HUBCO

growth through energy

Power to Face CHALLENGES

Annual Report 2012

Power to Face CHALLENGES

The Company is the first private sector infrastructure Project of the country which became operational in March, 1997.

The Company is the first independent power producer which has gone into expansion and has set up an additional power plant. It is also setting up first Hydel IPP of the Country.

Contents

Vision	02
Mission	03
Overall Strategic Objectives	04
Our Business and Code of Business Ethics	05
Company Information	06
Hubco's Geographical Presence	07
Notice of the 21st Annual General Meeting	10
Stakeholders' Information	
Financial Ratios	17
Horizontal & Vertical Analysis Profit & Loss Account	18
Balance Sheet Horizontal Analysis	20
Balance Sheet Vertical Analysis	22
Six years Profit & Loss Account at a glance	24
Six years Balance Sheet at a glance	25
Summary of Six years Cash Flow at a glance	26
Comments on Analysis	26
Statement of Value Addition	27
Graphical Presentation	28
Corporate Governance	
Board of Directors	31
Profile of Board of Directors	32
Committees of the Board	37
Management Team	38
Organogram	39
Chairman's Review	41
Report of the Directors	44
Statement of Compliance with Code of Corporate Governance	65
Review Report to the Members on Statement of Compliance with the Code of Corporate Governance	69
Unconsolidated Financial Statements	70
Pattern of Shareholding	109
Categories of Shareholding	114
Key Shareholdings	115
Shareholders' Information	116
Consolidated Financial Statements	119
Glossary	164
Calendar of Major Events	167
CEO's Performance Review	167
Calendar of Corporate Events	168

Vision

To be an energy leader - committed to deliver growth through energy.

Mission

To be a growth oriented energy company that achieves the highest international standards in its operations and delivers a fair return to its shareholders, while serving the community as a caring corporate citizen.

Overall Strategic Objectives

The Company is primarily focused in the following four areas:

- to promote energy efficiency,
- to develop renewable energy,
- to introduce and maintain environmentally efficient technologies,
- to be a major player in the Country's power sector.

The Company's objective is to meet customers' needs with a view to enhance shareholder value. Our strategy is to enhance shareholder's value through efficient operations of our plants whilst maintaining the highest level of safety and environmental performance. We exercise rigorous financial control in our decisions, and invest in the development of our people for the long-term success and sustainability of the Company.

Hub Plant - View from inlet & outlet channels

Our Business

The Company owns an oil-fired power station with an installed net capacity of 1,200 MW at Mouza Kund, Hub in Baluchistan and a 214 MW net capacity oil-fired power station at Mouza Poong, Narowal in Punjab. The Company also has 75% controlling interest in Laraib Energy Ltd, a subsidiary that is developing a 84 MW Hydel power plant near the New Bong Escape, 8 km downstream of Mangla Dam in Azad Kashmir. The project is required to achieve Commercial Operations by middle of 2013.

Code of Business Ethics

The Key task for every employee of Hubco is to work hard to secure continuing success of our business, strengthening relationship with the customer and building an image of a good corporate citizen in the country. This is achieved using proper standards of behaviour. We ensure that we maintain a reputation among our shareholders, customer, the Government, and suppliers alike - as a company that observes the highest standards of personal and corporate integrity.

Company's Code of Business Ethics sets out the minimum standards expected of the entire Team. The Code's requirements must be met at all times. This will help to ensure that the Company maintains a good reputation by dealing and being seen to deal with all our business contacts in a professional and acceptable way.

The conduct of Company's business should above all be characterised by honesty and integrity. Unethical practices of any sort are not to find way into our business. The employees have a duty to themselves and to the Company to raise any matters of business conduct or ethics which causes concern at all levels and in particular the Management Team. This will help to protect both the employees and the Company from unfounded accusations of deception and fraud, and will ensure that where corruption and fraud has or might have taken place, it will be properly investigated and dealt with in a timely manner.

Company Information

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

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

MANAGEMENT

Zafar Iqbal Sobani	Chief Executive Officer
Abdul Nasir	Chief Financial Officer
Huma Pasha	Chief Internal Auditor
Abdul Vakil	Chief Technical Officer
Shamsul Islam	Company Secretary
Lesley A. Middlecoat	Sr. Manager PR, HR & Admin
Mustafa Giani	Sr. Manager Commercial & Contracts

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

INTER-CREDITOR AGENTS
National Bank of Pakistan
Habib Bank Limited
Allied Bank Limited
NIB Bank Limited

LEGAL ADVISORS
RIAALAW, Karachi

AUDITORS
Ernst & Young Ford Rhodes Sidat Hyder

REGISTRAR
Famco Associates (Pvt) Limited

HUB PLANT
Mouza Kund,
Post Office Gadani,
District Lasbela, Baluchistan

NAROWAL PLANT
Mouza Poong,
5 km from Luban Pulli Point on
Mureedkay-Narowal Road,
District Narowal, Punjab

LARAIB ENERGY LTD. (subsidiary)
12-B/1, Multi Mansion Plaza
G-8, Markaz,
Islamabad

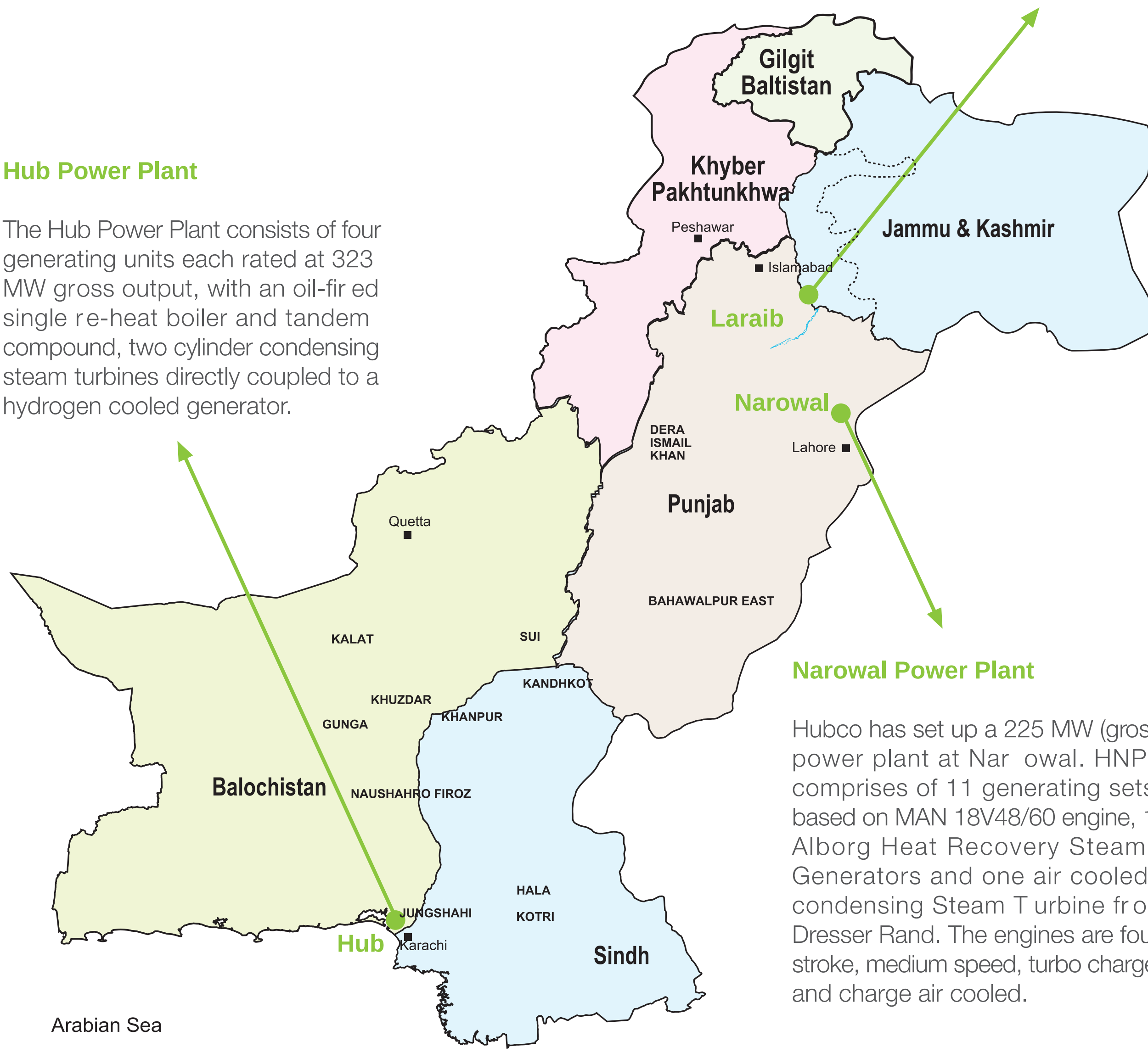
Hubco's Geographical Presence

Laraib Energy Ltd

Laraib Energy Limited (Laraib) is owned 75% by Hubco. The 84 MW New Bong Hydro Power Project is being set up by Laraib, about 8 kms downstream of the 1,000 MW Mangla Dam in Azad Jammu & Kashmir.

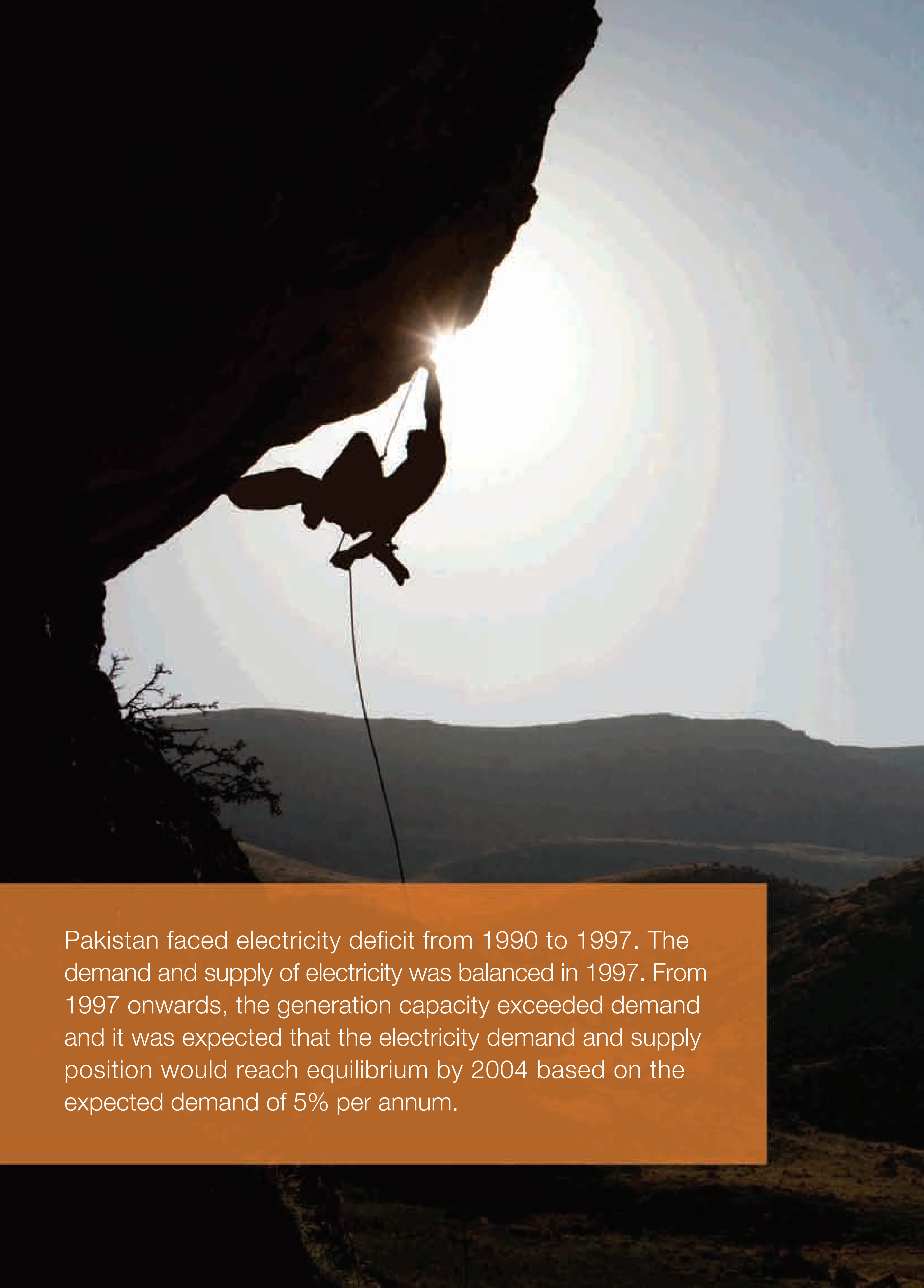
Hub Power Plant

The Hub Power Plant consists of four generating units each rated at 323 MW gross output, with an oil-fired single re-heat boiler and tandem compound, two cylinder condensing steam turbines directly coupled to a hydrogen cooled generator.



Narowal Power Plant

Hubco has set up a 225 MW (gross) power plant at Narowal. HNPP comprises of 11 generating sets based on MAN 18V48/60 engine, 11 Alborg Heat Recovery Steam Generators and one air cooled condensing Steam Turbine from Dresser Rand. The engines are four-stroke, medium speed, turbo charged and charge air cooled.



Pakistan faced electricity deficit from 1990 to 1997. The demand and supply of electricity was balanced in 1997. From 1997 onwards, the generation capacity exceeded demand and it was expected that the electricity demand and supply position would reach equilibrium by 2004 based on the expected demand of 5% per annum.

A new power policy was introduced in 2002 for thermal plants however new plants were only considered after revision of the policy in 2005. New plants started coming on line from 2009 and full potential of the new capacities has not been exploited due to persistent circular debt issues and also non availability of gas to these new power plants.

Notice of the 21st Annual General Meeting

Notice is hereby given that the 21st Annual General Meeting of the Company will be held on Thursday, September 27, 2012 at 11:00 am at Marriott Hotel, Islamabad to transact the following business.

ORDINARY BUSINESS

1- To confirm the Minutes of 20th Annual General Meeting of the Company held on October 31, 2011.

2- To receive and adopt the Audited Accounts of the Company for the year ended June 30, 2012 together with the Directors and Auditors' Reports thereon.

3- To approve and declare the final dividend of Rs. 3/- (30%) per share as recommended by the Board of Directors and the Rs. 3/- (30%) per share interim dividend already announced and paid in May 2012 making a total dividend of Rs. 6/- (60%) per share for the year ended June 30, 2012.

4- To appoint Auditors and to fix their remuneration.

5- To elect 12 (twelve) Directors in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 for a term of three years commencing from the date of holding of AGM i.e. September 27, 2012.

As fixed by the Board of Directors at its April 2012 meeting the number of Directors to be elected will be 12 (twelve).

The following directors of the Company will cease to hold office upon the election of a new Board of Directors:

(1) Mr. Mohamed Ahmed Alireza (HI)
(2) Mr. Ali Aamir
(3) Dr. Fereydoon Abtahi
(4) Mr. Yousuf Ahmed Y. Alireza
(5) Mr. Taufique Habib
(6) Mr. Arshad A. Hashmi
(7) Mr. Qaiser Javed
(8) Mr. Ruhail Mohammed
(9) Mr. Ali Munir
(10) Mr. Inam ur Rahman
(11) Syed Nizam A. Shah
(12) Mr. Mohammed Ashraf Tumbi

SPECIAL BUSINESS:

To consider and adopt with or without modification the following Special Resolution to amend Articles of Association of the Company to reflect the revision in the Code of Corporate Governance by the Securities and Exchange Commission of Pakistan and the changes in the sponsors shareholding of the Company and a few other changes to take care of the Companies Ordinance, 1984.

Below are the current provisions and the suggested amendments.

Current provisions	Suggested amendments
Article 65 Share Qualification of a Director The qualification of a Director shall be his holding in his own name shares to the nominal value as specified in any applicable consent order issued by the Controller of Capital Issues, except in the case of Directors representing Members holding shares of the requisite value. A Member or Members holding shares of the aforesaid value may give a written notice to the Directors that a person named in such a notice being a Director is the representative of that Member or those Members and so long as such notice has not been withdrawn the Director so named shall not require any qualification. No person shall be appointed or nominated a Director or Chief Executive of the Company unless the written consent of such person has been filed by the Company with the Registrar.	The qualification of a Director shall be holding of at least one share of the Company in his own name. The aforesaid qualification shall not be applicable for instances mentioned in section 187(h) of the Companies Ordinance, 1984 and to a person representing a company which is a Member in which case the relevant Member or Members holding shares of the aforesaid value may give a written notice to the Directors that a person named in such a notice being a Director is the representative of that Member or those Members and so long as such notice has not been withdrawn the Director so named shall not require any qualification. No person shall be appointed or nominated a Director or Chief Executive of the Company unless the written consent of such person has been filed by the Company with the Registrar.
Article 66 Remuneration of Directors The remuneration of each Director other than the Chairman, Chief Executive and any full-time Directors, shall be determined by the Directors but shall not exceed the sum, if any, specified in any applicable consent order of the Controller of Capital Issues. The remuneration of a Director for performing extra services including the holding of the office of Chairman shall be determined by the Directors.	The remuneration of each Director, other than the Chairman, Chief Executive and any full-time Directors, shall be determined by the Directors. The remuneration of a Director for performing extra services including the holding of the office of Chairman shall be determined by the Directors.
Article 77 Appointment of Alternate Director A Director may, with the approval of the Directors, appoint any person (including another Director) to be his alternate Director and such appointment shall have effect and such appointee while he holds office as an alternate Director shall be entitled to notice of meetings of the Directors and to attend and vote thereat accordingly and generally to exercise all the rights of such absent Director subject to any limitations in the instrument appointing him. For the purposes of the proceedings at such meetings the provisions of these Articles shall apply as if an alternate Director (instead of his appointer) were a Director. An alternate Director shall not r equire	A Director may, with the approval of the Directors, appoint any person (including another Director) to be his alternate or substitute Director to act for him during his absence from Pakistan of not less than three months and such appointment shall have effect and such appointee while he holds office as an alternate Director shall be entitled to notice of meetings of the Directors and to attend and vote thereat accordingly and generally to exercise all the rights of such absent Director. For the purposes of the proceedings at such meetings the provisions of these Articles shall apply as if an alternate Director (instead of his appointer) were a Director.

any share qualification and he shall ipso facto vacate office as and when his appointer vacates office as a Director or removes the appointee from office. If any alternate Director shall be himself a Director, his voting rights shall be cumulative but he shall not be counted more than once for the purposes of quorum. Any appointment or removal under this Article shall be effected by notice in writing under the hand of the Director making the same.

An alternate Director shall not require any share qualification and he shall ipso facto vacate office as and when his appointer vacates office as a Director or returns to Pakistan. If any alternate Director shall be himself a Director, his voting rights shall be cumulative but he shall not be counted more than once for the purposes of quorum. Any appointment or removal under this Article shall be effected by notice in writing under the hand of the Director making the same.

Article 79
Directors may Summon a Meeting;
Notice of Meetings

A Director may at any time convene a meeting of the Directors. Fourteen (14) clear days' notice of a meeting shall ordinarily be given to all Directors including those who are not for the time being resident in Pakistan but in the case of urgent business a meeting of the Directors may be called at shorter notice provided that a majority of the Directors have previously consented in writing to the meeting being called at such shorter notice. In the case of a Director residing outside Pakistan the notice shall be given by fax sent to the fax number, if any, provided by such Director. The failure of any Director to attend any such meeting called at short notice at which a quorum is present shall not affect the validity of any business transacted thereat.

A Director may at any time convene a meeting of the Directors. Seven (7) clear days' notice of a meeting shall ordinarily be given to all Directors including those who are not for the time being resident in Pakistan but in the case of urgent business a meeting of the Directors may be called at shorter notice provided that a majority of the Directors have previously consented in writing to the meeting being called at such shorter notice. The notice shall be given by email or fax sent to the email address or fax number, if any, provided by such Director. The failure of any Director to attend any such meeting called at short notice at which a quorum is present shall not affect the validity of any business transacted thereat.

Article 87
Audit & Compensation Committee

Article 87.1
The Compensation Committee and the Audit Committee shall each consist of up to five (5) Directors on each Committee as follows: up to two (2) Directors nominated for membership of the Committee in writing by NPBV (should it choose to do so); one (1) Director nominated for membership of the Committee in writing by Xenel (should it choose to do so); two (2) other Directors neither of whom are Directors nominated for membership by NPBV or Xenel. If NPBV nominates for membership only one (1) Director, that Director shall have two (2) votes on any resolution to be passed by the Committee.

Article 87.6
The quorum for a meeting of the Compensation Committee and the Audit Committee shall be four (4) members or, if less than four (4), all the members of the relevant committee (or their alternate Directors in accordance with Article 77).

Audit & Human Resources and Remuneration Committees

The Human Resources and Remuneration Committee (formerly the Compensation Committee) and the Audit Committee shall each consist of at least three and not more than five (5) Directors. Atleast one member of the Committee shall be an Independent Director.

At least one of the members of the Audit Committee must have relevant financial experience. The Chairman of the Audit Committee shall be an Independent Director, who shall not be the Chairman of the Board.

The quorum for a meeting of the Human Resources and Remuneration Committee and the Audit Committee shall be three (3) members (or their alternate Directors appointed in accordance with Article 77). If any alternate Director is also member of the Committee his voting rights on the Committee shall be cumulative but he shall not be counted more than once for the purposes of quorum.

Special Resolution

"UNANIMOUSLY RESOLVED that special resolution to make the above changes in the Articles of Association of the Company be and is hereby approved.

FURTHER UNANIMOUSLY RESOLVED that the Chief Executive be and is hereby authorized to execute all forms, letters and applications and take all other necessary actions in this respect."

Statement under section 160(1)(b) of the Companies Ordinance, 1984, amendments in Articles of Association

This statement sets out the material facts concerning the special business to be transacted at the Annual General Meeting of the Company to be held on September 27, 2012. The approval of the Members of the Company will be sought for:

To amend the Articles of Association, in accordance with the Code of Corporate Governance 2012 and changes in sponsors shareholding of the Company to take care of the Companies Ordinance 1984.

Articles 65, 66, 77, 79, 87.1 and 87.6 of the Articles of Association are being amended. The amendments have been approved by the Board of Directors in their meeting held on July 18, 2012. Certified copies of the amendment to be made in the Articles of Association of the Company are available with the Company Secretary for inspection by the Members.

Karachi: July 18, 2012

Shamsul Islam
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from September 15, 2012 to September 27, 2012 (both days included) and the final dividend will be paid to the shareholders whose names will appear in the Register of Members on September 14, 2012.

   (i) A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A Proxy need not be a member of the Company.

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

   (iii) Shareholders (Non-CDC) are requested to promptly notify the Company's Registrar of any change in their addresses and submit, if applicable to them, the Non-deduction of Zakat Form CZ-50 with the Registrar of the Company M/s. Famco Associates (Pvt) Ltd, State Life Building No. 1-A, 1st Floor, I. I. Chundigar Road, Karachi. All the Shareholders holding their shares through the CDC are requested to please update their addresses and Zakat status with their Participants. This will assist in the prompt receipt of Dividend.

   (iv) Every candidate for election as a Directors, whether he is a retiring Director or otherwise shall file with the Company not later than fourteen (14) clear days' before the date of Annual General Meeting a notice of his intention to offer himself for election as a Director alongwith the consent to serve as a Director in the prescribed Form 28, a detailed profile alongwith his/her relevant declarations as required under the Code of Corporate Governance to his appointment as Director of the Company.

   (v) He/She should also confirm that:
      i. He/She is not ineligible to become a Director of the Company under any applicable laws and regulations (including listing regulations of Stock exchanges).
      ii. He/She is not serving as a Director in more than seven listed companies.
      iii. Neither he/she nor his/her spouse is engaged in the business of brokerage or is a sponsor director or officer of a corporate brokerage house.

2. SECP has also directed vide SRO No. 779(1)2011 dated August 18, 2011 to issue dividend warrant only crossed as "A/c Payee only" and should bear the Computerized National Identity Card Number (CNIC) of the registered member. Members, who have not yet submitted photocopy of their valid CNIC are requested to send the same at the earliest directly to the Company's Share Registrar M/s. Famco Associates (Pvt) Ltd., State Life Building 1-A, 1st Floor, I. I. Chundrigar Road, Karachi.

3. As directed by SECP vide Circular No.18 of 2012 dated June 5, 2012, we give the shareholders the opportunity to authorize the Company to directly credit in your bank account with cash dividend, if any, declared by the Company in future. If you wish that the cash dividend if declared by the Company be directly, credited into your bank account, instead of issuing a dividend warrants, please provide the following details.

Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch Name and Address	
Cell number of Shareholder	
Landline number of Shareholder, if any	

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

A For Attending the Meeting:

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

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

B For appointing Proxies:

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

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

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

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

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

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 and commenced commercial operations in March 1997. 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.

Financial Ratios

		2012	2011	2010	2009	2008	2007
Profitability Ratios							
Gross Profit margin	%	8.96	7.47	7.71	7.36	7.61	9.44
Net Profit margin	%	4.69	4.40	5.57	4.57	4.16	6.01
Operating cost to turnover	%	91.04	92.53	92.29	92.64	92.39	90.56
Fuel cost to turnover	%	86.80	87.70	86.51	86.85	85.58	81.36
EBITDA margin to Sales	%	10.28	8.73	9.10	9.16	9.99	12.99
Operating Leverage Ratio	Times	1.76	0.84	1.23	0.88	0.29	-0.11
Return on Equity	(%)	27.17	18.27	18.70	13.04	9.04	8.99
Return on Capital Employed	(%)	25.99	15.49	15.18	14.95	12.17	10.37
Liquidity Ratios							
Current Ratio	Times	1.04	1.04	1.01	1.03	1.04	1.64
Quick / Acid Test Ratio	Times	1.02	0.99	0.98	0.98	0.99	1.30
Cash to Current Liabilities	Times	0.003	0.018	0.012	0.021	0.025	0.097
Cash Flow from Operations to Sales	(%)	-0.18	0.51	3.93	18.26	-5.46	0.18
Working capital	Rs. in million	5,835	3,152	509	1,693	1,205	4,861
Activity / Turnover Ratios							
No. of Days in Inventory	Days	6	9	8	10	13	20
Inverntory Turnover	Times	57.34	42.78	44.87	37.36	27.95	17.94
No. of Days in Receivables	Days	248	226	207	158	96	45
Receivables Turnover	Times	1.47	1.62	1.76	2.32	3.81	8.12
No. of Days in Payables	Days	239	209	209	132	47	23
Payables Turnover	Times	1.53	1.75	1.75	2.77	7.83	16.01
Operating Cycle	Days	15	26	6	36	62	42
Total Assets Turnover	Times	0.84	0.84	0.81	0.92	1.00	0.98
Fixed Assets turnover	Times	3.79	2.52	2.01	2.18	1.84	1.39
Working capital turnover	Times	29.94	39.12	195.86	48.90	51.81	9.08
Investment / Market Ratios							
Earnings Per Share	Rs.	7.08	4.69	4.80	3.27	2.25	2.29
Price Earning Ratio	Times	5.92	8.00	6.66	8.28	12.71	16.03
Dividend Yield	%	14.32	14.67	15.64	12.37	7.52	7.77
Dividend Payout Ratio	Times	0.85	1.17	1.04	1.02	0.96	1.24
Dividend Cover Ratio	Times	1.18	0.85	0.96	0.98	1.05	0.80
Cash Dividend Per Share - Interim	Rs.	3.00	2.50	2.50	1.35	1.15	1.25
Cash Dividend Per Share - Final	Rs.	3.00	3.00	2.50	2.00	1.00	1.60
Cash Dividend Per Share - Total	Rs.	6.00	5.50	5.00	3.35	2.15	2.85
Market Value Per Share							
Year end	Rs.	41.89	37.50	31.96	27.09	28.60	36.70
High	Rs.	40.87	42.24	38.10	34.80	35.60	39.35
Low	Rs.	30.14	35.90	30.50	14.00	12.38	26.75
Breakup Value / (Net assets/share)	Rs.	26.59	25.52	25.83	25.53	24.61	25.11
Capital Structure Ratios							
Financial Leverage Ratio	Times	0.91	0.99	0.84	0.42	0.29	0.32
Weighted Average Cost of Debt	%	15.44	15.21	16.14	14.39	11.98	12.62
Debt to Equity Ratio	Ratio	48:52	50:50	46:54	29:71	23:77	24:76
Interest Cover Ratio	Times	2.16	2.60	4.10	2.81	2.32	2.87
No. of Ordinary Shares	Nos.	1,157	1,157	1,157	1,157	1,157	1,157

Horizontal & Vertical Analysis Profit & Loss Account

	2012 Rs. (Millions)	12 Vs. 11 %	2011 Rs. (Millions)	11 Vs. 10 %	2010 Rs. (Millions)	10 Vs. 09 %
Horizontal Analysis						
Turnover	174,712	41.69	123,310	23.69	99,694	20.43
Operating costs	(159,061)	39.41	(114,093)	24.01	(92,006)	19.98
Gross Profit	15,651	69.81	9,217	19.89	7,688	26.09
Other income	35	29.63	27	(49.06)	53	(61.59)
General and administration expenses	(413)	(5.49)	(437)	11.76	(391)	(281)
Finance costs	(7,083)	109.43	(3,382)	88.52	(1,794)	(14.33)
Profit for the year	8,190	50.97	5,425	(2.36)	5,556	46.95

