



growth through energy

**THE HUB POWER COMPANY LIMITED**

**UNAUDITED QUARTERLY FINANCIAL STATEMENTS**

**FOR THE THIRD QUARTER ENDED  
MARCH 31, 2010**

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## COMPANY INFORMATION

|  |  |
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| <b>BOARD OF DIRECTORS:</b>                   | Mr. Mohamed A. Alireza H.I. Chairman<br>Mr. Yousuf A. Alireza<br>Dr. Fereydoon Abtahi<br>Mr. Robin A. Bramley<br>Mr. Malcolm P. Clampin<br>Mr. Taufique Habib<br>Mr. Vince R. Harris, OBE<br>Mr. M. Jawaid Iqbal<br>Mr. Qaiser Javed<br>Mr. Ahmad Raza Khan<br>Mr. Ali Munir<br>Mr. Javed Mahmood Chief Executive<br>Mr. S. Ali Raza<br>Mr. S. Nizam A. Shah<br>M. Ashraf Tumbi  |
| <b>MANAGEMENT:</b>                           | Javed Mahmood Chief Executive<br>William Burrough Chief Operations Officer<br>Abdul Nasir Chief Financial Officer<br>Huma Pasha Chief Internal Auditor<br>Arshad A. Hashmi Company Secretary<br>Wasif Mustafa Khan Head of Projects<br>S. Hasnain Haider Sr. Manager Special Assignments<br>Lesley A. Middlecoat Sr. Manager HR & PR<br>Shamsul Islam Treasurer  |
| <b>PRINCIPAL BANKERS<br/>Accounts Banks:</b> | National Bank of Pakistan<br>Allied Bank of Pakistan<br>Askari Bank Limited<br>Bank Al-falah Limited<br>Bank Al-Habib Limited<br>Citibank N.A. Karachi.<br>Habib Bank Limited<br>Habib Metropolitan Bank Limited<br>MCB Bank Limited<br>NIB Bank Limited<br>Pak China Investment Company Limited<br>Standard Chartered Bank (Pakistan) Limited<br>Sumitomo Mitsui Banking Corp. Europe Ltd., London<br>United Bank Limited |
| <b>INTER-CREDITOR<br/>AGENT:</b>             | National Bank of Pakistan<br>Habib Bank Limited  |

## **COMPANY INFORMATION**

|                                  |  |
|----------------------------------|--|
| <b>REGISTERED OFFICE:</b>        | C/o. Famco Associates (Pvt) Ltd.,<br>(Formerly Ferguson Associates (Pvt) Limited)<br>12, Capital Shopping Centre,<br>Second Floor, G-11 Markaz,<br>Islamabad   |
| <b>HEAD OFFICE:</b>              | 3rd Floor, Islamic Chamber of Commerce Bldg;<br>ST-2/A, Block 9, Clifton,<br>P. O. Box No. 13841, Karachi-75600<br>Email : Info@hubpower.com<br>Website: <a href="http://www.hubpower.com">http://www.hubpower.com</a> |
| <b>LEGAL ADVISORS:</b>           | Rizvi, Isa, Afridi & Angell, Karachi<br>Kabraji & Talibuddin, Karachi<br>Linklaters & Alliance, London   |
| <b>AUDITORS:</b>                 | M. Yousuf Adil Saleem & Co.  |
| <b>REGISTRAR:</b>                | Famco Associates (Pvt) Limited<br>(Formerly Ferguson Associates (Pvt) Limited)   |
| <b>HUBCO NAROWAL<br/>PROJECT</b> | House No. 8, Street 15, Cavalry Ground Extension,<br>Lahore Cantt  |

**THE HUB POWER COMPANY LIMITED**  
**REPORT OF THE DIRECTORS FOR THE**  
**NINE MONTH ENDED 31 MARCH 2010**

The Directors have pleasure in presenting the unaudited Financial Statements for the nine month ended 31 March 2010.

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).

WAPDA continues to face difficulties in meeting its obligations to Hubco under our Power Purchase Agreement. At present an amount of Rs. 58 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. 58 billion the Company currently owes Rs. 49 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 77.1% and an average complex availability (ACA) of 83%. Electricity sold to Wapda was 6,085GWh. Turnover for the period was Rs. 71,746 million (2009: Rs. 67,355 million) and operating costs were Rs. 65,971 million (2009: Rs. 62,553 million) resulting in a gross profit of Rs. 5,774 million compared to Rs. 4,802 million in the corresponding period last year. The Company earned a net profit of Rs. 4,291 million during the period resulting in earnings per share of Rs. 3.71 compared to a net profit of Rs. 2,965 million and earnings per share of Rs. 2.56 in the same period last year. The increase in profit is mainly because of currency devaluation, higher tariff profile and higher generation bonus partly offset by higher repair & maintenance expenses.

As reported earlier the Company's 214 MW Oil Fired Project in Narowal is expected to achieve Commercial Operation by September 30, 2010, the delay from the planned date being due to the EPC Contractor.

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 Report of Directors on Consolidated Financial Statements (unaudited) of The Hub Power Company Limited (the Company) and its Subsidiary Laraib Energy Limited (the Subsidiary) for the nine month ended March 31, 2010 is being separately presented in this Report.

By Order of the Board

Javed Mahmood  
Chief Executive

Karachi: April 28, 2010



**THE HUB POWER COMPANY LIMITED**  
**CONDENSED INTERIM UNCONSOLIDATED**  
**PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2010**

|   |   | <b>3 months ended</b><br><b>Mar 2010</b><br><b>(Rs. '000s)</b> | <b>3 months ended</b><br><b>Mar 2009</b><br><b>(Rs. '000s)</b> | <b>9 months ended</b><br><b>Mar 2010</b><br><b>(Rs. '000s)</b> | <b>9 months ended</b><br><b>Mar 2009</b><br><b>(Rs. '000s)</b> |
|---|---|--|--|--|--|
| Turnover                                      |   | 25,577,990   | 17,656,001   | 71,745,519   | 67,355,485   |
| Operating costs                               | 4 | (23,582,362)   | (15,820,764)   | (65,971,182)   | (62,553,018)   |
| <b>GROSS PROFIT</b>                           |   | <u>1,995,628</u>   | <u>1,835,237</u>   | <u>5,774,337</u>   | <u>4,802,467</u>   |
| Other income                                  |   | 1,835  | 9,466  | 37,026   | 122,840  |
| General and administration expenses           |   | (92,741)   | (83,789)   | (268,153)  | (242,289)  |
| Finance costs                                 | 5 | (468,891)  | (486,896)  | (1,252,032)  | (1,717,756)  |
| Workers' profit participation fund            | 6 | -  | -  | -  | -  |
| <b>PROFIT FOR THE PERIOD</b>                  |   | <u><u>1,435,831</u></u>  | <u><u>1,274,018</u></u>  | <u><u>4,291,178</u></u>  | <u><u>2,965,262</u></u>  |
| Basic and diluted earnings per share (rupees) |   | <u>1.24</u>  | <u>1.10</u>  | <u>3.71</u>  | <u>2.56</u>  |

The annexed notes from 1 to 19 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 THIRD QUARTER ENDED MARCH 31, 2010**

|  | <b>3 months ended<br/>Mar 2010<br/>(Rs. '000s)</b> | <b>3 months ended<br/>Mar 2009<br/>(Rs. '000s)</b> | <b>9 months ended<br/>Mar 2010<br/>(Rs. '000s)</b> | <b>9 months ended<br/>Mar 2009<br/>(Rs. '000s)</b> |
|--|--|--|--|--|
| Profit for the period                            | 1,435,831  | 1,274,018  | 4,291,178  | 2,965,262  |
| Other comprehensive income for the period        | -  | -  | -  | -  |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b> | <u>1,435,831</u>                                   | <u>1,274,018</u>                                   | <u>4,291,178</u>                                   | <u>2,965,262</u>                                   |

