commitment of the Company to make investments mentioned hereinabove in paragraph (a), (b) and (c) for an amount not exceeding USD 46 million in accordance with the terms of the SSA (Refer note 14.4); and
- the return on any investments made pursuant to paragraph (b) and (c) above in the form of loan shall not be less than the borrowing costs of the Company to be determined by the Chief Executive of the Company.

The above SSA was signed on November 5, 2009. In accordance with the terms of the SSA, the Company has 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 in accordance with paragraph (b) and (c) above are subject to Security Interest created by Sponsor Charge and Assignment Deed above.

The Company is committed to maintain a minimum of 75% equity interest in the Subsidiary. On the basis of 75:25 debt to equity ratio, based on the current estimates of the project cost, the Company's remaining equity commitment is likely to be USD 26.3 million.

At present, the Company is financing investments in the Subsidiary through internal cash generation. In future, the Company also plans to use bank borrowings (to be arranged) for investments.

	Note	Dec 2009 (Rs. '000s)	Jun 2009 (Rs. '000s)
9. TRADE DEBTS - Secured			
Considered good	9.1	<u>45,234,720</u>	<u>46,629,457</u>

9.1 This includes an amount of Rs. 37,057 million (June 2009: Rs. 40,044 million) from WAPDA which is overdue but not impaired because the trade debts are secured by a guarantee from the Government of Pakistan under the Implementation Agreement. The overdue amount carries interest / mark-up at SBP discount rate plus 2% per annum compounded semi-annually.

10. CASH AND BANK BALANCES

This includes Rs. 642.687 million (June 2009: Rs. 65.686 million) which is only available for Narowal expenditures.

	Dec 2009 (Rs. '000s)	Jun 2009 (Rs. '000s)
11. SHARE PREMIUM PAYABLE		
Share premium payable	569,377	-
Less : current portion	<u>(307,649)</u>	<u>-</u>
	<u>261,728</u>	<u>-</u>

This represents share premium payable to Coate & Co (Pvt.) Limited for the acquisition of shares of the Subsidiary as per the amended SPA (Refer note 8).

	Note	Dec 2009 (Rs. '000s)	Jun 2009 (Rs. '000s)
12. SHORT TERM BORROWINGS - Secured			
Finances under mark-up arrangements	16	3,568,101	2,433,355
Finances under mark-up arrangements - Narowal		-	1,148,890
Finances under mark-up arrangements - Laraib		<u>1,136,180</u>	<u>-</u>
	12.1	<u>4,704,281</u>	<u>3,582,245</u>

12.1 The facilities for running finance available from various banks amounted to Rs. 7,000 million (June 2009: Rs. 8,519 million) at a 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 March 16, 2010 to December 31, 2010. 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.

13. TRADE AND OTHER PAYABLES

This includes an amount of Rs. 36,192 million (June 2009: Rs. 41,992 million) payable to Pakistan State Oil, out of which overdue amount is Rs. 31,149 million (June 2009: Rs. 37,894 million). The overdue amount carries interest / mark-up at SBP discount rate plus 2% per annum compounded semi-annually.

14. COMMITMENTS AND CONTINGENCIES

14.1 Counter guarantees, to meet the requirements under the Fuel Supply Agreement, issued to various banks which are secured pari passu with long term loans amount to Rs. 8,000 million (June 2009: Rs. 5,899 million).

14.2 Commitments in respect of capital and revenue expenditure amount to Rs. 418.618 million (June 2009: Rs. 222.201 million).

14.3 In connection with the Narowal project:

- (i) the Company has entered into contracts for construction of a power plant with an installed net capacity of 213.60 MW. The Company's remaining capital and revenue commitments against these contracts amount to Rs. 1,689.482 million (June 2009: Rs. 9,924.538 million).
- (ii) MAN Diesel, the EPC contractor for Narowal Project, has advised that it will not be able to achieve the Commercial Operations Date (COD) of March 31, 2010 and has also raised certain issues on the basis of which it is seeking an extension of time for the completion of the Narowal project under the contracts. The Company has denied MAN's request for extension of time and has reserved its rights under the contracts including the imposition of liquidated damages to MAN Diesel if the delay is attributable to MAN. The Company at present is in discussion with the EPC contractor in order to mitigate the delay and achieve COD at the earliest. However, subsequent to the period end, in order to protect the Company's position, the Company has requested the Government of Pakistan for an extension in COD up to September 2010 and for the necessary amendment in the Letter of Support issued to the Company.
- (iii) the Company has entered into a facility agreement with a commercial bank (an associated undertaking) for issuance of performance guarantee to the Private Power and Infrastructure Board (PPIB) for an amount of USD 1.125 million. This guarantee is valid up to September 30, 2010. The performance guarantee shall secure the Company's obligation to achieve COD by not later than March 31, 2010 failing which the performance guarantee may be encashed without any notice to or demand upon the Company by the PPIB. The guarantee is secured by way of a charge over the Company's entire immovable assets other than (i) assets relating to the 213.6 MW RFO fired power plant of the Company in district of Narowal, province of Punjab, Pakistan (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 Laraib Energy Limited including bonus shares and right shares.
- (iv) the Company has entered into a Power Purchase Agreement (PPA) on November 20, 2008, with NTDC/CPWA/WAPDA (Power Purchaser) for the sale of all the available capacity and delivery and dispatch of Net Electrical Output generated from the Narowal Power Project with a net capacity of 213.60 MW. Under the PPA, the Company is committed to achieve the COD by March 31, 2010 failing which the Company will be required to pay the liquidated damages to the Power Purchaser at the rate of USD 17,800 per day. In order to meet this obligation, on March 09, 2009, the Company has arranged the issuance of letter of credit (LC) in favour of the power purchaser for an amount of USD 5.874 million from a commercial bank. The LC will expire on March 31, 2010 and will automatically be extended for one year from each expiration date. Any late payment by the Company is subject to a mark-up rate of three months KIBOR plus 4% per annum compounded semi-annually. This LC is secured 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 Project;
 - (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 Project;
 - (c) by way of hypothecation, the creation of a first fixed charge over the present and future properties purchased for the purposes of Narowal Project;
 - (d) mortgage and assignment of 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 Project) 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.
- (v) the Company has entered into long term financing arrangements for debt financing of the project and to meet its obligations for equity funding commitments with various banks / financial institution for an amount of Rs. 15,750 million and Rs. 6,750 million respectively. As at December 31, 2009, the Company withdrew Rs. 18,331 million from these facilities after obtaining lenders' consent for deferment of certain conditions precedent. The lenders' consent for the fulfilment of conditions precedent expired on January 23, 2010 and the Company has applied for a further deferment.
- (vi) under the Construction Contract (CC), the Company is committed to provide a guarantee of Rs. 259.99 million [equivalent to the 15% of total contract value (USD 21.545 million)] in favour of construction contractor [MAN Diesel Pakistan (Pvt.) Ltd]. This guarantee secures Company's payment obligations and shall remain valid until all payments under this contract have been made. This guarantee is valid up to April 15, 2010. Subsequent to the quarter end, considering the delay in COD, the Company has applied for an extension in the validity period up to June 30, 2010. This guarantee is secured by way of securities mentioned in note 14.3 (iv).