	2012		2011		2010	
	Rs. (Millions)	% of turnover	Rs. (Millions)	% of turnover	Rs. (Millions)	% of turnover
Vertical Analysis						
Turnover	174,712	100.00	123,310	100.00	99,694	100.00
Operating costs	(159,061)	(91.04)	(114,093)	(92.53)	(92,006)	(92.29)
Gross Profit	15,651	8.96	9,217	7.47	7,688	7.71
Other income	35	0.02	27	0.02	53	0.05
General and administration expenses	(413)	(0.24)	(437)	(0.35)	(391)	(0.39)
Finance costs	(7,083)	(4.05)	(3,382)	(2.74)	(1,794)	(1.80)
Profit for the year	8,190	4.69	5,425	4.40	5,556	5.57

2009 Rs. (Millions)	09 Vs. 08 %	2008 Rs. (Millions)	08 Vs. 07 %	2007 Rs. (Millions)	07 Vs. 06 %	2006 Rs. (Millions)
82,784	32.59	62,435	41.48	44,131	58.11	27,911
(76,687)	32.94	(57,685)	44.33	(39,967)	69.69	(23,553)
6,097	28.36	4,750	14.07	4,164	(4.45)	4,358
138	31.43	105	(34.78)	161	(39.93)	268
(360)	24.57	(289)	14.23	(253)	(9.96)	(281)
(2,094)	6.51	(1,966)	38.65	(1,418)	(10.08)	(1,577)
3,781	45.42	2,600	(2.03)	2,654	(4.12)	2,768

2009		2008		2007	
Rs. (Millions)	% of turnover	Rs. (Millions)	% of turnover	Rs. (Millions)	% of turnover
82,784	100.00	62,435	100.00	44,131	100.00
(76,687)	(92.64)	(57,685)	(92.39)	(39,967)	(90.56)
6,097	7.36	4,750	7.61	4,164	9.44
138	0.17	105	0.17	161	0.36
(360)	(0.43)	(289)	(0.46)	(253)	(0.57)
(2,094)	(2.53)	(1,966)	(3.15)	(1,418)	(3.21)
3,781	4.57	2,600	4.16	2,654	6.01

Balance Sheet Horizontal Analysis

	2012 Rs. (Millions)	12 Vs. 11 %	2011 Rs. (Millions)	11 Vs. 10 %	2010 Rs. (Millions)	10 Vs. 09 %
ASSETS						
NON-CURRENT ASSETS						
Fixed Assets						
Property, Plant and equipment	46,038	(5.83)	48,890	(1.46)	49,615	30.92
Intangibles	25	257.14	7	(12.50)	8	300.00
Stores and spares	-	-	637	-	637	(0.16)
Other assets	-	-	-	-	-	(400.00)
Investment in subsidiary	4,674	15.87	4,034	54.56	2,610	297.87
Long term advance, deposits and prepayments	40	(21.57)	51	1,175.00	4	400.00
	50,777	(5.30)	53,619	1.41	52,874	34.90
CURRENT ASSETS						
Stores and spares	1,085	202.23	359	359	-	-
Stock-in-trade	1,774	52.99	3,774	141.92	1,560	(38.61)
Trade debts	151,161	76.17	85,806	28.62	66,712	43.07
Advances, prepayments and other receivables	2,523	136.46	1,067	43.99	741	(5.73)
Cash and bank balances	497	69.23	1,615	99.63	809	(21.76)
	157,040	69.55	92,621	32.65	69,822	36.93
TOTAL ASSETS	207,817	42.11	146,240	19.19	122,696	36.05
EQUITY AND LIABILITIES						
SHARE CAPTIAL AND RESERVE						
Share Capital						
Authorised	12,000	-	12,000	-	12,000	-
Issued, subscribed and paid-up	11,572	-	11,572	-	11,572	-
Revenue Reserve						
Unappropriated profit	19,195	6.95	17,949	(1.97)	18,310	1.94
TOTAL EQUITY	30,767	4.22	29,521	(1.21)	29,882	1.18
NON-CURRENT LIABILITIES						
Long term loans	25,834	(5.13)	27,231	16.15	23,445	106.73
Share premium payable	-	-	-	(410.00)	41	410.00
Deferred liability - Gratuity	11	(42.11)	19	26.67	15	-
CURRENT LIABILITIES						
Trade and other payables	127,712	72.17	74,177	24.47	59,595	35.54
Interest/mark-up accrued	1,639	2.63	1,597	21.17	1,318	72.06
Short term borrowings	19,688	40.66	11,682	73.22	6,744	88.27
Current maturity of long term loans	2,166	7.65	2,013	21.50	1,656	69.15
	151,205	69.00	89,469	29.08	69,313	40.60
TOTAL EQUITY AND LIABILITIES	207,817	42.11	146,240	19.19	122,696	36.05

2009 Rs. (Millions)	09 Vs. 08 %	2008 Rs. (Millions)	08 Vs. 07 %	2007 Rs. (Millions)	07 Vs. 06 %	2006 Rs. (Millions)
37,896	11.66	33,938	6.53	31,857	(4.39)	33,319
2	(33.33)	3	(40.00)	5	-	5
638	2.24	624	1.79	613	3.37	593
4	(55.56)	9	900.00	-	-	-
656	656.00	-	-	-	-	-
-	-	-	(600.00)	6	50.00	4
39,196	13.37	34,574	6.44	32,481	(4.25)	33,921
-	-	-	-	-	-	-
2,541		1,564	(39.00)	2,564	35.59	1,891
46,629	87.48	24,871	213.36	7,937	170.15	2,938
786	(23.39)	1,026	(19.15)	1,269	(9.42)	1,402
1,034	56.19	662	(10.90)	743	(77.91)	3,363
50,990	81.31	28,123	124.75	12,513	30.44	9,594
90,186	43.84	62,697	39.35	44,994	3.40	43,515
12,000	-	12,000	-	12,000	-	12,000
11,572	-	11,572	-	11,572	-	11,572
17,961	6.28	16,899	(3.33)	17,481	(5.07)	18,414
29,533	3.73	28,471	2.00	29,053	(3.11)	29,986
11,341	55.53	7,292	11.84	8,271	10.58	9,250
-	-	-	-	-	-	-
15	-	15	(16.67)	18	28.57	14
43,970	274.21	11,750	198.37	3,938	52.05	2,590
766	(11.24)	863	33.80	645	(7.33)	696
3,582	73.12	13,327	537.66	2,090	2,090.00	-
979	-	979	-	979	-	979
49,297	83.13	26,919	251.79	7,652	79.41	4,265
90,186	43.84	62,697	39.35	44,994	3.40	43,515

Balance Sheet Vertical Analysis

	2012 Rs. (Millions)	2012 %	2011 Rs. (Millions)	2011 %	2010 Rs. (Millions)	2010 %
ASSETS						
NON-CURRENT ASSETS						
Fixed Assets						
Property, Plant and equipment	46,038	22.15	48,890	33.43	49,615	40.44
Intangibles	25	0.01	7	0.00	8	0.01
Stores and spares	-	-	637	0.44	637	0.52
Other assets	-	-	-	-	-	-
Investment in subsidiary	4,674	2.25	4,034	2.76	2,610	2.13
Long term advance, deposits and prepayments	40	0.02	51	0.04	4	0.00
	50,777	24.43	53,619	36.67	52,874	43.09
CURRENT ASSETS						
Stores and spares	1,085	0.52	359	0.25	-	-
Stock-in-trade	1,774	0.85	3,774	2.58	1,560	1.27
Trade debts	151,161	72.75	85,806	58.67	66,712	54.37
Advances, prepayments and other receivables	2,523	1.21	1,067	0.73	741	0.60
Cash and bank balances	497	0.23	1,615	1.10	809	0.66
	157,040	75.57	92,621	63.33	69,822	56.91
TOTAL ASSETS	207,817	100.00	146,240	100.00	122,696	100.00
EQUITY AND LIABILITIES						
SHARE CAPTIAL AND RESERVE						
Share Capital						
Authorised	12,000	-	12,000	-	12,000	-
Issued, subscribed and paid-up	11,572	5.57	11,572	7.91	11,572	9.43
Revenue Reserve						
Unappropriated profit	19,195	9.23	17,949	12.27	18,310	14.92
TOTAL EQUITY	30,767	14.80	29,521	20.18	29,882	24.35
NON-CURRENT LIABILITIES						
Long term loans	25,834	12.43	27,231	18.62	23,445	19.11
Share premium payable	-	-	-	-	41	0.04
Deferred liability - Gratuity	11	0.01	19	0.01	15	0.01
CURRENT LIABILITIES						
Trade and other payables	127,712	61.45	74,177	50.72	59,595	48.57
Interest / mark-up accrued	1,639	0.79	1,597	1.09	1,318	1.07
Short term borrowings	19,688	9.47	11,682	7.99	6,744	5.50
Current maturity of long term loans	2,166	1.04	2,013	1.38	1,656	1.35
	151,205	72.76	89,469	61.19	69,313	56.49
TOTAL EQUITY AND LIABILITIES	207,817	100.00	146,240	100.00	122,696	100.00

2009		2008		2007	
Rs. (Millions)	%	Rs. (Millions)	%	Rs. (Millions)	%
37,896	42.02	33,938	54.13	31,857	70.80
2	0.00	3	0.00	5	0.01
638	0.71	624	0.99	613	1.36
4	0.00	9	0.01	-	-
656	0.73	-	-	-	-
-	-	-	-	6	-
39,196	43.46	34,574	55.14	32,481	72.19
-	-	-	-	-	-
2,541	2.82	1,564	2.49	2,564	5.70
46,629	51.70	24,871	39.67	7,937	17.64
786	0.87	1,026	1.64	1,269	2.82
1,034	1.15	662	1.06	743	1.65
50,990	56.54	28,123	44.86	12,513	27.81
90,186	100.00	62,697	100.00	44,994	100.00
12,000	-	12,000	-	12,000	-
11,572	12.83	11,572	18.46	11,572	25.72
17,961	19.91	16,899	26.95	17,481	38.85
29,533	32.74	28,471	44.51	29,053	64.57
11,341	12.58	7,292	11.63	8,271	18.38
-	-	-	-	-	-
15	0.02	15	0.02	18	0.04
43,970	48.75	11,750	18.74	3,938	8.75
766	0.85	863	1.38	645	1.43
3,582	3.97	13,327	21.26	2,090	4.65
979	1.09	979	1.56	979	2.18
49,297	54.66	26,919	42.94	7,652	17.01
90,186	100.00	62,697	100.00	44,994	100.00

Six years Profit & Loss Account at a glance

	2012	2011	2010	2009	2008	2007
	Rs. (Millions)					
Turnover	174,712	123,310	99,694	82,784	62,435	44,131
Operating costs	(159,061)	(114,093)	(92,006)	(76,687)	(57,685)	(39,967)
Gross Profit	15,651	9,217	7,688	6,097	4,750	4,164
Other income	35	27	53	138	105	161
General and administration expenses	(413)	(437)	(391)	(360)	(289)	(253)
Finance costs	(7,083)	(3,382)	(1,794)	(2,094)	(1,966)	(1,418)
Profit for the year	8,190	5,425	5,556	3,781	2,600	2,654
Basic and diluted earnings per share (Rupees)	7.08	4.69	4.80	3.27	2.25	2.29
Profit for the year	8,190	5,425	5,556	3,781	2,600	2,654
Finance costs	7,083	3,382	1,794	2,094	1,966	1,418
Depreciation	2,673	1,954	1,719	1,707	1,666	1,657
Amortization	16	4	2	2	3	5
EBITDA	17,962	10,765	9,071	7,584	6,235	5,734
Profit for the year	8,190	5,425	5,556	3,781	2,600	2,654
Finance costs	7,083	3,382	1,794	2,094	1,966	1,418
EBIT	15,273	8,807	7,350	5,875	4,566	4,072

Six years Balance Sheet at a glance

	2012	2011	2010	2009	2008	2007
	Rs. (Millions)					
ASSETS						
NON-CURRENT ASSETS						
Fixed Assets						
Property, Plant and equipment	46,038	48,890	49,615	37,896	33,938	31,857
Intangibles	25	7	8	2	3	5
Stores and spares	-	637	637	638	624	613
Other assets				4	9	-
Investment in subsidiary	4,674	4,034	2,610	656	-	-
Long term advance, deposits and prepayments	40	51	4	-	-	6
	50,777	53,619	52,874	39,196	34,574	32,481
CURRENT ASSETS						
Stores and spares	1,085	359	-	-	-	-
Stock-in-trade	1,774	3,774	1,560	2,541	1,564	2,564
Trade debts	151,161	85,806	66,712	46,629	24,871	7,937
Advances, prepayments and other receivables	2,523	1,067	741	786	1,026	1,269
Cash and bank balances	497	1,615	809	1,034	662	743
	157,040	92,621	69,822	50,990	28,123	12,513
TOTAL ASSETS	207,817	146,240	122,696	90,186	62,697	44,994
EQUITY AND LIABILITIES						
SHARE CAPTIAL AND RESERVE						
Share Capital						
Authorised	12,000	12,000	12,000	12,000	12,000	12,000
Issued, subscribed and paid-up	11,572	11,572	11,572	11,572	11,572	11,572
Revenue Reserve						
Unappropriated profit	19,195	17,949	18,310	17,961	16,899	17,481
TOTAL EQUITY	30,767	29,521	29,882	29,533	28,471	29,053
NON-CURRENT LIABILITIES						
Long term loans	25,834	27,231	23,445	11,341	7,292	8,271
Share premium payable	-	-	41	-	-	-
Deferred liability - Gratuity	11	19	15	15	15	18
CURRENT LIABILITIES						
Trade and other payables	127,712	74,177	59,595	43,970	11,750	3,938
Interest / mark-up accrued	1,639	1,597	1,318	766	863	645
Short term borrowings	19,688	11,682	6,744	3,582	13,327	2,090
Current maturity of long term loans	2,166	2,013	1,656	979	979	979
	151,205	89,469	69,313	49,297	26,919	7,652
TOTAL EQUITY AND LIABILITIES	207,817	146,240	122,696	90,186	62,697	44,994

Summary of Six years Cash Flow at a glance

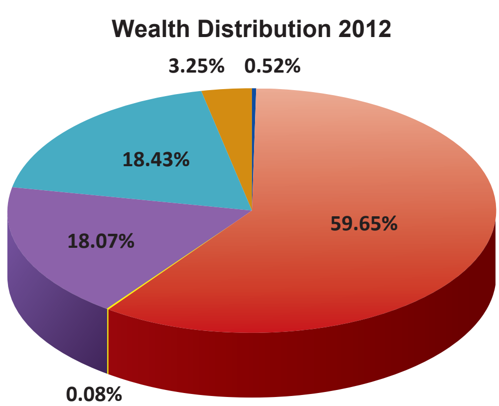
	2012	2011	2010	2009	2008	2007
	Rs. (Millions)					
Opening Balance	(10,067)	(5,934)	(1,400)	(9,218)	(1,347)	3,364
Net cash from operating activities	(309)	635	3,913	15,114	(3,407)	78
Net cash from investing activities	(579)	(3,123)	(14,885)	(6,331)	(3,760)	(221)
Net cash from financing activities	(8,236)	(1,645)	6,438	(965)	(704)	(4,568)
Closing Balance	(19,191)	(10,067)	(5,934)	(1,400)	(9,218)	(1,347)

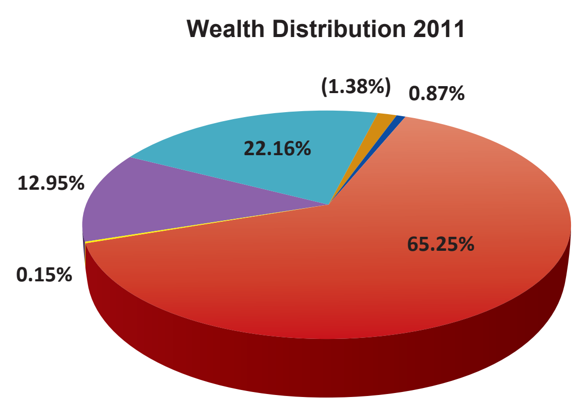
Comments on Analysis

- This year net profit has gone up by 51% compared to previous year and compared to 2006 it's about three times. This is because of increase in turnover by 42% over previous year and increase in gross profit margin from 7.47% to 8.96%.
- As a result of above, the earning per share has also increased from Rs. 4.69 per share to Rs. 7.08 per share. Return on equity has also increased from 18% to 27%.
- Because of record earnings this year, the dividend per share is also higher over previous year i.e. Rs. 6 per share.
- The Company has been able to reduce General and Administration expenses by 5% whereas finance cost has increased 109% which is due to increase in short term borrowings which your Company had to avail due to delayed payments from WAPDA / NTDC. At year end trade debts have gone up by 76% over last year.
- Despite problems in recovering trade debtors the Company was able to maintain current ratio at 1.04 and was able to increase working capital in terms of absolute amount from Rs. 3,152 million to Rs. 5,835 million, although no of days in trade debtors have increased from 226 days to 248 days.
- Cash flow from operating activities is negative, this is a result of increase in trade debtors by 77% in 2012 over previous years although the Company has registered high profits in the current year.

Statement of Value Addition

	2012 Rs. (Millions)	%	2011 Rs. (Millions)	%
Wealth created				
Total Revenue inclusive sales tax and other income	197,668	514.45	140,374	537.67
Less: Operating cost & other general expenses	(159,245)	(414.45)	(114,266)	(437.67)
	38,423	100.00	26,108	100.00
Wealth distributed				
To Employees				
Salaries, wages and other benefits	198	0.52	226	0.87
To Government				
Sales tax	22,921	59.65	17,037	65.25
To Society				
Donation	32	0.08	38	0.15
To Providers of Finance as Financial charges	7,082	18.43	3,382	12.95
Dividend to Shareholders	6,943	18.07	5,786	22.16
Profit retained	1,247	3.25	(361)	(1.38)
	38,423	100.00	26,108	100.00





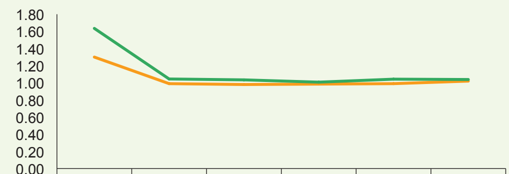
To Employees | To Government | To Society
To Providers of Finance | Dividend to Shareholders | Profit retained

Graphical Presentation

EPS vs Dividend per Share

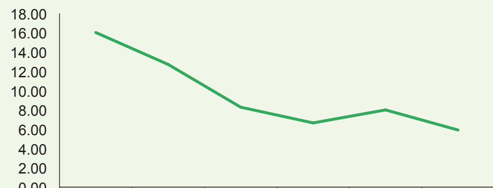
	2007	2008	2009	2010	2011	2012
EPS	2.29	2.25	3.27	4.80	4.69	7.08
Dividend per Share	2.85	2.15	3.35	5.00	5.50	6.00

Current Ratio vs Quick/ Acid Test Ratio



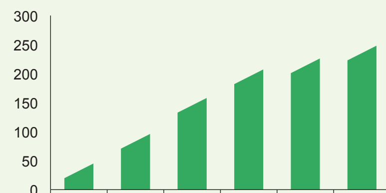
	2007	2008	2009	2010	2011	2012
Current Ratio	1.64	1.04	1.03	1.01	1.04	1.04
Quick / Acid Test Ratio	1.30	0.99	0.98	0.98	0.99	1.02

PE Ratio



	2007	2008	2009	2010	2011	2012
PE Ratio	16.03	12.71	8.28	6.66	8.00	5.92

No. of Days in Receivables

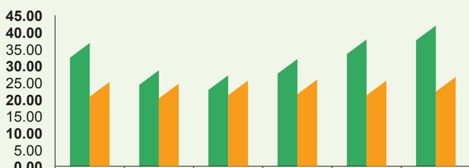


	2007	2008	2009	2010	2011	2012
No. of Days in Receivables	45	96	158	207	226	248

Dividend Yield

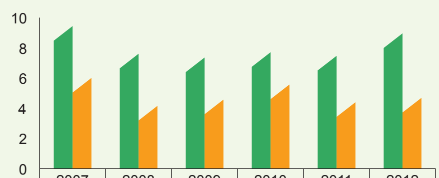
	2007	2008	2009	2010	2011	2012
Dividend Yield	7.77%	7.52%	12.37%	15.64%	14.67%	14.32%

Market Value vs Break up Value



	2007	2008	2009	2010	2011	2012
Market Value	36.70	28.60	27.09	31.96	37.50	41.89
Break up Value	25.11	24.61	25.53	25.83	25.52	26.59

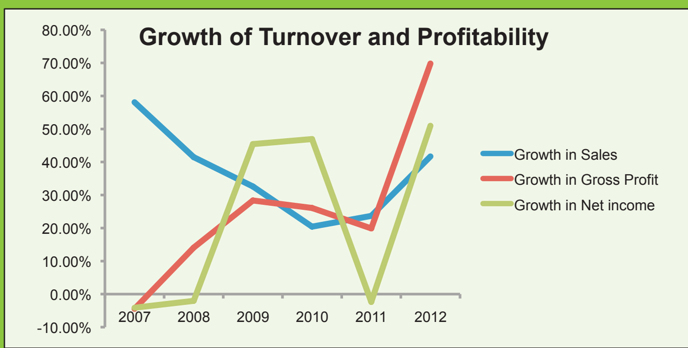
GP % vs NP %

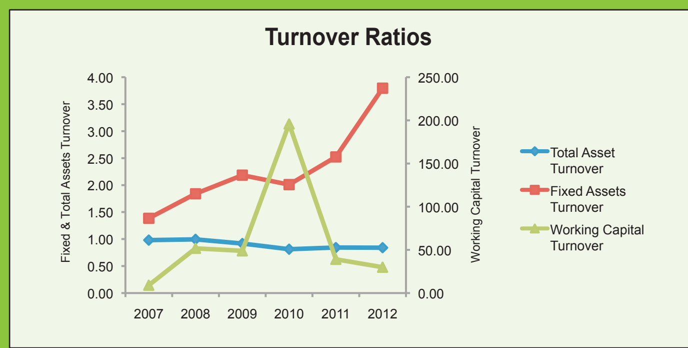


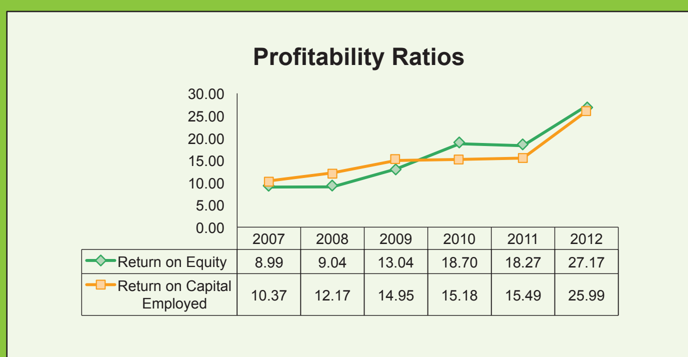
	2007	2008	2009	2010	2011	2012
Gross Profit Ratio	9.44	7.61	7.36	7.71	7.47	8.96
Net Profit Ratio	6.01	4.16	4.57	5.57	4.40	4.69

Debt Management

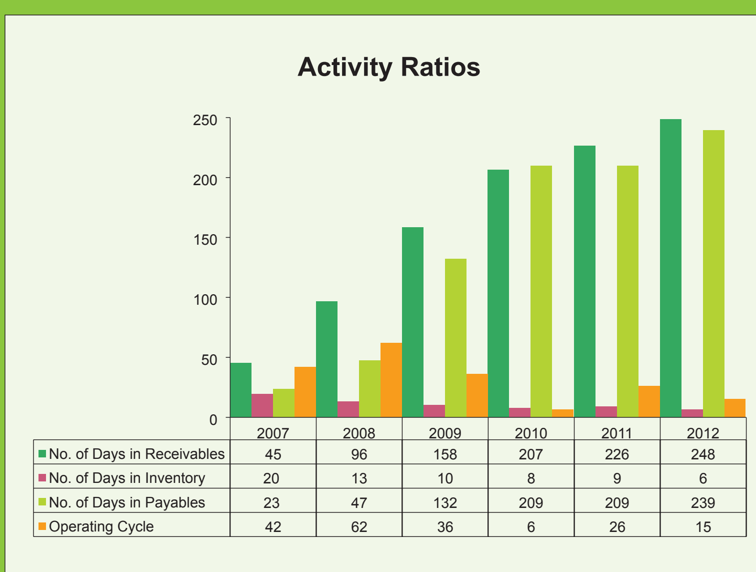
	2007	2008	2009	2010	2011	2012
Debt to Equity Ratio	0.24	0.23	0.29	0.46	0.50	0.48
Interest Cover Ratio	2.90	3.22	2.80	4.10	2.60	2.16



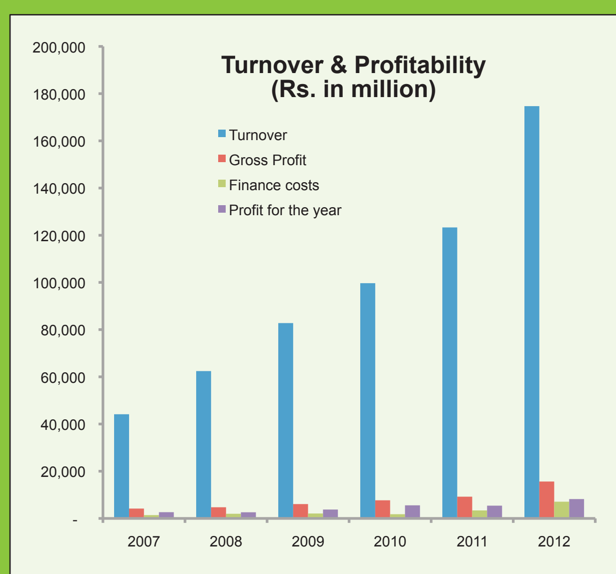




	2007	2008	2009	2010	2011	2012
Return on Equity	8.99	9.04	13.04	18.70	18.27	27.17
Return on Capital Employed	10.37	12.17	14.95	15.18	15.49	25.99

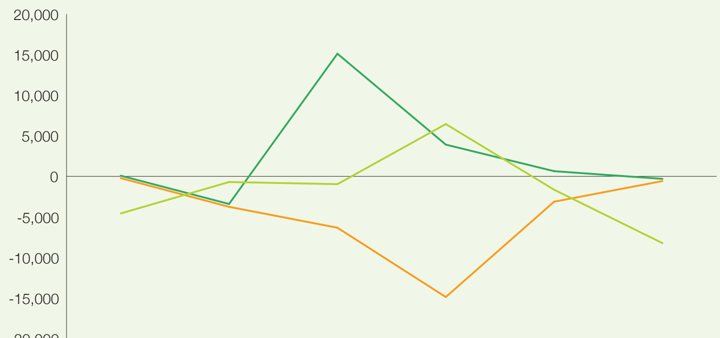


	2007	2008	2009	2010	2011	2012
No. of Days in Receivables	45	96	158	207	226	248
No. of Days in Inventory	20	13	10	8	9	6
No. of Days in Payables	23	47	132	209	209	239
Operating Cycle	42	62	36	6	26	15



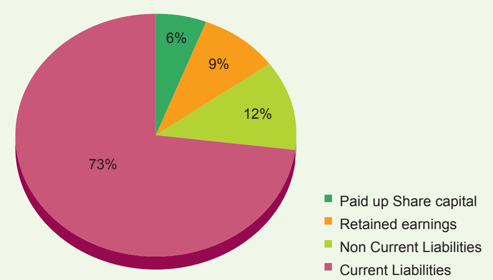
Graphical Presentation

Cash Flow for Six years at a glance (Rs. in million)

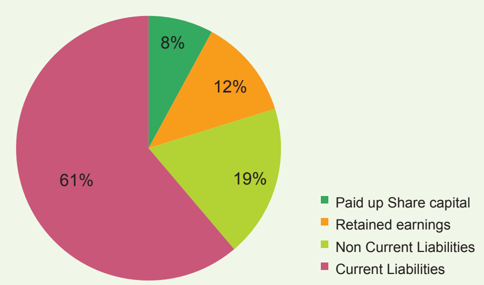


	2007	2008	2009	2010	2011	2012
Net cash from operating activities	78	(3,407)	15,114	3,913	635	(309)
Net cash from investing activities	(221)	(3,760)	(6,331)	(14,885)	(3,123)	(579)
Net cash from financing activities	(4,568)	(704)	(965)	6,438	(1,645)	(8,236)

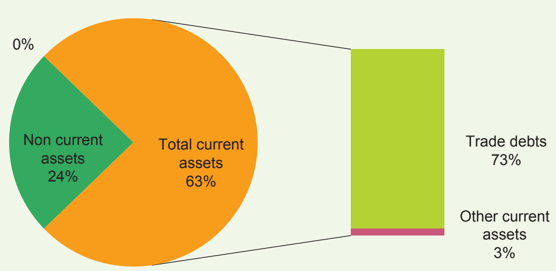
Graphic presentation of Capital Structure 2012



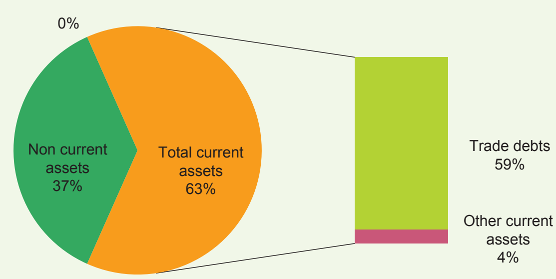
Graphic presentation of Capital Structure 2011



Composition of Total Assets 2012



Composition of Total Assets 2011



Board of Directors

1.	Mr. Mohamed Ahmed Alireza, HI	Chairman
2.	Mr. Ali Aamir	
3.	Dr. Fereydoon Abtahi	
4.	Mr. Yousuf Ahmed Y. Alireza	
5.	Dr. Asif A. Brohi	NBP Nominee
6.	Mr. Taufique Habib	
7.	Mr. Arshad A. Hashmi	
8.	Mr. Qaiser Javed*	
9.	Mr. Iqbal Ahmed Khosa	GOB Nominee
10.	Mr. Ruhail Mohammed	
11.	Mr. Ali Munir*	
12.	Mr. Inam ur Rahman	
13.	Syed Nizam A. Shah	
15.	Mr. Zafar Iqbal Sobani	Chief Executive Officer
16.	Mr. Mohammed Ashraf Tumbi	

All the Directors of HUBCO, other than the CEO, are non-executive Directors. Names marked with asterisks (*) are Independent Directors.