The annexed notes from 1 to 19 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 MARCH 31, 2010**

|   | Note | Mar 2010<br>(Rs. '000s) | Jun 2009<br>(Rs. '000s) |
|---|------|-------------------------|-------------------------|
| <b><u>ASSETS</u></b>                        |      |                         |                         |
| <b>NON-CURRENT ASSETS</b>                   |      |                         |                         |
| Fixed Assets                                |      |                         |                         |
| Property, plant and equipment               | 7    | 48,289,134              | 37,895,720              |
| Intangibles                                 |      | 1,323                   | 2,250                   |
| Stores and spares                           |      | 637,023                 | 637,023                 |
| Investment in subsidiary                    | 8    | 2,610,118               | 656,459                 |
| Other assets                                |      | 4,103                   | 4,275                   |
| <b>CURRENT ASSETS</b>                       |      |                         |                         |
| Inventory of fuel oil                       |      | 1,025,251               | 2,540,887               |
| Trade debts                                 | 9    | 57,568,384              | 46,629,457              |
| Advances, prepayments and other receivables |      | 661,824                 | 785,809                 |
| Cash and bank balances                      | 10   | 1,380,571               | 1,033,791               |
|   |      | 60,636,030              | 50,989,944              |
| <b>TOTAL ASSETS</b>                         |      | 112,177,731             | 90,185,671              |
| <b><u>EQUITY AND LIABILITIES</u></b>        |      |                         |                         |
| <b>SHARE CAPITAL AND RESERVE</b>            |      |                         |                         |
| <b>Share Capital</b>                        |      |                         |                         |
| Authorised                                  |      | 12,000,000              | 12,000,000              |
| Issued, subscribed and paid-up              |      | 11,571,544              | 11,571,544              |
| <b>Revenue Reserve</b>                      |      |                         |                         |
| Unappropriated profit                       |      | 17,044,789              | 17,960,806              |
|   |      | 28,616,333              | 29,532,350              |
| <b>NON-CURRENT LIABILITIES</b>              |      |                         |                         |
| Long term loans                             |      | 23,374,246              | 11,340,913              |
| Share premium payable                       | 11   | 254,340                 | -                       |
| Deferred liability - Gratuity               |      | 26,330                  | 15,001                  |
| <b>CURRENT LIABILITIES</b>                  |      |                         |                         |
| Current maturity of long term loans         |      | 1,414,691               | 979,062                 |
| Short term borrowings                       | 12   | 4,329,551               | 3,582,245               |
| Trade and other payables                    | 13   | 53,214,079              | 43,970,160              |
| Interest / mark-up accrued                  |      | 948,161                 | 765,940                 |
|   |      | 59,906,482              | 49,297,407              |
| <b>COMMITMENTS AND CONTINGENCIES</b>        | 14   |                         |                         |
| <b>TOTAL EQUITY AND LIABILITIES</b>         |      | 112,177,731             | 90,185,671              |

The annexed notes from 1 to 19 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 THIRD QUARTER ENDED MARCH 31, 2010**

|  | Note | 9 months ended<br>Mar 2010<br>(Rs. '000s) | 9 months ended<br>Mar 2009<br>(Rs. '000s) |
|--|------|---|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                |      |   |   |
| Profit for the period                                      |      | 4,291,178                                 | 2,965,262                                 |
| Adjustments for:   |      |   |   |
| Depreciation   |      | 1,289,032                                 | 1,278,610                                 |
| Amortisation   |      | 927                                       | 1,296                                     |
| Gain on disposal of fixed assets                           |      | (487)                                     | (457)                                     |
| Staff gratuity   |      | 19,893                                    | 9,753                                     |
| Interest income  |      | (10,893)                                  | (13,123)                                  |
| Interest / mark-up   |      | 1,098,205                                 | 1,641,422                                 |
| Operating profit before working capital changes            |      | 6,687,855                                 | 5,882,763                                 |
| Working capital changes                                    |      | (2,728,774)                               | 10,275,748                                |
| Cash generated from operations                             |      | 3,959,081                                 | 16,158,511                                |
| Interest received  |      | 10,194                                    | 18,177                                    |
| Interest / mark-up paid                                    |      | (1,398,624)                               | (1,835,945)                               |
| Staff gratuity paid  |      | (8,657)                                   | (11,116)                                  |
| Net cash from operating activities                         |      | 2,561,994                                 | 14,329,627                                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                |      |   |   |
| Fixed capital expenditure                                  |      | (11,683,993)                              | (4,459,766)                               |
| Proceeds from disposal of fixed assets                     |      | 2,127                                     | 910                                       |
| Stores and spares  |      | -   | (13,167)                                  |
| Investment in subsidiary                                   |      | (1,438,489)                               | (656,459)                                 |
| Other assets   |      | 172                                       | 4,075                                     |
| Net cash used in investing activities                      |      | (13,120,183)                              | (5,124,407)                               |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                |      |   |   |
| Repayment of long term loans                               |      | (979,061)                                 | (979,061)                                 |
| Dividends paid   |      | (2,311,299)                               | (1,159,975)                               |
| Finances under mark-up arrangements - Narowal              |      | -   | 1,838,343                                 |
| Finance under LC arrangement - Narowal                     |      | -   | 2,063,513                                 |
| Repayment of finances under mark-up arrangements - Narowal |      | (1,148,890)                               | (1,572,510)                               |
| Proceeds from long term loans - Narowal                    |      | 13,448,023                                | -   |
| Net cash from financing activities                         |      | 9,008,773                                 | 190,310                                   |
| Net (decrease) / increase in cash and cash equivalents     |      | (1,549,416)                               | 9,395,530                                 |
| 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   | (2,948,980)                               | 177,756                                   |

The annexed notes from 1 to 19 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 THIRD QUARTER ENDED MARCH 31, 2010**

|  | <b>9 months ended<br/>Mar 2010<br/>(Rs. '000s)</b> | <b>9 months ended<br/>Mar 2009<br/>(Rs. '000s)</b> |
|--|--|--|
| <b>Issued capital</b>  |  |  |
| Balance at the beginning of the period   | 11,571,544   | 11,571,544   |
| Balance at the end of the period   | <u>11,571,544</u>                                  | <u>11,571,544</u>                                  |
| <b>Unappropriated profit</b>   |  |  |
| Balance at the beginning of the period   | 17,960,806   | 16,899,127   |
| Total comprehensive income for the period  | 4,291,178  | 2,965,262  |
| Final dividend for the fiscal year 2008-2009<br>@ Rs. 2.00 (2007-2008: @ Rs. 1.00) per share   | (2,314,309)  | (1,157,154)  |
| Interim dividend for the fiscal year 2009-2010<br>@ Rs. 2.50 (2008-2009: @ Rs. 1.35) per share | (2,892,886)  | (1,562,158)  |
| Balance at the end of the period   | <u>17,044,789</u>                                  | <u>17,145,077</u>                                  |
| <b>Total equity</b>  | <u><u>28,616,333</u></u>                           | <u><u>28,716,621</u></u>                           |

The annexed notes from 1 to 19 form an integral part of these financial statements.