Further, MAN Diesel is required to provide a guarantee before payments can be made. MAN has not provided the guarantee and therefore, the Company has withheld some of the construction contract payments.

- (vii) the Company has made arrangements with financial institutions for issuance of Letter of Credit (LC) as required under the Equipment Supply Contract (ESC) in favour of MAN Diesel. The payments of this LC are made from the long term loan facilities [Refer note 14.3 (v)]. If the Company is unable to withdraw from long term loan facilities, it will be required to reimburse the banks from its own sources. As at December 31, 2009, the Company's remaining commitment was Euro 8.867 million. Any late payment by the Company is subject to a mark-up of three months KIBOR plus a margin of 2.50% and 2% of liquidated damages.

This LC is 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.
- (b) a floating charge on the whole of the Company's undertaking and assets, present and future, other than any assets for the time being effectively charged by way of fixed charge;
- (c) an assignment of all rights, title and interest, present and future, in and to the insurances and all rights of the Company to make recovery under the insurances and all proceeds of the insurances receivable by the Company; and
- (d) mortgages over the Company's real property situated in Lasbella, Islamabad, Karachi and Narowal, together with all rights of easements, privileges and licences appurtenant thereto.

The securities mentioned in (a), (b) and (c) above do not include (i) Commercial Facility Disbursement Account (ii) 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 (iii) present and future shares acquired in Laraib Energy Limited including bonus shares and right shares.

- 14.4 Pursuant to the Sponsors Support Agreement (SSA) in connection with the investment in the Subsidiary, the Company is committed to provide an LC of USD 46 million (Refer note 8) to Laraib's lenders from Financial Close to the last repayment date of debt (expected in 2024) to Laraib's lenders. The Company has arranged this LC in the amount of USD 46 million or aggregating Rs. 4,000 million whichever is lower. The LC amount will reduce as the equity is injected into the Subsidiary and project achieves COD. Post COD, the Company will be required to maintain a maximum LC of USD 17 million up to 2024. The Company has entered into an agreement with a commercial bank (an associated undertaking) for a period of four years starting December 2009. The LC has been arranged for one year under the agreement and is renewable each year subject to certain conditions. Any late payment by the Company is subject to a mark-up of six months 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 213.6 MW RFO fired power plant of the Company in district of Narowal, province of Punjab, Pakistan (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 Laraib Energy Limited including bonus shares and right shares.

- 14.5 (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 the financial statements.

- 14.6 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 fall 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 have agreed that this petition should proceed and a judgment obtained on merits. Subsequent to the period end, the hearing was completed and judgment has been reserved. No provision has been made in these 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 6).

15. TRANSACTIONS AND BALANCES WITH RELATED PARTIES / ASSOCIATED UNDERTAKINGS

	Note	6 months ended Dec 2009 (Rs. '000s)	6 months ended Dec 2008 (Rs. '000s)
Amounts paid for services rendered	15.1	1,639,024	1,137,909
Reimbursement of expenses and others		1,101	279
Mark-up on short term borrowings		-	141,904
Mark-up on long term loans		77,635	-
Other finance costs		49,607	-
Remuneration to key management personnel:			
Salaries, benefits and other allowances		25,325	26,369
Retirement benefits		5,078	2,199
	15.2	30,403	28,568
Fees	15.3	450	900
Contribution to staff retirement benefit plans		17,115	9,704

- 15.1 These include transactions with principal shareholders of the Company under various service agreements.
- 15.2 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.
- 15.3 This represents fee to three independent directors.
- 15.4 As at December 31, 2009, the outstanding balance of long term loans from an associated undertaking was Rs. 1,629.399 million (June 2009: Rs. 488.501 million) out of the total available facilities of Rs. 2,000 million (June 2009: Rs. 2,000 million) [Refer Note 14.3 (v)].
- 15.5 The transactions with associated companies are made under normal commercial terms and conditions.

16. CASH AND CASH EQUIVALENTS

	Note	6 months ended Dec 2009 (Rs. '000s)	6 months ended Dec 2008 (Rs. '000s)
Cash and bank balances		1,444,523	776,987
Finances under mark-up arrangements	12	(3,568,101)	(5,803,900)
		(2,123,578)	(5,026,913)

17. NON-CASH TRANSACTIONS

Investment in the Subsidiary during the period includes an amount of Rs. 569.377 million (June 2009: nil) representing share premium payable as per the SPA (Refer note 8 & 11).

18. DIVIDEND

The Board of Directors declared an interim dividend for six months ended December 31, 2009 of Rs. 2.50 per share, amounting to Rs. 2,892.89 million, at their meeting held on February 24, 2010.

19. DATE OF AUTHORISATION

These financial statements were authorised for issue on February 24, 2010 in accordance with the resolution of the Board of Directors.

20. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Javed Mahmood
Chief Executive

Syed Nizam A. Shah
Director

THE HUB POWER COMPANY LIMITED

REPORT OF THE DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2009

The Board of Directors has pleasure in presenting the Financial Statements (un-audited) of The Hub Power Company Limited (the Company) and its Subsidiary Laraib Energy Limited (the Subsidiary) for the half year ended 31 December 2009.

The Company holds 75.5% shares in the Subsidiary. The Subsidiary is developing the 84MW hydropower generating complex near the New Bong Escape 8km downstream of the Mangla Dam in Azad Jammu and Kashmir. The Financial Close of the project was achieved in December 2009. The construction activities have commenced and the Project is scheduled to achieve Commercial Operation by June 2013.

The Directors' Report on the Financial Statements (un-audited) of The Hub Power Company Limited for the half year ended December 31, 2009 has been separately presented in this Report.