Profile of Board of Directors

Mohamed Ahmed Alireza

MOHAMMAD AHMED ALIREZA holds a Masters Degree in Civil Engineering, from Cornell University, USA. He has been the Chairman of Hubco since 1991.

He is also the Chairman of Xenel Group, Saudi Arabia one of the oldest trading groups in Middle East. Xenel has invested in energy, petrochemicals, infrastructure, industrial services, technology & media, healthcare, transport, logistics, building material and construction.

He was awarded the "Hilal-e-Imtiaz" by the President of the Islamic Republic of Pakistan on August 14, 1995 in recognition of his services to Pakistan.

Ali Aamir

ALI AAMIR is a Chartered Accountant qualified from The Institute of Chartered Accountants in England & Wales and is the Chief Financial Officer/Director Finance of Dawood Hercules Corporation.

He has over 27 years of varied professional experience in the fields of auditing, accounting, finance, investment & consumer banking, taxation, information technology and company secretarial affairs in senior positions with reputable companies like AF Ferguson & Co, ANZ Grindlays Bank, ICI Pakistan Ltd, and Lotte Pakistan PTA Ltd.

He currently serves as a Director on the Board of DH Fertilizers Limited, a wholly owned subsidiary of Dawood Hercules Corporation.

Fereydoon Abtahi

DR. FEREYDOON ABTAHI is a PhD from Massachusetts Institute of Technology (MIT), USA. He joined Xenel Industries Limited in 1994 and has been leading the efforts of Xenel in IPP Projects. He is currently General Manager of Infrastructure Division in Xenel Industries Limited and Vice Chairman of Al Qatrana Electric Power Company, Jordan.

His prior experience includes work at the consulting firm of Arthur D. Little Inc. in Cambridge, Massachusetts, USA where he was a senior professional staff and provided consulting services to private and government clients in the field of electric power generation.

Yousuf Ahmed Y. Alireza

YOUSUF AHMED Y. ALIREZA holds BS degree in Applied Sciences in Business from the University of San Francisco and an MBA Degree from Pepperdine University, USA.

He is Director/Partner of the Xenel Group where he has been working since 1989. He is currently responsible for the Corporate Services of the Group which includes IT and HR. He chairs XED, Xenel's Executive Education in Jeddah. He also chairs and is member of the board of some of Xenel's subsidiaries.

Prior to joining Xenel Group, Mr. Alireza briefly worked for Mobil Oil, New York, and Morgan-Grenfell Investment Bank in London.

Dr. Asif A. Brohi

DR. ASIF A. BROHI is an MBA from Northrop University, USA and PhD in Public Administration from University of Karachi.

He has over 15 years experience in the Banking Sector.

He is the Nominee Director of National Bank of Pakistan (NBP) on Hubco Board from February 22, 2011. He has previously been attending Hubco Board meetings as a Alternate Director.

Taufique Habib

TAUFIQUE HABIB holds a Bachelor Degree in Science from University of Karachi.

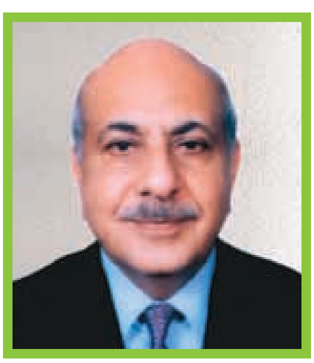
He has more than 38 years experience with Pakistan Industrial Development Corporation (PIDC), Pak Iran Textiles Company Limited and Pak Suzuki Motor Company Limited.

He has been elected on Hubco Board since 2000. He is also on the Board of Golden Arrow Selected Stock Fund, Mirpurkhas Sugar Mills Limited & Pakistan Reinsurance Company Ltd.

Arshad A. Hashmi

ARSHAD A. HASHMI is a Fellow of the Institute of Chartered Secretaries. He has over 40 years of experience in Finance, Corporate and Secretarial, Risk Management and Insurances with various companies in Pakistan.

He joined Hubco in 1993. He was the Company Secretary and was responsible for all secretarial matters and insurances. Mr. Hashmi retired from the Company on June 30, 2011.



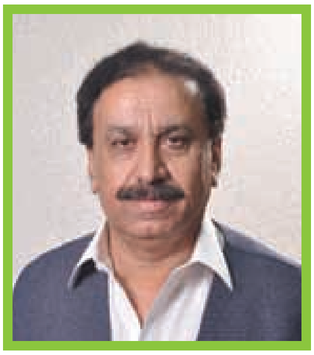
Qaiser Javed

QAISER JAVED is a Fellow of the Institute of Chartered Accountants of Pakistan.

He has over 30 years of experience and is presently Director Finance of Fauji Foundation. He is a Nominee Director of Fauji Foundation on several of its companies.

He was elected on the Board of Hubco in 2006. In the Power Sector he is also a Director of Daharki Power Holdings Limited, Foundation Wind Energy I & II Limited, and Fauji Kabirwala Power Company Ltd.

Profile of Board of Directors



Iqbal Ahmed Khosa

IQBAL AHMED KHOSA holds Masters in Political Science degree from the University of Baluchistan. He has over 24 years of experience in the Administration/public sector and is presently Secretary, Industries and Commerce, Government of Baluchistan.

He represents the Government of Baluchistan on the Board of Hubco.

Ruhail Mohammed

RUHAIL MOHAMMED is an MBA in Finance and is the President and Chief Executive Officer of Engro Fertilizers Limited since May 2012. Previously he has served as the Senior Vice President and Chief Financial Officer of Engro Corp and also the Chief Executive of Engro Powergen Limited. Prior to his association with Engro, he has worked in various senior positions in Pakistan, UAE and Europe.

He is on the Boards of Engro Corporation as well as a number of its subsidiaries.

He is also on the Board of Pakistan Mercantile Exchange, Cyan Ltd and Pakistan Institute of Corporate Governance.

Ali Munir

ALI MUNIR is a Fellow of the Institute of Chartered Accountants of Pakistan and also holds LLB degree from the University of Punjab. He is also a Member of the Institute of Chartered Accountants in England and Wales.

He has over 30 years experience and is presently Senior Executive Vice President and Group Head Strategic Planning & Investments in MCB Bank Limited. He has also worked with Saudi American Bank and Habib Bank Ltd.

He was elected on the Board of Hubco in 2006. He is also a Director of Adamjee Insurance Co. Ltd.

Inam ur Rahman

INAM UR RAHMAN holds B.S. Electrical Engineering degree from UET Lahore and an MBA from LUMS. Inam has more than 20 years of experience in engineering and operations across various business sectors. He is presently the Chief Executive of Dawood Lawrencepur Limited, the renewable energy company of the DH Group.

He also heads Tenaga Generasi Limited a special purpose company setting up a 50MW Wind Energy Project in Sindh. He is a Director on the Boards of Sindh Engro Coal Mining Company Limited, SACH International (Private) Limited and Pebbles (Private) Limited.

Syed Nizam A. Shah

SYED NIZAM A. SHAH is a founder Director on the Board of Hubco.

He has long experience in the corporate sector in Pakistan leading to Chief Executiveships of the largest multinational company operating in Pakistan (Pakistan Tobacco Company/BAT) and the largest development finance institution of the Government of Pakistan (NDFC). He has also served on the Boards of major multinational companies and Boards of Public Sectors Corporations including Habib Bank Limited and Civil Aviation Authority. He served as the President of Overseas Chamber of Commerce & Industry (1985-88) and on the Advisory Councils of Ministries of Commerce and Finance and the Privatization Commission.

Zafar Iqbal Sobani

ZAFAR IQBAL SOBANI joined Hubco as CEO on July 01, 2011 and has more than 27 years of industry experience at senior management level in power, paper and board sectors while working with Multinational Companies and large size local conglomerates.

He is a Fellow of the Institute of Charter ed Accountants of Pakistan (ICAP) and is currently Chairman of the Quality Assurance Board. He was president of ICAP during the year 2004-05. He has also been associated with inter nationally reputed audit practice firms in Pakistan and Middle East in the initial part of his career.

He is also Chairman of Laraib Energy Limited, a Hubco subsidiary.

Mohammed Ashraf Tumbi

MOHAMMED ASHRAF TUMBI is a Fellow of the Institute of Chartered Accountants of Pakistan and a graduate of Stanford Executive Program, Stanford University, USA.

He has contributed significantly in the development of the project and has been on its Board since inception. He has also served the Company as CEO from January 2005 to February 2006.

He is currently the Chief Financial Officer of the Xenel Group and a member of its Board Executive Committee and is also on the Board of Laraib Energy Limited, a Hubco subsidiary.

View of Hub Plant

Committees of the Board

All members of the Committees are non-executive Directors.

AUDIT COMMITTEE

Charter/Major Terms of Reference

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

Members		Meetings attended
1. Mohammed Ashraf Tumbi	Chairman	5
2. Ali Aamir*		-
3. Qaiser Javed		4
4. Ruhail Mohammed*		-
5. Ali Munir		4
6. Robin A. Bramley (outgoing Director)		5
7. Malcolm P. Clampin (outgoing Director)		5

Meetings held during the year - 5

HUMAN RESOURCES AND REMUNERATION COMMITTEE

Charter/Major Terms of Reference

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

Members		Meetings attended
1. Mohammed Ashraf Tumbi	Chairman	4
2. Taufique Habib		4
3. Ruhail Mohammed*		-
4. Inam ur Rahman*		-
5. Syed Nizam A. Shah		4
6. Robin A. Bramley (outgoing Director)		4
7. Malcolm P. Clampin (outgoing Director)		4

Meetings held during the year - 4

* Joined Committees on June 25, 2012.

OPERATIONS COMMITTEE

Charter/Major Terms of Reference

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

Members		Meetings attended
1. Mohammed Ahmed Alireza	Chairman	4
2. Dr. Fereydoon Abtahi		4
3. Taufique Habib		4
4. Arshad A. Hashmi		3
5. Qaiser Javed		2
6. Inam ur Rahman*		-
7. Robin A. Bramley (outgoing Director)		4

Meetings held during the year - 4

CORPORATE COMMUNICATIONS COMMITTEE

Charter/Major Terms of Reference

- Monitor Social Action Programmes.
- Monitor Public Relations.

Members		Meetings attended
1. Syed Nizam A. Shah	Chairman	2
2. Ali Aamir*		-
3. Arshad A. Hashmi		1
4. Qaiser Javed		2
5. Dr. Asif A. Brohi		1
6. Robin A. Bramley (outgoing Director)		2

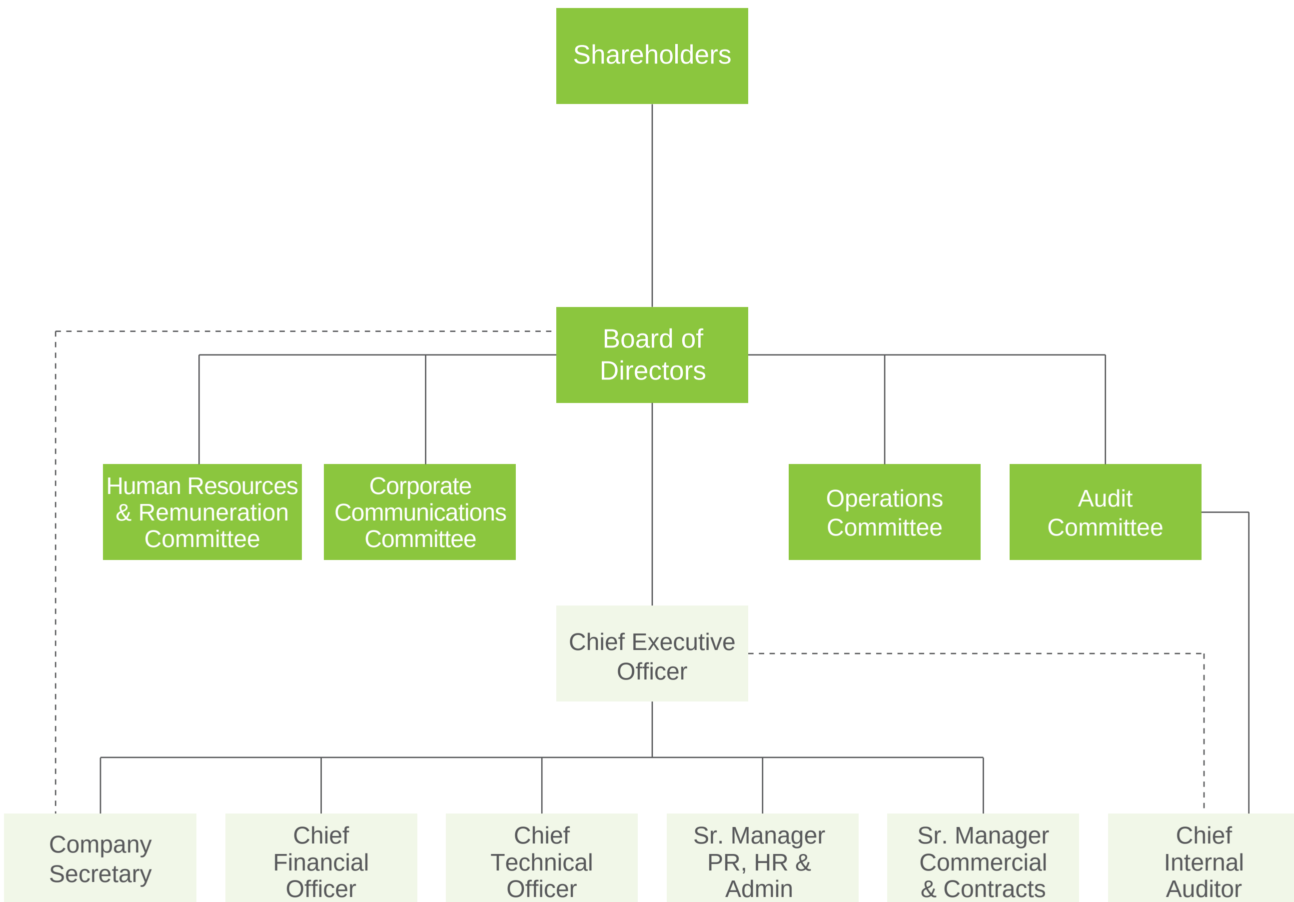
Meetings held during the year - 2

Management Team

From left to right

Shamsul Islam, Abdul Vakil, Abdul Nasir, Zafar Iqbal Sobani
Huma Pasha, Lesley A. Middlecoat and Mustafa Giani

Organogram of HUBCO



LEGENDS

——— Functional Reporting

- - - - Administrative Reporting

The Company continues to supply reliable and uninterrupted electricity and during the year we have been able to supply 9,091 GWh corresponding to 9.9% of the Country's generation of electricity.

Chairman’s Review

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

On behalf of your Board I am pleased to present the Annual Report of the Hub Power Group for the year ended June 30, 2012.

We now have two plants the 1,200 MW net output RFO fired Plant based on steam turbines located on the Hub River estuary in Baluchistan and 214 MW net output RFO fired Plant based on diesel engines located in Narowal District in Punjab. Our 75% owned subsidiary Laraib Energy Limited which is setting up a 84 MW hydel plant near Mangla Dam is under construction and is expected to be operational by middle of 2013. This will be the first hydel IPP of Pakistan.

Our Hub Plant continues to supply reliable and uninterrupted electricity and during the year we have been able to supply 7,770 GWh corresponding to a load factor of 73.7%. Our Narowal Plant supplied a further 1,321 GWh into the national grid during the year corresponding to a load factor of 70.4%. Our operational and maintenance regime conforms to best international standards.

Xenel Industries and International Power the two sponsoring shareholders of the Company sold their entire shareholding comprising about 30% during the year. Xenel shares were sold to financial institutions through the bourse and major part of the shares of International Power was sold to Dawood Hercules Group.

WAPDA's liquidity problems remains unresolved putting pressure on Company's financials. The Company remains in constant communication with the highest levels of WAPDA and the Federal Government for immediate settlement of the outstanding amounts.

Our Social Action Programme continues to serve and assist the needy in the vicinity of our plants. We continue to provide health care and assistance to the schools in the vicinity of our plants. Our sponsored Eye Clinics bring much needed care and relief in the area and our university scholarships continue to support female students in Baluchistan.

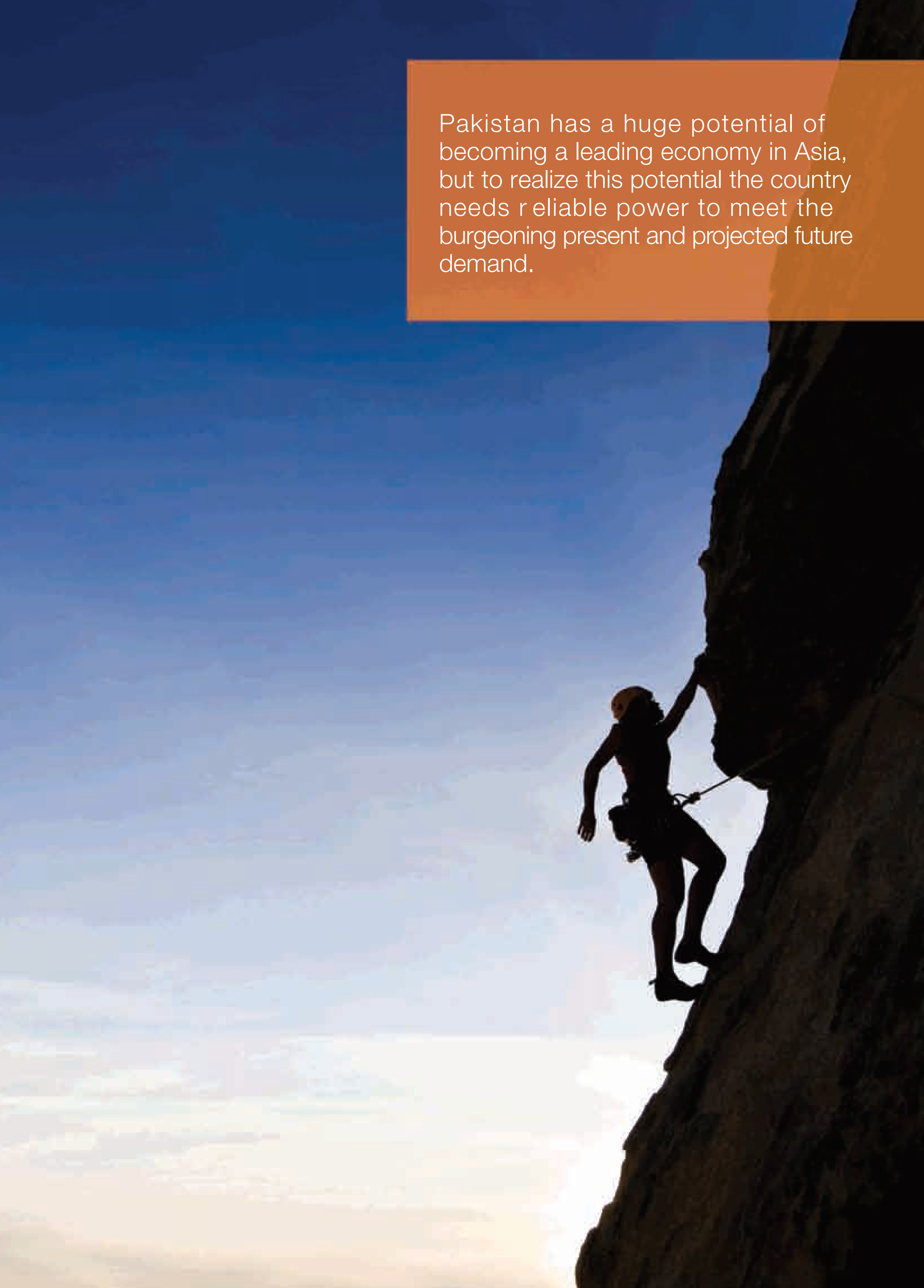
I acknowledge the contribution of all the stakeholders in the progress of The Hub Power Company Limited and on behalf of all our shareholders thank the employees in Hubco, Narowal and Laraib as well as our operators International Power Global Developments Ltd. and TNB REMACO Pakistan (Private) Ltd. for contributing to our continued success.

Karachi: July 18, 2012

Mohamed Ahmed Alireza, HI
Chairman

High oil prices will continue to exert pressure on the cost of generation for thermal plants. The country needs to move to clean coal technology for electricity generation using indigenous supply sour ces and set-up LNG import and degasification facilities at the earliest to cater for electricity and gas shortage in the short and medium terms. In the long term the country needs to set up hydel plants at every viable site.

Pakistan has a huge potential of becoming a leading economy in Asia, but to realize this potential the country needs reliable power to meet the burgeoning present and projected future demand.



Report of the Directors

The Directors are pleased to present the Annual Report and the audited financial statements of the Company for the year ended June 30, 2012 together with the auditors' report thereon.

General

The Hub Power Company Limited (the "Company") was incorporated in Pakistan on August 1, 1991 as a public limited company under the Companies Ordinance, 1984 and commenced commercial operations in March 1997. The shares of the Company are listed on the Karachi, Lahore and Islamabad Stock Exchanges and its Global Depository Receipts are listed on the Luxembourg Stock Exchange.

The principal activities of the Company are to develop, own, operate and maintain power stations. The Company owns an oil-fired power station with an installed net capacity of 1,200 MW at Mouza Kund, Hub in Baluchistan and an installed net capacity of 214 MW oil-fired power station at Mouza Poong, Narowal in Punjab. The Company also has a 75% controlling interest in Laraib Energy Limited, a subsidiary company that is developing an 84 MW hydel power plant near the New Bong Escape, 8 km downstream of Mangla Dam in Azad Kashmir.

Nature of Business

Industry

The Company is involved in the generation and supply of electricity to Pakistan's national grid. Historically, Pakistan faced electricity deficit from 1990 to 1997. The demand and supply of electricity was balanced in 1997. From 1997 onwards, the generation capacity exceeded demand and it was expected that the electricity demand and supply position would reach equilibrium by 2004 based on the expected demand of 5% per annum. A new power policy was introduced in 2002 for thermal plants however new plants were only considered after revision of the policy in 2005. New plants started coming on line from 2009 and full potential of the new capacities has not been exploited due to persistent circular debt issues and also non availability of gas to these new power plants. On the other hand increase in demand of power between 2001 and 2008 was higher than expected . This gap is likely to persist over the next few years. Any slippage in the addition of new generation capacity or fuel availability will further widen the gap between supply and demand.

Market, Business Model, Product Portfolio and its Legal Environment

As we are governed under a regulatory regime which requires us to sell electricity under long term agreements to Water and Power Development Authority (WAPDA) and National Transmission and Distribution Company (NTDC), these public sector organisations remain as the Company's two customers. The key financial instrument which determines the Company's income and profitability are the tariff agreements under which the price of electricity is determined by the regulatory authority National Electricity Power Regulatory Authority (NEPRA). An important element in these agreements is the Company's ability to convert fuel into energy at an efficiency level equal to or better than that specified in the Power Purchase Agreement (PPA).

Fuel for the Hub Plant is purchased from Pakistan State Oil (PSO) whose capability to supply is guaranteed by the Government of Pakistan (GOP) under the Implementation Agreement (IA). In the case of Narowal, fuel supply is from a private sector company whose performance is not covered by any sovereign guarantee.

PPAs with WAPDA/NTDC, electricity off-take and related payments are guaranteed by the GOP through a sovereign guarantee under the IA.

Our Projects

Hub Plant

Our Hub Plant continues to supply reliable and uninterrupted electricity to the national grid. During the year the plant generated 7,770 GWh of electricity (2011: 8,115 GWh) corresponding to a load factor of 73.7% (2011: 77.2%). The load factor is lower compared to last year primarily due to non availability of fuel a few times due to WAPDA's inability to settle their outstanding payments. International Power Global Developments Ltd., a subsidiary of International Power GDF Suez is the operator of the plant.

Our operational and maintenance regime conforms to the best international standards and the Company continues to invest in balancing, modernization and rehabilitation of key strategic components of plant and machinery.

Narowal Plant

Our Narowal Plant operated for two and a half months during the previous year as it achieved commercial operations in April 2011. During the period under review it generated 1,321 GWh of electricity for the national grid. The load factor for the current year was 70.4% which is on the lower side. This is mainly due to shortage of fuel caused by persistent delays in payments by the power purchaser. TNB REMACO Pakistan (Private) Limited (TNBRP) owned by Malaysia's Tenaga Nasional Berhard through its subsidiary TNB Repair and Maintenance Berhard SDN BHD is the operator of the plant. Fuel for the plant is supplied by Bakri Trading Company Pakistan (Private) Limited.

Hydel Plant

Construction activities at our subsidiary Laraib Energy Limited are in full swing. Civil structure is almost complete while mechanical and electrical construction activities are in progress. Commissioning of the plant in phases is expected to start in the last quarter of the current calendar year. Commercial operations of the plant is expected to be achieved by the middle of 2013. Sambu Construction, Korea is the EPC Contractor while Andritz, Austria is the electrical and mechanical equipment supplier.

Objectives

The Company is primarily focused in the following four areas:

- to promote energy efficiency,
- to develop renewable energy,
- to introduce and maintain environmentally efficient technologies, and
- to be a major player in the Country's power sector.

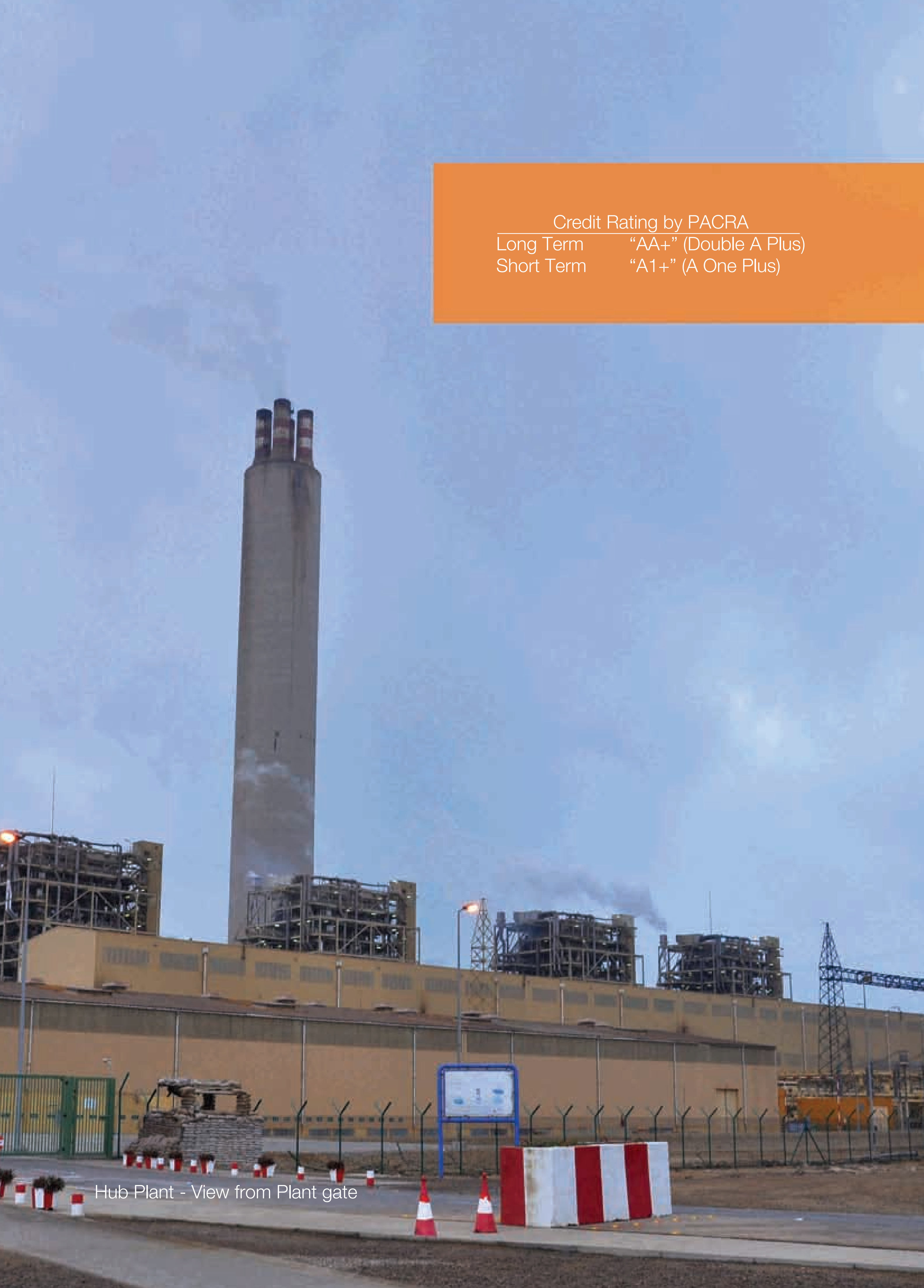
Although the two sponsoring shareholders have sold their shares, there is no significant change in the Company's objectives. Meeting customers' needs leads to enhanced shareholder value. Our strategy is to enhance shareholders' value through efficient operations of our plants whilst maintaining the highest level of safety and environmental performance. We exercise rigorous financial control in our investment decisions, and invest in the development of our people for the long-term success and sustainability of the Company.