Javed Mahmood  
Chief Executive

Syed Nizam A. Shah  
Director

**THE HUB POWER COMPANY LIMITED**  
**NOTES TO THE CONDENSED INTERIM**  
**UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2010**

**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 unaudited condensed interim unconsolidated 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 as required under Section 245 of the Ordinance.

| Note                      | 3 months ended<br>Mar 2010<br>(Rs. '000s) | 3 months ended<br>Mar 2009<br>(Rs. '000s) | 9 months ended<br>Mar 2010<br>(Rs. '000s) | 9 months ended<br>Mar 2009<br>(Rs. '000s) |
|---------------------------|---|---|---|---|
| <b>4. OPERATING COSTS</b> |   |   |   |   |
| Residual fuel oil         | 22,106,244                                | 14,585,390                                | 61,818,391                                | 59,050,462                                |
| Operation & Maintenance   | 4.1 689,438                               | 659,992                                   | 2,007,970                                 | 1,730,657                                 |
| Insurance                 | 120,008                                   | 102,405                                   | 360,281                                   | 307,214                                   |
| Depreciation              | 424,054                                   | 423,814                                   | 1,272,152                                 | 1,267,205                                 |
| Amortisation              | -   | 222                                       | 302                                       | 736                                       |
| Miscellaneous             | 242,618                                   | 48,941                                    | 512,086                                   | 196,744                                   |
|                           | <u>23,582,362</u>                         | <u>15,820,764</u>                         | <u>65,971,182</u>                         | <u>62,553,018</u>                         |

4.1 This represents services rendered by an associated company.

**5. FINANCE COSTS**

|   |                  |                |                  |                  |
|---|------------------|----------------|------------------|------------------|
| Interest / mark-up on long term loans                               | 251,095          | 264,499        | 808,065          | 839,470          |
| Mark-up on short term borrowings                                    | 131,129          | 155,993        | 266,129          | 718,992          |
| Miscellaneous finance costs   | 37,463           | 29,233         | 79,122           | 69,938           |
| Bank charges  | 14               | 15             | 45               | 35               |
|   | <u>419,701</u>   | <u>449,740</u> | <u>1,153,361</u> | <u>1,628,435</u> |
| <b>Narowal</b>  |                  |                |                  |                  |
| Interest / mark-up on long term loans                               | 673,417          | -              | 1,542,605        | -                |
| Mark-up on short term borrowings                                    | -                | 199,558        | 15,150           | 474,561          |
| Other finance costs   | 13,786           | -              | 160,399          | 51,794           |
| Liquidated damages  | -                | 6,105          | -                | 6,105            |
|   | <u>687,203</u>   | <u>205,663</u> | <u>1,718,154</u> | <u>532,460</u>   |
| <b>Laraib's acquisition</b>   |                  |                |                  |                  |
| Mark-up on short term borrowings                                    | 18,302           | 28,074         | 24,011           | 72,240           |
| Unwinding of discount on share premium payable                      | 21,565           | -              | 21,565           | -                |
| Other finance costs   | 9,323            | 85             | 53,095           | 6,361            |
|   | <u>49,190</u>    | <u>28,159</u>  | <u>98,671</u>    | <u>78,601</u>    |
|   | <u>1,156,094</u> | <u>683,562</u> | <u>2,970,186</u> | <u>2,239,496</u> |
| Less: amount capitalised in the cost of qualifying assets - Narowal | 7.2 (687,203)    | (196,666)      | (1,718,154)      | (521,740)        |
|   | <u>468,891</u>   | <u>486,896</u> | <u>1,252,032</u> | <u>1,717,756</u> |

**6. WORKERS' PROFIT PARTICIPATION FUND**

|  |          |          |           |           |
|--|----------|----------|-----------|-----------|
| Provision for Workers' profit participation fund                     | 71,792   | 63,701   | 214,559   | 148,263   |
| Payment of Workers' profit participation fund recoverable from WAPDA | (71,792) | (63,701) | (214,559) | (148,263) |
|  | <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 | Mar 2010<br>(Rs. '000s) | Jun 2009<br>(Rs. '000s) |
|---|------|-------------------------|-------------------------|
| <b>7. PROPERTY, PLANT AND EQUIPMENT</b> |      |                         |                         |
| Operating property, plant and equipment |      | 27,970,024              | 29,219,284              |
| Capital work-in-progress                |      |                         |                         |
| Plant betterments                       |      | 78,407                  | 112,636                 |
| Narowal project                         | 7.2  | 20,240,703              | 8,563,800               |
|   |      | 20,319,110              | 8,676,436               |
|   | 7.1  | 48,289,134              | 37,895,720              |

7.1 Additions to property, plant and equipment during the period were Rs. 11,684.086 million (June 2009: Rs. 5,665.948 million) and disposals therefrom at net book value were Rs. 1.640 million (June 2009: Rs. 1.563 million).

|  | Note      | Mar 2010<br>(Rs. '000s) | Jun 2009<br>(Rs. '000s) |
|--|-----------|-------------------------|-------------------------|
| <b>7.2 Capital work-in-progress - Narowal</b>        |           |                         |                         |
| Opening balance                                      |           | 8,563,800               | 3,642,242               |
| Additions during the period / year                   |           |                         |                         |
| Payments for land                                    |           | 12,644                  | 10,952                  |
| Payments to contractors                              |           | 9,817,728               | 3,615,240               |
| Professional services                                |           | 46,485                  | 120,643                 |
| Insurance cost                                       |           | 25                      | 182,586                 |
| Land development                                     |           | 74,081                  | 214,547                 |
| Borrowing & related transaction cost                 | 5 & 7.2.2 | 1,557,755               | 1,102,523               |
| Other finance costs                                  | 5         | 160,399                 | 137,867                 |
| Government fees                                      |           | 1,612                   | 2,387                   |
| Miscellaneous  |           | 6,174                   | 2,576                   |
|  |           | 11,676,903              | 5,389,321               |
| Transfers during the period / year                   |           | -                       | -                       |
| Transaction cost directly attributable to borrowings |           | -                       | (467,763)               |
|  |           | -                       | (467,763)               |
|  | 7.2.1     | 20,240,703              | 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.

## 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 March 31, 2010, the outstanding share premium payable is PKR Equiv. USD 6.625 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 March 31, 2010 the Company had made a total payment of Rs. 2,084.49 million, out of which Rs. 671.58 million represents share premium on acquisition of shares from the Seller.

Included herein is a sum of Rs. 214.71 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 23.7 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.

|  | <b>Note</b> | <b>Mar 2010</b><br><b>(Rs. '000s)</b> | <b>Jun 2009</b><br><b>(Rs. '000s)</b> |
|--|-------------|---------------------------------------|---------------------------------------|
| <b>9. TRADE DEBTS - Secured</b>  |             |                                       |                                       |
| Considered good  | 9.1         | <u>57,568,384</u>                     | <u>46,629,457</u>                     |
| 9.1 This includes an amount of Rs. 50,582 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. 585.276 million (June 2009: Rs. 65.686 million) which is only available for Narowal expenditures.

|                                  | <b>Mar 2010</b><br><b>(Rs. '000s)</b> | <b>Jun 2009</b><br><b>(Rs. '000s)</b> |
|----------------------------------|---------------------------------------|---------------------------------------|
| <b>11. SHARE PREMIUM PAYABLE</b> |                                       |                                       |
| Share premium payable            | 518,871                               | -                                     |
| Less : current portion           | <u>(264,531)</u>                      | <u>-</u>                              |
|                                  | <u>254,340</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).

|   | <b>Note</b> | <b>Mar 2010</b><br><b>(Rs. '000s)</b> | <b>Jun 2009</b><br><b>(Rs. '000s)</b> |
|---|-------------|---------------------------------------|---------------------------------------|
| <b>12. SHORT TERM BORROWINGS - Secured</b>    |             |                                       |                                       |
| Finances under mark-up arrangements           | 16          | 4,329,551                             | 2,433,355                             |
| Finances under mark-up arrangements - Narowal |             | -                                     | 1,148,890                             |
|   | 12.1        | <u>4,329,551</u>                      | <u>3,582,245</u>                      |

- 12.1 The facilities for running finance available from various banks amounted to Rs. 9,300 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 April 30, 2010 to March 31, 2011. These facilities are secured by way of charge over the trade debts and stocks of the Company pari passu with the existing charge. Any late payment by the Company is subject to liquidated damages payable at a rate up to 2% per annum above the normal mark-up rate.

#### 13. TRADE AND OTHER PAYABLES

This includes an amount of Rs. 47,342 million (June 2009: Rs. 41,992 million) payable to Pakistan State Oil, out of which overdue amount is Rs. 42,103 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. 284.915 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. 1,220.599 million (June 2009: Rs. 9,924.538 million).
  - (ii) MAN Diesel, the EPC contractor for Narowal Project was not able to achieve the required 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 for achieving the COD at the earliest. However, 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/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 Company was required to achieve the COD by March 31, 2010 failing which the Company is 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 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 expired on March 31, 2010 and was automatically extended for one year. 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 March 31, 2010, the Company withdrew Rs. 18,944 million from these facilities after obtaining lenders' consent for deferment of certain conditions precedent. The Company is required to meet these conditions precedent by April 30, 2010.
  - (vi) under the Construction Contract (CC), the Company has provided a guarantee of Rs. 265.78 million [equivalent to the 15% of total contract value (USD 22.003 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 was valid up to April 15, 2010. During the quarter, the Company applied for an extension in the validity period up to June 30, 2010 on a monthly basis. Currently, the expiry of the validity period has been extended up to May 15, 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 are made. MAN has not provided the guarantee and 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 March 31, 2010, the Company's remaining commitment was Euro 7.71 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. The LC was valid up to March 31, 2010. During the quarter, the LC has been extended up to May 31, 2010.

