
HUB POWER HOLDINGS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

INDEPENDENT AUDITOR'S REPORT

To the members of Hub Power Holdings Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Hub Power Holdings Limited (the Company)**, which comprise the statement of financial position as at June 30, 2018 and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year the ended.

Basis for Opinion

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

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Directors' report but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidences obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of profit or loss, the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is *Nadeem Yousuf Adil*.

Deloitte Yousuf Adil
Chartered Accountants

Date: August 07, 2018

Place: Karachi

HUB POWER HOLDINGS LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rs' 000)	2017 (Rs' 000)
General and administration expenses	5	(50,462)	(26,524)
Finance cost		(249)	(203)
Interest income		2,561	12,491
Share of loss from associate	7.1	(280,075)	(183,844)
LOSS BEFORE TAXATION		<u>(328,225)</u>	<u>(198,080)</u>
Taxation	6	(768)	(3,872)
LOSS FOR THE YEAR		<u><u>(328,993)</u></u>	<u><u>(201,952)</u></u>

The annexed notes from 1 to 22 form an integral part of these financial statements.



Khalid Mansoor
Chief Executive



Aly Khan
Director

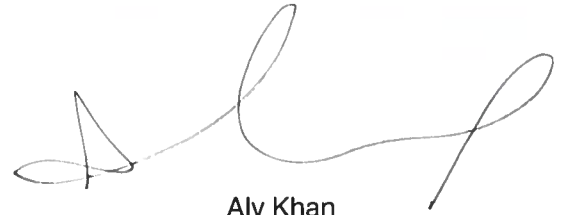
HUB POWER HOLDINGS LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	2018 (Rs' 000)	2017 (Rs' 000)
Loss for the year	(328,993)	(201,952)
Other comprehensive income for the year	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>(328,993)</u></u>	<u><u>(201,952)</u></u>

The annexed notes from 1 to 22 form an integral part of these financial statements.



Khalid Mansoor
Chief Executive




Aly Khan
Director

HUB POWER HOLDINGS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 (Rs' 000)	2017 (Rs' 000)
<u>ASSETS</u>			
NON-CURRENT ASSETS			
Long term investment	7	7,880,953	1,318,390
CURRENT ASSETS			
Other receivables	8	41,309	38,867
Bank balances	9	14,510	29,159
		55,819	68,026
TOTAL ASSETS		7,936,772	1,386,416
<u>EQUITY AND LIABILITIES</u>			
SHARE CAPITAL AND RESERVE			
Share Capital			
Authorised	10	15,000,000	3,000,000
Issued, subscribed and paid-up	10	4,072,590	1,000,000
Advance received against issue of share capital	10.2	4,500,000	670,000
Revenue Reserve			
Accumulated loss		(678,770)	(325,553)
		7,893,820	1,344,447
CURRENT LIABILITIES			
Trade and other payables	11	42,595	41,924
Taxation - net		357	45
		42,952	41,969
TOTAL EQUITY AND LIABILITIES		7,936,772	1,386,416
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes from 1 to 22 form an integral part of these financial statements.



Khalid Mansoor
Chief Executive

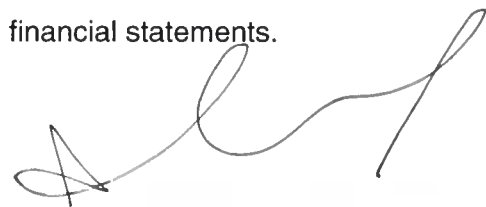

Aly Khan
Director

HUB POWER HOLDINGS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rs' 000)	2017 (Rs' 000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(328,225)	(198,080)
Adjustments for:			
Interest income		(2,561)	(12,491)
Share of loss from associate		280,075	183,844
Operating loss before working capital changes		<u>(50,711)</u>	<u>(26,727)</u>
Working capital changes			
(Increase) / decrease in other receivables		(2,519)	29,484
Increase / (decrease) in trade and other payables		671	(43,399)
Cash used in operations		<u>(52,559)</u>	<u>(40,642)</u>
Interest received		2,638	12,808
Taxes paid		(456)	(4,346)
Net cash used in operating activities		<u>(50,377)</u>	<u>(32,180)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in associate		(6,858,669)	(1,092,000)
Net cash used in investing activities		<u>(6,858,669)</u>	<u>(1,092,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		2,402,590	424,000
Advance received against issue of share capital		4,500,000	670,000
Share issue cost		(8,193)	(3,500)
Net cash generated from financing activities		<u>6,894,397</u>	<u>1,090,500</u>
Net decrease in cash and cash equivalents		(14,649)	(33,680)
Cash and cash equivalents at the beginning of the year		29,159	62,839
Cash and cash equivalents at the end of the year	9	<u><u>14,510</u></u>	<u><u>29,159</u></u>

The annexed notes from 1 to 22 form an integral part of these financial statements.