Financial Performance

Turnover for the period was Rs. 174,712 million (2011: Rs. 123,310 million) and operating costs were Rs. 159,062 million (2011: Rs. 114,093 million). Both turnover and operating costs registered an increase in the current year compared to the previous year mainly due to higher fuel oil prices and inclusion of Narowal. The Company earned a net profit of Rs. 8,190 million during the year resulting in earnings per share of Rs. 7.08 compared to a net profit of Rs. 5,425 million and earnings per share of Rs. 4.69 last year. This was the first full year of operations for the

Narowal Plant - Night view of Decanting Station & Power House

Credit Rating by PACRA	
Long Term	“AA+” (Double A Plus)
Short Term	“A1+” (A One Plus)



Hub Plant - View from Plant gate

Narowal Plant after the start of commercial production on April 22, 2011 and that is the major reason for the increase in profit in the current year compared to last year. The increase in profit is also attributable to better efficiency gains, higher generation bonus and currency devaluation partly offset by higher financing costs.

The assets are financed by equity and debt in the ratio of 48:52 and our interest cover is 2.16 times.

Taxation

In order to limit the Company's exposure in connection with the tax on development costs case that was being contested since 1998, the Company availed a scheme offered by the Federal Board of Revenue (FBR) in May 2012. The scheme provided for the waiver of additional tax and penalties under the Income Tax Ordinance, 2001 if the initial tax demand was paid in full. Such a payment would not have an adverse impact on current legal proceedings. The Company by paying the FBR demands of Rs. 1.62 billion on 30 May 2012 and Rs. 297 million paid earlier, avoided potential penalties of Rs. 2.9 billion. The Company believes that its appeal in the Supreme Court of Pakistan is on strong legal grounds based on the opinion of our legal advisors which if decided in favour of the Company will result in a refund of the tax paid.

The interim dividend which was to be paid in April was delayed by a month due to the notices issued to the banks by FBR for the tax on development costs case.

Risk Management & Strategy for Mitigating Risks

Risk is the element of uncertainty in any given scenario. It can either be favorable or unfavorable, but following a prudent rationale, we are focused on identifying unfavorable risks so that timely management procedures can be devised to handle such situations.

At the Company we have a responsibility to safeguard our assets and protect our shareholders' interest. Therefore, we have in place a mechanism of identifying, assessing, evaluating and mitigating risks, which enables us to make appropriate decisions. The trade-off between risks and rewards is made with the sole purpose of maximizing shareholders' wealth.

The Company considers itself to be exposed to material risks, described below. One or several of these risks could have an adverse effect on the Company's activities and / or its results.

1. Operational Risk

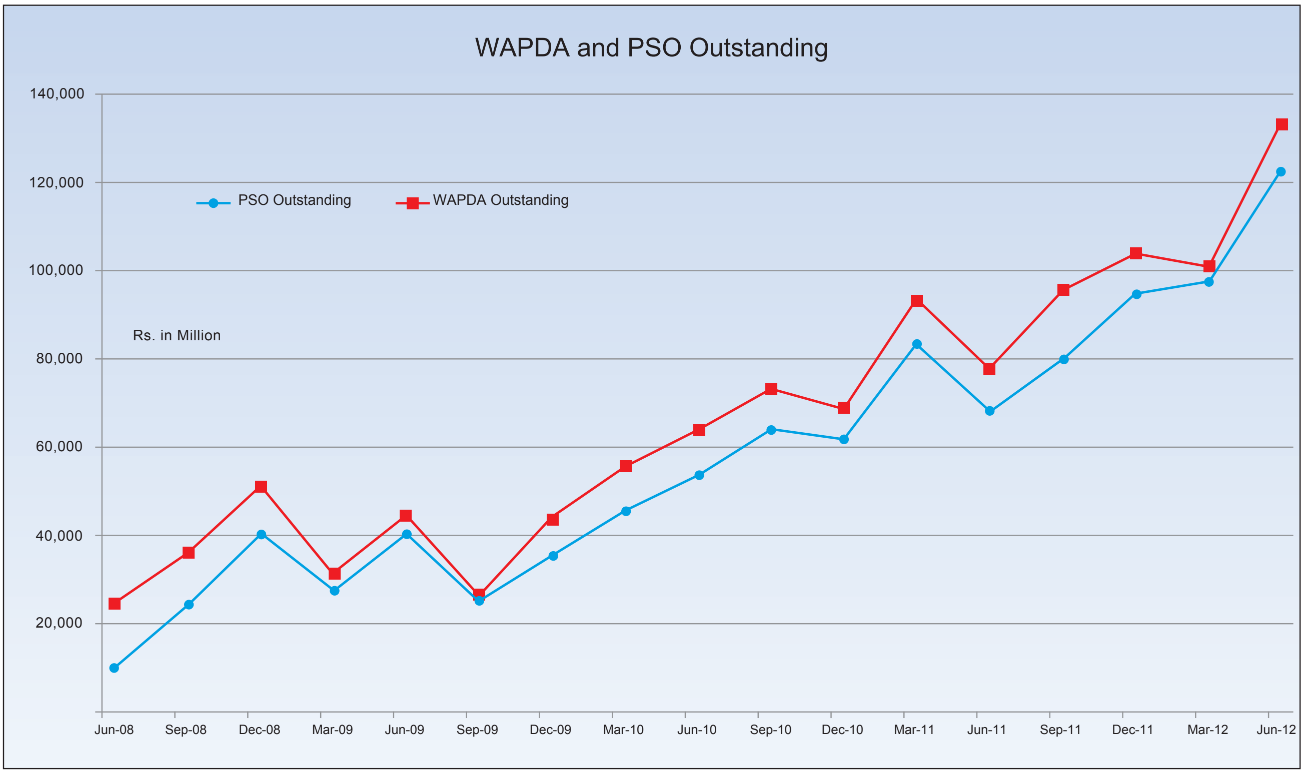
The single largest operational risk not related to the availability of fuel supply and WAPDA/NTDC's ability to make payment is the capability of our plant to maintain efficient performance in accordance with the requirements of the PPAs. This risk is covered by the performance of the Company's operators whose work practices are closely monitored and supervised by the Company staff and continued investment by the Company in plant modernization and maintenance.

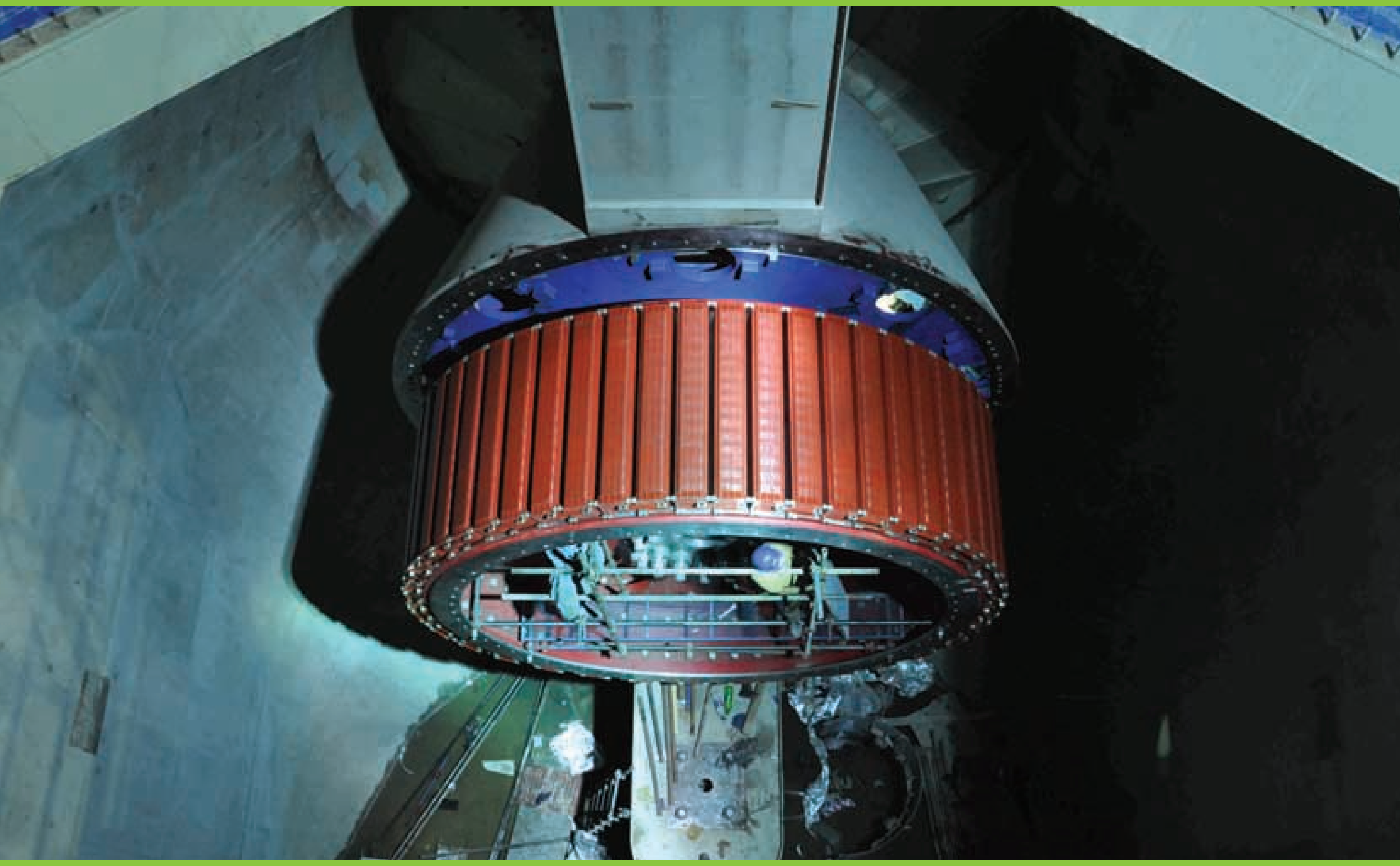
Hub Plant - View of Boiler & Turbine

View of Narowal Plant

2. *Financial Risk*

Circular debt continues to be a matter of concer n. The aggregate receivable from WAPDA as at June 30, 2012 for the Hub Plant was Rs. 133 billion of which Rs. 119 billion i s considered overdue which has resulted in the Company owing Rs. 123 billion to PSO for supply of fuel to the Hub Plant of which Rs. 108 billion is classified as overdue.





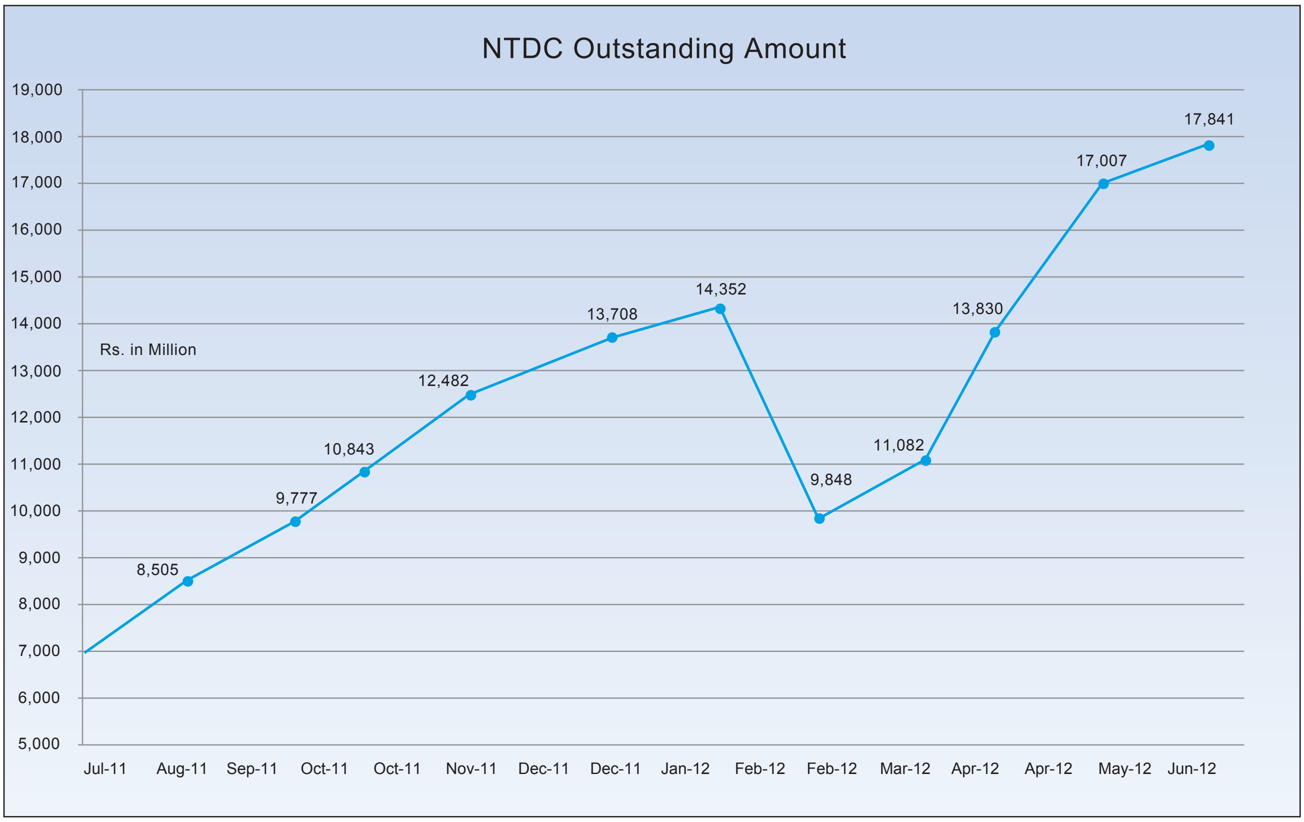
Laraib Plant - Installation of Generator

Laraib Energy Ltd. (Subsidiary of the Company) is setting up the Country's first Hydel IPP. A **84 MW** run of the river power plant 8 km downstream of Mangla Dam in Azad Jammu & Kashmir.

Laraib is also the country's first Hydel project to be registered with United Nations Framework Convention for Climate Change (UNFCCC) under Clean Development Mechanism (CDM). It would be able to trade in Carbon Credits when operational.

NTDC the power purchaser under the 2002 Power Policy for our Narowal Plant owes the Company Rs. 18 billion as at June 30, 2012 of which Rs. 11 billion is classified as overdue.

NTDC's obligations are guaranteed by the Government of Pakistan through a sovereign guarantee under the IA for Narowal.



WAPDA, our sole customer for the Hub Plant, continues to face financial difficulty and is continuously in default to meet its obligations to the Company under the PPA.

WAPDA was required to provide by May 31, 2012 a letter of credit to the Company for an amount of Rs. 23.37 billion under our PPA for the year 2012-13 which it has not been able to do. WAPDA also did not provide the letter of credit for the year 2011-12 for the amount of Rs. 19.31 billion neither did it fulfill this requirement of the PPA for the year 2010-11.

Therefore, WAPDA's obligations under the PPA are secured through a sovereign guarantee from the GOP under the IA for the Hub plant.

The Company is relentlessly pursuing WAPDA/NTDC and the GOP for early retirement of the entire outstanding amounts. The Company is also pursuing WAPDA for establishing the letter of credit for the Hub Plant as required under its PPA.

a. Credit Risk
Delays in payments by WAPDA are mainly offset by delaying payments to PSO whereas delays in payments by NTDC are mainly managed through bank borrowings and from Company's own sources.

b. Market Risk
There is no market risk as the requirements of our two customers and the country far exceed the capacity of our plants.

c. Liquidity Risk
Liquidity management remained very challenging due to high receivables from WAPDA and NTDC. As a result, the Company had to arrange for large borrowings from various financial institutions entailing high financial costs.

During the year the Company also floated two Sukuks to raise much needed working capital. The trend of ever increasing receivables coupled with excessive government borrowings and banks' sectoral limits has made it extremely difficult for companies like ours to borrow more.

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.

Stakeholder relations
Management takes stakeholder engagement very seriously and understands that engaging with all our stakeholders is the only way to ensure that we remain a responsible corporate citizen.

The Company understands its wider stakeholder community to include:
- Customers
- Suppliers
- Investors and shareholders
- Media
- Host communities (both local to our facilities and throughout Pakistan in general)
- Employees (both permanent and contractual staff)

The Company engages with all its stakeholder groups regularly.

Website
The Company's web site www.hubpower.com is now operative with its new look and vast range of features enhancing its efficacy and search engine optimization. It has detailed information on the Company and its business activities.

It would be pertinent to mention here that the SECP recently made it mandatory for listed companies to have functional websites and our website fulfills SECP's requirements.

Awards
The Company has been selected as one of the Top 25 companies for the year 2010 by Karachi Stock Exchange on December 28, 2011.

The Hub Plant has achieved ISO 9000, OHSAS 18001 and ISO 14001 certifications.

Credit Rating
The Company has continuously been receiving “AA+” (Double A Plus) as long term rating and “A1+” (A One Plus) as short term rating by PACRA. These ratings reflect the Company's financial management strength and denote very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The Company has the responsibility to safeguard its assets and protect its shareholders' interest. Therefore, have in place a mechanism of identifying, assessing, evaluating and mitigating risks, which enables the Company to make appropriate decisions. The trade-off between risks and rewards is made with the sole purpose of maximizing shareholders' wealth.

Switchyard of Narowal Plant

Human Resources

The Company has employed experienced and qualified human resources to meet the challenges ahead and to achieve its management objectives.

The Company offers a conducive work environment and employs a dedicated management team and workforce who are instrumental in achieving higher levels of productivity through continuous growth and expansion. The Company has transparent Human Resource policies, including succession planning, hiring, developing and retaining the best talent.

Apart from monetary benefits the Company provides free medical treatment to all its staff members and retirement benefits such as provident fund and gratuity.

Market share information

Pakistan's installed power generation capacity is 23,400 MW of which hydel is 28%, thermal is 69% and nuclear is 3%. Actual generation varies between 18,500 MW and 14,000 MW depending mainly on discharge of water in the rivers/watercourses for hydel generation.

For the last four years the Company has been on average contributing about 9% of the electricity generation of the country and has kept the wheels of industry spinning despite substantial amounts being overdue from the power purchasers.

Fiscal Year	Electricity Generation (GWh)	Company's share (GWh)	% age
2006 - 07	97,814	7,214	7.4%
2007 - 08	97,451	7,205	7.4%
2008 - 09	94,663	8,257	8.7%
2009 - 10	99,856	8,337	8.4%
2010 - 11	102,484	8,352	8.2%
2011 - 12	91,850	9,091	9.9%

Related Party Transactions

Related party transactions were placed before the Audit Committee and approved by the Board. These transactions were in line with the requirements of IFRS and the Companies Ordinance, 1984. The Company maintains a record of all such transactions.

Financial Statements

Financial statements of the Company have been audited without any qualification by Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, the auditors of the Company.

3D view of Laraib Plant


EDHI
115
EDHI
Donated By
HUBCO
ایدھی
EDHI
ایدھی
Donated By
HUBCO
EDHI

Corporate Social Responsibility (CSR)

The Company strongly believes that improving its environmental and social performance is inevitable for its financial success. The Company has continued with its CSR program with a focus on:

a) health support,
b) education programs,
c) energy conservation,
d) environmental protection measures,
e) community welfare schemes,
f) occupational safety & health,
g) business ethics.

The Company in its continuous efforts to positively impact the local communities that reside near our power plants has formulated policies for social development that are based on the following guiding principles:

- Adopt an approach that aims at achieving a greater balance between social development and economic development.
- Adopt new measures to accelerate and ensure the basic needs of the local population.
- Work towards elimination of all barriers for the social inclusion of disadvantaged gr oups such as the poor and the disabled.
- Give unfailing attention to children for in their hands lies the country's future. It is for their sake that health, education and environment get topmost priority in our programmes.

The Company works closely with Edhi Foundation, The Citizens Foundation, School of Leadership, LRBT, Al-Ibrahim Trust, The Kidney Centre etc. to support their programmes for Health and Education.

The main emphasis of our CSR is in District Lasbela in the province of Baluchistan, and in District Narowal in Punjab. Total spending during the year was Rs. 32.2 million.

Health

As a Company, we are not only committed to compliance with legal norms but endeavour to voluntarily go beyond that and provide quality healthcare facilities in the r egions around our plants. The Company is pr oviding annual donations to The Kidney Center and LRBT Quetta, towards medical expenses of patients from Baluchistan. Medicines are provided to the gover nment hospital in Hub and gover nment dispensaries in Gadani and surr ounding areas. The Company also organised an annual free eye clinic, conducted by specialist eye doctors. In addition the Company has donated ambulances to Edhi Foundation.

The Company also commenced preventive health services in the surroundings villages of the Narowal Power Plant, the locals benefit by having expert doctors administer to their needs. The Company also organized an eye screening program for students in collaboration with Sughra Shafi Hospital, Narowal.

Education

Education is a basic tool to bring development to an ar ea and its people. We aim to create an awareness pool of human resource both within and acr oss our area of operations. We are committed to bridging the digital divide between the haves and have-nots in educational infrastructure and facilities. The Company is involved in activities that have changed the lives of the people residing in close proximity to our power plants sites. Education is the main thrust of these activities. Major contributions made in the ar ea include fully funded TCF School at the Hub site for the children of the surrounding villages. The school came into operations in 2004 and now has about 500 students. The Company provides free pick and drop facility for the students from as far as 40 kilometers away. Students are also provided uniforms, books, school bags etc. The Company pr ovides scholarships to fifty students of Sar dar Bhadur Khan Women University, Quetta.


FIRE AND RESCUE SERVICE
HUB POWER STATION

At Narowal the Company supports local Government schools by providing free school bags, books, furniture, and carry out necessary repair and maintenance of the schools on an annual basis.

The Company has also been sponsoring Young Leader Conference (YLC) of the School of Leadership for the last ten years. Each year up to 20 students from Baluchistan are provided with an opportunity to attend this residential training programme at the Company's expense.

Energy Conservation Measures

Energy conservation measures include usage of energy savers and LED lights all around the Hub plant areas and shutting down auxiliaries and equipments wherever possible.

Occupational Health, Safety & Environment

The Company and its operators are committed to health, safety and environment. Potential risks are systematically identified and managed in a manner that any undesirable damage is minimised. HSE signs are displayed at key locations and their implementation is ensured.

The Hub Power Station site has an ongoing proactive approach to safety management. Station's commitment to safety procedures has already earned it with the Royal Society for Prevention of Accidents (RoSPA) Gold Awards consecutively for the last many years. Hub Plant has achieved 544 days since the last Lost Time Accident (LTA).

Narowal Plant is preparing for ISO 14001 certification in December 2013. Emissions at both Hub and Narowal Plants are maintained within the World Bank limits and National Environmental Quality Standards (NEQS) respectively.

Extensive tree plantation has been done at both Hub and Narowal plant areas. Trees were also donated to the Punjab Forestry Department.

Our Laraib Project is Pakistan's first hydel project to be registered with United Nations Framework Convention for Climate Change (UNFCCC) under Clean Development Mechanism (CDM). It would be able to trade in Carbon Credits when operational.

Business Ethics

The Company's Code of Business Ethics sets the minimum standards expected of the entire Team and is part of the Corporate Governance framework approved by the Board. The conduct of business should above all be characterized by honesty and integrity. Unethical practices of any sort are not to find their way into our business. All employees are expected to promote the Company's best interest whilst maintaining the highest standard of personal integrity and business practices. All employees must act at all times in the interest of Company's shareholders and must abide by the Company's stated standards of environmental safety and management

practices. No employee shall ever commit an illegal or an unethical act, or instruct and encourage another employee to do so. The laws and regulations of the country should always be observed.

The Company has communicated the code to all its employees and has also placed it on its website.

Corporate & Financial Reporting Framework

The Directors are pleased to confirm compliance with Corporate and Financial Reporting Framework of the SECP Code of Corporate Governance for the following:

(a) The financial statements prepared by the management of the Company fairly represent its state of affairs, the result of its operations, cash flows and changes in equity.
(b) Proper books of account of the Company have been maintained.
(c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
(d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
(e) The system of internal control is sound in design and has been effectively implemented and monitored.
(f) There is no doubt in the Company's ability to continue as a going concern.

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

Year ended June		2012	2011	2010	2009	2008	2007
Turnover	Rs. In millions	174,712	123,310	99,694	82,784	62,435	44,131
Profit	"	8,190	5,425	5,556	3,781	2,601	2,654
Assets	"	207,817	146,240	122,696	90,186	62,697	44,994
Reserves	"	19,196	17,949	18,310	17,961	16,899	17,481
Dividend	"	6,943	5,786	5,207	2,719	3,182	3,587
Dividend per Share	Rs.	6.00	5.00	4.50	2.35	2.75	3.10
Generation	GWh	9,091	8,352	8,337	8,257	7,205	7,214

Value of investments of provident fund and gratuity fund based on their respective audited accounts as at June 30, 2011 are as follow:

	Rs. In millions
Provident Fund	68.629
Gratuity Fund	61.390

Information in relation to Luxembourg Stock Exchange

The Directors in compliance with the requirements of the law of 11 January 2008 on transparency requirement for issuers of securities are pleased to confirm that to the best of their knowledge, the financial statements for the year ended June 30, 2012 give a true and fair view of the assets, liabilities, financial position and financial results of the Company and are in conformity with approved accounting standards as applicable in Pakistan. Further, the aforementioned management report includes a fair review of the development and performance of the Company together with the potential risks and uncertainties faced, if any.

Ownership

During the year two sponsoring shareholders owning about 30% of the Company's paid up capital sold their entire holdings. Xenel sold its shares to financial institutions through the bourse while International Power divested a major portion of its holding to Dawood Hercules Group.

Laraib Plant - General View of Intake Slab

Board of Directors

The current members of the Board are listed on Page No. 31.

During the year and up to the date of this report the following changes took place:

Mr. Ahmed Raza Khan nominee of Government of Baluchistan resigned on January 17, 2012 and Mr. Iqbal Ahmed Khosa was appointed as the Nominee Director of Baluchistan on February 8, 2012.

Mr. Robin A. Bramley, Mr. Malcolm P. Clampin and Mr. Philippe F. A. L. Salmon resigned on June 13, 2012 and Mr. Ali Aamir, Mr. Ruhail Mohammed and Mr. Inam ur Rahman were appointed as Directors on June 25, 2012.

During the year, 8 meetings of the Board of Directors were held. Attendance by the Directors and their alternates was as follows:

1)	Mr. Mohammed Ahmed Alireza	8
2)	Mr. Ali Aamir *	1
3)	Dr. Fereydoon Abtahi	8
4)	Mr. Yousuf Ahmed Y. Alireza	8
5)	Dr. Asif Brohi	4
6)	Mr. Taufique Habib	8
7)	Mr. Arshad A. Hashmi	7
8)	Mr. Qaiser Javed	6
9)	Mr. Iqbal Ahmed Khosa	2
10)	Mr. Ruhail Mohammed *	-
11)	Mr. Ali Munir	7
12)	Mr. Inam ur Rahman *	-
13)	Syed Nizam A. Shah	8
14)	Mr. Zafar Iqbal Sobani	8
15)	Mr. Mohammed Ashraf Tumbi	8

Meetings attended by outgoing Directors:

1)	Mr. Ahmed Raza Khan	2
2)	Mr. Robin A. Bramley	7
3)	Mr. Malcolm P. Clampin	7
4)	Mr. Philippe F.A.L. Salmon	7

(*) joined Board on June 25, 2012

The Pattern of Shareholding as required under the Code of Corporate Governance is attached with this Report.

Directors' Training

The Board at its meeting held in February 2010 discussed the SECP requirement that at least one Director of the Company shall be required to have such certification. As a result, the Company has decided that a minimum of one Director shall acquire the said certification each year under this programme.

During the year one of the Directors completed his Corporate Governance Leadership Skills Programme (formerly Board Development Series) and has become the first Director of the Company to participate in this formal SECP sponsored director training process.

Appropriation

The Board of Directors have pleasure in recommending a final dividend of Rs. 3 per share. This will be paid to the shareholders on the Company's Register on September 14, 2012. An interim dividend of Rs. 3 per share that was declared on February 8, 2012 has already been paid in May 2012. The total dividend to be approved by the shareholders at the Annual General Meeting to be held on Thursday, September 27, 2012 will be Rs. 6 per share.

Movement in un-appropriated profit is as follows:

	Rs. In millions
NET PROFIT FOR THE YEAR	8,190
Un-appropriated profit at the beginning of the year	17,949
Profit available for appropriation	26,139
APPROPRIATIONS	
Final dividend for the fiscal year 2010-2011 @ Rs. 3.00	(3,471)
Interim dividend for the fiscal year 2011-2012 @ Rs. 3.00	(3,472)
	(6,943)
Un-appropriated profit at the end of the year	19,196
Basic and diluted earnings per share	Rs. 7.08

The Directors would like to draw your attention to the second last paragraph in the Auditors' Report relating to note 21.9 to the unconsolidated financial statements.

Forward Looking Information

Energy is essential for the growth and development of any country. Pakistan has a huge potential of becoming a leading economy in Asia, but to realize this potential the country needs reliable power to meet the burgeoning present and projected future demand. In this regard, the Company continues to invest in the power generation sector, despite various challenges.