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 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. During the quarter, 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 | 9 months ended<br>Mar 2010<br>(Rs. '000s) | 9 months ended<br>Mar 2009<br>(Rs. '000s) |
|--|------|---|---|
| Amounts paid for services rendered             | 15.1 | 2,535,690                                 | 1,889,084                                 |
| Reimbursement of expenses and others           |      | 1,261                                     | 1,129                                     |
| Mark-up on short term borrowings               |      | -   | 219,408                                   |
| Mark-up on long term loans                     |      | 137,444                                   | -   |
| Other finance costs                            |      | 52,611                                    | -   |
| Remuneration to key management personnel:      |      |   |   |
| Salaries, benefits and other allowances        |      | 38,738                                    | 38,948                                    |
| Retirement benefits                            |      | 7,626                                     | 3,510                                     |
|  | 15.2 | 46,364                                    | 42,458                                    |
| Fees   | 15.3 | 1,925                                     | 1,350                                     |
| Contribution to staff retirement benefit plans |      | 14,447                                    | 15,268                                    |

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 four independent directors (June 2009: three independent directors).

15.4 As at March 31, 2010, the outstanding balance of long term loans from an associated undertaking was Rs. 1,683.881 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.

|                                      | Note | 9 months ended<br>Mar 2010<br>(Rs. '000s) | 9 months ended<br>Mar 2009<br>(Rs. '000s) |
|--------------------------------------|------|---|---|
| <b>16. CASH AND CASH EQUIVALENTS</b> |      |   |   |
| Cash and bank balances               |      | 1,380,571                                 | 781,887                                   |
| Finances under mark-up arrangements  | 12   | (4,329,551)                               | (604,131)                                 |
|                                      |      | (2,948,980)                               | 177,756                                   |

## 17. NON-CASH TRANSACTIONS

Investment in the Subsidiary during the period includes an amount of Rs. 515.170 million (June 2009: nil) representing share premium payable as per the SPA (Refer note 8).

## 18. DATE OF AUTHORISATION

These financial statements were authorised for issue on April 28, 2010 in accordance with the resolution of the Board of Directors.

## 19. 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 NINE MONTHS ENDED 31 MARCH 2010**

The Board of Directors has pleasure in presenting the Financial Statements (unaudited) of The Hub Power Company Limited (the Company) and its Subsidiary Laraib Energy Limited (the Subsidiary) for the nine month ended 31 March 2010.

The Company holds 75% 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 EPC Contractor is already at Site and construction activities have commenced.

The Report of Directors on the Financial Statements (unaudited) of The Hub Power Company Limited for the nine months ended 31 March 2010 is being separately presented in this Report.

By Order of the Board

Javed Mahmood  
Chief Executive

Karachi: April 28, 2010



**THE HUB POWER COMPANY LIMITED**  
**CONDENSED INTERIM CONSOLIDATED**  
**PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2010**

|   |             | <b>3 months ended</b>   | <b>3 months ended</b>   | <b>9 months ended</b>   | <b>9 months ended</b>   |
|---|-------------|-------------------------|-------------------------|-------------------------|-------------------------|
|   | <b>Note</b> | <b>Mar 2010</b>         | <b>Mar 2009</b>         | <b>Mar 2010</b>         | <b>Mar 2009</b>         |
|   |             | <b>(Rs. '000s)</b>      | <b>(Rs. '000s)</b>      | <b>(Rs. '000s)</b>      | <b>(Rs. '000s)</b>      |
| Turnover  |             | 25,577,990              | 17,656,001              | 71,745,519              | 67,355,485              |
| Operating costs   | 4           | (23,582,362)            | (15,820,764)            | (65,971,182)            | (62,553,018)            |
| <b>GROSS PROFIT</b>   |             | <u>1,995,628</u>        | <u>1,835,237</u>        | <u>5,774,337</u>        | <u>4,802,467</u>        |
| Other income  |             | 11,315                  | 8,924                   | 50,368                  | 118,803                 |
| General and administration expenses   |             | (133,968)               | (97,419)                | (344,023)               | (280,064)               |
| Finance costs   | 5           | (469,009)               | (487,771)               | (1,258,847)             | (1,720,610)             |
| Workers' profit participation fund  | 6           | -                       | -                       | -                       | -                       |
| <b>PROFIT FOR THE PERIOD</b>  |             | <u><u>1,403,966</u></u> | <u><u>1,258,971</u></u> | <u><u>4,221,835</u></u> | <u><u>2,920,596</u></u> |
| Attributable to:  |             |                         |                         |                         |                         |
| - Equity holders of the holding company   |             | 1,411,830               | 1,262,657               | 4,238,881               | 2,931,539               |
| - Minority interest   |             | (7,864)                 | (3,686)                 | (17,046)                | (10,943)                |
|   |             | <u><u>1,403,966</u></u> | <u><u>1,258,971</u></u> | <u><u>4,221,835</u></u> | <u><u>2,920,596</u></u> |
| Basic and diluted earnings per share attributable to equity holders of the holding company (rupees) |             | <u>1.22</u>             | <u>1.09</u>             | <u>3.66</u>             | <u>2.53</u>             |

The annexed notes from 1 to 20 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 THIRD QUARTER ENDED MARCH 31, 2010**

|  | <b>3 months ended<br/>Mar 2010<br/>(Rs. '000s)</b> | <b>3 months ended<br/>Mar 2009<br/>(Rs. '000s)</b> | <b>9 months ended<br/>Mar 2010<br/>(Rs. '000s)</b> | <b>9 months ended<br/>Mar 2009<br/>(Rs. '000s)</b> |
|--|--|--|--|--|
| Profit for the period                            | 1,403,966  | 1,258,971  | 4,221,835  | 2,920,596  |
| Other comprehensive income for the period        | -  | -  | -  | -  |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b> | <u>1,403,966</u>                                   | <u>1,258,971</u>                                   | <u>4,221,835</u>                                   | <u>2,920,596</u>                                   |
| Attributable to:                                 |  |  |  |  |
| - Equity holders of the holding company          | 1,411,830  | 1,262,657  | 4,238,881  | 2,931,539  |
| - Minority interest                              | (7,864)  | (3,686)  | (17,046)   | (10,943)   |
|  | <u>1,403,966</u>                                   | <u>1,258,971</u>                                   | <u>4,221,835</u>                                   | <u>2,920,596</u>                                   |