By Order of the Board

Javed Mahmood
Chief Executive

Karachi: February 24, 2010



THE HUB POWER COMPANY LIMITED
CONDENSED INTERIM CONSOLIDATED
PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE SECOND QUARTER ENDED DECEMBER 31, 2009

	Note	3 months ended Dec 2009 (Rs. '000s)	3 months ended Dec 2008 (Rs. '000s)	6 months ended Dec 2009 (Rs. '000s)	6 months ended Dec 2008 (Rs. '000s)
Turnover		24,162,242	21,584,373	46,167,529	49,699,484
Operating costs	4	(21,898,292)	(19,939,960)	(42,388,820)	(46,732,254)
GROSS PROFIT		<u>2,263,950</u>	<u>1,644,413</u>	<u>3,778,709</u>	<u>2,967,230</u>
Other income - net		18,552	23,907	39,053	109,879
General and administration expenses		(107,108)	(91,237)	(210,055)	(182,645)
Finance costs	5	(445,881)	(598,947)	(789,838)	(1,232,839)
Workers' profit participation fund	6	-	-	-	-
PROFIT FOR THE PERIOD		<u><u>1,729,513</u></u>	<u><u>978,136</u></u>	<u><u>2,817,869</u></u>	<u><u>1,661,625</u></u>
Attributable to:					
- Equity holders of the holding company		1,733,875	980,917	2,827,051	1,668,882
- Minority interest		(4,362)	(2,781)	(9,182)	(7,257)
		<u><u>1,729,513</u></u>	<u><u>978,136</u></u>	<u><u>2,817,869</u></u>	<u><u>1,661,625</u></u>
Basic and diluted earnings per share attributable to equity holders of the holding company (rupees)		<u><u>1.50</u></u>	<u><u>0.85</u></u>	<u><u>2.44</u></u>	<u><u>1.44</u></u>

The annexed notes from 1 to 21 form an integral part of these consolidated financial statements.

Javed Mahmood
Chief Executive

Syed Nizam A. Shah
Director



THE HUB POWER COMPANY LIMITED
CONDENSED INTERIM CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SECOND QUARTER ENDED DECEMBER 31, 2009

	3 months ended Dec 2009 (Rs. '000s)	3 months ended Dec 2008 (Rs. '000s)	6 months ended Dec 2009 (Rs. '000s)	6 months ended Dec 2008 (Rs. '000s)
Profit for the period	1,729,513	978,136	2,817,869	1,661,625
Other comprehensive income for the period	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>1,729,513</u>	<u>978,136</u>	<u>2,817,869</u>	<u>1,661,625</u>
Attributable to:				
- Equity holders of the holding company	1,733,875	980,917	2,827,051	1,668,882
- Minority interest	(4,362)	(2,781)	(9,182)	(7,257)
	<u>1,729,513</u>	<u>978,136</u>	<u>2,817,869</u>	<u>1,661,625</u>

The annexed notes from 1 to 21 form an integral part of these consolidated financial statements.

Javed Mahmood
Chief Executive

Syed Nizam A. Shah
Director



THE HUB POWER COMPANY LIMITED
CONDENSED INTERIM CONSOLIDATED
BALANCE SHEET (UNAUDITED)
AS AT DECEMBER 31, 2009

	Note	Dec 2009 (Rs. '000s)	Jun 2009 (Rs. '000s)
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	7	49,849,202	38,221,895
Intangibles	8	1,417,321	1,661,733
Stores and spares		637,023	637,023
Other assets		25,389	323,009
CURRENT ASSETS			
Inventory of fuel oil		1,874,973	2,540,887
Trade debts	9	45,234,720	46,629,457
Advances, deposits, prepayments and other receivables		843,402	791,542
Cash and bank balances	10	2,382,159	1,034,660
		50,335,254	50,996,546
TOTAL ASSETS		102,264,189	91,840,206
<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		18,425,310	17,912,568
Attributable to equity holders of the holding company		29,996,854	29,484,112
Advance against issue of shares to minority shareholders		212,858	-
MINORITY INTEREST		86,505	95,687
		30,296,217	29,579,799
NON-CURRENT LIABILITIES			
Long term loans	11	25,276,011	11,340,913
Liabilities against assets subject to finance lease		1,099	1,570
Share premium payable	12	261,728	-
Deferred liabilities		28,495	15,250
CURRENT LIABILITIES			
Current maturity of long term loans		1,394,624	979,062
Current maturity of liabilities against assets subject to finance lease		1,446	1,510
Short term borrowings	13	4,704,281	3,593,760
Trade and other payables	14	39,121,561	45,562,388
Interest / mark-up accrued		1,178,727	765,954
		46,400,639	50,902,674
COMMITMENTS AND CONTINGENCIES	15		
TOTAL EQUITY AND LIABILITIES		102,264,189	91,840,206

The annexed notes from 1 to 21 form an integral part of these consolidated financial statements.

Javed Mahmood
Chief Executive

Syed Nizam A. Shah
Director



THE HUB POWER COMPANY LIMITED
CONDENSED INTERIM CONSOLIDATED
CASH FLOW STATEMENT (UNAUDITED)
FOR THE SECOND QUARTER ENDED DECEMBER 31, 2009

	Note	6 months ended Dec 2009 (Rs. '000s)	6 months ended Dec 2008 (Rs. '000s)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		2,817,869	1,661,625
Adjustments for:			
Depreciation		860,963	851,797
Amortisation		931	863
Gain on disposal of fixed assets		(183)	(454)
Deferred income realised during the period		(79)	(65)
Staff gratuity		13,641	5,996
Interest income		(10,272)	(12,788)
Interest / mark-up		701,087	1,185,439
Operating profit before working capital changes		4,383,957	3,692,413
Working capital changes		(3,022,382)	4,045,133
Cash generated from operations		1,361,575	7,737,546
Interest received		10,297	16,788
Interest / mark-up paid		(669,321)	(1,153,508)
Staff gratuity paid		-	(11,138)
Net cash from operating activities		702,551	6,589,688
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(12,490,114)	(1,526,977)
Proceeds from disposal of fixed assets		183	913
Acquisition of a subsidiary - net of cash acquired		-	(488,744)
Share premium paid		(531,371)	-
Stores and spares		-	(11,773)
Other assets		297,620	(9,680)
Net cash used in investing activities		(12,723,682)	(2,036,261)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance against issue of shares to minority shareholders		212,858	-
Repayment of long term loans		(489,531)	(489,531)
Dividends paid to equity holders of the holding company		(2,304,874)	(1,155,506)
Finances under mark-up arrangements - Narowal		-	1,300,154
Repayment of finances under mark-up arrangements - Narowal		(1,148,890)	(662,813)
Finances under mark-up arrangements - Laraib's investment		1,136,180	677,584
Proceeds from long term loans - Narowal		12,835,098	-
Proceeds from long term loans - net (Subsidiary)		2,005,093	-
Short term borrowings from related party of the subsidiary		43,000	-
Repayment of short term borrowings from related party of the subsidiary		(43,000)	-
Repayment of liabilities against assets subject to finance lease		(535)	(423)
Net cash from / (used in) financing activities		12,245,399	(330,535)
Net increase in cash and cash equivalents		224,268	4,222,892
Cash and cash equivalents at the beginning of the period		(1,410,210)	(9,217,774)
Cash and cash equivalents at the end of the period	18	(1,185,942)	(4,994,882)

The annexed notes from 1 to 21 form an integral part of these consolidated financial statements.