Khalid Mansoor
Chief Executive

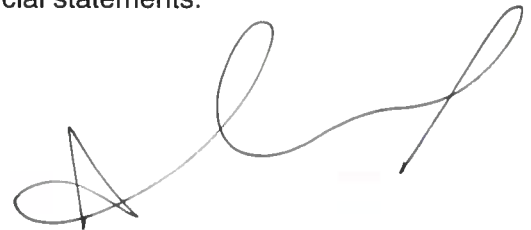

Aly Khan
Director

HUB POWER HOLDINGS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	2018 (Rs' 000)	2017 (Rs' 000)
ISSUED CAPITAL		
Balance at the beginning of the year	1,000,000	300,000
Issued 307,259,000 (2017: 70,000,000) ordinary shares of Rs. 10 each	3,072,590	700,000
Balance at the end of the year	<u>4,072,590</u>	<u>1,000,000</u>
ADVANCE RECEIVED AGAINST ISSUE OF SHARE CAPITAL		
Balance at the beginning of the year	670,000	276,000
Received during the year	6,902,590	1,094,000
Issued 307,259,000 (2017: 70,000,000) ordinary shares of Rs. 10 each	(3,072,590)	(700,000)
Balance at the end of the year	<u>4,500,000</u>	<u>670,000</u>
ACCUMULATED LOSS		
Balance at the beginning of the year	(325,553)	(116,136)
Loss for the year	(328,993)	(201,952)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(328,993)	(201,952)
Share issue cost	(24,224)	(7,465)
Balance at the end of the year	<u>(678,770)</u>	<u>(325,553)</u>
TOTAL EQUITY	<u><u>7,893,820</u></u>	<u><u>1,344,447</u></u>

The annexed notes from 1 to 22 form an integral part of these financial statements.


Khalid Mansoor
Chief Executive


Aly Khan
Director

HUB POWER HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. THE COMPANY AND ITS OPERATIONS

Hub Power Holdings Limited (the "Company") was incorporated in Pakistan on March 10, 2015 as a public unlisted company under the repealed Companies Ordinance, 1984 (the "Ordinance") which has now been replaced with Companies Act, 2017. The registered office of the Company is situated at 11th Floor, Ocean Tower, G-3, Block-9, Main Clifton Road, Karachi. The Company is a wholly owned subsidiary of The Hub Power Company Limited (the "Holding Company"). The principal activities of the Company are to invest in new business opportunities.

The Company has 26% equity interest in China Power Hub Generation Company (Private) Limited which has been treated as associate in these financial statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except for investment in associate which is accounted for using equity method.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks on savings and term deposit accounts.

3.2 Financial instruments

(a) Other receivables

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

(b) Trade and other payables

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

3.3 Interest income

Interest income is recorded on accrual basis.

3.4 Provisions

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

3.5 Taxation

The Company is subject to taxation in Pakistan in accordance with the provisions of the Income Tax Ordinance, 2001. Accordingly, provision for taxation has been made after taking into account tax credit etc., if any.

3.6 Share capital

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

3.7 Off-setting

Financial assets and liabilities are offset and net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amount and the Company intends either to settle on net basis, or to realise the assets and to settle the liabilities simultaneously.

3.8 Investment in associate

Investment in associate is accounted for using equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Company's share of net assets of the associate. The statement of profit or loss reflects the Company's share of the results of the operations of the associate.

If the ownership interest in associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit and loss account where applicable. The gain / loss arising on dilution of interest in an equity accounted investee is recognized in the statement of profit or loss.

The Company determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the same in the statement of profit or loss.

3.9 Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

3.10 Foreign currency transactions and translation

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

3.11 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

3.12 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the periods in which the estimates are revised and in any future periods affected. Significant estimates, assumptions and judgements are disclosed in the relevant accounting policies and notes to these financial statements.

4. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

4.1 On January 26, 2018, after satisfying all the necessary requirements of Private Power Infrastructure Board (PPIB), China Power Hub Generation Company (CPHGC) achieved its Financial Close.

All other significant transactions and events that have affected the Company's financial position and performance during the year have been adequately disclosed in the notes to these financial statements.