High oil prices will continue to exert pressure on the cost of generation for thermal plants. The country needs to move to clean coal technology for electricity generation using indigenous supply sources and set-up LNG import and degasification facilities at the earliest to cater for electricity and gas shortage in the short and medium terms. In the long term the country needs to set up hydel plants at every viable site.

The Company at present is operating under a very difficult and challenging scenario since trade receivables as at end of the year are over Rs 151 billion. Unfortunately the Government could not resolve the circular debt problem on permanent basis despite all the stakeholders being clear on the reasons behind the circular debt. This state of affairs has resulted in negative impact on new investment opportunities in the power sector by private investors.

Auditors

The retiring auditors Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants being eligible offer themselves for reappointment.

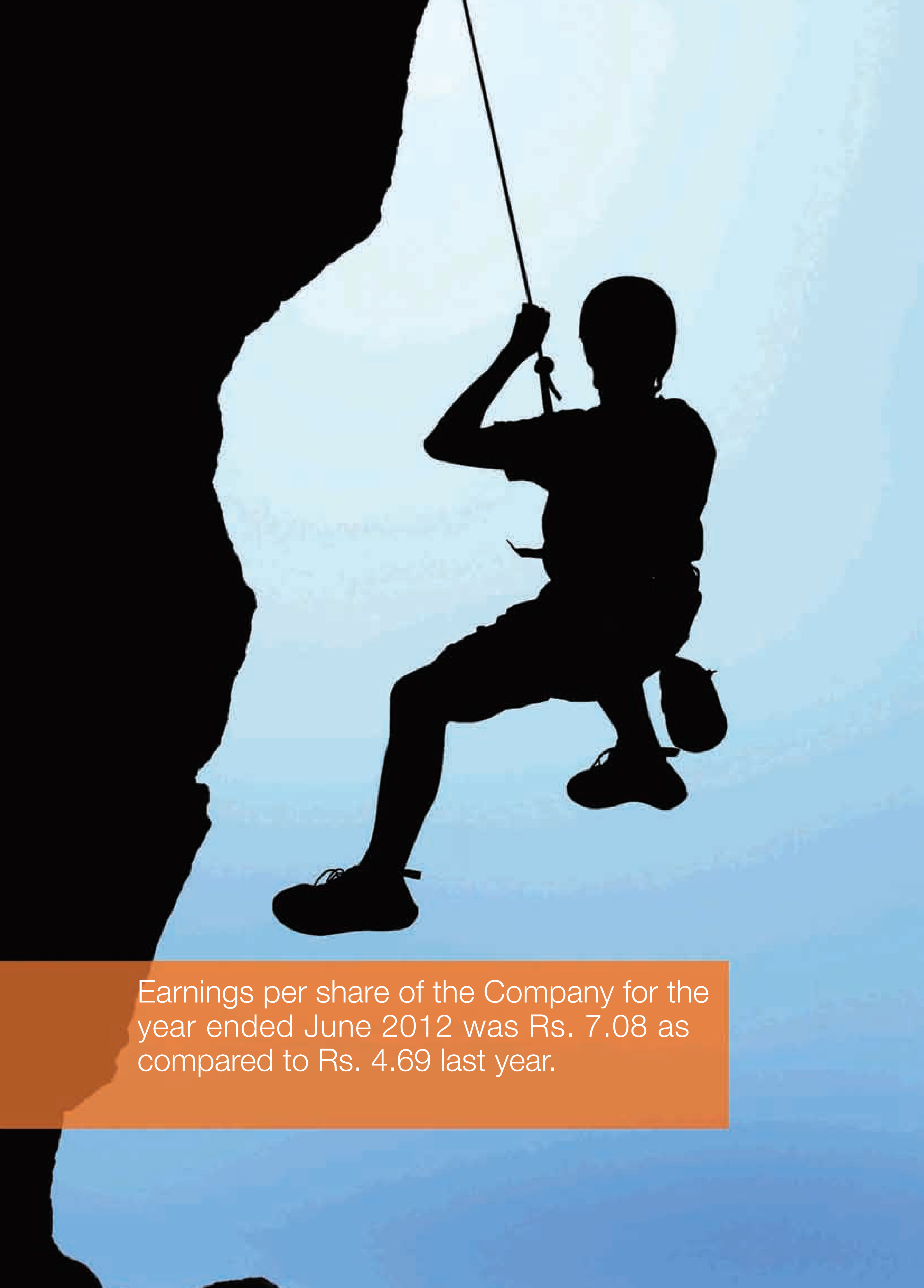
We are thankful to our shareholders for the trust and confidence reposed in the Company.

We are also grateful to our employees who are our assets for their efforts in the Company achieving its results.

By order of the Board

Karachi: July 18, 2012

Zafar Iqbal Sobani
Chief Executive Officer



Earnings per share of the Company for the year ended June 2012 was Rs. 7.08 as compared to Rs. 4.69 last year.

Statement of Compliance with Code of Corporate Governance

For the year ended June 30, 2012

This statement is being presented to comply with the Code of Corporate Governance (the “Code”) contained in the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

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

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

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

3. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	Qaiser Javed
	Ali Munir
Executive Directors	Zafar Iqbal Sobani
Non-Executive Directors	Mohamed Ahmed Alireza, HI
	Ali Aamir
	Dr. Fereydoon Abtahi
	Yousuf Ahmed Y. Alireza
	Dr. Asif A. Brohi
	Taufique Habib
	Arshad A. Hashmi
	Iqbal Ahmed Khosa
	Ruhail Mohammed
	Inam ur Rahman
	Syed Nizam A. Shah
	Mohammed Ashraf Tumbi

The independent directors meets the criteria of independence under clause i (b) of the Code.

4. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.

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

6. Casual vacancies occurred on the Board and were filled up by the directors within 30 days.

7. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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

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

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

11. The Company arranged briefings for its Directors to apprise them of their duties and responsibilities. A Director also acquired certification of “Corporate Governance Leadership Skills Programme” conducted by the Pakistan Institute of Corporate Governance (PICG).

12. The Board has approved appointment of CFO, Chief Technical Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment as determined by the CEO.

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

14. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

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

16. The Company has complied with all the corporate and financial reporting requirements of the Code.

17. The Board has formed an Audit Committee. It comprises five members, two of them are independent and three are non-executive directors including the Chairman.

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

19. The Board has formed an Human Resources and Remuneration Committee. It comprises five members, all of them are non-executive directors including the Chairman.

20. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

21. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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

23. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).

24. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors.

25. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).

26. We confirm that all other material principles enshrined in the Code have been complied with.

By order of the Board

Karachi: July 18, 2012

Zafar Iqbal Sobani
Chief Executive Officer

Hub Plant

Narowal Plant

Laraib Plant

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan
Tel: +9221 3565 0007
Fax: +9221 3568 1965
www.ey.com

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended **30 June 2012** prepared by the Board of Directors of The Hub Power Company Limited (the Company) to comply with the regulations of the respective Stock Exchanges, where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code for the year ended **30 June 2012.**

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

18 July 2012

Karachi

Unconsolidated Financial Statements

Contents

Auditors' Report To The Members	72
Unconsolidated Profit & Loss Account	74
Unconsolidated Statement of Comprehensive Income	75
Unconsolidated Balance Sheet	76
Unconsolidated Cash Flow Statement	77
Unconsolidated Statement of changes in Equity	78
Notes to the Unconsolidated Financial Statements	79

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan
Tel: +9221 3565 0007
Fax: +9221 3568 1965
www.ey.com

Auditors' Report To The Members

We have audited the annexed unconsolidated balance sheet of The Hub Power Company Limited as at 30 June 2012 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

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

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

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

EY Ford

c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2012 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

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

We draw attention to note 21.9 to the unconsolidated financial statements which describes the uncertainty related to the outcome of the tax contingency. Our opinion is not qualified in respect of this matter.

The unconsolidated financial statements of the Company for the year ended 30 June 2011 were audited by another firm of Chartered Accountants whose report dated 08 September 2011 expressed an unqualified opinion thereon.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Riaz A. Rehman Chamdia

18 July 2012

Karachi

Unconsolidated Profit and Loss Account

For the year ended June 30, 2012

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
Turnover	3	174,712,187	123,309,604
Operating costs	4	(159,061,500)	(114,092,576)
GROSS PROFIT		15,650,687	9,217,028
Other income	5	35,107	26,684
General and administration expenses	6	(413,326)	(436,708)
Finance costs	7	(7,082,790)	(3,382,172)
Workers' profit participation fund	8	-	-
PROFIT FOR THE YEAR		8,189,678	5,424,832
Basic and diluted earnings per share (Rupees)	27	7.08	4.69

The annexed notes from 1 to 33 form an integral part of these unconsolidated financial statements.

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

Unconsolidated Statement of Comprehensive Income

For the year ended June 30, 2012

	2012 (Rs. '000s)	2011 (Rs. '000s)
Profit for the year	8,189,678	5,424,832
Other comprehensive income for the year	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	8,189,678	5,424,832

The annexed notes from 1 to 33 form an integral part of these unconsolidated financial statements.

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

Unconsolidated Balance Sheet

As at June 30, 2012

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	9	46,037,896	48,890,480
Intangibles	10	24,796	6,698
Investment in subsidiary		4,674,189	4,034,361
Long term advance, deposits and prepayments	11	39,838	50,652
CURRENT ASSETS			
Stores and spares		1,084,981	995,820
Stock-in-trade		1,774,241	3,773,699
Trade debts	12	151,161,169	85,806,069
Advances, prepayments and other receivables	13	2,522,519	1,066,697
Cash and bank balances	14	497,031	1,615,203
		157,039,941	93,257,488
TOTAL ASSETS		207,816,660	146,239,679
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Share Capital			
Authorised	15	12,000,000	12,000,000
Issued, subscribed and paid-up	15	11,571,544	11,571,544
Revenue Reserve			
Unappropriated profit		19,195,545	17,948,793
		30,767,089	29,520,337
NON-CURRENT LIABILITIES			
Long term loans	16	25,834,390	27,231,358
Deferred liability - Gratuity	17	10,652	19,320
CURRENT LIABILITIES			
Trade and other payables	18	127,711,782	74,177,088
Interest / mark-up accrued	19	1,638,555	1,596,824
Short term borrowings	20	19,688,469	11,682,276
Current maturity of long term loans	16	2,165,723	2,012,476
		151,204,529	89,468,664
COMMITMENTS AND CONTINGENCIES	21		
TOTAL EQUITY AND LIABILITIES		207,816,660	146,239,679

The annexed notes from 1 to 33 form an integral part of these unconsolidated financial statements.

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

Unconsolidated Cash Flow Statement
For the year ended June 30, 2012

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		8,189,678	5,424,832
Adjustments for:			
Depreciation		2,673,691	1,953,856
Amortisation		15,854	3,877
(Gain) / loss on disposal of fixed assets		(73)	744
Staff gratuity		22,175	16,033
Interest income		(7,194)	(11,722)
Interest / mark-up		6,842,300	3,119,728
Amortisation of transaction cost		67,787	12,432
Operating profit before working capital changes		17,804,218	10,519,780
Working capital changes	25	(11,289,153)	(7,753,020)
Cash generated from operations		6,515,065	2,766,760
Interest received		7,219	11,930
Interest / mark-up paid		(6,800,569)	(2,131,050)
Staff gratuity paid		(30,843)	(12,402)
Net cash (used in) / from operating activities		(309,128)	635,238
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure - net		139,960	(1,236,885)
Proceeds from disposal of fixed assets		5,054	4,194
Investment in subsidiary		(735,345)	(1,843,896)
Long term advance, deposits and prepayments		10,814	(46,519)
Net cash used in investing activities		(579,517)	(3,123,106)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(6,924,212)	(5,775,871)
Proceeds from long term loans - Narowal plant - net		-	2,172,360
Proceeds from long term loans - Laraib's investment		738,263	3,367,794
Repayment of long term loans - Hub plant		(979,062)	(979,061)
Repayment of long term loans - Narowal plant		(1,070,709)	(430,142)
Net cash used in financing activities		(8,235,720)	(1,644,920)
Net decrease in cash and cash equivalents		(9,124,365)	(4,132,788)
Cash and cash equivalents at the beginning of the year		(10,067,073)	(5,934,285)
Cash and cash equivalents at the end of the year	26	(19,191,438)	(10,067,073)

The annexed notes from 1 to 33 form an integral part of these unconsolidated financial statements.

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

Unconsolidated Statement of Changes in Equity

For the year ended June 30, 2012

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
Issued capital			
Balance at the beginning of the year		11,571,544	11,571,544
Balance at the end of the year	15	11,571,544	11,571,544
Unappropriated profit			
Balance at the beginning of the year		17,948,793	18,309,733
Total comprehensive income for the year		8,189,678	5,424,832
Transactions with owners in their capacity as owners			
Final dividend for the fiscal year 2010-2011 @ Rs. 3.00 (2009-2010 @ Rs. 2.50) per share		(3,471,463)	(2,892,886)
Interim dividend for the fiscal year 2011-2012 @ Rs. 3.00 (2010-2011 @ Rs. 2.50) per share		(3,471,463)	(2,892,886)
		(6,942,926)	(5,785,772)
Balance at the end of the year		19,195,545	17,948,793
Total equity		30,767,089	29,520,337

The annexed notes from 1 to 33 form an integral part of these unconsolidated financial statements.

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

1. THE COMPANY AND ITS OPERATIONS

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

The last year profit and loss include Narowal's post Commercial Operations Date (COD) results from April 22, 2011 to June 30, 2011 on the basis of reference tariff approved by National Electric Power Regulatory Authority (NEPRA).

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Accounting convention

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

2.3 Property, plant and equipment

(a) Operating property, plant, equipment and depreciation

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

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

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

The residual value, depreciation method and the useful lives of the significant items of property, plant and equipment are reviewed and adjusted if required, at each balance sheet date.

(b) Capital work-in-progress

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

2.4 Intangible assets and amortisation

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

2.5 Impairment of non-current assets

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

2.6 Stores and spares

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

Stores and spares of Narowal plant are valued at moving average cost except for the items in transit which are stated at cost. Provision is made for slow moving and obsolete items, if any.

2.7 Stock-in-trade

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

2.8 Cash and cash equivalents

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

2.9 Provisions

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

2.10 Staff retirement benefits

The Company operates a funded defined benefit gratuity plan covering eligible employees whose period of service with the Company is at least five years. Actuarial gains and losses are amortised over the expected average remaining lives of employees as allowed under the relevant provision of IAS 19 "Employee Benefits".

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

2.11 Revenue recognition

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

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

2.12 Interest income

Interest income is recorded on accrual basis.

2.13 Foreign currency transactions and translation

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

2.14 Taxation

Income of the Company is not liable to taxation in Pakistan to the extent provided in the Implementation Agreements signed with the Government of Pakistan (GOP) and the Income Tax Ordinance, 2001 (ITO 2001). Accordingly, provision for taxation, if any, is made only on the income liable to tax at the applicable rates of tax after taking into account tax credits, rebates etc. allowable under the ITO 2001.

2.15 Dividend

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

2.16 Financial instruments

(a) Trade debts and other receivables

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

(b) Borrowings

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

(c) Trade and other payables

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

2.17 Borrowing costs

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

2.18 Investment in subsidiary

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

2.19 Use of estimates and judgements

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

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

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
3. TURNOVER			
Turnover		197,632,951	140,346,799
Less: Sales tax		(22,920,764)	(17,037,195)
		174,712,187	123,309,604
4. OPERATING COSTS			
Fuel cost		151,647,873	108,141,995
Stores and spares		155,717	13,872
Operation and Maintenance		3,366,478	2,943,737
Insurance		696,722	517,972
Depreciation	9.3	2,648,484	1,930,256
Amortisation	10.1	11,290	163
Miscellaneous		534,936	544,581
		159,061,500	114,092,576
5. OTHER INCOME			
Interest income		7,194	11,722
Gain on disposal of fixed assets		73	-
Exchange gain		27,840	14,962
		35,107	26,684

6. GENERAL AND ADMINISTRATION EXPENSES

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
Salaries, benefits and other allowances	6.1	198,160	225,506
Travel and transportation		35,931	35,244
Fuel and power		4,835	6,099
Property, vehicles and equipment rentals		10,336	11,051
Repairs and maintenance		9,114	8,610
Legal and professional		42,668	12,180
Insurance		9,109	9,061
Auditors' remuneration	6.2	7,980	3,740
Donation	6.3	32,160	37,625
Depreciation	9.3	25,207	23,600
Amortisation	10.1	4,564	3,714
Loss on disposal of fixed assets		-	744
Miscellaneous		33,262	59,534
		413,326	436,708

6.1 These include Rs. 29.420 million (2011: Rs. 25.451 million) in respect of staff retirement benefits.

6.2 Auditors' remuneration

	2012 (Rs. '000s)	2011 (Rs. '000s)
Statutory audit	1,805	1,805
Half yearly review	552	552
Tax and other services	5,295	1,273
Out-of-pocket expenses	328	110
	7,980	3,740

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

7. FINANCE COSTS

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
Hub plant			
Interest / mark-up on long term loans		763,299	931,221
Mark-up on short term borrowings		1,039,415	1,158,323
Other finance costs		125,262	116,291
		1,927,976	2,205,835
Narowal plant			
Mark-up on long term loans		3,097,446	3,060,860
Mark-up on short term borrowings		1,383,066	94,333
Amortisation of transaction cost		67,787	12,432
Other finance costs		22,813	92,137
		4,571,112	3,259,762
Laraib's investment			
Mark-up on long term loans		559,074	290,332
Unwinding of discount on share premium payable		451	37,770
Other finance costs		24,177	41,144
		583,702	369,246
		7,082,790	5,834,843
Less: amount capitalised in the cost of qualifying assets - Narowal plant		-	(2,452,671)
		7,082,790	3,382,172

8. WORKERS' PROFIT PARTICIPATION FUND

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
Provision for Workers' profit participation fund	18	409,484	271,242
Workers' profit participation fund recoverable from WAPDA / NTDC	13	(409,484)	(271,242)
		-	-

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 will bill this to WAPDA / NTDC as a pass through item under the Power Purchase Agreements (PPAs).

9. PROPERTY, PLANT AND EQUIPMENT

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
Operating property, plant and equipment	9.1	46,011,800	48,337,053
Capital work-in-progress			
Plant betterments (Hub plant)		26,096	37,751
Narowal plant		-	515,676
		26,096	553,427
		46,037,896	48,890,480

9.1 Operating property, plant and equipment

	Freehold land	Building on freehold land	Leasehold property	Plant & machinery	Furniture & fixtures	Vehicles	Office equipment	Total
	(Rs. '000s)							
Cost:								
As at July 1, 2011	68,624	528,663	862	71,651,087	29,024	96,361	8,627	72,383,248
Additions	-	290,289	-	236,779	12,709	16,494	348	556,619
Adjustments	-	-	-	(203,200)	-	-	-	(203,200)
Disposals	-	-	-	(3,195)	(1,489)	(12,110)	(316)	(17,110)
As at June 30, 2012	68,624	818,952	862	71,681,471	40,244	100,745	8,659	72,719,557
Depreciation:								
Rate (%)	-	3.33 to 20	3.33	3.33 to 33.33	20	25	20	-
As at July 1, 2011	-	106,462	480	23,852,995	27,380	53,671	5,207	24,046,195
Charge for the year	-	24,791	29	2,627,728	1,445	20,729	1,092	2,675,814
Adjustments	-	-	-	(2,123)	-	-	-	(2,123)
Disposals	-	-	-	(2,242)	(397)	(9,352)	(138)	(12,129)
As at June 30, 2012	-	131,253	509	26,476,358	28,428	65,048	6,161	26,707,757
Net book value as at June 30, 2012	68,624	687,699	353	45,205,113	11,816	35,697	2,498	46,011,800
Net book value as at June 30, 2011	68,624	422,201	382	47,798,092	1,644	42,690	3,420	48,337,053
Cost of fully depreciated assets as at June 30, 2012	-	19,148	-	245,385	27,535	19,035	3,319	314,422
Cost of fully depreciated assets as at June 30, 2011	-	18,372	-	198,062	25,565	17,740	3,161	262,900

9.2 Disposal of operating property, plant and equipment

Assets	Cost	Accumulated Depreciation	Net book value	Sale price	Mode of disposal	Particulars of buyer
	(Rs. '000s)					
Vehicle	1,875	1,211	664	674	Company policy	Mohsin Maqsood - Ex-employee
Vehicle	1,356	960	396	406	Company policy	Habibullah Khan - Ex-employee
Vehicle	1,933	1,464	469	479	Company policy	Abid Mehmood - Ex-employee
Vehicle	1,967	738	1,229	1,239	Company policy	Wasif Mustafa Khan - Ex-employee
Computer	130	61	69	92	Insurance claim	EFU General Insurance
Computer	146	20	126	-	Ex-gratia	Abid Mehmood - Ex-employee
Computer	468	208	260	12	Tender	M/s. Net Effect
Computer	368	297	71	35	Tender	M/s. Net Effect
Computer	98	44	54	-	Write-off	N/A
Equipment	74	20	54	16	Tender	M/s. Net Effect
Equipment	74	20	54	16	Tender	M/s. Net Effect
Equipment	84	22	62	17	Tender	M/s. Net Effect
Equipment	84	22	62	17	Tender	M/s. Net Effect
Equipment	84	22	62	17	Tender	M/s. Net Effect
Office equipment	242	64	178	60	Tender	M/s. Net Effect
Furniture & fixtures	1,489	397	1,092	90	Tender	M/s. Net Effect
Items having a net book value not exceeding Rs. 50,000 each						
Vehicles	4,979	4,979	-	1,767	Various	Various
Computers	1,585	1,506	79	116	Company policy	Various
Office equipment	74	74	-	1	Tender	M/s. Net Effect
Total - June 30, 2012	17,110	12,129	4,981	5,054		
Total - June 30, 2011	24,257	19,319	4,938	4,194		

9.3 Depreciation charge for the year has been allocated as follows:

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
Operating costs	4	2,648,484	1,930,256
General and administration expenses	6	25,207	23,600
Capital work-in-progress - Narowal plant		-	2,477
		2,673,691	1,956,333

10. INTANGIBLES

	Cost as at July 1, 2011	Additions	Disposals	Cost as at June 30, 2012	Accumulated amortisation as at July 1, 2011	Charge for the year	Disposals	Accumulated amortisation as at June 30, 2012	Net book value as at June 30, 2012	Net book value as at June 30, 2011
					(Rs. ,000s)					
Computer software	38,741	33,952	-	72,693	32,043	15,854	-	47,897	24,796	6,698

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
10.1 Amortisation charge for the year at 33.33% has been allocated as follows:			
Operating costs	4	11,290	163
General and administration expenses	6	4,564	3,714
		15,854	3,877

11. LONG TERM ADVANCE, DEPOSITS AND PREPAYMENTS

Advance - considered good		31,810	45,096
Deposits		5,629	3,110
Prepayments		2,399	2,446
		39,838	50,652

12. TRADE DEBTS - Secured

Considered good	12.1 & 12.2	151,161,169	85,806,069

12.1 This includes an amount of Rs. 118,585 million (2011: Rs. 70,444 million) receivable from WAPDA and Rs. 11,047 million (2011: Rs. 668 million) receivable from NTDC which are overdue but not impaired because the trade debts are secured by a guarantee from the GOP under Implementation Agreements. The overdue from WAPDA carries mark-up at SBP discount rate plus 2% per annum compounded semi-annually and the overdue from NTDC carries mark-up at a rate of 3 month KIBOR plus 4.5% per annum compounded semi-annually. The aging of these overdue receivables is as follows:

	2012 (Rs. '000s)	2011 (Rs. '000s)
Up to 3 months	50,727,482	47,255,408
3 to 6 months	48,778,269	18,727,190
Over 6 months	30,126,608	5,130,005
	129,632,359	71,112,603

12.2 This includes Rs. 373 million (2011: Rs. 373 million) relating to a tax matter (see note 21.10).

13. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
Advances - considered good			
Executives		19	353
Employees		89	74
Suppliers		24,209	39,562
		24,317	39,989
Prepayments			
LC commission and other loan related costs		20	5,724
Miscellaneous		6,422	5,673
		6,442	11,397
Other receivables			
Interest accrued		8	33
Income tax	21.9	1,912,347	296,872
Sales tax		11,484	446,790
Receivable from an associated undertaking		-	374
Workers' profit participation fund recoverable from WAPDA / NTDC	8	409,484	271,242
Miscellaneous		158,437	-
		2,491,760	1,015,311
		2,522,519	1,066,697

14. CASH AND BANK BALANCES

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
Savings accounts		496,872	1,615,128
In hand		159	75
	14.1 & 14.2	497,031	1,615,203

14.1 Savings accounts carry mark-up rates ranging between 0.50% to 6.00% (2011: 0.50% to 5.00%) per annum.

14.2 This includes Rs. 44.658 million (2011: Rs. 673.689 million) restricted for Narowal project related payments.

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

2012 (No. of Shares)	2011 (No. of Shares)		2012 (Rs. '000s)	2011 (Rs. '000s)
		Authorised:		
1,200,000,000	1,200,000,000	Ordinary shares of Rs.10/- each	12,000,000	12,000,000
		Issued, subscribed and paid-up: Ordinary shares of Rs.10/- each		
818,773,317	818,773,317	For cash	8,187,733	8,187,733
		For consideration other than cash		
338,022,463	338,022,463	-against project development cost	3,380,225	3,380,225
358,607	358,607	-against land	3,586	3,586
338,381,070	338,381,070		3,383,811	3,383,811
1,157,154,387	1,157,154,387		11,571,544	11,571,544

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

15.2 Associated undertakings held 279,694,222 (2011: 484,790,642) shares in the Company as at year end.

16. LONG TERM LOANS - Secured

From Banks / Financial Institutions	Note	As at July 01, 2011	Drawn	Repaid	Current portion	Transaction cost	As at June 30, 2012
		(Rs. '000s)					
Hub plant							
Under the Private Sector Energy Development Fund's (PSEDF I) Facility	16.1 & 16.1.1	3,934,074	-	(722,107)	(722,109)	-	2,489,858
Under the Private Sector Energy Development Fund's (PSEDF II) Facility	16.1 & 16.1.2	1,399,902	-	(256,955)	(256,953)	-	885,994
Sub Total		5,333,976	-	(979,062)	(979,062)	-	3,375,852
Narowal plant							
Commercial Facility	16.2.1	6,283,447	-	(358,425)	(408,021)	-	5,517,001
Expansion Facility	16.2.2	14,718,588	-	(712,284)	(836,414)	-	13,169,890
Transaction cost		(459,971)	-	-	57,774	67,787	(334,410)
Sub Total		20,542,064	-	(1,070,709)	(1,186,661)	67,787	18,352,481
Laraib's investment							
Syndicated term finance facility	16.3.1	2,681,874	738,263	-	-	-	3,420,137
Islamic finance facility	16.3.2	759,000	-	-	-	-	759,000
Transaction cost		(73,080)	-	-	-	-	(73,080)
Sub Total		3,367,794	738,263	-	-	-	4,106,057
Total		29,243,834	738,263	(2,049,771)	(2,165,723)	67,787	25,834,390

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

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

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

(i) the Tangible Moveable Property of the Company;
(ii) the Intellectual Property of the Company; and
(iii) all goodwill belonging to the Company.

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

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

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

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

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

16.1.1 Interest is payable @ 14% per annum.

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

16.2 In connection with Narowal plant:

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

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

The loan is secured pari passu by way of:

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

(b) a first ranking floating charge over the Project Company's undertaking and assets (both present and future), fixed and current [other than those referred in note 20.4(a)], tangible and intangible, wherever situated and all present and future trade deposits, trade debts, loans and advances, bills and other receivables in relation to the Narowal plant;

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

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

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

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

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

16.3.1 The Company has entered into a long term financing arrangement with various banks / financial institution for an amount of Rs. 3,741 million. The loan is repayable in 9 equal installments on semi-annual basis following the six months after the end of availability period which is 42 months from the facility effective date at a mark-up rate of six month KIBOR plus 2.20% per annum. The facility became effective on October 01, 2010. The mark-up is payable on semi-annual basis in arrear starting from the availability period. Any late payment by the Company is subject to an additional payment of 2% per annum above the normal mark-up rate. The loan is secured by way of second ranking / subordinated charge over all present and future undertaking and assets excluding land and buildings of the Company other than: (i) assets relating to the Narowal plant; (ii) Commercial Facility Disbursement Account; (iii) any shares in Demerged Company (special purpose vehicle that the Company may incorporate under the laws of Pakistan for the purpose of construction, ownership, operations & maintenance of Narowal plant); and (iv) present and future shares acquired in the Subsidiary including bonus shares and right shares.

16.3.2 The Company has also entered into a long term islamic financing arrangement with a bank for an amount of Rs. 759 million. The loan is repayable in 9 equal installments on semi-annual basis following the six months after the end of availability period which is 42 months from the facility effective date at a mark-up rate of six month KIBOR plus 2.20% per annum. The facility became effective on November 24, 2010. The mark-up is payable on semi-annual basis in arrear starting from the availability period. Any late payment by the Company is subject to an additional payment of 2% per annum above the normal mark-up rate. The loan is secured by way of securities mentioned in note 16.3.1.

17. DEFERRED LIABILITY

	2012 (Rs. '000s)	2011 (Rs. '000s)
Staff gratuity	10,652	19,320

Actuarial valuation was carried out as on June 30, 2012. The present value of defined benefit obligation has been calculated using the Projected Unit Credit Actuarial Cost method.