Javed Mahmood
Chief Executive

Syed Nizam A. Shah
Director



THE HUB POWER COMPANY LIMITED
CONDENSED INTERIM CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SECOND QUARTER ENDED DECEMBER 31, 2009

	6 months ended Dec 2009 (Rs. '000s)	6 months ended Dec 2008 (Rs. '000s)
Attributable to equity holders of the holding company		
Issued capital		
Balance at the beginning of the period	11,571,544	11,571,544
Balance at the end of the period	11,571,544	11,571,544
Unappropriated profit		
Balance at the beginning of the period	17,912,568	16,899,127
Total comprehensive income for the period	2,827,051	1,668,882
Final dividend for the fiscal year 2008-2009 @ Rs. 2.00 (2007-2008: @ Rs. 1.00) per share	(2,314,309)	(1,157,154)
Balance at the end of the period	18,425,310	17,410,855
Attributable to equity holders of the holding company	29,996,854	28,982,399
Advance against issue of shares to minority shareholders		
Balance at the beginning of the period	-	-
Advance received during the period	212,858	-
Balance at the end of the period	212,858	-
Minority interest		
Balance at the beginning of the period	95,687	-
Minority Interest arising on business combination	-	111,341
Total comprehensive income for the period	(9,182)	(7,257)
Balance at the end of the period	86,505	104,084
Total equity	30,296,217	29,086,483

The annexed notes from 1 to 21 form an integral part of these consolidated financial statements.

Javed Mahmood
Chief Executive

Syed Nizam A. Shah
Director

1. STATUS AND NATURE OF BUSINESS

- 1.1 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 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 and to carry out the business of power generation, distribution and sale at other places in Pakistan.

On August 02, 2008, the holding company acquired 75.5% controlling interest in Laraib Energy Limited ("the subsidiary"), a company incorporated in Pakistan on August 9, 1995 as a public limited company under the Companies Ordinance, 1984 through a Share Purchase Agreement ("SPA") executed on June 23, 2008 with Coate & Co (Pvt.) Limited ("Seller"). The subsidiary is developing a 84 MW hydropower generating complex near the New Bong Escape, which is 8 km downstream of the Mangla Dam in Azad Jammu & Kashmir, under Implementation Agreements with the Government of Pakistan and the Azad Government of the State of Jammu & Kashmir. Electricity will be supplied to National Transmission and Dispatch Company Limited (NTDC), a related party of the subsidiary, under a long term Power Purchase Agreement (PPA) which was signed on October 22, 2009. This 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.

The SPA was amended on September 29, 2009. By such amendment the share premium payable to the Seller was reduced from previously estimated PKR Equiv. USD 17.5 million to PKR Equiv. USD 15 million. As at December 31, 2009, the outstanding share premium payable is PKR Equiv. USD 7.475 million which is payable in installments as and when equity is required to be injected by the Seller into the subsidiary (Refer note 12).

Up to December 31, 2009 the holding company had made a total payment of Rs. 1,815.57 million, out of which Rs. 617.37 million represents share premium on acquisition of shares from the Seller.

On September 30, 2009 the shareholders of the holding company passed a Special Resolution in accordance with the terms of the Sponsor Support Agreement (SSA) to be entered into by and between the holding company, the subsidiary and subsidiary's lenders allowing the holding company:

- (a) to make investments, from time to time, in the subsidiary as equity contributions for an amount not exceeding USD 36 million;
- (b) to invest as equity or provide loan to the subsidiary, as deemed appropriate by the Chief Executive of the holding company at the relevant time, an amount not exceeding USD 12.5 million, USD 6.0 million in the form of an LC [as mentioned in paragraph (d) below] and USD 6.5 million as contractual commitment, to enable the subsidiary to meet any increase in project costs;
- (c) to invest as equity or provide loan to the subsidiary, as deemed appropriate by the Chief Executive of the holding company at the relevant time, an amount not exceeding USD 17 million to enable the subsidiary to meet any shortfall in debt servicing;
- (d) to arrange and provide letter(s) of credit to guarantee the commitment of the holding company to make investments mentioned hereinabove in paragraph (a), (b) and (c) for an amount not exceeding USD 46 million in accordance with the terms of the SSA (Refer note 15.5); and
- (e) the return on any investments made pursuant to paragraph (b) and (c) above in the form of loan shall not be less than the borrowing costs of the holding company to be determined by the Chief Executive of the holding company.

The above SSA was signed on November 5, 2009. In accordance with the terms of the SSA, the holding company has 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 in accordance with paragraph (b) and (c) above are subject to Security Interest created by Sponsor Charge and Assignment Deed above.

The holding company is committed to maintain a minimum of 75% equity interest in the subsidiary. On the basis of 75:25 debt to equity ratio, based on the current estimates of the project cost, the holding company's remaining equity commitment is likely to be USD 26.3 million.

At present, the holding company is financing investments in the subsidiary through internal cash generation. In future, the holding company also plans to use bank borrowings (to be arranged) for investments.

1.2 The Group consists of:

- The Hub Power Company Limited (the holding company); and
- Laraib Energy Limited (the subsidiary) – Holding of 75.5%.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these condensed interim consolidated financial statements are same as those applied in preparing the consolidated financial statements for the year ended June 30, 2009, except amendments in IAS 1 (Revised) "Presentation of Financial Statements."

The presentation of these condensed interim consolidated financial statements has been amended to reflect the changes introduced by IAS 1 (Revised) "Presentation of Financial Statements" which became effective from the periods beginning on or after January 01, 2009. The adoption of IAS 1 (Revised) does not materially affect the computations of the results except some changes in presentation and disclosures. All 'non-owner changes in equity' are required to be presented separately in a performance statement. Companies can choose either to present one performance statement (statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income). The Group has adopted two statements approach to reflect these changes.