The annexed notes from 1 to 20 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 MARCH 31, 2010**

|   | Note | Mar 2010<br>(Rs. '000s) | Jun 2009<br>(Rs. '000s) |
|---|------|-------------------------|-------------------------|
| <b><u>ASSETS</u></b>  |      |                         |                         |
| <b>NON-CURRENT ASSETS</b>   |      |                         |                         |
| Fixed Assets  |      |                         |                         |
| Property, plant and equipment   | 7    | 51,501,957              | 38,221,895              |
| Intangibles   | 8    | 1,417,299               | 1,661,733               |
| Stores and spares   |      | 637,023                 | 637,023                 |
| Other assets  |      | 26,163                  | 323,009                 |
| <b>CURRENT ASSETS</b>   |      |                         |                         |
| Inventory of fuel oil   |      | 1,025,251               | 2,540,887               |
| Trade debts   | 9    | 57,568,384              | 46,629,457              |
| Advances, deposits, prepayments and other receivables                   |      | 686,997                 | 791,542                 |
| Cash and bank balances  | 10   | 1,807,830               | 1,034,660               |
|   |      | 61,088,462              | 50,996,546              |
| <b>TOTAL ASSETS</b>   |      | 114,670,904             | 91,840,206              |
| <b><u>EQUITY AND LIABILITIES</u></b>                                    |      |                         |                         |
| <b>SHARE CAPITAL AND RESERVE</b>  |      |                         |                         |
| <b>Share Capital</b>  |      |                         |                         |
| Authorised  |      | 12,000,000              | 12,000,000              |
| Issued, subscribed and paid-up  |      | 11,571,544              | 11,571,544              |
| <b>Revenue Reserve</b>  |      |                         |                         |
| Unappropriated profit   |      | 16,945,380              | 17,912,568              |
| Attributable to equity holders of the holding company                   |      | 28,516,924              | 29,484,112              |
| <b>Advance against issue of shares to minority shareholders</b>         |      | 71,570                  | -                       |
| <b>MINORITY INTEREST</b>  |      | 290,373                 | 95,687                  |
|   |      | 28,878,867              | 29,579,799              |
| <b>NON-CURRENT LIABILITIES</b>  |      |                         |                         |
| Long term loans   | 11   | 25,361,596              | 11,340,913              |
| Liabilities against assets subject to finance lease                     |      | 1,023                   | 1,570                   |
| Share premium payable   | 12   | 254,340                 | -                       |
| Deferred liabilities  |      | 26,461                  | 15,250                  |
| <b>CURRENT LIABILITIES</b>  |      |                         |                         |
| Current maturity of long term loans                                     |      | 1,414,691               | 979,062                 |
| Current maturity of liabilities against assets subject to finance lease |      | 723                     | 1,510                   |
| Short term borrowings   | 13   | 4,329,551               | 3,593,760               |
| Trade and other payables  | 14   | 53,409,474              | 45,562,388              |
| Interest / mark-up accrued  |      | 994,178                 | 765,954                 |
|   |      | 60,148,617              | 50,902,674              |
| <b>COMMITMENTS AND CONTINGENCIES</b>                                    | 15   |                         |                         |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                     |      | 114,670,904             | 91,840,206              |

The annexed notes from 1 to 20 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 THIRD QUARTER ENDED MARCH 31, 2010**

|  | <b>Note</b> | <b>9 months ended<br/>Mar 2010<br/>(Rs. '000s)</b> | <b>9 months ended<br/>Mar 2009<br/>(Rs. '000s)</b> |
|--|-------------|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                            |             |  |  |
| Profit for the period  |             | 4,221,835  | 2,920,596  |
| Adjustments for:   |             |  |  |
| Depreciation   |             | 1,291,347  | 1,280,750  |
| Amortisation   |             | 1,269  | 1,296  |
| Gain on disposal of fixed assets                                       |             | (487)  | (465)  |
| Deferred income realised during the period                             |             | (118)  | (105)  |
| Staff gratuity   |             | 20,019   | 10,056   |
| Interest income  |             | (18,070)   | (16,382)   |
| Interest / mark-up   |             | 1,101,650  | 1,643,872  |
| Operating profit before working capital changes                        |             | 6,617,445  | 5,839,618  |
| Working capital changes  |             | (2,742,686)  | 10,205,054   |
| Cash generated from operations   |             | 3,874,759  | 16,044,672   |
| Interest received  |             | 7,036  | 21,298   |
| Interest / mark-up paid  |             | (1,402,083)  | (1,838,568)  |
| Staff gratuity paid  |             | (8,657)  | (11,419)   |
| Net cash from operating activities                                     |             | 2,471,055  | 14,215,983   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                            |             |  |  |
| Fixed capital expenditure  |             | (14,575,178)                                       | (4,481,650)  |
| Proceeds from disposal of fixed assets                                 |             | 2,127  | 924  |
| Acquisition of a subsidiary - net of cash acquired                     |             | -  | (489,119)  |
| Share premium paid   |             | (585,578)  | -  |
| Stores and spares  |             | -  | (13,167)   |
| Other assets   |             | 296,846  | (14,310)   |
| Net cash used in investing activities                                  |             | (14,861,783)                                       | (4,997,322)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                            |             |  |  |
| Advance against issue of shares to minority shareholders               |             | 71,570   | -  |
| Proceeds from issue of shares to minority shareholders                 |             | 212,858  | -  |
| Repayment of long term loans   |             | (979,061)  | (979,061)  |
| Dividends paid to equity holders of the holding company                |             | (2,311,299)  | (1,159,975)  |
| Finances under mark-up arrangements - Narowal                          |             | -  | 1,838,343  |
| Finance under LC arrangement - Narowal                                 |             | -  | 2,063,513  |
| Repayment of finances under mark-up arrangements - Narowal             |             | (1,148,890)  | (1,572,510)  |
| Proceeds from long term loans - Narowal                                |             | 13,448,023   | -  |
| Proceeds from long term loans - net (Subsidiary)                       |             | 1,987,350  | -  |
| Short term borrowing from related party of the subsidiary              |             | 43,000   | -  |
| Repayment of short term borrowing from related party of the subsidiary |             | (43,000)   | -  |
| Repayment of liabilities against assets subject to finance lease       |             | (1,334)  | (687)  |
| Net cash from financing activities                                     |             | 11,279,217   | 189,623  |
| Net (decrease) / increase in cash and cash equivalents                 |             | (1,111,511)  | 9,408,284  |
| 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          | (2,521,721)  | 190,510  |

The annexed notes from 1 to 20 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 THIRD QUARTER ENDED MARCH 31, 2010**

|  | <b>9 months ended</b><br><b>Mar 2010</b><br><b>(Rs. '000s)</b> | <b>9 months ended</b><br><b>Mar 2009</b><br><b>(Rs. '000s)</b> |
|--|--|--|
| <b>Attributable to equity holders of the holding company</b>                                   |  |  |
| 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  | 4,238,881  | 2,931,539  |
| Final dividend for the fiscal year 2008-2009<br>@ Rs. 2.00 (2007-2008: @ Rs. 1.00) per share   | (2,314,309)  | (1,157,154)  |
| Interim dividend for the fiscal year 2009-2010<br>@ Rs. 2.50 (2008-2009: @ Rs. 1.35) per share | (2,892,886)  | (1,562,158)  |
| Reduction in controlling interest of the holding company                                       | 1,126  | -  |
| Balance at the end of the period   | 16,945,380   | 17,111,354   |
| Attributable to equity holders of the holding company  | 28,516,924   | 28,682,898   |
| <b>Advance against issue of shares to minority shareholders</b>                                |  |  |
| Balance at the beginning of the period   | -  | -  |
| Advance received during the period   | 284,428  | -  |
| Shares issued during the period  | (212,858)  | -  |
| Balance at the end of the period   | 71,570   | -  |
| <b>Minority interest</b>   |  |  |
| Balance at the beginning of the period   | 95,687   | -  |
| Minority Interest arising on business combination  | -  | 111,341  |
| Shares issued during the period  | 212,858  | -  |
| Total comprehensive income for the period  | (17,046)   | (10,943)   |
| Reduction in controlling interest of the holding company                                       | (1,126)  | -  |
| Balance at the end of the period   | 290,373  | 100,398  |
| Total equity   | 28,878,867   | 28,783,296   |

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

Javed Mahmood  
Chief Executive

Syed Nizam A. Shah  
Director



**THE HUB POWER COMPANY LIMITED**  
**NOTES TO THE CONDENSED INTERIM**  
**CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2010**

**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 March 31, 2010, the outstanding share premium payable is PKR Equiv. USD 6.625 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 March 31, 2010 the holding company had made a total payment of Rs. 2,084.49 million, out of which Rs. 671.58 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 23.7 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 75.23%.