	Note	2018 (Rs' 000)	2017 (Rs' 000)
5. GENERAL AND ADMINISTRATION EXPENSES			
Salaries, benefits and other allowances	5.1	21,737	6,897
Directors' fees	5.2	400	450
Legal and professional charges		25,224	17,428
Auditors' remuneration	5.3	1,082	848
Travel and transportation		1,789	-
Others		230	901
		<u>50,462</u>	<u>26,524</u>

5.1 This represents cost of salaries, benefits and other allowances allocated by the Holding Company and Hub Power Services Limited (HPSL) - group company, during the year.

5.2 This represents fee to two (2017: two) directors for attending board meetings.

	2018 (Rs' 000)	2017 (Rs' 000)
5.3 Auditors' remuneration		
Statutory audit	324	297
Group reporting	108	108
Other services	582	403
Out-of-pocket expenses	68	40
	<u>1,082</u>	<u>848</u>

	Note	2018 (Rs' 000)	2017 (Rs' 000)
6. TAXATION			
<i>Current</i>			
- For the year	6.1	768	3,872
6.1 Relationship between tax expense and accounting profit			
Loss before taxation		(328,225)	(198,080)
Tax calculated at the rate of 30% (2017: 31%)		(98,468)	(61,405)
Effect of exempt loss		99,236	65,277
		768	3,872

6.2 Adequate provision for tax has been made in these financial statements for the current year in accordance with requirements laid under Income Tax Ordinance, 2001. The returns of income have been filed on due date and is treated as deemed assessment order under section 120 of the Income Tax Ordinance, 2001. Details of tax assessed during the past three years are as follows:

	2017 (Rs' 000)	2016 (Rs' 000)	2015 (Rs' 000)
Tax provision	3,872	696	-
Tax assessed	3,872	696	-
		2018 (Rs' 000)	2017 (Rs' 000)

7. LONG TERM INVESTMENT

China Power Hub Generation

Company (Private) Limited (CPHGC) - Related party

Associate - unquoted	7.1	7,880,953	1,318,390
7.1 Movement during the year			
Opening balance		1,318,390	414,199
Investment during the year		6,858,669	1,092,000
Less: Share of loss from associate		(280,075)	(183,844)
Less: Company's share in share issue cost		(16,031)	(3,965)
		7,880,953	1,318,390

7.2 As at the reporting date, the Company has 26% ownership interest in CPHGC, the principal business of which is to construct, finance, own and operate two coal-fired power generation units of 660 MW each with ancillary Jetty in the province of Baluchistan.

CPHGC was established consequent to a Joint Venture Agreement (JVA) dated April 20, 2015 between China Power International Holding Limited (CPIHL) and the Holding Company. As per the terms of the JVA, CPIHL through its wholly owned subsidiary China Power International (Pakistan) Investment Limited (CPIIL) and the Holding Company through the Company invested in CPHGC in the proportion of 51% and 49% respectively in accordance with the Shareholders Agreement (SHA) dated June 12, 2015. CPIIL and the Company entered into an Amended and Restated Shareholders' Agreement (A&RSHA) on March 9, 2016 through which, among other amendments, it was agreed that the Company will reduce its shareholding in CPHGC by way of renunciation of its rights shares in the next rights issue offered by CPHGC, so that the shareholding percentages of CPIIL and the Company shall become 74% and 26% respectively. Further, subject to certain conditions as stated in the A&RSHA, at any time on or before the Call Option Exercise Date (i.e., a date falling no later than 200 days prior to Required Commercial Operations Date), the Company has the right but not the obligation to increase its shareholding in CPHGC from 26% up to a minimum of 43% and a maximum of 49%, by acquiring shares from CPIIL, the price of which shares will be calculated as per the provisions of the A&RSHA. On January 11, 2016, the Board of Directors of the Holding Company and the Company decided to initiate the process of exercising the Call Option with a view to increase the Company's shareholding in CPHGC from 26% to 47.5%. The process requires that an independent valuation be carried out by an independent valuer. If both the sponsors agree on the valuation and their respective boards and shareholders approve the price so determined then the shareholding will be increased from 26% to 47.5% in accordance with the A&RSHA subject to Chinese and Pakistani regulatory / corporate approvals. This process is expected to be completed by the end of first quarter 2019.

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

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

On the basis of current estimated project cost of 2x660MW coal project with ancillary jetty, the Company's total maximum equity commitment is USD 130 million for 26% equity stake in CPHGC.

In order to secure Company's obligations under the finance documents in relation with availability of finance facility to CPHGC, shares held by the Company in CPHGC are pledged in favour of the Security Trustee.