IFRS 8 : "Operating Segments" introduces the 'management approach' to segment reporting. This standard is effective for periods beginning on or after January 1, 2009 and requires the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Group's 'chief operating decision maker' in order to assess each segment's performance and to allocate resources to them. The adoption of IFRS 8 has resulted in additional disclosures given in note 16 to the condensed interim consolidated financial statements. Currently the Group has three reportable segments, based on the internal reports that are regularly reviewed by the senior management and Board of directors of the holding company, on the basis of power plants; the Hub power plant of 1,292 MW which is in operation, Narowal power plant of 225 MW which is under construction and Laraib power plant (Hydel power plant) of 84 MW which is also under construction.

3. BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements have been prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting" as applicable in Pakistan and are being submitted to the shareholders of the holding company as required under Section 245 of the Ordinance.

	Note	3 months ended Dec 2009 (Rs. '000s)	3 months ended Dec 2008 (Rs. '000s)	6 months ended Dec 2009 (Rs. '000s)	6 months ended Dec 2008 (Rs. '000s)
4. OPERATING COSTS					
Residual fuel oil		20,542,159	18,806,649	39,712,147	44,465,072
Operation & Maintenance	4.1	657,637	523,465	1,318,532	1,070,665
Insurance		120,171	102,404	240,273	204,809
Depreciation		424,017	423,731	848,098	843,391
Amortisation		80	222	302	514
Miscellaneous		154,228	83,489	269,468	147,803
		21,898,292	19,939,960	42,388,820	46,732,254

4.1 This represents services rendered by an associated company.

	Note	3 months ended Dec 2009 (Rs. '000s)	3 months ended Dec 2008 (Rs. '000s)	6 months ended Dec 2009 (Rs. '000s)	6 months ended Dec 2008 (Rs. '000s)
5. FINANCE COSTS					
<i>Holding company</i>					
Interest / mark-up on long term loans		277,508	286,604	556,970	574,971
Mark-up on short term borrowings		92,467	264,488	135,000	562,999
Miscellaneous finance costs		21,222	18,121	41,659	40,705
Bank charges		9	5	31	20
		<u>391,206</u>	<u>569,218</u>	<u>733,660</u>	<u>1,178,695</u>
<i>Narowal</i>					
Interest / mark-up on long term loans		569,198	-	869,188	-
Mark-up on short term borrowings		-	148,634	15,150	275,003
Other finance costs		63,497	-	146,613	51,794
		<u>632,695</u>	<u>148,634</u>	<u>1,030,951</u>	<u>326,797</u>
<i>Laraib's acquisition</i>					
Mark-up on short term borrowings		5,709	26,397	5,709	44,166
Other finance costs		43,772	94	43,772	6,276
		<u>49,481</u>	<u>26,491</u>	<u>49,481</u>	<u>50,442</u>
		<u>1,073,382</u>	<u>744,343</u>	<u>1,814,092</u>	<u>1,555,934</u>
Less: amount capitalised in the cost of qualifying assets - Narowal	7.2	(632,695)	(146,911)	(1,030,951)	(325,074)
Finance cost of the holding company		<u>440,687</u>	<u>597,432</u>	<u>783,141</u>	<u>1,230,860</u>
<i>Subsidiary</i>					
Mark-up on leased assets		56	98	131	166
Mark-up on salary payable to CEO		392	941	837	941
Mark-up on short term borrowings from CEO		57	297	122	475
Mark-up on short term borrowings		1,489	-	2,318	-
Interest / mark-up on long term loans		1,283	-	1,283	-
Other finance costs		153,140	18,414	182,424	21,916
Late payment surcharge on payables		-	-	-	183
Bank charges		3,200	179	3,289	214
		<u>159,617</u>	<u>19,929</u>	<u>190,404</u>	<u>23,895</u>
Less: amount capitalised in the cost of qualifying assets - Subsidiary	7.3	(154,423)	(18,414)	(183,707)	(21,916)
Finance cost of the subsidiary		<u>5,194</u>	<u>1,515</u>	<u>6,697</u>	<u>1,979</u>
		<u>445,881</u>	<u>598,947</u>	<u>789,838</u>	<u>1,232,839</u>
6. WORKERS' PROFIT PARTICIPATION FUND					
Provision for Workers' profit participation fund		87,365	49,474	142,767	84,562
Payment of Workers' profit participation fund recoverable from WAPDA		(87,365)	(49,474)	(142,767)	(84,562)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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	Dec 2009 (Rs. '000s)	Jun 2009 (Rs. '000s)
7. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment		28,400,126	29,225,249
Capital work-in-progress			
Plant betterments		75,539	112,636
Narowal	7.2	19,092,449	8,563,800
Subsidiary	7.3	2,281,088	320,210
		<u>21,449,076</u>	<u>8,996,646</u>
	7.1	<u>49,849,202</u>	<u>38,221,895</u>



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7.1 Additions to property, plant and equipment during the period were Rs. 12,488.270 million (June 2009: Rs. 5,707.045 million) and disposals therefrom at net book value were Rs. Nil (June 2009: Rs. 1.569 million).

	Note	Dec 2009 (Rs. '000s)	Jun 2009 (Rs. '000s)
7.2 Capital work-in-progress - Narowal			
Opening balance		8,563,800	3,642,242
Additions during the period / year			
Payments for land		850	10,952
Payments to contractors		9,389,287	3,615,240
Professional services		29,119	120,643
Insurance cost		-	182,586
Land development		72,660	214,547
Borrowing & related transaction cost	5 & 7.2.2	884,338	1,102,523
Other finance costs	5	146,613	137,867
Government fees		1,612	2,387
Miscellaneous		4,170	2,576
		10,528,649	5,389,321
Transfers during the period / year		-	-
Transaction cost directly attributable to borrowings		-	(467,763)
		-	(467,763)
	7.2.1	19,092,449	8,563,800

7.2.1 This includes expenditures which are under discussion with various suppliers and are also subject to final tariff determination by NEPRA.

7.2.2 This includes interest / mark-up capitalisation of Rs. 15.150 million (June 2009: Rs. 86.077 million) using weighted average borrowing capitalisation rate of 13.95% per annum (June 2009: 14.42% per annum) on general purpose borrowings used for Narowal.