	2012 (Rs. '000s)	2011 (Rs. '000s)
Reconciliation of the net liability recognised in the balance sheet		
Present value of defined benefit obligation	108,968	97,139
Fair value of plan assets	(88,253)	(61,054)
Net actuarial losses not recognised	(10,063)	(16,765)
Net liability recognised in the balance sheet	10,652	19,320
Reconciliation of the movements during the year in the net liability recognised in the balance sheet		
Opening net liability	19,320	15,689
Expense recognised	22,175	16,033
Contributions to the fund made during the year	(30,843)	(12,402)
Closing net liability	10,652	19,320
Expense recognised		
Current service cost	8,912	8,039
Interest cost	12,827	12,816
Expected return on plan assets	(6,615)	(7,514)
Actuarial loss recognised	7,051	2,692
Expense recognised	22,175	16,033
Actual return on plan assets		
Expected return on plan assets	6,615	7,514
Actuarial gain / (loss) on plan assets	773	(1,985)
Actual return on plan assets	7,388	5,529

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

	2012	2011
- Valuation discount rate per annum	12.50%	14.00%
- Expected return on plan assets per annum	12.00%	11.00%
- Expected rate of increase in salary level per annum	12.50%	14.00%

18. TRADE AND OTHER PAYABLES

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
Creditors			
Trade	18.1	124,946,276	70,783,935
Other		10,558	113,724
		124,956,834	70,897,659
Accrued liabilities			
Due to operation and maintenance contractors		609,685	286,438
Project cost - Narowal plant		110,741	845,087
Miscellaneous finance costs		12,308	13,098
Miscellaneous		452,447	679,777
		1,185,181	1,824,400
Unearned income	18.2	983,158	938,512
Share premium payable		-	95,620
Unclaimed dividend		104,780	86,066
Other payables			
Provision for Workers' profit participation fund	8	409,484	271,242
Retention money		54,592	63,589
Withholding tax		17,753	-
		481,829	334,831
		127,711,782	74,177,088

18.1 This includes Rs. 122,895 million (2011: Rs. 69,687 million) payable to Pakistan State Oil, out of which overdue amount is Rs. 108,497 million (2011: Rs. 55,337 million). The overdue amount carries interest / mark-up at SBP discount rate plus 2% per annum compounded semi-annually.

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

19. INTEREST / MARK-UP ACCRUED

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
Interest / mark-up accrued on long term loans		1,185,141	1,348,913
Mark-up accrued on short term borrowings		453,414	247,911
	19.1	1,638,555	1,596,824

19.1 Included herein is a sum of Rs. 21.383 million (2011: Rs. 140.831 million) payable to associated undertakings.

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
20. SHORT TERM BORROWINGS - Secured			
Finances under mark-up arrangements - Hub plant	20.1 to 20.3	16,062,469	11,682,276
Finances under mark-up arrangements - Narowal plant	20.4 to 20.6	3,626,000	-
		19,688,469	11,682,276

20.1 The facilities for running finance available from various banks / financial institution amounted to Rs.16,200 million (2011: Rs. 12,900 million) at mark-up ranging between 0.75% to 3.00% per annum above one month KIBOR. The mark-up on the facilities is payable on monthly / quarterly basis in arrear. The facilities will expire during the period from September 30, 2012 to June 30, 2013. These facilities are secured by way of charge over the trade debts and stocks of the Company pari passu with the existing charge. Any late payment by the Company is subject to an additional payment of 2.00% per annum above the normal mark-up rate.

20.2 This includes a sum of Rs. 1,160.318 million (2011: Rs. 898.991 million) payable to an associated undertaking. The available facility amounts to Rs. 2,000 million (2011: Rs. 2,000 million). This facility is secured by way of securities mentioned in note 20.1.

20.3 In addition to above, during the year the Company has issued privately placed Sukuk certificates based on Musharaka amounting to Rs. 3,046 million at a mark-up of 1.25% per annum above six month KIBOR. The mark-up and principal is payable on the expiry of six months from the date of drawdown. The Company has drawn full amount on February 03, 2012. Any late payment by the Company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. This facility is secured by way of securities mentioned in note 20.1.

20.4 The facilities for running finance available from various banks amounted to Rs. 4,650 million (2011: Rs. 2,250 million) at a mark-up of 2.00% per annum above three month KIBOR. The mark-up on the facilities is payable on quarterly basis in arrear. The facilities will expire during the period from July 28, 2012 to December 31, 2012. Any late payment by the Company is subject to an additional payment of 2% per annum above the normal mark-up rate. These facilities are secured by way of:

(a) a first ranking charge on all present and future (i) amounts standing to the credit of the Energy Payment Collection Account and the Master Facility Account opened for the purpose of this agreement, (ii) Fuel, lube, fuel stocks at the Narowal plant and Spares parts; and (iii) the Energy Payment Receivables of Narowal plant.

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

20.5 The Company also has Murabahah facility agreements with banks for an amount of Rs. 625 million (2011: Rs. 625 million) at a mark-up of 2.00% per annum above three month KIBOR. The mark-up on the facilities is payable on quarterly basis in arrear. These facilities will expire from July 28, 2012 to August 02, 2012. Any late payment by the Company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. These facilities are secured by way of securities mentioned in note 20.4.

20.6 The Company also entered into a Musharaka agreement amounting to Rs. 635 million at a mark-up of 2.00% per annum above three month KIBOR. The mark-up on the facility is payable on quarterly basis in arrear. This facility will expire on September 30, 2012. Any late payment by the Company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. This facility is secured by way of securities mentioned in note 20.4 (a).

21. COMMITMENTS AND CONTINGENCIES

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

21.2 Counter guarantees, to meet the requirements under the FSA for Hub plant, issued to various banks which are secured pari passu with long term loans (as mentioned in note 16.1) amount to Rs. 8,000 million (2011: Rs. 8,000 million).

21.3 Commitments in respect of capital and revenue expenditures amount to Rs. 1,423.099 million (2011: Rs. 422.630 million).

21.4 In connection with investment in the Subsidiary, the Company entered into an Sponsor Support Agreement (SSA). In accordance with the terms of the SSA, the Company entered into a Sponsor Charge and Assignment Deed with the Subsidiary's lenders pursuant to which the Company has:

(i) charged, by way of first fixed charge:

(a) all its right, title and interest from time to time in and to the Shares and Related Rights of the Subsidiary; and

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

(ii) assigned and has agreed to assign absolutely all rights, title and interest present or future of the Company in respect of the Assigned Subordinated Loans (none at present).

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

Further, the Company is committed to maintain a minimum of 75% equity interest in the Subsidiary.

21.5 Pursuant to the SSA in connection with the investment in the Subsidiary, the Company is committed to provide an LC of USD 46 million to the Subsidiary's lenders from Financial Close to the last repayment date of debt (expected in 2024). The Company entered into an agreement with a commercial bank for the arrangement of this LC in the amount of USD 46 million or aggregating Rs. 4,000 million, whichever is lower, for a period of four years starting December 2009. The LC was arranged for one year under the agreement and is renewable each year subject to certain conditions. The LC amount reduces as the equity is injected into the Subsidiary and project achieves COD. The current outstanding amount of the LC is USD 24 million. Post COD, the Company will be required to maintain a maximum LC of USD 17 million up to 2024. Any default in payment by the Company is subject to a mark-up of six month KIBOR plus a margin of 4%. This LC is secured by way of second ranking / subordinated charge over all present and future undertaking and assets of the Company other than: (i) assets relating to the Narowal plant; (ii) Commercial Facility Disbursement Account; (iii) any shares in Demerged Company (special purpose vehicle that the Company may incorporate under the laws of Pakistan for the purpose of construction, ownership, operations & maintenance of Narowal project); and (iv) present and future shares acquired in the Subsidiary including bonus shares and right shares.

21.6 In connection with the Narowal plant, the Company has provided Stand-by Letter of Credit (SBLC) for an amount of Rs. 2,400 million to Bakri Trading Company Pakistan (Pvt) Ltd which will expire on August 04, 2012. Any default in payment by the Company is subject to a mark-up rate of three month KIBOR plus 4% per annum. This SBLC is secured by way of securities mentioned in note 20.4.

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

21.8 The Company is exposed to the Liquidated Damages (LDs) if it is not able to meet the availability conditions of the Narowal plant as defined under the Narowal PPA. The Company remains exposed to LDs if Narowal plant does not have sufficient fuel to meet the availability conditions of the PPA, even if the shortage is caused by cash flow constraints due to delay in payments by the power purchaser.

21.9 In 1998, the Federal Board of Revenue (FBR) made assessments under section 52/86 of the Income Tax Ordinance, 1979 [ITO,79] amounting to Rs. 1,896 million stating that the Company did not withhold tax at the time of issue of shares to sponsors against project development costs incurred by them. The Company deposited Rs. 297 million against the above assessments in accordance with the departmental procedures prevalent at that time. Appeals filed by the Company before the Commissioner of Income tax (Appeals) [the "CIT(A)"] and thereafter with the Income Tax Appellate Tribunal (the "ITAT") were decided against the Company. Against the decision of the ITAT, the Company filed appeals before the High Court (the "HC") which were also decided against the Company in March 2012. Against the decision of the HC, the Company has filed further appeals before the Honourable Supreme Court of Pakistan (SCP) along with stay application which are pending adjudication.

In order to restrict the penal exposure of the Company, in May 2012 the Company availed the scheme offered by the FBR vide SRO 547(I)/2012 dated May 22, 2012 and made payment of Rs. 1,615 million. In accordance with the scheme, the FBR has informed the Company that penalties and default surcharge amounting to Rs. 2,925 million levied on the Company in connection with the above tax demand have been waived.

The Company's case in the SCP will continue as provided in the above SRO. The management and their tax and legal advisors are of the opinion that the position of the Company is sound on technical basis and eventual outcome ought to be in favour of the Company in the case filed before the SCP. Pending the outcome of the case, no provision has been made in these unconsolidated financial statements (see note 13).

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

Under the provisions of the Implementation Agreement (IA) between the Company and Government of Pakistan (GOP) it was agreed that payments to contractors and sub-contractors would be subject to 4% tax which would be full and final liability on account of income tax. Accordingly, the provisions of tax law were amended. However in 1998, few years after the tax had been paid, the FBR contended that Company was liable to pay tax at 8% instead of the agreed rate of 4% and was also liable to pay tax on taxes paid on behalf of contractors and sub-contractors on “tax on tax” basis at the corporate rates ranging from 52% to 58% instead of 4%. Accordingly, demand notices were issued and the Company was required to pay Rs. 966 million. On payment of Rs. 966 million, the Company immediately billed these amounts to WAPDA. Against these demands by FBR, appeals were filed by the Contractors and Sub-Contractors which were decided in their favour. The FBR has filed appeals before the courts which are pending adjudication.

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

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

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

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

21.11 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 person who falls within the definition of the term "Worker" as it has been defined in the Act.

The petition was filed subsequent to the service on the Company of a letter of March 14, 2000 by the Labour, Manpower and Overseas Pakistanis' Division directing the Company to allocate 5% of its net profit (since its establishment) towards the Workers' Profit Participation Fund and deposit the entire amount of the Fund in the Federal Treasury. The petition had been filed against the Federation of Pakistan through the Secretary, Ministry of Labour, Manpower and Overseas Pakistanis, Labour, Manpower and Overseas Pakistanis Division and, in view of the fact that any payment made by the Company to the Fund is a pass through item under the Power Purchase Agreement (PPA), against the Water and Power Development Authority (WAPDA) as a pro forma party.

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

Both HUBCO and WAPDA agreed that this petition should proceed and a judgement obtained on merits. During the year ended June 30, 2011, the petition was dismissed by the High Court (HC). Against the decision of the HC, the Company filed petition for leave to appeal before the Supreme Court. In December 2011, the Supreme Court set aside the judgment of the HC and directed it to decide the case afresh. No provision has been made in these unconsolidated financial statements as any payment made by the Company is a pass through item under the PPA.

Following the amendments made by the Finance Act 2006 to the Companies Profits (Workers' Participation) Act, 1968 (the Act), the Company established the Hubco Workers' Participation Fund on August 03, 2007 to allocate the amount of annual profits stipulated by the Act for distribution amongst worker(s) eligible to receive such benefits under the Act and any amendments thereto from time to time (see note 8).

21.12 (i) Under the Implementation Agreement (IA) with GOP and under the tax laws, the Company's interest income is exempt from income tax. However, in September 2011 tax authorities have issued a tax demand of Rs. 143 million on the grounds that interest income from term deposits is not covered under the exemption allowed under the tax law. The Company's appeal before the Commissioner of Inland Revenue Appeals [CIR (A)] and the Appellate Tribunal Inland Revenue (ATIR) were rejected. Against the order of the ATIR the Company filed Income Tax Reference Applications (ITRAs) before the Honorable Islamabad High Court (IHC). The IHC while setting aside the judgment of the ATIR has remanded back the appeals to the ATIR for a fresh hearing by a new bench. No date has yet been fixed by the ATIR.

The management and their tax and legal advisors are of the opinion that the position of the Company is sound on technical basis and eventual outcome ought to be in favour of the Company. Pending the resolution of the matters stated above, no provision has been made in these unconsolidated financial statements.

(ii) FBR has also imposed 2% WWF from tax years 2006-2010 and issued a demand for Rs. 191 million which was subsequently reduced to Rs. 8 million by the CIR (A). The Company's appeals filed in IHC mentioned in (i) above also included this matter. The IHC while setting aside the judgment of the ATIR has remanded back the appeals to the ATIR for a fresh hearing by a new bench. WWF is a pass through under the PPA and is recoverable from the WAPDA. No provision has been made in these unconsolidated financial statements as any payment made by the Company is a pass through item under the PPA.

21.13 During the year, the FBR has passed an order amounting to Rs. 38 million on the ground that the Company's suppliers did not deposit sales tax received from the Company into the government treasury. The Company has filed appeal with the CIR (A). The management and their tax advisors are of the opinion that the position of the Company is sound and this matter will be decided in favour of the Company. Pending the resolution of the matter stated above, no provision has been made in these unconsolidated financial statements.

22. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
		Chief Executive	
Managerial remuneration		9,600	18,081
House rent		4,320	8,136
Utilities		960	1,808
Retirement benefits		1,096	1,808
Other benefits		2,046	6,920
		18,022	36,753
Number of persons		1	1
		Directors	
Fees	22.1	4,750	4,000
Number of persons		5	4
		Executives	
Managerial remuneration		58,608	73,383
Ex-gratia payment		9,523	2,908
Bonus		16,668	13,977
House rent		26,373	27,203
Utilities		5,861	7,339
Retirement benefits		26,992	21,831
Other benefits		19,414	23,092
		163,439	169,733
Number of persons		36	35
		Total	
Managerial remuneration / Fees		72,958	95,464
Ex-gratia payment		9,523	2,908
Bonus		16,668	13,977
House rent		30,693	35,339
Utilities		6,821	9,147
Retirement benefits		28,088	23,639
Other benefits		21,460	30,012
		186,211	210,486
Number of persons		42	40

22.1 This represents fee to five (2011: four) directors.

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

22.3 The number of persons does not include those who r esigned during the year but r emuneration paid to them is included in the above amounts.

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)

23. TRANSACTIONS WITH RELATED PARTIES / ASSOCIATED UNDERTAKINGS

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
Amounts paid for services rendered	23.1	3,643,677	3,389,536
Reimbursement of expenses and others		2,206	2,210
Investment in Subsidiary		639,828	1,424,243
Proceeds from long term loans		-	714,088
Repayment of long term loans		-	38,235
Mark-up on long term loans		-	301,525
Mark-up on short term borrowings		109,277	80,128
Other finance costs		-	112,993
Remuneration to key management personnel			
Salaries, benefits and other allowances		45,673	75,271
Retirement benefits		7,024	5,795
	23.2	52,697	81,066
Fees	22.1	4,750	4,000
Contribution to staff retirement benefit plans		36,967	21,990

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

23.2 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.

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

24. PLANT CAPACITY AND PRODUCTION

HUB PLANT

	2012	2011
Theoretical Maximum Output	10,541 GWh	10,512 GWh
Total Output	7,770 GWh	8,115 GWh
Load Factor	74%	77%

Practical maximum output for the power plant taking into account all the scheduled outages is 9,245 GWh (2011: 9,216 GWh). Output produced by the plant is dependent on the load demanded by WAPDA and the plant availability.

NAROWAL PLANT

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

	2012	2011
Theoretical Maximum Output	1,878 GWh	359 GWh
Total Output	1,321 GWh	237 GWh
Load Factor	70%	66%

Practical maximum output for the power plant taking into account all the scheduled outages is 1,734 GWh (2011: 330 GWh). Output produced by the plant is dependent on the load demanded by NTDC and the plant availability.

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
25. WORKING CAPITAL CHANGES			
(Increase) / decrease in current assets			
Stores and spares		(89,161)	(358,797)
Stock-in-trade		1,999,458	(2,213,823)
Trade debts		(65,355,100)	(19,093,608)
Advances, prepayments and other receivables		(1,455,846)	(327,277)
		(64,900,649)	(21,993,505)
Increase in current liabilities			
Trade and other payables		53,611,496	14,240,485
		(11,289,153)	(7,753,020)
26. CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	497,031	1,615,203
Finances under mark-up arrangements	20	(19,688,469)	(11,682,276)
		(19,191,438)	(10,067,073)

	2012	2011
27. BASIC AND DILUTED EARNINGS PER SHARE		
27.1 Basic		
Profit for the year (Rupees in thousand)	8,189,678	5,424,832
Number of shares in issue during the year	1,157,154,387	1,157,154,387
Basic earnings per share (Rupees)	7.08	4.69

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

28. PROPOSED FINAL DIVIDEND

The Board of Directors proposed a final dividend for the year ended June 30, 2012 of Rs. 3 per share, amounting to Rs. 3,471.463 million, at their meeting held on July 18, 2012, for approval of the members at the Annual General Meeting to be held on September 27, 2012. These unconsolidated financial statements do not reflect this dividend payable which will be accounted for in the period in which it is approved.

29. FINANCIAL RISK MANAGEMENT

Financial Risk Factors

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

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

(a) Market Risk

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

(i) Foreign Exchange Risk

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

Financial assets of the Company include Rs. 87.315 million (2011: Rs. 1,263.067 million) in foreign currencies which are subject to currency risk exposure and financial liabilities of the Company include Rs. 145.418 million (2011: Rs. 897.249 million) in foreign currencies which are subject to currency risk exposure.

The Company believes that the foreign exchange risk exposure on financial assets and liabilities is immaterial.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Cash flow and fair value interest rate risks

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

	2012 (Rs. '000s)	2011 (Rs. '000s)
Fixed rate instruments at carrying amount:		
Financial assets		
Bank balances	496,872	1,615,128
Financial liabilities		
Long term loans	3,211,967	3,934,074
Variable rate instruments at carrying amount:		
Financial assets		
Trade debts	129,632,359	71,112,603
Financial liabilities		
Long term loans	24,788,146	25,309,760
Trade and other payables	108,497,206	55,336,617
Short term borrowings	19,688,469	11,682,276
Total	152,973,821	92,328,653

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

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

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

The Company has another long term loan for Narowal plant (see note 16.2.1). The Company has to manage the related finance cost from its own sources which exposes the Company to the risk of change in 3 month KIBOR. As at June 30, 2012, if interest rate on the Company's borrowings were 1% higher / lower with all other variables held constant, the profit for the year would have been lower / higher by Rs. 60.650 million.

In order to meet its investment obligations in the Subsidiary, the Company has entered into long term loan facilities (see note 16.3). The Company has to manage related finance cost from its own sources which exposes the Company to the risk of change in 6 month KIBOR. As at June 30, 2012, if interest rate on the Company's borrowings were 1% higher / lower with all other variables held constant, the profit for the year would have been lower / higher by Rs. 37.172 million.

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

(b) Credit Risk

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

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

	2012 (Rs. '000s)	2011 (Rs. '000s)
Deposits	5,629	3,110
Trade debts	151,161,169	85,806,069
Other receivables	567,929	271,649
Bank balances	496,872	1,615,128
Total	152,231,599	87,695,956

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

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

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

(c) Liquidity Risk

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

The Company maintains running finance facilities (see note 20) to meet the short term funding requirements due to delay in payments by WAPDA and NTDC. The delay in payments by WAPDA is mainly offset by the delay in payments to PSO whereas the delay in payments by NTDC is managed through bank borrowings and from its own sources.

Under the Narowal PPA, the Company is required to ensure annual availability of 88% failing which liquidated damages are imposed by the power purchaser resulting in reduced capacity income. The availability of fuel and arrangement of requisite cash to ensure 88% availability is also Company's obligation. The continuous delay in payments by power purchaser has exposed the Company to liquidated damages.

The Company is exposed to liquidity risk to the extent that the returns from the Narowal plant are not sufficient to meet the funding requirement for the Narowal plant's long term loans mentioned in note 16.2.1 and 16.2.2. The Company is also exposed to liquidity risk for the differential margin not allowed by NEPRA above the 3 month KIBOR as mentioned in note 16.2.2. The Company will manage this liquidity risk on remaining term of the loans from its own sources and future earnings.

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

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 5 to 10 years	Total
			(Rs. '000s)		
2011-12					
Long term loans	3,178,732	3,149,689	25,611,183	16,264,330	48,203,934
Trade and other payables	126,301,387	-	-	-	126,301,387
Short term borrowings	20,141,883	-	-	-	20,141,883
Total	149,622,002	3,149,689	25,611,183	16,264,330	194,647,204
2010-11					
Long term loans	3,397,273	3,357,899	26,624,573	22,198,392	55,578,137
Share premium payable	96,071	-	-	-	96,071
Trade and other payables	72,871,714	-	-	-	72,871,714
Short term borrowings	11,930,187	-	-	-	11,930,187
Total	88,295,245	3,357,899	26,624,573	22,198,392	140,476,109

Fair value estimation

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

Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, as required under various project agreements, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

30. 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. '000s)	Total June 30, 2012 (Rs. '000s)
Deposits	5,629	5,629
Trade debts	151,161,169	151,161,169
Other receivables	567,929	567,929
Cash and bank balances	497,031	497,031
Total	152,231,758	152,231,758

Liabilities as per balance sheet	Financial liabilities measured at amortised cost (Rs. '000s)	Total June 30, 2012 (Rs. '000s)
Long term loans	29,185,254	29,185,254
Trade and other payables	126,301,387	126,301,387
Short term borrowings	20,141,883	20,141,883
Total	175,628,524	175,628,524

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

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

31. INITIAL APPLICATION / WAIVER FROM APPLICATION OF STANDARDS AND INTERPRETATIONS

Revised and amended standards and interpretation effective and adopted in 2012

Certain revised and amended standards and interpretation are effective and adopted by the Company during the year which are neither relevant to the Company nor have a significant impact on the Company's financial statements.

Revised and amended standards and interpretation not yet effective

Certain revised and amended standards and interpretation are effective for accounting periods beginning on or after January 01, 2012. These standards and interpretation are neither relevant to the Company nor are expected to have a significant impact on the Company's financial statements.

Waiver from application of IFRIC - 4 "Determining Whether an Arrangement Contains a Lease"

The Securities and Exchange Commission of Pakistan (SECP) granted waiver from the application of International Financial Reporting Interpretation Committee (IFRIC) - 4 "Determining Whether an Arrangement Contains a Lease" to all companies including Power Sector Companies. However, the SECP made it mandatory to disclose the impact on the results of the application of IFRIC - 4.

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

	2012 (Rs. '000s)	2011 (Rs. '000s)
Decrease in unappropriated profit at the beginning of the year	(10,048,538)	(10,941,001)
Increase in profit for the year	547,844	892,463
Decrease in unappropriated profit at the end of the year	(9,500,694)	(10,048,538)

32. DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue on July 18, 2012 in accordance with the resolution of the Board of Directors.

33. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

Pattern of Shareholding

As at June 30, 2012

Number of Shares		Number of Shareholders	Number of Shares Held
From	To		
1	100	413	27,297
101	500	5,522	2,693,486
501	1,000	1,523	1,434,077
1,001	5,000	2,497	7,574,243
5,001	10,000	889	7,321,822
10,001	15,000	385	5,009,752
15,001	20,000	272	5,041,758
20,001	25,000	200	4,696,529
25,001	30,000	157	4,472,382
30,001	35,000	93	3,118,296
35,001	40,000	69	2,693,565
40,001	45,000	64	2,741,529
45,001	50,000	120	5,919,245
50,001	55,000	34	1,799,660
55,001	60,000	33	1,948,504
60,001	65,000	22	1,377,035
65,001	70,000	28	1,925,329
70,001	75,000	22	1,630,698
75,001	80,000	20	1,574,124
80,001	85,000	22	1,836,411
85,001	90,000	15	1,327,191
90,001	95,000	6	558,220
95,001	100,000	85	8,464,125
100,001	105,000	15	1,546,045
105,001	110,000	10	1,085,415
110,001	115,000	10	1,135,293
115,001	120,000	9	1,062,312
120,001	125,000	6	743,100
125,001	130,000	12	1,539,859
130,001	135,000	6	806,000
135,001	140,000	10	1,390,667
140,001	145,000	9	1,286,544
145,001	150,000	16	2,398,159
150,001	155,000	4	617,000
155,001	160,000	5	796,000
160,001	165,000	8	1,313,272
165,001	170,000	4	669,500
170,001	175,000	6	1,040,500
175,001	180,000	3	533,798
180,001	185,000	6	1,098,523
185,001	190,000	5	944,567
190,001	195,000	9	1,730,043
195,001	200,000	26	5,189,493
200,001	205,000	5	1,018,500
205,001	210,000	3	626,200
210,001	215,000	3	641,111
215,001	220,000	3	656,915
220,001	225,000	3	675,000
225,001	230,000	3	683,500
230,001	235,000	2	462,568

Number of Shares		Number of Shareholders	Number of Shares Held
From	To		
235,001	240,000	3	715,000
240,001	245,000	4	972,770
245,001	250,000	5	1,250,000
250,001	255,000	2	506,000
255,001	260,000	4	1,039,500
260,001	265,000	2	530,000
265,001	270,000	2	537,000
270,001	275,000	1	274,985
275,001	280,000	2	554,500
280,001	285,000	2	567,500
285,001	290,000	4	1,154,000
290,001	295,000	4	1,167,340
295,001	300,000	3	899,000
300,001	305,000	3	910,458
305,001	310,000	1	310,000
315,001	320,000	2	639,000
320,001	325,000	3	975,000
325,001	330,000	2	656,500
330,001	335,000	1	332,000
335,001	340,000	3	1,011,696
340,001	345,000	2	688,657
345,001	350,000	4	1,400,000
350,001	355,000	1	353,176
355,001	360,000	1	358,607
365,001	370,000	1	370,000
370,001	375,000	6	2,238,700
375,001	380,000	1	379,900
390,001	395,000	3	1,179,390
395,001	400,000	9	3,598,722
400,001	405,000	2	804,347
410,001	415,000	3	1,241,895
415,001	420,000	1	415,919
425,001	430,000	3	1,282,505
430,001	435,000	1	433,600
435,001	440,000	1	436,300
445,001	450,000	3	1,350,000
450,001	455,000	2	907,125
455,001	460,000	1	460,000
460,001	465,000	1	462,783
470,001	475,000	3	1,423,776
475,001	480,000	1	476,000
480,001	485,000	1	483,100
490,001	495,000	1	490,244
495,001	500,000	4	2,000,000
500,001	505,000	1	504,260
505,001	510,000	1	510,000
515,001	520,000	1	515,500
520,001	525,000	4	2,096,300
525,001	530,000	1	529,900
535,001	540,000	1	537,000

Number of Shares		Number of Shareholders	Number of Shares Held
From	To		
540,001	545,000	4	2,173,603
545,001	550,000	1	547,367
555,001	560,000	3	1,671,363
560,001	565,000	1	565,000
570,001	575,000	2	1,147,375
575,001	580,000	1	578,500
590,001	595,000	2	1,188,994
595,001	600,000	1	600,000
605,001	610,000	1	609,716
615,001	620,000	1	617,575
620,001	625,000	1	621,692
630,001	635,000	2	1,266,130
635,001	640,000	1	640,000
640,001	645,000	1	645,000
645,001	650,000	1	647,000
670,001	675,000	1	672,000
680,001	685,000	1	682,089
695,001	700,000	2	1,400,000
705,001	710,000	2	1,419,863
715,001	720,000	1	716,581
730,001	735,000	1	734,251
740,001	745,000	1	745,000
745,001	750,000	2	1,500,000
770,001	775,000	1	774,770
785,001	790,000	2	1,574,792
790,001	795,000	2	1,586,667
795,001	800,000	2	1,600,000
800,001	805,000	1	802,500
830,001	835,000	1	833,940
845,001	850,000	2	1,700,000
850,001	855,000	1	852,500
870,001	875,000	1	874,000
875,001	880,000	2	1,756,165
920,001	925,000	1	920,800
970,001	975,000	1	972,348
980,001	985,000	1	981,000
995,001	1,000,000	2	2,000,000
1,035,001	1,040,000	1	1,036,739
1,040,001	1,045,000	2	2,088,580
1,065,001	1,070,000	1	1,068,932
1,070,001	1,075,000	1	1,075,000
1,095,001	1,100,000	1	1,097,798
1,115,001	1,120,000	1	1,119,500
1,135,001	1,140,000	1	1,139,000
1,150,001	1,155,000	1	1,155,000
1,185,001	1,190,000	2	2,377,900
1,195,001	1,200,000	1	1,200,000
1,210,001	1,215,000	1	1,213,500
1,215,001	1,220,000	1	1,215,500
1,240,001	1,245,000	1	1,243,490