The investment in CPHGC has been made in accordance with the provisions of the Section 199 of the Act and the rules promulgated for this purpose. This investment has been treated as investment in associate, which is accounted for using the equity method of accounting.

7.3 The summarised financial information of the associate are set out below:

Summarised statement of financial position of CPHGC as at June 30, 2018	Audited (Rs' 000)
Non-current assets	137,872,128
Current assets	15,411,137
Total assets	<u>153,283,265</u>
Non-current liabilities	(36,192,652)
Current liabilities	(86,781,988)
Total liabilities	<u>(122,974,640)</u>
Net assets	<u>30,308,625</u>

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

Summarised statement of profit or loss of CPHGC for the year from July 01, 2017 to June 30, 2018	Audited (Rs' 000)
General and administrative expenses	(1,066,337)
Other income	22,143
Exchange loss - net	(26,610)
Taxation	(6,408)
Loss for the year	<u>(1,077,212)</u>
Other comprehensive income for the year	-
Total comprehensive income for the year	<u>(1,077,212)</u>

7.4 Reconciliation of the above summarised financial information to the carrying amount of the interest in associate recognised in these financial statements is as follows:

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

	Note	2018 (Rs' 000)	2017 (Rs' 000)
8. OTHER RECEIVABLES			
Considered good			
Receivable from CPHGC - unsecured	8.1	41,306	38,787
Interest accrued		<u>3</u>	<u>80</u>
		<u>41,309</u>	<u>38,867</u>

8.1 The amount receivable from CPHGC is neither past due nor impaired and is recoverable in the ordinary course of business. The maximum aggregate amount at the end of any month during the year is Rs. 41.306 million (2017: Rs. 195.324 million).

	Note	2018 (Rs' 000)	2017 (Rs' 000)
9. BANK BALANCES			
Savings accounts	9.1	<u>14,510</u>	<u>29,159</u>

9.1 Savings accounts carry mark-up at the rate of 4.50% (2017: 3.75%) per annum.

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

2018 (No. of Shares)	2017 (No. of Shares)		2018 (Rs' 000)	2017 (Rs' 000)
<u>1,500,000,000</u>	<u>300,000,000</u>	Authorised :		
		Ordinary shares of Rs.10/- each	<u>15,000,000</u>	<u>3,000,000</u>
		Issued, subscribed and paid-up :		
<u>407,259,000</u>	<u>100,000,000</u>	Ordinary shares of Rs.10/- each, fully paid in cash	<u>4,072,590</u>	<u>1,000,000</u>

- 10.1 On September 12, 2017, the shareholders during the Annual General meeting resolved to increase the authorized share capital of the Company to Rs. 15,000,000,000 comprising of 1,500,000,000 ordinary shares of Rs. 10 each. Accordingly, the Memorandum and Articles of Association have also been amended to such effect.
- 10.2 This represents advance received against issue of 450 million ordinary shares of Rs. 10 each which have been subsequently allotted to the Holding Company.

	2018 (Rs' 000)	2017 (Rs' 000)
11. TRADE AND OTHER PAYABLES		
Accrued liabilities	1,157	940
Payable to the Holding Company	41,306	40,977
Other payables	132	7
	<u>42,595</u>	<u>41,924</u>

12. CONTINGENCIES AND COMMITMENTS

As at June 30, 2018, there are no contingencies and commitments that are required to be disclosed in these financial statements.

13. RELATED PARTY TRANSACTIONS

The related parties comprise of the holding company, group companies and key management personnel. Transactions with related parties are entered into at mutually agreed terms. Significant transactions with related parties during the year, other than those which has been disclosed elsewhere in these financial statements are as follows:

	2018 (Rs' 000)	2017 (Rs' 000)
Holding Company - The Hub Power Company Limited		
Reimbursable expenses incurred by holding company	<u>10,485</u>	<u>151,104</u>
Payments against reimbursement of expenses to holding company	<u>10,156</u>	<u>182,424</u>
Group Company - HPSL		
Reimbursable expenses incurred by group company	<u>15,060</u>	<u>-</u>
Payments against reimbursement of expenses	<u>15,060</u>	<u>-</u>
Associate - CPHGC		
Reimbursable expenses incurred on behalf of associate	<u>2,519</u>	<u>129,689</u>
Receipts against reimbursement of expenses from associate	<u>-</u>	<u>159,173</u>

There are no key management personnel in the Company. The management of the Company is managed by the Holding Company's employees and remuneration allocated to the Company inclusive of the remuneration allocated for key management personnel, is disclosed in note 5.1.