## 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 219 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.

|                           |             | <b>3 months ended<br/>Mar 2010<br/>(Rs. '000s)</b> | <b>3 months ended<br/>Mar 2009<br/>(Rs. '000s)</b> | <b>9 months ended<br/>Mar 2010<br/>(Rs. '000s)</b> | <b>9 months ended<br/>Mar 2009<br/>(Rs. '000s)</b> |
|---------------------------|-------------|--|--|--|--|
| <b>4. OPERATING COSTS</b> | <b>Note</b> |  |  |  |  |
| Residual fuel oil         |             | 22,106,244   | 14,585,390   | 61,818,391   | 59,050,462   |
| Operation & Maintenance   | 4.1         | 689,438  | 659,992  | 2,007,970  | 1,730,657  |
| Insurance                 |             | 120,008  | 102,405  | 360,281  | 307,214  |
| Depreciation              |             | 424,054  | 423,814  | 1,272,152  | 1,267,205  |
| Amortisation              |             | -  | 222  | 302  | 736  |
| Miscellaneous             |             | 242,618  | 48,941   | 512,086  | 196,744  |
|                           |             | <u>23,582,362</u>                                  | <u>15,820,764</u>                                  | <u>65,971,182</u>                                  | <u>62,553,018</u>                                  |

4.1 This represents services rendered by an associated company.

|  | Note | 3 months ended<br>Mar 2010<br>(Rs. '000s) | 3 months ended<br>Mar 2009<br>(Rs. '000s) | 9 months ended<br>Mar 2010<br>(Rs. '000s) | 9 months ended<br>Mar 2009<br>(Rs. '000s) |
|--|------|---|---|---|---|
| <b>5. FINANCE COSTS</b>  |      |   |   |   |   |
| <i>Holding company</i>   |      |   |   |   |   |
| Interest / mark-up on long term loans                                  |      | 251,095                                   | 264,499                                   | 808,065                                   | 839,470                                   |
| Mark-up on short term borrowings                                       |      | 131,129                                   | 155,993                                   | 266,129                                   | 718,992                                   |
| Miscellaneous finance costs  |      | 37,463                                    | 29,233                                    | 79,122                                    | 69,938                                    |
| Bank charges   |      | 14  | 15  | 45  | 35  |
|  |      | <u>419,701</u>                            | <u>449,740</u>                            | <u>1,153,361</u>                          | <u>1,628,435</u>                          |
| <b>Narowal</b>   |      |   |   |   |   |
| Interest / mark-up on long term loans                                  |      | 673,417                                   | -   | 1,542,605                                 | -   |
| Mark-up on short term borrowings                                       |      | -   | 199,558                                   | 15,150                                    | 474,561                                   |
| Other finance costs  |      | 13,786                                    | -   | 160,399                                   | 51,794                                    |
| Liquidated damages   |      | -   | 6,105                                     | -   | 6,105                                     |
|  |      | <u>687,203</u>                            | <u>205,663</u>                            | <u>1,718,154</u>                          | <u>532,460</u>                            |
| <b>Laraib's acquisition</b>  |      |   |   |   |   |
| Mark-up on short term borrowings                                       |      | 18,302                                    | 28,074                                    | 24,011                                    | 72,240                                    |
| Unwinding of discount on share premium payable                         |      | 21,565                                    | -   | 21,565                                    | -   |
| Other finance costs  |      | 9,323                                     | 85  | 53,095                                    | 6,361                                     |
|  |      | <u>49,190</u>                             | <u>28,159</u>                             | <u>98,671</u>                             | <u>78,601</u>                             |
|  |      | <u>1,156,094</u>                          | <u>683,562</u>                            | <u>2,970,186</u>                          | <u>2,239,496</u>                          |
| Less: amount capitalised in the cost of qualifying assets - Narowal    | 7.2  | (687,203)                                 | (196,666)                                 | (1,718,154)                               | (521,740)                                 |
| Finance cost of the holding company                                    |      | <u>468,891</u>                            | <u>486,896</u>                            | <u>1,252,032</u>                          | <u>1,717,756</u>                          |
| <i>Subsidiary</i>  |      |   |   |   |   |
| Mark-up on leased assets   |      | 47  | 95  | 178                                       | 261                                       |
| Mark-up on salary payable to CEO                                       |      | -   | 478                                       | 837                                       | 1,419                                     |
| Mark-up on short term borrowings from CEO                              |      | -   | 295                                       | 122                                       | 770                                       |
| Mark-up on short term borrowings                                       |      | (10)                                      | -   | 2,308                                     | -   |
| Interest / mark-up on long term loans                                  |      | 42,732                                    | -   | 44,015                                    | -   |
| Other finance costs  |      | 34,212                                    | 11,378                                    | 216,636                                   | 33,294                                    |
| Late payment surcharge on payables                                     |      | -   | -   | -   | 183                                       |
| Bank charges   |      | 81  | 7   | 3,370                                     | 221                                       |
|  |      | <u>77,062</u>                             | <u>12,253</u>                             | <u>267,466</u>                            | <u>36,148</u>                             |
| Less: amount capitalised in the cost of qualifying assets - Subsidiary | 7.3  | (76,944)                                  | (11,378)                                  | (260,651)                                 | (33,294)                                  |
| Finance cost of the subsidiary   |      | <u>118</u>                                | <u>875</u>                                | <u>6,815</u>                              | <u>2,854</u>                              |
|  |      | <u>469,009</u>                            | <u>487,771</u>                            | <u>1,258,847</u>                          | <u>1,720,610</u>                          |
| <b>6. WORKERS' PROFIT PARTICIPATION FUND</b>                           |      |   |   |   |   |
| Provision for Workers' profit participation fund                       |      | 71,792                                    | 63,701                                    | 214,559                                   | 148,263                                   |
| Payment of Workers' profit participation fund recoverable from WAPDA   |      | (71,792)                                  | (63,701)                                  | (214,559)                                 | (148,263)                                 |
|  |      | <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 | Mar 2010<br>(Rs. '000s) | Jun 2009<br>(Rs. '000s) |
|---|------|-------------------------|-------------------------|
| <b>7. PROPERTY, PLANT AND EQUIPMENT</b> |      |                         |                         |
| Operating property, plant and equipment |      | 27,977,575              | 29,225,249              |
| Capital work-in-progress                |      |                         |                         |
| Plant betterments                       |      | 78,407                  | 112,636                 |
| Narowal                                 | 7.2  | 20,240,703              | 8,563,800               |
| Subsidiary                              | 7.3  | 3,205,272               | 320,210                 |
|   |      | <u>23,524,382</u>       | <u>8,996,646</u>        |
|   | 7.1  | <u>51,501,957</u>       | <u>38,221,895</u>       |

7.1 Additions to property, plant and equipment during the period were Rs. 14,573.049 million (June 2009: Rs. 5,707.045 million) and disposals therefrom at net book value were Rs. 1.640 million (June 2009: Rs. 1.569 million).

|  | Note      | Mar 2010<br>(Rs. '000s) | Jun 2009<br>(Rs. '000s) |
|--|-----------|-------------------------|-------------------------|
| <b>7.2 Capital work-in-progress - Narowal</b>        |           |                         |                         |
| Opening balance                                      |           | 8,563,800               | 3,642,242               |
| Additions during the period / year                   |           |                         |                         |
| Payments for land                                    |           | 12,644                  | 10,952                  |
| Payments to contractors                              |           | 9,817,728               | 3,615,240               |
| Professional services                                |           | 46,485                  | 120,643                 |
| Insurance cost                                       |           | 25                      | 182,586                 |
| Land development                                     |           | 74,081                  | 214,547                 |
| Borrowing & related transaction cost                 | 5 & 7.2.2 | 1,557,755               | 1,102,523               |
| Other finance costs                                  | 5         | 160,399                 | 137,867                 |
| Government fees                                      |           | 1,612                   | 2,387                   |
| Miscellaneous  |           | 6,174                   | 2,576                   |
|  |           | 11,676,903              | 5,389,321               |
| Transfers during the period / year                   |           | -                       | -                       |
| Transaction cost directly attributable to borrowings |           | -                       | (467,763)               |
|  |           | -                       | (467,763)               |
|  | 7.2.1     | <u>20,240,703</u>       | <u>8,563,800</u>        |