Number of Shares		Number of Shareholders	Number of Shares Held
From	To		
1,325,001	1,330,000	1	1,325,500
1,330,001	1,335,000	1	1,334,874
1,335,001	1,340,000	1	1,340,000
1,340,001	1,345,000	1	1,340,131
1,375,001	1,380,000	1	1,378,359
1,480,001	1,485,000	1	1,484,266
1,490,001	1,495,000	1	1,490,302
1,495,001	1,500,000	2	3,000,000
1,535,001	1,540,000	1	1,537,217
1,580,001	1,585,000	1	1,585,000
1,595,001	1,600,000	1	1,600,000
1,640,001	1,645,000	1	1,640,679
1,670,001	1,675,000	1	1,675,000
1,715,001	1,720,000	1	1,717,128
1,750,001	1,755,000	1	1,753,405
1,795,001	1,800,000	2	3,600,000
1,920,001	1,925,000	1	1,921,100
1,935,001	1,940,000	2	3,879,400
1,945,001	1,950,000	1	1,948,806
1,950,001	1,955,000	1	1,954,500
1,960,001	1,965,000	1	1,963,066
1,995,001	2,000,000	1	2,000,000
2,000,001	2,005,000	1	2,001,500
2,080,001	2,085,000	1	2,081,955
2,095,001	2,100,000	2	4,200,000
2,265,001	2,270,000	1	2,266,956
2,290,001	2,295,000	1	2,294,310
2,445,001	2,450,000	2	4,896,009
2,595,001	2,600,000	1	2,600,000
2,635,001	2,640,000	1	2,635,245
2,660,001	2,665,000	1	2,660,410
2,665,001	2,670,000	1	2,670,000
2,670,001	2,675,000	1	2,674,312
2,695,001	2,700,000	1	2,700,000
2,760,001	2,765,000	1	2,764,401
2,775,001	2,780,000	1	2,776,800
2,795,001	2,800,000	1	2,798,890
2,845,001	2,850,000	1	2,850,000
2,865,001	2,870,000	1	2,866,399
2,945,001	2,950,000	1	2,949,850
2,995,001	3,000,000	1	3,000,000
3,005,001	3,010,000	1	3,008,147
3,220,001	3,225,000	1	3,222,100
3,245,001	3,250,000	1	3,246,710
3,280,001	3,285,000	1	3,282,045
3,300,001	3,305,000	1	3,305,000
3,375,001	3,380,000	1	3,379,943
3,540,001	3,545,000	1	3,540,092
3,595,001	3,600,000	1	3,600,000
3,690,001	3,695,000	1	3,692,602

Number of Shares		Number of Shareholders	Number of Shares Held
From	To		
3,755,001	3,760,000	1	3,756,325
3,760,001	3,765,000	1	3,764,000
3,845,001	3,850,000	1	3,845,504
3,990,001	3,995,000	1	3,992,015
3,995,001	4,000,000	2	8,000,000
4,195,001	4,200,000	2	8,397,500
4,305,001	4,310,000	1	4,309,147
4,550,001	4,555,000	1	4,552,887
4,965,001	4,970,000	1	4,969,800
5,455,001	5,460,000	1	5,459,195
5,495,001	5,500,000	1	5,500,000
5,790,001	5,795,000	1	5,794,400
5,875,001	5,880,000	1	5,879,913
6,005,001	6,010,000	1	6,005,037
6,270,001	6,275,000	1	6,274,567
6,425,001	6,430,000	1	6,430,000
6,445,001	6,450,000	1	6,450,000
7,320,001	7,325,000	1	7,322,135
7,405,001	7,410,000	1	7,408,000
7,725,001	7,730,000	1	7,725,467
7,825,001	7,830,000	1	7,829,000
9,000,001	9,005,000	1	9,004,250
9,605,001	9,610,000	1	9,605,922
10,120,001	10,125,000	1	10,123,009
10,495,001	10,500,000	1	10,500,000
10,735,001	10,740,000	1	10,735,064
10,900,001	10,905,000	1	10,900,500
12,605,001	12,610,000	1	12,609,450
13,205,001	13,210,000	1	13,209,716
13,720,001	13,725,000	1	13,724,741
14,310,001	14,315,000	1	14,313,500
14,865,001	14,870,000	1	14,869,297
15,365,001	15,370,000	1	15,367,500
17,940,001	17,945,000	1	17,942,241
19,645,001	19,650,000	1	19,650,000
20,430,001	20,435,000	1	20,432,459
21,245,001	21,250,000	1	21,248,016
26,830,001	26,835,000	1	26,830,269
35,475,001	35,480,000	1	35,480,000
42,555,001	42,560,000	1	42,560,000
60,845,001	60,850,000	1	60,845,515
98,390,001	98,395,000	1	98,391,000
102,255,001	102,260,000	1	102,260,000
111,995,001	112,000,000	1	112,000,000

TOTAL	12,980	1,157,154,387

Categories of Shareholding

As on June 30, 2012

Categories	No. of Shareholders	No. of Shares	Percentage Held
Individuals	12,444	194,926,797	16.84
Joint Stock Companies	174	359,361,594	31.06
Financial Institutions	72	336,977,142	29.12
Investment Companies	23	40,012,594	3.46
Insurance Companies	17	55,002,081	4.75
Modaraba/Mutual Fund & Leasing Companies	66	58,227,324	5.03
Government of Balochistan	1	358,607	0.03
GDR Depository	1	13,724,741	1.19
Charitable Trusts	36	10,991,852	0.95
Cooperative Societies	11	4,590,500	0.40
Provident/Pension/Gratuity Fund	134	63,331,155	5.47
Employee's Old Age Benefits Inst.	1	19,650,000	1.70
	12,980	1,157,154,387	100.00

The above two statements include 7,638 shareholders holding 1,096,020,485 shares through the Central Depository Company of Pakistan Limited (CDC).

Key Shareholdings

Information of shareholding required under reporting framework is as follows:

Associated Companies, Undertakings and Related Parties	
Adamjee Insurance Company Limited	115,500
Committee of Admin. Fauji foundation	98,391,000
Cyan Limited	42,560,000
Dawood Hercules Corporation Limited	35,480,000
D.H Fertilizers Limited	102,260,000
Pakistan Reinsurance Company Limited	682,089
Trustees MCB Employees Foundation	200,000
Xenel International	5,633
NIT/ICP	14,869,297
Directors & CEO	
Zafar Iqbal Sobani	1,500
Syed Nizam Shah	1,000
Qaiser Javed	5,000
Taufique Habib	5,000
Ali Munir	1,000
Arshad A. Hashmi	600
Inam ur Rahman	4,000
Executives	31,700
Public Sector Companies & Corporations	20,008,607
Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modaraba & Mutual Funds and investment Companies	475,349,844

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

None of the Director, CEO, Chief Financial Officer, Company Secretary and their spouses and minor children have traded in Hubco Shares during the financial year ended June 30, 2012.

Shareholders' Information

Shareholders' Enquiries

General enquiries relating to the Company should be addressed to:

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

Enquiries relating to Shares should be addressed to:

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

Enquiries relating to GDRs should be addressed to either:-

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

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

View of Laraib Plant

Laraib Energy Ltd

Laraib Energy Limited (Laraib), Company's 75% owned subsidiary will be the first independent power producer of Pakistan to establish and commission an environmentally friendly run of the river hydropower project in Azad Jammu & Kashmir (AJ&K). The 84 MW New Bong Hydr o Power Project is being set up about 8 km downstr eam of the 1,000 MW Mangla Dam in the AJ&K.

The Project has been registered as a Clean Development Mechanism (CDM) project by CDM Executive Board under the United Nations Framework Convention on Climate Change (UNFCCC). It has the distinction of being the first Hydropower Project in Pakistan/AJ&K to have been registered with UNFCCC as a CDM project.

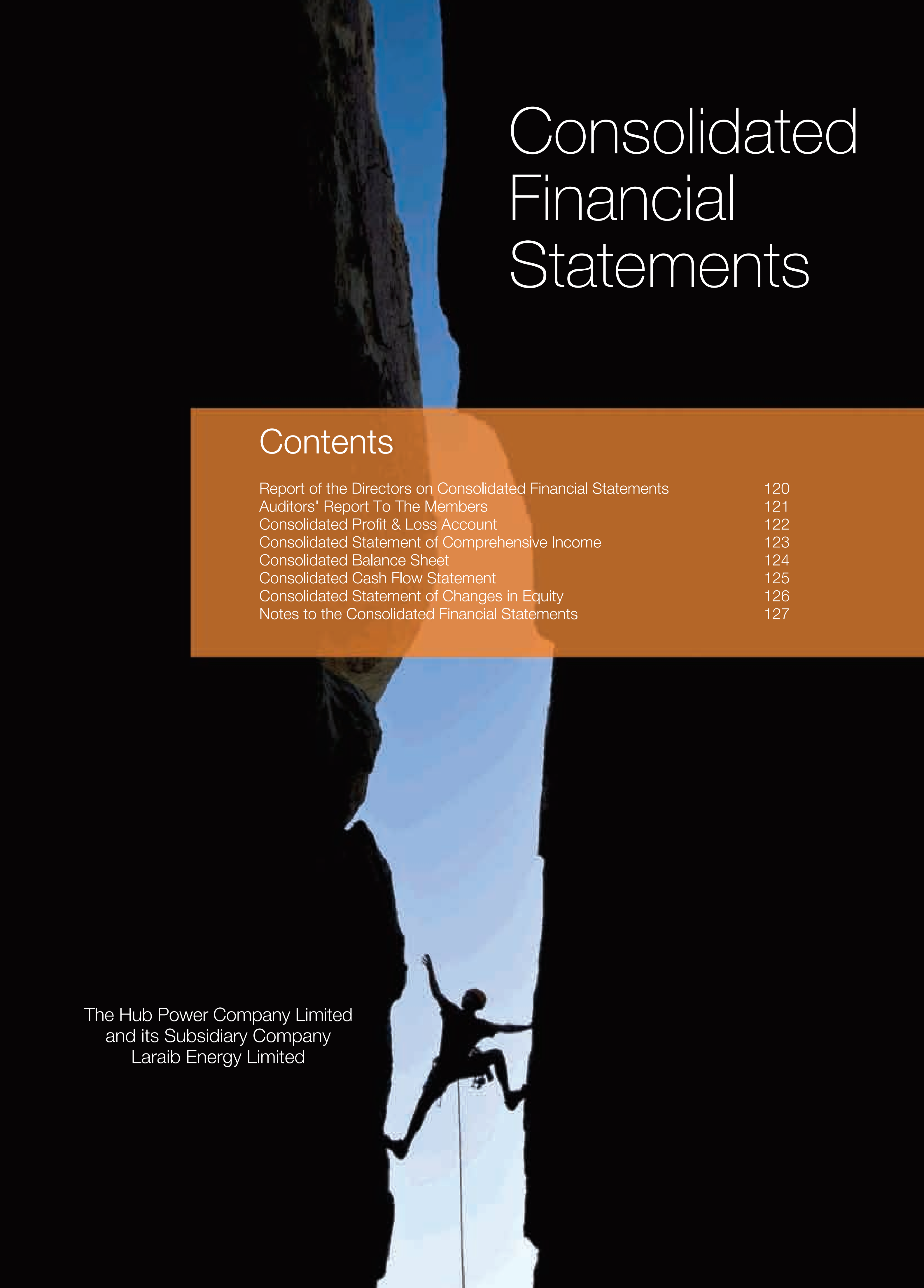
Construction activities are well under-way. Installation, erection works and associated completion of powerhouse civil works are under way. This will be followed by flooding of headrace and tailrace channel, testing and commissioning of Unit(s) and Complex Commercial Operations tests.

The O&M Operator is TNB Remaco Pakistan (Private) Ltd a subsidiary of TNB Repair and Maintenance Sdn. Bhd., Malaysia who have mobilized at site.

The project is targeted to achieve Commercial Operations by June 2013 which is the required commercial operations date under the Power Purchase Agreement.

The power purchaser and the governments of both Pakistan and Azad Jammu and Kashmir have extended their full support in the project.

Laraib Plant - Tailrace Construction & Rotor Installation



Consolidated Financial Statements

Contents

Report of the Directors on Consolidated Financial Statements	120
Auditors' Report To The Members	121
Consolidated Profit & Loss Account	122
Consolidated Statement of Comprehensive Income	123
Consolidated Balance Sheet	124
Consolidated Cash Flow Statement	125
Consolidated Statement of Changes in Equity	126
Notes to the Consolidated Financial Statements	127

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

Report of the Directors on Consolidated Financial Statements

The Board of Directors is pleased to present the Consolidated Audited Financial Statements of The Hub Power Company Limited (the Company) and its subsidiary Laraib Energy Limited (the Subsidiary) for the year ended June 30, 2012.

Your Company holds 75% shares in the Subsidiary which is developing the 84 MW hydropower generating complex about 8 km downstream of the Mangla Dam in Azad Jammu & Kashmir. The project is expected to achieve Commercial Operation Date by middle of 2013.

The consolidated financials are as follows:

	2012 (Rs. '000s)
Turnover	174,712,187
Gross profit	15,650,687
Profit for the year	8,575,448
Attributable to:	
- Owners of the holding company	8,583,800
- Non Controlling interest	(8,352)
	8,575,448
Earnings per share attributable to owners of the holding company (Rupees)	7.42

The Directors would like to draw your attention to the Auditors' Report relating to note 22.9 to the consolidated financial statements.

The Directors' Report on The Hub Power Company Limited for the year ended June 30, 2012 has been separately presented in this report.

By order of the Board

Karachi: July 18, 2012

Zafar Iqbal Sobani
Chief Executive Officer

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan
Tel: +9221 3565 0007
Fax: +9221 3568 1965
www.ey.com

Auditors' Report To The Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of The Hub Power Company Limited (the Holding Company) and its subsidiary company (the Group) as at 30 June 2012 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of The Hub Power Company Limited and Laraib Energy Limited. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2012 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

We draw attention to note 22.9 to the consolidated financial statements which describes the uncertainty related to the outcome of the tax contingency. Our opinion is not qualified in respect of this matter.

The consolidated financial statements of the Group for the year ended 30 June 2011 were audited by another firm of Chartered Accountants whose report dated 08 September 2011 expressed an unqualified opinion thereon.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Riaz A. Rehman Chamdia

18 July 2012

Karachi

Consolidated Profit and Loss Account

For the year ended June 30, 2012

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
Turnover	3	174,712,187	123,309,604
Operating costs	4	(159,061,500)	(114,092,576)
GROSS PROFIT		15,650,687	9,217,028
Other income	5	59,755	47,136
General and administration expenses	6	(465,133)	(535,231)
Finance costs	7	(6,664,720)	(3,165,721)
Workers' profit participation fund	8	-	-
PROFIT BEFORE TAXATION		8,580,589	5,563,212
Taxation	9	(5,141)	(17,421)
PROFIT FOR THE YEAR		8,575,448	5,545,791
Attributable to:			
- Owners of the holding company		8,583,800	5,569,843
- Non-controlling interest		(8,352)	(24,052)
		8,575,448	5,545,791
Basic and diluted earnings per share attributable to owners of the holding company (Rupees)	29	7.42	4.81

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

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2012

	2012 (Rs. '000s)	2011 (Rs. '000s)
Profit for the year	8,575,448	5,545,791
Other comprehensive income for the year	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	8,575,448	5,545,791
Attributable to:		
- Owners of the holding company	8,583,800	5,569,843
- Non-controlling interest	(8,352)	(24,052)
	8,575,448	5,545,791

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

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

Consolidated Balance Sheet
As at June 30, 2012

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	10	62,320,696	58,330,782
Intangibles	11	1,439,350	1,422,162
Long term advances, deposits and prepayments	12	60,768	67,111
CURRENT ASSETS			
Stores and spares		1,084,981	995,820
Stock-in-trade		1,774,241	3,773,699
Trade debts	13	151,161,169	85,806,069
Advances, deposits, prepayments and other receivables	14	2,561,558	1,080,307
Cash and bank balances	15	1,340,198	2,562,524
		157,922,147	94,218,419
TOTAL ASSETS		221,742,961	154,038,474
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Share Capital			
Authorised	16	12,000,000	12,000,000
Issued, subscribed and paid-up	16	11,571,544	11,571,544
Revenue Reserve			
Unappropriated profit		19,622,261	17,981,332
Attributable to owners of the holding company		31,193,805	29,552,876
Advance against issue of shares to minority shareholders		74,481	202,100
NON-CONTROLLING INTEREST		946,014	605,690
		32,214,300	30,360,666
NON-CURRENT LIABILITIES			
Long term loans	17	37,008,148	33,069,836
Deferred liabilities	18	12,836	20,380
CURRENT LIABILITIES			
Trade and other payables	19	128,620,570	75,042,966
Interest / mark-up accrued	20	2,029,842	1,841,627
Short term borrowings	21	19,688,469	11,682,276
Current maturity of long term loans	17	2,165,723	2,012,476
Taxation - provisions less payments		3,073	8,247
		152,507,677	90,587,592
COMMITMENTS AND CONTINGENCIES	22		
TOTAL EQUITY AND LIABILITIES		221,742,961	154,038,474

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

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

Consolidated Cash Flow Statement

For the year ended June 30, 2012

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		8,580,589	5,563,212
Adjustments for:			
Depreciation		2,679,603	1,958,883
Amortisation		16,551	4,517
Gain on disposal of fixed assets		(256)	(11)
Deferred income realised		-	(249)
Staff gratuity		22,456	16,563
Interest income		(16,486)	(31,914)
Interest / mark-up		6,422,994	2,902,029
Amortisation of transaction cost		67,787	12,432
Operating profit before working capital changes		17,773,238	10,425,462
Working capital changes	27	(11,121,911)	(7,721,891)
Cash generated from operations		6,651,327	2,703,571
Interest received		15,029	39,486
Interest / mark-up paid		(6,381,263)	(1,913,351)
Staff gratuity paid		(30,843)	(12,402)
Taxes paid		(12,110)	(6,826)
Net cash from operating activities		242,140	810,478
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure - net		(6,709,588)	(6,316,436)
Proceeds from disposal of fixed assets		7,431	6,141
Share premium paid		(95,517)	(419,653)
Long term advances, deposits and prepayments		6,343	(42,088)
Net cash used in investing activities		(6,791,331)	(6,772,036)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance against issue of shares to minority shareholders		221,112	474,779
Dividends paid to owners of the holding company		(6,924,212)	(5,775,871)
Proceeds from long term loans - Narowal plant - net		-	2,172,360
Proceeds from long term loans - Laraib's investment		738,263	3,367,794
Proceeds from long term loans - Subsidiary		5,335,280	3,829,209
Repayment of long term loans - Hub plant		(979,062)	(979,061)
Repayment of long term loans - Narowal plant		(1,070,709)	(430,142)
Repayment of liabilities against assets subject to finance lease		-	(1,606)
Net cash (used in) / from financing activities		(2,679,328)	2,657,462
Net decrease in cash and cash equivalents		(9,228,519)	(3,304,096)
Cash and cash equivalents at the beginning of the year		(9,119,752)	(5,815,656)
Cash and cash equivalents at the end of the year	28	(18,348,271)	(9,119,752)

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

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

Consolidated Statement of Changes in Equity
For the year ended June 30, 2012

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
Attributable to owners of the holding company			
Issued capital			
Balance at the beginning of the year		11,571,544	11,571,544
Balance at the end of the year	16	11,571,544	11,571,544
Unappropriated profit			
Balance at the beginning of the year		17,981,332	18,196,909
Total comprehensive income for the year		8,583,800	5,569,843
Transactions with owners in their capacity as owners			
Final dividend for the fiscal year 2010-2011 @ Rs. 3.00 (2009-2010 @ Rs. 2.50) per share		(3,471,463)	(2,892,886)
Interim dividend for the fiscal year 2011-2012 @ Rs. 3.00 (2010-2011 @ Rs. 2.50) per share		(3,471,463)	(2,892,886)
Reduction in controlling interest of the holding company		55	352
		(6,942,871)	(5,785,420)
Balance at the end of the year		19,622,261	17,981,332
Attributable to owners of the holding company		31,193,805	29,552,876
Advance against issue of shares to minority shareholders			
Balance at the beginning of the year		202,100	-
Advance received during the year		221,112	474,779
Shares issued during the year		(348,731)	(272,679)
Balance at the end of the year		74,481	202,100
Non-controlling interest			
Balance at the beginning of the year		605,690	357,415
Shares issued during the year		348,731	272,679
Total comprehensive income for the year		(8,352)	(24,052)
Reduction in controlling interest of the holding company		(55)	(352)
Balance at the end of the year		946,014	605,690
Total equity		32,214,300	30,360,666

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

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

Notes to the Consolidated Financial Statements
For the year ended June 30, 2012

1. STATUS AND NATURE OF BUSINESS

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

The last year profit and loss include Narowal's post Commercial Operations Date (COD) results from April 22, 2011 to June 30, 2011 on the basis of reference tariff approved by National Electric Power Regulatory Authority (NEPRA).

The Group consists of:

- The Hub Power Company Limited (the holding company); and

- Laraib Energy Limited (the subsidiary) - Holding of 75.08%.

The subsidiary was incorporated in Pakistan on August 9, 1995 as a public limited company under the Companies Ordinance, 1984. The subsidiary is constructing a 84 MW hydropower generating complex near the New Bong Escape, which is 8 km downstream of the Mangla Dam in Azad Jammu & Kashmir. The project achieved Financial Close in December 2009 and is required to achieve Commercial Operations Date within 42 months of Financial Close which will be June 2013 as per Power Purchase Agreement (PPA) entered between the subsidiary and the Power Purchaser.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Accounting convention

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

2.3 Basis of consolidation

All business combinations are accounted for using the purchase method. The cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair values of the holding company's share of identifiable net assets acquired is recorded as goodwill.

The consolidated financial statements of the Group include the financial statements of the holding company and its subsidiary. The financial statements of the subsidiary are prepared for the same reporting period as the holding company, using consistent accounting policies.

The assets and liabilities of the subsidiary have been consolidated on a line-by-line basis and the carrying value of investment held by the holding company is eliminated against the subsidiary's share capital and pre-acquisition reserves in the consolidated financial statements. Material intra- gr oup balances and transactions are eliminated.

A change in the ownership inter est of the subsidiary, without a change of contr ol, is accounted for as an equity transaction.

Subsidiary companies are consolidated from the date on which more than 50% voting rights are transferred to the holding company or power to gover n the financial and operating policies of the subsidiary is established and is excluded fr om consolidation fr om the date of disposal or cessation of contr ol.

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

2.4 Property, plant and equipment

(a) Operating property, plant, equipment and depreciation

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

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

Maintenance and r epairs are charged to pr ofit and loss account as and when incurr ed. Major renewals and improvements are capitalised.

The residual value, depreciation method and the useful lives of the significant items of pr operty, plant and equipment ar e r eviewed and adjusted if r equired, at each balance sheet date.

(b) Capital work-in-progress

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

2.5 Intangible assets and amortisation

(a) Goodwill

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

(b) Other intangible assets

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

2.6 Impairment of non-current assets

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

2.7 Stores and spares

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

Stores and spares of Narowal plant are valued at moving average cost except for the items in transit which are stated at cost. Provision is made for slow moving and obsolete items, if any.

2.8 Stock-in-trade

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

2.9 Cash and cash equivalents

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

2.10 Provisions

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

2.11 Staff retirement benefits

The holding company operates:

- a funded defined benefit gratuity plan covering eligible employees whose period of service with the holding company is at least five years. Actuarial gains and losses are amortised over the expected average remaining lives of employees as allowed under the relevant provision of IAS 19 "Employee Benefits".

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

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

2.12 Deferred income

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

2.13 Revenue recognition

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

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

2.14 Interest income

Interest income is recorded on accrual basis.

2.15 Operating lease

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

2.16 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pak Rupees, which is the Group's functional and presentation currency, at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees equivalents using balance sheet date exchange rates. Non-monetary assets and liabilities are stated using exchange rates that existed when the values were determined. Exchange differences on foreign currency transactions and translations are included in profit and loss account except the waiver granted by the Securities and Exchange Commission of Pakistan (SECP) from the requirements of International Accounting Standard (IAS) – 21, to the extent of capitalisation of exchange differences to power sector companies and as mentioned in note 2.21.

2.17 Taxation

Income of the holding company is not liable to taxation in Pakistan to the extent provided in the Implementation Agreements signed with the Government of Pakistan (GOP) and the Income Tax Ordinance, 2001 (ITO 2001). Accordingly, provision for taxation, if any, is made only on the income liable to tax at the applicable rates of tax after taking into account tax credits, rebates etc. allowable under the ITO 2001.

Income of the subsidiary is not liable to taxation in Pakistan to the extent provided in the ITO 2001. Accordingly, provision for taxation, if any, is made only on the income liable to tax at the applicable rates of tax after taking into account tax credits, rebates etc. allowable under the ITO 2001.

2.18 Dividend

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

2.19 Segment reporting

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

2.20 Financial instruments

(a) Trade debts and other receivables

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

(b) Borrowings

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

(c) Trade and other payables

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

2.21 Borrowing costs

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

2.22 Use of estimates and judgements

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

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

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
3. TURNOVER			
Turnover		197,632,951	140,346,799
Less: Sales tax		(22,920,764)	(17,037,195)
		174,712,187	123,309,604
4. OPERATING COSTS			
Fuel cost		151,647,873	108,141,995
Stores and spares		155,717	13,872
Operation and Maintenance		3,366,478	2,943,737
Insurance		696,722	517,972
Depreciation	10.3	2,648,484	1,930,256
Amortisation	11.1	11,290	163
Miscellaneous		534,936	544,581
		159,061,500	114,092,576
5. OTHER INCOME			
Interest income		16,486	31,914
Gain on disposal of fixed assets		256	11
Deferred income realised		-	249
Exchange gain		43,013	14,962
		59,755	47,136
6. GENERAL AND ADMINISTRATION EXPENSES			
Salaries, benefits and other allowances	6.1	219,354	260,083
Travel and transportation		40,725	42,284
Fuel and power		9,080	9,037
Property, vehicles and equipment rentals		14,221	18,791
Repairs and maintenance		13,644	16,488
Legal and professional		43,812	14,975
Insurance		10,901	11,214
Auditors' remuneration	6.2	8,648	4,434
Donation	6.3	32,160	38,025
Depreciation	10.3	31,119	28,627
Amortisation	11.1	5,261	4,354
Miscellaneous		36,208	86,919
		465,133	535,231

6.1 These include Rs. 30.590 million (2011: Rs. 27.235 million) in respect of staff retirement benefits.

6.2 Auditors' remuneration

	2012	2011
Statutory audits	2,205	2,205
Half yearly review	552	552
Tax and other services	5,463	1,417
Out-of-pocket expenses	428	260
	8,648	4,434

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

7. FINANCE COSTS

	2012 (Rs. '000s)	2011 (Rs. '000s)
Holding company		
Hub plant		
Interest / mark-up on long term loans	763,299	931,221
Mark-up on short term borrowings	1,039,415	1,158,323
Other finance costs	125,262	116,291
	1,927,976	2,205,835
Narowal plant		
Mark-up on long term loans	3,097,446	3,060,860
Mark-up on short term borrowings	1,383,066	94,333
Amortisation of transaction cost	67,787	12,432
Other finance costs	22,813	92,137
	4,571,112	3,259,762
Laraib's investment		
Mark-up on long term loans	559,074	290,332
Unwinding of discount on share premium payable	451	37,770
Other finance costs	24,177	41,144
	583,702	369,246
	7,082,790	5,834,843
Less: amount capitalised in the cost of qualifying assets - Narowal plant	-	(2,452,671)
Less: amount capitalised in the cost of qualifying assets - Subsidiary	(419,306)	(217,749)
Finance costs of the holding company	6,663,484	3,164,423
Subsidiary		
Interest / mark-up on long term loans	1,376,207	412,347
Mark-up on leased assets	-	50
Other finance costs	54,161	73,850
	1,430,368	486,247
Less: amount capitalised in the cost of qualifying assets - Subsidiary	(1,429,132)	(484,949)
Finance costs of the subsidiary	1,236	1,298
	6,664,720	3,165,721

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
8. WORKERS' PROFIT PARTICIPATION FUND			
Provision for Workers' profit participation fund	19	409,484	271,242
Workers' profit participation fund recoverable from WAPDA / NTDC	14	(409,484)	(271,242)
		-	-

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 will bill this to W APDA / NTDC as a pass thr ough item under the Power Purchase Agreements (PPAs).