14. RELATED PARTIES AND ASSOCIATED COMPANIES / UNDERTAKINGS

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

Particulars	Relationship	% equity interest
The Hub Power Company Limited	Holding Company	100%
Hub Power Services Limited	Group Company	-
China Power Hub Generation Company (Private) Limited	Associate	26%
Mr. Ruhail Mohammed	Ex Director	-
Mr. Abdul Samad Dawood	Ex Director	-

15. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

15.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or value of financial instruments. At present, the Company is not exposed to equity price risk and foreign exchange risk.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. As at the reporting date, the Company is not significantly exposed to interest rate risk.

15.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk of the Company arises principally from balances with bank and receivable from CPHGC.

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

	2018 (Rs' 000)	2017 (Rs' 000)
Other receivables	41,309	38,867
Bank balances	14,510	29,159
	<u>55,819</u>	<u>68,026</u>

The significant amount of other receivables is recoverable from CPHGC (refer note 8.1). Credit risk on bank balances is limited as they are maintained with local banks having good credit ratings assigned by local and international credit rating agencies:

Name of Bank	Rating agency	Ratings	
		Short-term	Long-term
Industrial and Commercial Bank of China	Moody's	P-1	A1
Habib Bank Limited	JCR-VIS	A-1+	AAA

15.3 Liquidity risk

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

Following are the contractual maturities of financial liabilities:

	Less than 6 months (Rs' 000)	Total (Rs' 000)
2017-18		
Trade and other payables	<u>42,595</u>	<u>42,595</u>
	Less than 6 months (Rs' 000)	Total (Rs' 000)
2016-17		
Trade and other payables	<u>41,924</u>	<u>41,924</u>

15.4 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying amounts of all the financial instruments reflected in these financial statements approximate their fair value.

15.5 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios and optimal capital structure in order to ensure ample availability of finance for its existing project and to maximize shareholders value by reducing the cost of capital. Accordingly, the Company manages its capital structure by making adjustment in light of changes in economic conditions. At present, the Company finances its commitment of equity injection in CPHGC by issuing equity to the Holding Company and, therefore, is not exposed to such risk.

16. FINANCIAL INSTRUMENTS BY CATEGORY

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

Assets as per balance sheet	Loans and receivables (Rs' 000)	Total June 30, 2018 (Rs' 000)
Other receivables	41,309	41,309
Bank balances	14,510	14,510
	<u>55,819</u>	<u>55,819</u>

	Financial Liabilities measured at amortised cost	Total June 30, 2018
Liabilities as per balance sheet	(Rs' 000)	(Rs' 000)
Trade and other payables	42,595	42,595
	Loans and receivables	Total June 30, 2017
Assets as per balance sheet	(Rs' 000)	(Rs' 000)
Other receivables	38,867	38,867
Bank balances	29,159	29,159
	68,026	68,026
	Financial Liabilities measured at amortised cost	Total June 30, 2017
Liabilities as per balance sheet	(Rs' 000)	(Rs' 000)
Trade and other payables	41,924	41,924

17. INITIAL APPLICATION OF STANDARDS AND INTERPRETATIONS

Revised and amended standards and interpretation effective and adopted in 2018

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

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

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

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

The Companies Act, 2017 has also brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Company, including changes in nomenclature of primary statements and revision in disclosure requirements contained in the fourth schedule to the Act. This has resulted in:

- elimination of duplicative disclosures with the IFRS disclosure requirements; and
- incorporation of significant additional disclosures;

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

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

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

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard

IFRS 1 – First Time Adoption of International Financial Reporting Standards
IFRS 14 – Regulatory Deferral Accounts
IFRS 17 – Insurance Contracts

January 1, 2018
January 1, 2016
January 1, 2021

18. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

During the year, no remuneration has been paid to the Chief Executive, Directors and Executives of the Company. However, the Holding Company and HPSL have allocated cost of Rs. 4.31 million and Rs. 17.43 million in relation to the remuneration of the Chief Executive and Executives of the Holding Company and HPSL.

19. NUMBER OF EMPLOYEES

There are no employees of the Company as at year end (2017: Nil).

20. SHARIAH COMPLIANCE DISCLOSURE

	2018		2017	
	Conventional	Shariah Compliant	Conventional	Shariah Compliant
	------(Rs. '000s)-----		------(Rs. '000s)-----	
Interest income	2,561	-	12,491	-
Bank balances	14,510	-	29,159	-

21. DATE OF AUTHORISATION

These financial statements were authorised for issue on August 7, 2018 in accordance with the resolution of the Board of Directors.

22. GENERAL

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



Khalid Mansoor
Chief Executive



Aly Khan
Director