	Note	Dec 2009 (Rs. '000s)	Jun 2009 (Rs. '000s)
7.3 Capital work-in-progress - subsidiary			
Opening balance		320,210	-
Acquisition of a subsidiary		-	279,629
Additions during the period / year			
Payments to contractors		1,932,395	-
Technical studies and consultancy		1,383	4,001
Legal advisors' consultancy		39,649	16,694
Borrowing & other finance cost	5	183,707	59,947
		2,157,134	80,642
Transfers during the period / year		-	-
Transaction cost directly attributable to borrowings		(196,256)	(40,061)
		(196,256)	(40,061)
		2,281,088	320,210

8. INTANGIBLES

Goodwill	8.1	1,414,096	1,659,483
Computer software		3,225	2,250
		1,417,321	1,661,733

8.1 Goodwill

Opening balance		1,659,483	-
Acquisition of a subsidiary		-	1,659,483
Adjustments during the period / year	8.1.1	(245,387)	-
		1,414,096	1,659,483

8.1.1 This represents the reduction in contingent share premium as agreed through amendment in the SPA (refer note 1.1). The corresponding provision for contingent share premium which is included in 'Trade and other payables' has also been reduced and, therefore, there is no impact on profit or loss of the Group.

	Note	Dec 2009 (Rs. '000s)	Jun 2009 (Rs. '000s)
9. TRADE DEBTS - Secured			
Considered good	9.1	45,234,720	46,629,457

9.1 This includes an amount of Rs. 37,057 million (June 2009: Rs. 40,044 million) from WAPDA which is overdue but not impaired because the trade debts are secured by a guarantee from the Government of Pakistan under the Implementation Agreement. The overdue amount carries interest / mark-up at SBP discount rate plus 2% per annum compounded semi-annually.

10. CASH AND BANK BALANCES

This includes Rs. 642.687 million (June 2009: Rs. 65.686 million) which is only available to the holding company for Narowal expenditures.

	Note	Dec 2009 (Rs. '000s)	Jun 2009 (Rs. '000s)
11. LONG TERM LOANS - Secured			
<i>Holding company</i>			
Long term loans - Hub		5,823,506	6,313,036
Long term loans - Narowal		17,447,412	5,027,877
		23,270,918	11,340,913
<i>Subsidiary</i>			
Long term loans	11.1	2,005,093	-
		25,276,011	11,340,913

11.1 Long term loans -Subsidiary

Dec 2009.....		
	Foreign currency loans (Note 11.1.1)	Local currency loans (Rs. '000s) (Note 11.1.2)	Total
As at July 1, 2009	-	-	-
Drawn during the period	1,964,190	555,000	2,519,190
	1,964,190	555,000	2,519,190
Less. Current portion	-	-	-
	1,964,190	555,000	2,519,190
Less. Transaction cost paid			(514,097)
As at December 31, 2009			2,005,093

11.1.1 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 months 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.

11.1.2 The subsidiary has also entered into a long term loan facility of Rs. 3,250 million with banks at an interest rate of six months 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 interest payment date (January 1 and July 1) until and including the final maturity date of May 5, 2022. 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 2.5% per annum above the normal mark-up rate.

The subsidiary shall not pay dividends until certain requirements under these facilities are satisfied.

As at December 31, 2009, the subsidiary withdrew USD 23.3 million and Rs. 555 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 money payable by the Security Trustee from receipt account;
 - (ii) all the subsidiary's right, title and interest from time to time in and to all revenues, income and proceeds payable;
 - (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 Clause 5.3 (Assignments) of Security Trustee Deed;
 - (v) all intellectual property rights, including license, designs rights, copyright, patents and trademarks to the extent permitted by Applicable Law;
 - (vi) all goodwill of the subsidiary's business;
 - (vii) all Insurances;
 - (viii) all other present and future assets of the subsidiary both real and personnel, tangible and intangible (if not otherwise assigned effectively charged or assigned as applicable to the Security Trustee);
 - (ix) in charged accounts and in all authorised investments held by 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.

	Dec 2009 (Rs. '000s)	Jun 2009 (Rs. '000s)
12. SHARE PREMIUM PAYABLE		
Share premium payable	569,377	-
Less : current portion	<u>(307,649)</u>	<u>-</u>
	<u>261,728</u>	<u>-</u>

This represents share premium payable to Coate & Co (Pvt.) Limited for the acquisition of shares of the subsidiary as per the amended SPA (Refer note 1.1).

	Note	Dec 2009 (Rs. '000s)	Jun 2009 (Rs. '000s)
13. SHORT TERM BORROWINGS			
<i> Holding company </i>			
<i> Secured </i>			
Finances under mark-up arrangements	18	3,568,101	2,433,355
Finances under mark-up arrangements - Narowal		-	1,148,890
Finances under mark-up arrangements - Laraib's investment		<u>1,136,180</u>	<u>-</u>
	13.1	<u>4,704,281</u>	<u>3,582,245</u>
<i> Subsidiary </i>			
Short term finances		-	11,515
		<u>4,704,281</u>	<u>3,593,760</u>



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- 13.1 The facilities for running finance available from various banks amounted to Rs. 7,000 million (June 2009: Rs. 8,519 million) at a 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 March 16, 2010 to December 31, 2010. 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.

14. TRADE AND OTHER PAYABLES

This includes an amount of Rs. 36,192 million (June 2009: Rs. 41,992 million) payable to Pakistan State Oil, out of which overdue amount is Rs. 31,149 million (June 2009: Rs. 37,894 million). The overdue amount carries interest / mark-up at SBP discount rate plus 2% per annum compounded semi-annually.

15. COMMITMENTS AND CONTINGENCIES

- 15.1 Counter guarantees by the holding company, to meet the requirements under the Fuel Supply Agreement, issued to various banks which are secured pari passu with long term loans amount to Rs. 8,000 million (June 2009: Rs. 5,899 million).

- 15.2 Commitments by the holding company in respect of capital and revenue expenditure amount to Rs. 418.618 million (June 2009: Rs. 222.201 million).