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 | Mar 2010<br>(Rs. '000s) | Jun 2009<br>(Rs. '000s) |
|--|------|-------------------------|-------------------------|
| <b>7.3 Capital work-in-progress - Subsidiary</b>     |      |                         |                         |
| Opening balance                                      |      | 320,210                 | -                       |
| Acquisition of a subsidiary                          |      | -                       | 279,629                 |
| Additions during the period / year                   |      |                         |                         |
| Payments to contractors                              |      | 2,677,535               | -                       |
| Technical studies and consultancy                    |      | 1,979                   | 4,001                   |
| Legal advisors' consultancy                          |      | 43,007                  | 16,694                  |
| Professional services                                |      | 28,096                  | -                       |
| Insurance cost                                       |      | 85,463                  | -                       |
| Borrowing & other finance cost                       | 5    | 260,651                 | 59,947                  |
|  |      | 3,096,731               | 80,642                  |
| Transfers during the period / year                   |      | -                       | -                       |
| Transaction cost directly attributable to borrowings |      | (211,669)               | (40,061)                |
|  |      | (211,669)               | (40,061)                |
|  |      | <u>3,205,272</u>        | <u>320,210</u>          |

## 8. INTANGIBLES

|                   |     |                  |                  |
|-------------------|-----|------------------|------------------|
| Goodwill          | 8.1 | 1,414,096        | 1,659,483        |
| Computer software |     | 3,203            | 2,250            |
|                   |     | <u>1,417,299</u> | <u>1,661,733</u> |

### 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)        | -                |
|                                      |       | <u>1,414,096</u> | <u>1,659,483</u> |

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 | Mar 2010<br>(Rs. '000s) | Jun 2009<br>(Rs. '000s) |
|---------------------------------|------|-------------------------|-------------------------|
| <b>9. TRADE DEBTS - Secured</b> |      |                         |                         |
| Considered good                 | 9.1  | 57,568,384              | 46,629,457              |

9.1 This includes an amount of Rs. 50,582 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. 585.276 million (June 2009: Rs. 65.686 million) which is only available for Narowal expenditures.

|                                      | Note | Mar 2010<br>(Rs. '000s) | Jun 2009<br>(Rs. '000s) |
|--------------------------------------|------|-------------------------|-------------------------|
| <b>11. LONG TERM LOANS - Secured</b> |      |                         |                         |
| <i>Holding company</i>               |      |                         |                         |
| Long term loans - Hub                |      | 5,333,975               | 6,313,036               |
| Long term loans - Narowal            |      | 18,040,271              | 5,027,877               |
|                                      |      | 23,374,246              | 11,340,913              |
| <i>Subsidiary</i>                    |      |                         |                         |
| Long term loans                      | 11.1 | 1,987,350               | -                       |
|                                      |      | 25,361,596              | 11,340,913              |

#### 11.1 Long term loans -Subsidiary

|                             | .....Mar 2010.....                         |   |           |
|-----------------------------|--|---|-----------|
|                             | Foreign<br>currency loans<br>(Note 11.1.1) | Local<br>currency loans<br>(Rs. '000s)<br>(Note 11.1.2) | Total     |
| As at July 1, 2009          | -  | -   | -         |
| Drawn during the period     | 1,961,860                                  | 555,000   | 2,516,860 |
|                             | 1,961,860                                  | 555,000   | 2,516,860 |
| Less. Current portion       | -  | -   | -         |
|                             | 1,961,860                                  | 555,000   | 2,516,860 |
| Less. Transaction cost paid |  |   | (529,510) |
| As at March 31, 2010        |  |   | 1,987,350 |

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

As at March 31, 2010, 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 Trust Deed;
  - (v) all intellectual property rights, including license, designs rights, copyright, patents and trademarks to the extent permitted by Applicable Law;
  - (vi) all goodwill of the subsidiary's business;
  - (vii) all Insurances;
  - (viii) all other present and future assets of the subsidiary both real and personal, tangible and intangible (if not otherwise effectively charged or assigned, as applicable, to the Security Trustee);
  - (ix) in charged accounts and in all authorised investments held by the subsidiary or any of its nominee and all of benefits, right, title and interest present and future in or relating to the same;
- (b) a floating charge over whole of the subsidiary's undertakings and assets, present and future other than any asset charged or assigned under Fixed charge.

|                                  | <b>Mar 2010</b><br><b>(Rs. '000s)</b> | <b>Jun 2009</b><br><b>(Rs. '000s)</b> |
|----------------------------------|---------------------------------------|---------------------------------------|
| <b>12. SHARE PREMIUM PAYABLE</b> |                                       |                                       |
| Share premium payable            | 518,871                               | -                                     |
| Less : current portion           | <u>(264,531)</u>                      | <u>-</u>                              |
|                                  | <u>254,340</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).

|   | <b>Note</b> | <b>Mar 2010</b><br><b>(Rs. '000s)</b> | <b>Jun 2009</b><br><b>(Rs. '000s)</b> |
|---|-------------|---------------------------------------|---------------------------------------|
| <b>13. SHORT TERM BORROWINGS</b>              |             |                                       |                                       |
| <i>Holding company</i>                        |             |                                       |                                       |
| <i>Secured</i>                                |             |                                       |                                       |
| Finances under mark-up arrangements           | 18          | 4,329,551                             | 2,433,355                             |
| Finances under mark-up arrangements - Narowal |             | <u>-</u>                              | <u>1,148,890</u>                      |
|   | 13.1        | 4,329,551                             | 3,582,245                             |
| <i>Subsidiary</i>                             |             |                                       |                                       |
| Short term finances                           |             | -                                     | 11,515                                |
|   |             | <u>4,329,551</u>                      | <u>3,593,760</u>                      |



- 13.1 The facilities for running finance available from various banks amounted to Rs. 9,300 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 April 30, 2010 to March 31, 2011. These facilities are secured by way of charge over the trade debts and stocks of the holding company pari passu with the existing charge. Any late payment by the holding company is subject to liquidated damages payable at a rate up to 2% per annum above the normal mark-up rate.

#### 14. TRADE AND OTHER PAYABLES

This includes an amount of Rs. 47,342 million (June 2009: Rs. 41,992 million) payable to Pakistan State Oil, out of which overdue amount is Rs. 42,103 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 of the holding company 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. 284.915 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. 1,220.599 million (June 2009: Rs. 9,924.538 million).
  - (ii) MAN Diesel, the EPC contractor for Narowal Project was not able to achieve the required 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 for achieving the COD at the earliest. However, 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 was required to achieve the COD by March 31, 2010 failing which the holding company is 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 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 expired on March 31, 2010 and was automatically extended for one year. 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 March 31, 2010, the holding company withdrew Rs. 18,944 million from these facilities after obtaining lenders' consent for deferment of certain conditions precedent. The holding company is required to meet these conditions precedent by April 30, 2010.
- (vi) under the Construction Contract (CC), the holding company has provided a guarantee of Rs. 265.78 million [equivalent to the 15% of total contract value (USD 22.003 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 was valid up to April 15, 2010. During the quarter, the holding company applied for an extension in the validity period up to June 30, 2010 on a monthly basis. Currently, the expiry of the validity period has been extended up to May 15, 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 are made. MAN has not provided the guarantee and 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 March 31, 2010, the holding company's remaining commitment was Euro 7.71 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. The LC was valid up to March 31, 2010. During the quarter, the LC has been extended up to May 31, 2010.

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. 10,993.667 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 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. During the quarter, 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).