- 15.3 In connection with the Narowal project:

- (i) the holding company has entered into contracts for construction of a power plant with an installed net capacity of 213.60 MW. The holding company's remaining capital and revenue commitments against these contracts amount to Rs. 1,689.482 million (June 2009: Rs. 9,924.538 million).
- (ii) MAN Diesel, the EPC contractor for Narowal Project, has advised that it will not be able to achieve the Commercial Operations Date (COD) of March 31, 2010 and has also raised certain issues on the basis of which it is seeking an extension of time for the completion of the Narowal project under the contracts. The holding company has denied MAN's request for extension of time and has reserved its rights under the contracts including the imposition of liquidated damages to MAN Diesel if the delay is attributable to MAN. The holding company at present is in discussion with the EPC contractor in order to mitigate the delay and achieve COD at the earliest. However, subsequent to the period end in order to protect the holding company's position, the holding company has requested the Government of Pakistan for an extension in COD up to September 2010 and for the necessary amendment in the Letter of Support issued to the holding company.
- (iii) the holding company has entered into a facility agreement with a commercial bank (an associated undertaking) for issuance of performance guarantee to the Private Power and Infrastructure Board (PPIB) for an amount of USD 1.125 million. This guarantee is valid up to September 30, 2010. The performance guarantee shall secure the holding company's obligation to achieve COD by not later than March 31, 2010 failing which the performance guarantee may be encashed without any notice to or demand upon the holding company by the PPIB. The guarantee is secured by way of a charge over the holding company's entire immovable assets other than (i) assets relating to the 213.6 MW RFO fired power plant of the holding company in district of Narowal, province of Punjab, Pakistan (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 Laraib Energy Limited including bonus shares and right shares.
- (iv) the holding company has entered into a Power Purchase Agreement (PPA) on November 20, 2008, with NTDC/CPPA/WAPDA (Power Purchaser) for the sale of all the available capacity and delivery and dispatch of Net Electrical Output generated from the Narowal Power Project with a net capacity of 213.60 MW. Under the PPA, the holding company is committed to achieve the COD by March 31, 2010 failing which the holding company will be required to pay the liquidated damages to the Power Purchaser at the rate of USD 17,800 per day. In order to meet this obligation, on March 09, 2009, the holding company has arranged the issuance of letter of credit (LC) in favour of the power purchaser for an amount of USD 5.874 million from a commercial bank. The LC will expire on March 31, 2010 and will automatically be extended for one year from each expiration date. Any late payment by the holding company is subject to a mark-up rate of three months KIBOR plus 4% per annum compounded semi-annually. This LC is secured 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 Project;
 - (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 Project;

- (c) by way of hypothecation, the creation of a first fixed charge over the present and future properties purchased for the purposes of Narowal Project;
- (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 Project) 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.
- (v) the holding company has entered into long term financing arrangements for debt financing of the project and to meet its obligations for equity funding commitments with various banks / financial institution for an amount of Rs. 15,750 million and Rs. 6,750 million respectively. As at December 31, 2009, the holding company withdrew Rs. 18,331 million from these facilities after obtaining lenders' consent for deferment of certain conditions precedent. The lenders' consent for the fulfilment of conditions precedent expired on January 23, 2010 and the holding company has applied for a further deferment.
- (vi) under the Construction Contract (CC), the holding company is committed to provide a guarantee of Rs. 259.99 million [equivalent to the 15% of total contract value (USD 21.545 million)] in favour of construction contractor [MAN Diesel Pakistan (Pvt.) Ltd]. This guarantee secures holding company's payment obligations and shall remain valid until all payments under this contract have been made. This guarantee is valid up to April 15, 2010. Subsequent to the quarter end, considering the delay in COD, the holding company has applied for an extension in the validity period up to June 30, 2010. This guarantee is secured by way of securities mentioned in note 15.3 (iv).

Further, MAN Diesel is required to provide a guarantee before payments can be made. MAN has not provided the guarantee and therefore, the holding company has withheld some of the construction contract payments.

- (vii) the holding company has made arrangements with financial institutions for issuance of Letter of Credit (LC) as required under the Equipment Supply Contract (ESC) in favour of MAN Diesel. The payments of this LC are made from the long term loan facilities [Refer note 15.3 (v)]. If the holding company is unable to withdraw from long term loan facilities, it will be required to reimburse the banks from its own sources. As at December 31, 2009, the holding company's remaining commitment was Euro 8.867 million. Any late payment by the holding company is subject to a mark-up of three months KIBOR plus a margin of 2.50% and 2% of liquidated damages.

This LC is 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.
- (b) a floating charge on the whole of the holding company's undertaking and assets, present and future, other than any assets for the time being effectively charged by way of fixed charge;
- (c) an assignment of all rights, title and interest, present and future, in and to the insurances and all rights of the holding company to make recovery under the insurances and all proceeds of the insurances receivable by the holding company; and
- (d) mortgages over the holding company's real property situated in Lasbella, Islamabad, Karachi and Narowal, together with all rights of easements, privileges and licences appurtenant thereto.

The securities mentioned in (a), (b) and (c) above do not include (i) Commercial Facility Disbursement Account (ii) 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 (iii) present and future shares acquired in Laraib Energy Limited including bonus shares and right shares.

15.4 In connection with the development of the power project of the subsidiary:

- (i) the subsidiary has entered into contracts for construction of a power plant with an installed capacity of 84 MW. The subsidiary's remaining capital and revenue commitments against these contracts amount to Rs. 11,448.991 million (June 2009: Rs. 12,470.966 million).
- (ii) pursuant to the PPA, the subsidiary in order to meet its obligation to achieve COD within 42 months of Financial Close has 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 late payment by the subsidiary is subject to a mark-up rate of three months KIBOR plus 4% per annum compounded semi-annually. This LC is secured by way of securities mentioned in note 11.1.

15.5 Pursuant to the Sponsors Support Agreement (SSA) in connection with the investment in the subsidiary, the holding company is committed to provide an LC of USD 46 million (Refer note 1.1) to Laraib's lenders from Financial Close to the last repayment date of debt (expected in 2024) to Laraib's lenders. The holding company has arranged this LC in the amount of USD 46 million or aggregating Rs. 4,000 million whichever is lower. The LC amount will reduce as the equity is injected into the subsidiary and project achieves COD. Post COD, the holding company will be required to maintain a maximum LC of USD 17 million up to 2024. The holding company has entered into an agreement with a commercial bank (an associated undertaking) for a period of four years starting December 2009. The LC has been arranged for one year under the agreement and is renewable each year subject to certain conditions. Any late payment by the holding company is subject to a mark-up of six months 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 213.6 MW RFO fired power plant of the holding company in district of Narowal, province of Punjab, Pakistan (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 Laraib Energy Limited including bonus shares and right shares.

15.6 (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 the financial statements.

15.7 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 fall 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 the holding company and WAPDA have agreed that this petition should proceed and a judgment obtained on merits. Subsequent to the period end, the hearing was completed and judgment has been reserved. No provision has been made in these 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 6).



growth through energy

16. SEGMENT ANALYSIS

16.1 SEGMENT RESULTS

.....3 months ended Dec 2009.....					
Hub power plant	Narawal power plant	Laraib power plant	Unallocated	Total	
..... (Rs. '000s)					
Turnover	24,162,242	-	-	-	24,162,242
Operating costs	(21,898,292)	-	-	-	(21,898,292)
GROSS PROFIT	<u>2,263,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,263,950</u>
Other income - net	11,872	3	6,677	-	18,552
General and administration expenses	(71,736)	(14,752)	(19,286)	(1,334)	(107,108)
Finance costs	(391,206)	-	(5,194)	(49,481)	(445,881)
	<u>1,812,880</u>	<u>(14,749)</u>	<u>(17,803)</u>	<u>(50,815)</u>	
Workers' profit participation fund					-
PROFIT FOR THE PERIOD					<u>1,729,513</u>

.....3 months ended Dec 2008.....					
Hub power plant	Narawal power plant	Laraib power plant	Unallocated	Total	
..... (Rs. '000s)					
Turnover	21,584,373	-	-	-	21,584,373
Operating costs	(19,939,960)	-	-	-	(19,939,960)
GROSS PROFIT	<u>1,644,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,644,413</u>
Other income - net	20,480	-	3,427	-	23,907
General and administration expenses	(69,078)	(5,406)	(13,263)	(3,490)	(91,237)
Finance costs	(569,218)	(1,723)	(1,515)	(26,491)	(598,947)
	<u>1,026,597</u>	<u>(7,129)</u>	<u>(11,351)</u>	<u>(29,981)</u>	
Workers' profit participation fund					-
PROFIT FOR THE PERIOD					<u>978,136</u>

.....6 months ended Dec 2009.....					
Hub power plant	Narawal power plant	Laraib power plant	Unallocated	Total	
..... (Rs. '000s)					
Turnover	46,167,529	-	-	-	46,167,529
Operating costs	(42,388,820)	-	-	-	(42,388,820)
GROSS PROFIT	<u>3,778,709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,778,709</u>
Other income - net	35,185	6	3,862	-	39,053
General and administration expenses	(149,437)	(24,256)	(34,643)	(1,719)	(210,055)
Finance costs	(733,660)	-	(6,697)	(49,481)	(789,838)
	<u>2,930,797</u>	<u>(24,250)</u>	<u>(37,478)</u>	<u>(51,200)</u>	
Workers' profit participation fund					-
PROFIT FOR THE PERIOD					<u>2,817,869</u>

.....6 months ended Dec 2008.....					
Hub power plant	Narawal power plant	Laraib power plant	Unallocated	Total	
..... (Rs. '000s)					
Turnover	49,699,484	-	-	-	49,699,484
Operating costs	(46,732,254)	-	-	-	(46,732,254)
GROSS PROFIT	<u>2,967,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,967,230</u>
Other income - net	113,374	-	(3,495)	-	109,879
General and administration expenses	(140,796)	(10,678)	(24,145)	(7,026)	(182,645)
Finance costs	(1,178,695)	(1,723)	(1,979)	(50,442)	(1,232,839)
	<u>1,761,113</u>	<u>(12,401)</u>	<u>(29,619)</u>	<u>(57,468)</u>	
Workers' profit participation fund					-
PROFIT FOR THE PERIOD					<u>1,661,625</u>

The unallocated items relate to costs incurred by the holding company for investment in subsidiary.

16.2 SEGMENT ASSETS

Dec 2009.....				Total
	Hub power plant	Narowal power plant	Laraib power plant	Unallocated	
(Rs. '000s).....				
TOTAL ASSETS	<u>77,852,392</u>	<u>19,743,103</u>	<u>3,254,598</u>	<u>1,414,096</u>	<u>102,264,189</u>

Jun 2009.....				Total
	Hub power plant	Narowal power plant	Laraib power plant	Unallocated	
(Rs. '000s).....				
TOTAL ASSETS	<u>80,890,539</u>	<u>8,638,673</u>	<u>651,511</u>	<u>1,659,483</u>	<u>91,840,206</u>

The unallocated assets represent the goodwill arising from the acquisition of subsidiary by the holding company.

17. TRANSACTIONS AND BALANCES WITH RELATED PARTIES / ASSOCIATED UNDERTAKINGS

	Note	6 months ended Dec 2009 (Rs. '000s)	6 months ended Dec 2008 (Rs. '000s)
Amounts paid for services rendered	17.1	<u>1,639,024</u>	<u>1,137,909</u>
Reimbursement of expenses and others		<u>1,101</u>	<u>279</u>
Loan from related party of the subsidiary		<u>43,000</u>	<u>-</u>
Repayment of loan from related party of the subsidiary		<u>43,000</u>	<u>-</u>
Mark-up on short term borrowings		<u>-</u>	<u>141,904</u>
Mark-up on long term loans		<u>77,635</u>	<u>-</u>
Other finance costs		<u>49,607</u>	<u>-</u>
Mark-up on short term borrowings from subsidiary's CEO		<u>122</u>	<u>475</u>
Mark-up on salary payable to subsidiary's CEO		<u>837</u>	<u>941</u>
Remuneration to key management personnel:			
Salaries, benefits and other allowances		<u>37,845</u>	<u>33,044</u>
Retirement benefits		<u>5,684</u>	<u>2,199</u>
	17.2	<u>43,529</u>	<u>35,243</u>
Fees	17.3	<u>450</u>	<u>900</u>
Contribution to staff retirement benefit plans		<u>17,494</u>	<u>9,704</u>

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

17.2 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.

17.3 This represents fee to three independent directors.

17.4 As at December 31, 2009, the outstanding balance of long term loans from an associated undertaking was Rs. 1,629.399 million (June 2009: Rs. 488.501 million) out of the total available facilities of Rs. 2,000 million (June 2009: Rs. 2,000 million) [Refer Note 15.3 (v)].

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

	Note	6 months ended Dec 2009 (Rs. '000s)	6 months ended Dec 2008 (Rs. '000s)
18. CASH AND CASH EQUIVALENTS			
Cash and bank balances		2,382,159	815,518
Finances under mark-up arrangements	13	<u>(3,568,101)</u>	<u>(5,810,400)</u>
		<u>(1,185,942)</u>	<u>(4,994,882)</u>

19. DIVIDEND

The Board of Directors of the holding company declared an interim dividend for six months ended December 31, 2009 of Rs. 2.50 per share, amounting to Rs. 2,892.89 million, at their meeting held on February 24, 2010.

20. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on February 24, 2010 in accordance with the resolution of the Board of Directors of the holding company.

21. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Javed Mahmood
Chief Executive

Syed Nizam A. Shah
Director