## 16. SEGMENT ANALYSIS

### 16.1 SEGMENT RESULTS

| .....3 months ended Mar 2010.....   |                         |                     |                    |                  |                  |
|-------------------------------------|-------------------------|---------------------|--------------------|------------------|------------------|
|                                     | Hub power plant         | Narowal power plant | Laraib power plant | Unallocated      | Total            |
|                                     | ..... (Rs. '000s) ..... |                     |                    |                  |                  |
| Turnover                            | 25,577,990              | -                   | -                  | -                | 25,577,990       |
| Operating costs                     | (23,582,362)            | -                   | -                  | -                | (23,582,362)     |
| <b>GROSS PROFIT</b>                 | <u>1,995,628</u>        | <u>-</u>            | <u>-</u>           | <u>-</u>         | <u>1,995,628</u> |
| Other income                        | 1,835                   | -                   | 9,480              | -                | 11,315           |
| General and administration expenses | (81,583)                | (10,907)            | (41,227)           | (251)            | (133,968)        |
| Finance costs                       | (419,701)               | -                   | (118)              | (49,190)         | (469,009)        |
|                                     | <u>1,496,179</u>        | <u>(10,907)</u>     | <u>(31,865)</u>    | <u>(49,441)</u>  |                  |
| Workers' profit participation fund  |                         |                     |                    |                  | -                |
| <b>PROFIT FOR THE PERIOD</b>        |                         |                     |                    |                  | <u>1,403,966</u> |
| .....3 months ended Mar 2009.....   |                         |                     |                    |                  |                  |
|                                     | Hub power plant         | Narowal power plant | Laraib power plant | Unallocated      | Total            |
|                                     | ..... (Rs. '000s) ..... |                     |                    |                  |                  |
| Turnover                            | 17,656,001              | -                   | -                  | -                | 17,656,001       |
| Operating costs                     | (15,820,764)            | -                   | -                  | -                | (15,820,764)     |
| <b>GROSS PROFIT</b>                 | <u>1,835,237</u>        | <u>-</u>            | <u>-</u>           | <u>-</u>         | <u>1,835,237</u> |
| Other income                        | 9,466                   | -                   | (542)              | -                | 8,924            |
| General and administration expenses | (76,049)                | (6,701)             | (13,630)           | (1,039)          | (97,419)         |
| Finance costs                       | (449,740)               | (8,997)             | (875)              | (28,159)         | (487,771)        |
|                                     | <u>1,318,914</u>        | <u>(15,698)</u>     | <u>(15,047)</u>    | <u>(29,198)</u>  |                  |
| Workers' profit participation fund  |                         |                     |                    |                  | -                |
| <b>PROFIT FOR THE PERIOD</b>        |                         |                     |                    |                  | <u>1,258,971</u> |
| .....9 months ended Mar 2010.....   |                         |                     |                    |                  |                  |
|                                     | Hub power plant         | Narowal power plant | Laraib power plant | Unallocated      | Total            |
|                                     | ..... (Rs. '000s) ..... |                     |                    |                  |                  |
| Turnover                            | 71,745,519              | -                   | -                  | -                | 71,745,519       |
| Operating costs                     | (65,971,182)            | -                   | -                  | -                | (65,971,182)     |
| <b>GROSS PROFIT</b>                 | <u>5,774,337</u>        | <u>-</u>            | <u>-</u>           | <u>-</u>         | <u>5,774,337</u> |
| Other income                        | 37,020                  | 6                   | 13,342             | -                | 50,368           |
| General and administration expenses | (231,020)               | (35,163)            | (75,870)           | (1,970)          | (344,023)        |
| Finance costs                       | (1,153,361)             | -                   | (6,815)            | (98,671)         | (1,258,847)      |
|                                     | <u>4,426,976</u>        | <u>(35,157)</u>     | <u>(69,343)</u>    | <u>(100,641)</u> |                  |
| Workers' profit participation fund  |                         |                     |                    |                  | -                |
| <b>PROFIT FOR THE PERIOD</b>        |                         |                     |                    |                  | <u>4,221,835</u> |
| .....9 months ended Mar 2009.....   |                         |                     |                    |                  |                  |
|                                     | Hub power plant         | Narowal power plant | Laraib power plant | Unallocated      | Total            |
|                                     | ..... (Rs. '000s) ..... |                     |                    |                  |                  |
| Turnover                            | 67,355,485              | -                   | -                  | -                | 67,355,485       |
| Operating costs                     | (62,553,018)            | -                   | -                  | -                | (62,553,018)     |
| <b>GROSS PROFIT</b>                 | <u>4,802,467</u>        | <u>-</u>            | <u>-</u>           | <u>-</u>         | <u>4,802,467</u> |
| Other income                        | 122,840                 | -                   | (4,037)            | -                | 118,803          |
| General and administration expenses | (216,845)               | (17,379)            | (37,775)           | (8,065)          | (280,064)        |
| Finance costs                       | (1,628,435)             | (10,720)            | (2,854)            | (78,601)         | (1,720,610)      |
|                                     | <u>3,080,027</u>        | <u>(28,099)</u>     | <u>(44,666)</u>    | <u>(86,666)</u>  |                  |
| Workers' profit participation fund  |                         |                     |                    |                  | -                |
| <b>PROFIT FOR THE PERIOD</b>        |                         |                     |                    |                  | <u>2,920,596</u> |

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

## 16.2 SEGMENT ASSETS

|                     | .....Mar 2010.....    |                     |                    |                  |                    |
|---------------------|-----------------------|---------------------|--------------------|------------------|--------------------|
|                     | Hub power plant       | Narowal power plant | Laraib power plant | Unallocated      | Total              |
|                     | .....(Rs. '000s)..... |                     |                    |                  |                    |
| <b>TOTAL ASSETS</b> | <u>88,726,468</u>     | <u>20,841,145</u>   | <u>3,689,195</u>   | <u>1,414,096</u> | <u>114,670,904</u> |
|                     | .....Jun 2009.....    |                     |                    |                  |                    |
|                     | Hub power plant       | Narowal power plant | Laraib power plant | Unallocated      | Total              |
|                     | .....(Rs. '000s)..... |                     |                    |                  |                    |
| <b>TOTAL ASSETS</b> | <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 | 9 months ended<br>Mar 2010<br>(Rs. '000s) | 9 months ended<br>Mar 2009<br>(Rs. '000s) |
|--|------|---|---|
| Amounts paid for services rendered                                     | 17.1 | <u>2,535,690</u>                          | <u>1,889,084</u>                          |
| Reimbursement of expenses and others                                   |      | <u>1,261</u>                              | <u>1,129</u>                              |
| Short term borrowing from related party of the subsidiary              |      | <u>43,000</u>                             | <u>-</u>                                  |
| Repayment of short term borrowing from related party of the subsidiary |      | <u>43,000</u>                             | <u>-</u>                                  |
| Mark-up on short term borrowings                                       |      | <u>-</u>                                  | <u>219,408</u>                            |
| Mark-up on long term loans   |      | <u>137,444</u>                            | <u>-</u>                                  |
| Other finance costs  |      | <u>52,611</u>                             | <u>-</u>                                  |
| Mark-up on short term borrowings from subsidiary's CEO                 |      | <u>122</u>                                | <u>770</u>                                |
| Mark-up on salary payable to subsidiary's CEO                          |      | <u>837</u>                                | <u>1,419</u>                              |
| Remuneration to key management personnel:                              |      |   |   |
| Salaries, benefits and other allowances                                |      | <u>64,490</u>                             | <u>51,092</u>                             |
| Retirement benefits  |      | <u>8,093</u>                              | <u>3,889</u>                              |
|  | 17.2 | <u>72,583</u>                             | <u>54,981</u>                             |
| Fees   | 17.3 | <u>1,925</u>                              | <u>1,350</u>                              |
| Contribution to staff retirement benefit plans                         |      | <u>14,788</u>                             | <u>15,647</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 four independent directors (June 2009: three independent directors) of the holding company.

17.4 As at March 31, 2010, the outstanding balance of long term loans from an associated undertaking was Rs. 1,683.881 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 | 9 months ended<br>Mar 2010<br>(Rs. '000s) | 9 months ended<br>Mar 2009<br>(Rs. '000s) |
|--------------------------------------|------|---|---|
| <b>18. CASH AND CASH EQUIVALENTS</b> |      |   |   |
| Cash and bank balances               |      | 1,807,830                                 | 801,141                                   |
| Finances under mark-up arrangements  | 13   | (4,329,551)                               | (610,631)                                 |
|                                      |      | <u>(2,521,721)</u>                        | <u>190,510</u>                            |

**19. DATE OF AUTHORISATION**

These consolidated financial statements were authorised for issue on April 28, 2010 in accordance with the resolution of the Board of Directors of the holding company.

**20. GENERAL**

Figures have been rounded off to the nearest thousand rupees.

Javed Mahmood  
Chief Executive

Syed Nizam A. Shah  
Director