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
9. TAXATION			
Current			
- For the year		5,141	13,751
- Prior years		-	3,670
		5,141	17,421
10. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	10.1	46,060,165	48,374,377
Capital work-in-progress			
Plant betterments (Hub plant)		26,096	37,751
Narowal plant		-	515,676
Subsidiary	10.4	16,234,435	9,402,978
		16,260,531	9,956,405
		62,320,696	58,330,782

10.1 Operating property, plant and equipment

	Freehold land	Building on freehold land	Leasehold property	Plant & machinery	Furniture & fixtures	Vehicles	Office equipment	Total
	(Rs. '000s)							
Cost:								
As at July 1, 2011	68,624	528,663	862	71,659,614	37,032	128,301	15,669	72,438,765
Additions	-	290,289	-	240,316	12,815	31,393	8,283	583,096
Adjustments	-	-	-	(203,200)	-	-	-	(203,200)
Disposals	-	-	-	(3,436)	(1,489)	(15,111)	(526)	(20,562)
As at June 30, 2012	68,624	818,952	862	71,693,294	48,358	144,583	23,426	72,798,099
Depreciation:								
Rate (%)	-	3.33 to 20	3.33	3.33 to 33.33	10 to 20	25	10 to 20	-
As at July 1, 2011	-	106,462	480	23,855,269	34,555	60,390	7,232	24,064,388
Charge for the year	-	24,791	29	2,630,757	1,666	29,505	2,308	2,689,056
Adjustments	-	-	-	(2,123)	-	-	-	(2,123)
Disposals	-	-	-	(2,457)	(397)	(10,332)	(201)	(13,387)
As at June 30, 2012	-	131,253	509	26,481,446	35,824	79,563	9,339	26,737,934
Net book value as at June 30, 2012	68,624	687,699	353	45,211,848	12,534	65,020	14,087	46,060,165
Net book value as at June 30, 2011	68,624	422,201	382	47,804,345	2,477	67,911	8,437	48,374,377
Cost of fully depreciated assets as at June 30, 2012	-	19,148	-	245,958	34,134	19,035	3,571	321,846
Cost of fully depreciated assets as at June 30, 2011	-	18,372	-	198,471	32,164	17,740	3,340	270,087

10.2 Disposal of operating property, plant and equipment

Assets	Cost	Accumulated Depreciation	Net book value	Sale price	Mode of disposal	Particulars of buyer
	(Rs. '000s)					
Vehicle	1,875	1,211	664	674	Holding company policy	Mohsin Maqsood - Ex-employee
Vehicle	1,356	960	396	406	Holding company policy	Habibullah Khan - Ex-employee
Vehicle	1,933	1,464	469	479	Holding company policy	Abid Mehmood - Ex-employee
Vehicle	1,967	738	1,229	1,239	Holding company policy	Wasif Mustafa Khan - Ex-employee
Vehicle	1,494	405	1,089	1,099	Subsidiary company policy	Ahmad Muazzam Ex-employee
Vehicle	1,507	575	932	942	Subsidiary company policy	Muhammad Usman Aziz - Ex-employee
Computer	130	61	69	92	Insurance claim	EFU General Insurance
Computer	146	20	126	-	Ex-gratia	Abid Mehmood - Ex-employee
Computer	468	208	260	12	Tender	M/s. Net Effect
Computer	368	297	71	35	Tender	M/s. Net Effect
Computer	98	44	54	-	Write off	N/A
Equipment	74	20	54	16	Tender	M/s. Net Effect
Equipment	74	20	54	16	Tender	M/s. Net Effect
Equipment	84	22	62	17	Tender	M/s. Net Effect
Equipment	84	22	62	17	Tender	M/s. Net Effect
Equipment	84	22	62	17	Tender	M/s. Net Effect
Office equipment	242	64	178	60	Tender	M/s. Net Effect
Office equipment	171	29	142	118	Insurance claim	Adamjee Insurance Company
Furniture & fixtures	1,489	397	1,092	90	Tender	M/s. Net Effect
Items having a net book value not exceeding Rs. 50,000 each						
Vehicles	4,979	4,979	-	1,767	Various	Various
Computers	1,826	1,721	105	141	Various	Various
Office equipment	113	108	5	18	Various	Various
Total - June 30, 2012	20,562	13,387	7,175	7,255		
Total - June 30, 2011	34,994	28,864	6,130	6,141		

10.3 Depreciation charge for the year has been allocated as follows:

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
Operating costs	4	2,648,484	1,930,256
General and administration expenses	6	31,119	28,627
Capital work-in-progress - Narowal plant		-	2,477
Capital work-in-progress - Subsidiary		7,330	4,231
		2,686,933	1,965,591

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
10.4 Capital work-in-progress - Subsidiary			
Opening balance		9,402,978	4,355,670
Additions during the year			
EPC costs		4,427,924	4,053,787
Payment to other contractors		178,988	-
Professional services		190,781	174,554
Insurance cost		71,461	70,742
Borrowing cost		1,795,513	630,096
Other finance costs		52,925	72,602
Other directly attributable cost	10.4.1	113,865	45,527
		6,831,457	5,047,308
		16,234,435	9,402,978

10.4.1 Included herein exchange differences of Rs. 20.370 million (2011: Nil) capitalised due to waiver granted by the SECP (see note 2.16).

11. INTANGIBLES

	Cost as at July 1, 2011	Additions	Disposals	Cost as at June 30, 2012	Accumulated amortisation as at July 1, 2011	Charge for the year	Disposals	Accumulated amortisation as at June 30, 2012	Net book value as at June 30, 2012	Net book value as at June 30, 2011
	(Rs. ,000s)									
Goodwill (note 11.2)	1,414,096	-	-	1,414,096	-	-	-	-	1,414,096	1,414,096
Computer software	41,471	33,952	-	75,423	33,405	16,764	-	50,169	25,254	8,066
	1,455,567	33,952	-	1,489,519	33,405	16,764	-	50,169	1,439,350	1,422,162

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
11.1 Amortisation charge for the year at 33.33% has been allocated as follows:			
Operating costs	4	11,290	163
General and administration expenses	6	5,261	4,354
Capital work-in-progress - Subsidiary		213	195
		16,764	4,712

11.2 For impairment testing, goodwill has been allocated to under construction 'Laraib plant' as Cash Generating Unit (CGU), which is also a reportable segment. No goodwill has been impaired as a result of annual impairment test carried out on June 30, 2012. The recoverable amount for the purpose of assessing impairment on goodwill on acquisition of the subsidiary is determined based on value in use. The calculations are based on the cash flows derived mainly under the PPA between the subsidiary and the Power Purchaser for a term of 25 years from COD. These cash flows are denominated in USD and have been discounted using a discount rate which reflects the current market rate appropriate for the business. For the calculation, the Group has used a discount rate of 4.25% and the cash flows are discounted over whole of the life of the project. The management believes that any reasonable possible change to the key assumptions on which calculation of recoverable amount is based, would not cause the carrying amount to exceed the recoverable amount.

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
12. LONG TERM ADVANCES, DEPOSITS AND PREPAYMENTS			
Advances - considered good		39,764	45,096
Deposits		5,894	3,613
Prepaid operating lease rentals		12,711	15,765
Other prepayments		2,399	2,637
		60,768	67,111
13. TRADE DEBTS - Secured			
Considered good	13.1 & 13.2	151,161,169	85,806,069

13.1 This includes an amount of Rs. 118,585 million (2011: Rs. 70,444 million) receivable from WAPDA and Rs. 11,047 million (2011: Rs. 668 million) receivable from NTDC which are overdue but not impaired because the trade debts are secured by a guarantee from the GOP under Implementation Agreements. The overdue from WAPDA carries mark-up at SBP discount rate plus 2% per annum compounded semi-annually and the overdue from NTDC carries mark-up at a rate of 3 month KIBOR plus 4.5% per annum compounded semi-annually. The aging of these overdue receivables is as follows:

	2012 (Rs. '000s)	2011 (Rs. '000s)
Up to 3 months	50,727,482	47,255,408
3 to 6 months	48,778,269	18,727,190
Over 6 months	30,126,608	5,130,005
	129,632,359	71,112,603

13.2 This includes Rs. 373 million (2011: Rs. 373 million) relating to a tax matter (see note 22.10).

14. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
Advances - considered good			
Executives		19	353
Employees		220	74
Suppliers		35,680	42,299
		35,919	42,726
Deposits		972	69
Prepayments			
Current portion of prepaid operating lease rentals		3,314	3,308
LC commission and other loan related costs		20	5,724
Miscellaneous		14,554	12,264
		17,888	21,296
Other receivables			
Interest accrued		1,490	33
Income tax	22.9	1,912,347	296,872
Sales tax		11,484	446,790
Receivable from an associated undertaking		-	374
Workers' profit participation fund recoverable from WAPDA / NTDC	8	409,484	271,242
Miscellaneous		171,974	905
		2,506,779	1,016,216
		2,561,558	1,080,307

15. CASH AND BANK BALANCES

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
Savings accounts		1,339,932	2,562,007
In hand		266	517
	15.1 & 15.2	1,340,198	2,562,524

15.1 Savings accounts carry mark-up rates ranging between 0.25% to 8.50% (2011: 0.25% to 9.50%) per annum.

15.2 This includes Rs. 44.658 million (2011: Rs. 673.689 million) restricted for Narowal project related payments.

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

2012 (No. of Shares)	2011 (No. of Shares)		2012 (Rs. '000s)	2011 (Rs. '000s)
		Authorised :		
1,200,000,000	1,200,000,000	Ordinary shares of Rs.10/- each	12,000,000	12,000,000
		Issued, subscribed and paid-up :		
		Ordinary shares of Rs.10/- each		
818,773,317	818,773,317	For cash	8,187,733	8,187,733
		For consideration other than cash		
338,022,463	338,022,463	- against project development cost	3,380,225	3,380,225
358,607	358,607	- against land	3,586	3,586
338,381,070	338,381,070		3,383,811	3,383,811
1,157,154,387	1,157,154,387		11,571,544	11,571,544

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

16.2 Associated undertakings held 279,694,222 (2011: 484,790,642) shares in the holding company as at year end.

17. LONG TERM LOANS - Secured

From Banks / Financial Institutions	Note	As at July 01, 2011	Drawn	Repaid	Current portion	Transaction cost	As at June 30, 2012
		(Rs. '000s)					
Holding company							
Hub plant							
Under the Private Sector Energy Development Fund's (PSEDF I) Facility	17.1 & 17.1.1	3,934,074	-	(722,107)	(722,109)	-	2,489,858
Under the Private Sector Energy Development Fund's (PSEDF II) Facility	17.1 & 17.1.2	1,399,902	-	(256,955)	(256,953)	-	885,994
Sub Total		5,333,976	-	(979,062)	(979,062)	-	3,375,852
Narowal plant							
Commercial Facility	17.2.1	6,283,447	-	(358,425)	(408,021)	-	5,517,001
Expansion Facility	17.2.2	14,718,588	-	(712,284)	(836,414)	-	13,169,890
Transaction cost		(459,971)	-	-	57,774	67,787	(334,410)
Sub Total		20,542,064	-	(1,070,709)	(1,186,661)	67,787	18,352,481
Laraib's investment							
Syndicated term finance facility	17.3.1	2,681,874	738,263	-	-	-	3,420,137
Islamic finance facility	17.3.2	759,000	-	-	-	-	759,000
Transaction cost		(73,080)	-	-	-	-	(73,080)
Sub Total		3,367,794	738,263	-	-	-	4,106,057
Long term loans of the holding company		29,243,834	738,263	(2,049,771)	(2,165,723)	67,787	25,834,390
Subsidiary							
Foreign currency loans	17.4.1	5,008,110	4,345,430	-	-	-	9,353,540
Local currency loans	17.4.2	1,385,000	994,000	-	-	-	2,379,000
Transaction cost		(554,632)	-	-	-	(4,150)	(558,782)
Long term loans of the subsidiary		5,838,478	5,339,430	-	-	(4,150)	11,173,758
		35,082,312	6,077,693	(2,049,771)	(2,165,723)	63,637	37,008,148

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

Holding company

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

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

(i) the Tangible Moveable Property of the holding company;
(ii) the Intellectual Property of the holding company; and
(iii) all goodwill belonging to the holding company.

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

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

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

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

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

17.1.1 Interest is payable @ 14% per annum.

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

17.2 In connection with Narowal plant:

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

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

The loan is secured pari passu by way of:

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

(b) a first ranking floating charge over the Project Company's undertaking and assets (both present and future), fixed and current [other than those referred in note 21.4(a)], tangible and intangible, wherever situated and all present and future trade deposits, trade debts, loans and advances, bills and other receivables in relation to the Narowal plant;

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

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

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

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

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

17.3.1 The holding company has entered into a long term financing arrangement with various banks / financial institution for an amount of Rs. 3,741 million. The loan is repayable in 9 equal installments on semi-annual basis following the six months after the end of availability period which is 42 months from the facility effective date at a mark-up rate of six month KIBOR plus 2.20% per annum. The facility became effective on October 01, 2010. The mark-up is payable on semi-annual basis in arrear starting from the availability period. Any late payment by the holding company is subject to an additional payment of 2% per annum above the normal mark-up rate. The loan is secured by way of second ranking / subordinated charge over all present and future undertaking and assets excluding land and buildings of the holding company other than: (i) assets relating to the Narowal plant; (ii) Commercial Facility Disbursement Account; (iii) any shares in Demerged Company (special purpose vehicle that the holding company may incorporate under the laws of Pakistan for the purpose of construction, ownership, operations & maintenance of Narowal plant); and (iv) present and future shares acquired in the subsidiary including bonus shares and right shares.

17.3.2 The holding company has also entered into a long term islamic financing arrangement with a bank for an amount of Rs. 759 million. The loan is repayable in 9 equal installments on semi-annual basis following the six months after the end of availability period which is 42 months from the facility effective date at a mark-up rate of six month KIBOR plus 2.20% per annum. The facility became effective on November 24, 2010. The mark-up is payable on semi-annual basis in arrear starting from the availability period. Any late payment by the holding company is subject to an additional payment of 2% per annum above the normal mark-up rate. The loan is secured by way of securities mentioned in note 17.3.1.

Subsidiary

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

17.4.1 The subsidiary has entered into long term loan facilities of USD 135.6 million with various banks/ financial institutions at a rate of six month LIBOR plus 4.75% per annum. Disbursements under these facilities are subject to fulfillment 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 21, 2009 provided that in no event shall the availability period extend beyond August 5, 2013. Any late payment by the subsidiary is subject to an additional payment of 2% per annum above the normal mark-up rate.

17.4.2 The subsidiary has also entered into a long term loan facility of Rs. 3,250 million with banks at a mark-up rate of six month KIBOR plus 3.25% per annum. Disbursements under this facility are subject to fulfillment of certain conditions precedent. The loan is repayable in 19 installments starting from November 5, 2013 and then on each mark-up payment date (January 1 and July 1) until and including the final maturity date of May 5, 2022. The availability period of loan facility is 42 months from December 21, 2009 provided that in no event shall the availability period extend beyond August 5, 2013. Any late payment by the subsidiary is subject to an additional payment of 2.5% per annum above the normal mark-up rate.

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

During the year, the subsidiary withdrew USD 41.2 million and Rs. 994 million after obtaining lenders' consent for deferment of certain conditions precedent.

The loan facilities are secured by way of:

(a) a fixed charge over the following assets namely:

(i) all proceeds, receivables and moneys payable by the Security Trustee from receipts account;

(ii) the assigned agreements but only as to such rights that are not effectively assigned by way of security to the Security Trustee under the Security Deed;

(iii) the authorisations and consents (to the extent permitted under any Applicable Law without the need to obtain the further consent of any Government Entity);

(iv) all monetary claims and all related rights (if not effectively charged or assigned pursuant to the Accounts Charge) and only as to such rights that are not effectively assigned by way of security to the Security Trustee under the Security Trust Deed;

(v) all intellectual property rights, including license, designs rights, copyright, patents and trademarks to the extent permitted by Applicable Law;

(vi) all goodwill of the subsidiary's business;

(vii) all Insurances;

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

(ix) in charged accounts and in all authorised investments held by the subsidiary or any of its nominee and all of benefits, right, title and interest present and future in or relating to the same.

(b) a floating charge over whole of the subsidiary's undertakings and assets, present and future other than any asset charged or assigned under fixed charge.

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
18. DEFERRED LIABILITIES			
Staff gratuity - Holding company	18.1	10,652	19,320
Staff gratuity - Subsidiary		2,184	1,060
		12,836	20,380

18.1 Staff gratuity - Holding company

Actuarial valuation was carried out as on June 30, 2012. The present value of defined benefit obligation has been calculated using the Projected Unit Credit Actuarial Cost method.

	2012 (Rs. '000s)	2011 (Rs. '000s)
Reconciliation of the net liability recognised in the balance sheet		
Present value of defined benefit obligation	108,968	97,139
Fair value of plan assets	(88,253)	(61,054)
Net actuarial losses not recognised	(10,063)	(16,765)
Net liability recognised in the balance sheet	10,652	19,320
Reconciliation of the movements during the year in the net liability recognised in the balance sheet		
Opening net liability	19,320	15,689
Expense recognised	22,175	16,033
Contributions to the fund made during the year	(30,843)	(12,402)
Closing net liability	10,652	19,320
Expense recognised		
Current service cost	8,912	8,039
Interest cost	12,827	12,816
Expected return on plan assets	(6,615)	(7,514)
Actuarial loss recognised	7,051	2,692
Expense recognised	22,175	16,033
Actual return on plan assets		
Expected return on plan assets	6,615	7,514
Actuarial gain / (loss) on plan assets	773	(1,985)
Actual return on plan assets	7,388	5,529

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

	2012	2011
- Valuation discount rate per annum	12.50%	14.00%
- Expected return on plan assets per annum	12.00%	11.00%
- Expected rate of increase in salary level per annum	12.50%	14.00%

19. TRADE AND OTHER PAYABLES

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
Creditors			
Trade	19.1	124,946,276	70,783,935
Other		10,558	113,724
		124,956,834	70,897,659
Accrued liabilities			
Due to operation and maintenance contractors		617,352	286,438
Project cost - Narowal plant		110,741	845,087
Miscellaneous finance costs		12,308	13,098
Miscellaneous		465,659	701,109
		1,206,060	1,845,732
Unearned income	19.2	983,158	938,512
Share premium payable		-	95,620
Unclaimed dividend		104,780	86,066
Other payables			
Provision for Workers' profit participation fund	8	409,484	271,242
Payable to EPC contractor of the subsidiary		811,504	750,493
Payable in respect of project development cost of the subsidiary		76,405	94,053
Retention money		54,592	63,589
Withholding tax		17,753	-
		1,369,738	1,179,377
		128,620,570	75,042,966

19.1 This includes Rs. 122,895 million (2011: Rs. 69,687 million) payable to Pakistan State Oil, out of which overdue amount is Rs. 108,497 million (2011: Rs. 55,337 million). The overdue amount carries interest/ mark-up at SBP discount rate plus 2% per annum compounded semi-annually.

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

20. INTEREST / MARK-UP ACCRUED

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
Interest / mark-up accrued on long term loans		1,576,428	1,593,716
Mark-up accrued on short term borrowings		453,414	247,911
	20.1	2,029,842	1,841,627

20.1 Included herein is a sum of Rs. 21.383 million (2011: Rs. 140.831 million) payable to associated undertakings.

21. SHORT TERM BORROWINGS - Secured	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
Holding company			
Finances under mark-up arrangements - Hub plant	21.1 to 21.3	16,062,469	11,682,276
Finances under mark-up arrangements - Narowal plant	21.4 to 21.6	3,626,000	-
		19,688,469	11,682,276

21.1 The facilities for running finance available from various banks / financial institution amounted to Rs.16,200 million (2011: Rs. 12,900 million) at mark-up ranging between 0.75% to 3.00% per annum above one month KIBOR. The mark-up on the facilities is payable on monthly / quarterly basis in arrear. The facilities will expire during the period from September 30, 2012 to June 30, 2013. These facilities are secured by way of charge over the trade debts and stocks of the holding company pari passu with the existing charge. Any late payment by the holding company is subject to an additional payment of 2.00% per annum above the normal mark up rate.

21.2 This includes a sum of Rs. 1,160.318 million (2011: Rs. 898.991 million) payable to an associated undertaking. The available facility amounts to Rs. 2,000 million (2011: Rs. 2,000 million). This facility is secured by way of securities mentioned in note 21.1.

21.3 In addition to above, during the year the holding company has issued privately placed Sukuk certificates based on Musharaka amounting to Rs. 3,046 million at a mark-up of 1.25% per annum above six month KIBOR. The mark-up and principal is payable on the expiry of six months from the date of drawdown. The holding company has drawn full amount on February 03, 2012. Any late payment by the holding company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. This facility is secured by way of securities mentioned in note 21.1.

21.4 The facilities for running finance available from various banks amounted to Rs. 4,650 million (2011: Rs. 2,250 million) at a mark-up of 2.00% per annum above three month KIBOR. The mark-up on the facilities is payable on quarterly basis in arrear. The facilities will expire during the period from July 28, 2012 to December 31, 2012. Any late payment by the holding company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. These facilities are secured by way of:

(a) a first ranking charge on all present and future (i) amounts standing to the credit of the Energy Payment Collection Account and the Master Facility Account opened for the purpose of this agreement, (ii) Fuel, lube, fuel stocks at the Narowal plant and Spares parts; and (iii) the Energy Payment Receivables of Narowal plant.

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

21.5 The holding company also has Murabahah facility agreements with banks for an amount of Rs. 625 million (2011: Rs. 625 million) at a mark-up of 2.00% per annum above three month KIBOR. The mark-up on the facilities is payable on quarterly basis in arrear. These facilities will expire from July 28, 2012 to August 02, 2012. Any late payment by the holding company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. These facilities are secured by way of securities mentioned in note 21.4.

21.6 The holding company also entered into a Musharaka agreement amounting to Rs. 635 million at a mark-up of 2.00% per annum above three month KIBOR. The mark-up on the facility is payable on quarterly basis in arrear. This facility will expire on September 30, 2012. Any late payment by the holding company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. This facility is secured by way of securities mentioned in note 21.4 (a).

22. COMMITMENTS AND CONTINGENCIES

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

22.2 Counter guarantees, to meet the requirements under the FSA for Hub plant, issued to various banks by the holding company which are secured pari passu with long term loans (as mentioned in note 17.1) amount to Rs. 8,000 million (2011: Rs. 8,000 million).

22.3 Commitments by the holding company in respect of capital and revenue expenditures amount to Rs. 1,423.099 million (2011: Rs. 422.630 million).

22.4 In connection with investment in the subsidiary, the holding company entered into an Sponsor Support Agreement (SSA). In accordance with the terms of the SSA, the holding company entered into a Sponsor Charge and Assignment Deed with the subsidiary's lenders pursuant to which the holding company has:

(i) charged, by way of first fixed charge:

(a) all its right, title and interest from time to time in and to the Shares and Related Rights of the subsidiary; and

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

(ii) assigned and has agreed to assign absolutely all rights, title and interest present or future of the holding company in respect of the Assigned Subordinated Loans (none at present).

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

Further, the holding company is committed to maintain a minimum of 75% equity interest in the subsidiary.

22.5 Pursuant to the SSA in connection with the investment in the subsidiary, the holding company is committed to provide an LC of USD 46 million to the subsidiary's lenders from Financial Close to the last repayment date of debt (expected in 2024). The holding company entered into an agreement with a commercial bank for the arrangement of this LC in the amount of USD 46 million or aggregating Rs. 4,000 million, whichever is lower, for a period of four years starting December 2009. The LC was arranged for one year under the agreement and is renewable each year subject to certain conditions. The LC amount reduces as the equity is injected into the subsidiary and project achieves COD. The current outstanding amount of the LC is USD 24 million. Post COD, the holding company will be required to maintain a maximum LC of USD 17 million up to 2024. Any default in payment by the holding company is subject to a mark-up of six month KIBOR plus a margin of 4%. This LC is secured by way of second ranking / subordinated charge over all present and future undertaking and assets of the holding company other than: (i) assets relating to the Narowal plant; (ii) Commercial Facility Disbursement Account; (iii) any shares in Demerged Company (special purpose vehicle that the holding company may incorporate under the laws of Pakistan for the purpose of construction, ownership, operations & maintenance of Narowal project); and (iv) present and future shares acquired in the subsidiary including bonus shares and right shares.

22.6 In connection with the Narowal plant, the holding company has provided Stand-by Letter of Credit (SBLC) for an amount of Rs. 2,400 million to Bakri Trading Company Pakistan (Pvt) Ltd which will expire on August 04, 2012. Any default in payment by the holding company is subject to a mark-up rate of three month KIBOR plus 4% per annum. This SBLC is secured by way of securities mentioned in note 21.4.

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

22.8 The holding company is exposed to the Liquidated Damages (LDs) if it is not able to meet the availability conditions of the Narowal plant as defined under the Narowal PPA. The holding company remains exposed to LDs if Narowal plant does not have sufficient fuel to meet the availability conditions of the PPA, even if the shortage is caused by cash flow constraints due to delay in payments by the power purchaser.

22.9 In 1998, the Federal Board of Revenue (FBR) made assessments under section 52/86 of the Income Tax Ordinance, 1979 [ITO,79] amounting to Rs. 1,896 million stating that the holding company did not withhold tax at the time of issue of shares to sponsors against project development costs incurred by them. The holding company deposited Rs. 297 million against the above assessments in accordance with the departmental procedures prevalent at that time. Appeals filed by the holding company before the Commissioner of Income tax (Appeals) [the "CIT(A)"] and thereafter with the Income Tax Appellate Tribunal (the "ITAT") were decided against the holding company. Against the decision of the ITAT, the holding company filed appeals before the High Court (the "HC") which were also decided against the holding company in March 2012. Against the decision of the HC, the holding company has filed further appeals before the Honourable Supreme Court of Pakistan (SCP) along with stay application which are pending adjudication.

In order to restrict the penal exposure of the holding company, in May 2012 the holding company availed the scheme offered by the FBR vide SRO 547(I)/2012 dated May 22, 2012 and made payment of Rs. 1,615 million. In accordance with the scheme, the FBR has informed the holding company that penalties and default surcharge amounting to Rs. 2,925 million levied on the holding company in connection with the above tax demand have been waived.

The holding company's case in the SCP will continue as provided in the above SRO. The management and their tax and legal advisors are of the opinion that the position of the holding company is sound on technical basis and eventual outcome ought to be in favour of the holding company in the case filed before the SCP. Pending the outcome of the case, no provision has been made in these consolidated financial statements (see note 14).

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

Under the provisions of the Implementation Agreement (IA) between the holding company and Government of Pakistan (GOP) it was agreed that payments to contractors and sub-contractors would be subject to 4% tax which would be full and final liability on account of income tax. Accordingly, the provisions of tax law were amended. However in 1998, few years after the tax had been paid, the FBR contended that holding company was liable to pay tax at 8% instead of the agreed rate of 4% and was also liable to pay tax on taxes paid on behalf of contractors and sub-contractors on “tax on tax” basis at the corporate rates ranging from 52% to 58% instead of 4%. Accordingly, demand notices were issued and the holding company was required to pay Rs. 966 million. On payment of Rs. 966 million, the holding company immediately billed these amounts to WAPDA. Against these demands by FBR, appeals were filed by the Contractors and Sub-Contractors which were decided in their favour. The FBR has filed appeals before the courts which are pending adjudication.

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

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

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

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

22.11 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 person who falls within the definition of the term "Worker" as it has been defined in the Act.

The petition was filed subsequent to the service on the holding company of a letter of March 14, 2000 by the Labour, Manpower and Overseas Pakistanis' Division, directing the holding company to allocate 5% of its net profit (since its establishment) towards the Workers' Profit Participation Fund and deposit the entire amount of the Fund in the Federal Treasury. The petition had been filed against the Federation of Pakistan through the Secretary, Ministry of Labour, Manpower and Overseas Pakistanis, Labour, Manpower and Overseas Pakistanis Division and, in view of the fact that any payment made by the holding company to the Fund is a pass through item under the Power Purchase Agreement (PPA), against the Water and Power Development Authority (WAPDA) as a pro forma party.

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

Both HUBCO and WAPDA agreed that this petition should proceed and a judgement obtained on merits. During the year ended June 30, 2011, the petition was dismissed by the High Court (HC). Against the decision of the HC, the holding company filed petition for leave to appeal before the Supreme Court. In December 2011, the Supreme Court set aside the judgement of the HC and directed it to decide the case afresh. No provision has been made in these consolidated financial statements as any payment made by the holding company is a pass through item under the PPA.

Following the amendments made by the Finance Act 2006 to the Companies Profits (Workers' Participation) Act, 1968 (the Act), the holding company established the Hubco Workers' Participation Fund on August 03, 2007 to allocate the amount of annual profits stipulated by the Act for distribution amongst worker(s) eligible to receive such benefits under the Act and any amendments thereto from time to time (see note 8).

22.12 (i) Under the Implementation Agreement (IA) with GOP and under the tax laws, the holding company's interest income is exempt from income tax. However, in September 2011 tax authorities have issued a tax demand of Rs. 143 million on the grounds that interest income from term deposits is not covered under the exemption allowed under the tax law. The holding company's appeal before the Commissioner of Inland Revenue Appeals [CIR (A)] and the Appellate Tribunal Inland Revenue (ATIR) were rejected. Against the order of the ATIR the holding company filed Income Tax Reference Applications (ITRAs) before the Honorable Islamabad High Court (IHC). The IHC while setting aside the judgment of the ATIR has remanded back the appeals to the ATIR for a fresh hearing by a new bench. No date has yet been fixed by the ATIR.

The management and their tax and legal advisors are of the opinion that the position of the holding company is sound on technical basis and eventual outcome ought to be in favour of the holding company. Pending the resolution of the matters stated above, no provision has been made in these consolidated financial statements.

(ii) FBR has also imposed 2% WWF from tax years 2006-2010 and issued a demand for Rs. 191 million which was subsequently reduced to Rs. 8 million by the CIR (A). The holding company's appeals filed in IHC mentioned in (i) above also included this matter. The IHC while setting aside the judgment of the ATIR has remanded back the appeals to the ATIR for a fresh hearing by a new bench. WWF is a pass through under the PPA and is recoverable from the WAPDA. No provision has been made in these consolidated financial statements as any payment made by the holding company is a pass through item under the PPA.

22.13 During the year, the FBR has passed an order amounting to Rs. 38 million on the ground that the holding company's suppliers did not deposit sales tax received from the holding company into the government treasury. The holding company has filed appeal with the CIR (A). The management and their tax advisors are of the opinion that the position of the holding company is sound and this matter will be decided in favour of the holding company. Pending the resolution of the matter stated above, no provision has been made in these consolidated financial statements.

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

(i) the subsidiary has entered into contracts for construction and operation of a hydel power plant. The subsidiary's remaining capital and revenue commitments against these contracts amount to Rs. 2,631.459 million (2011: Rs. 6,838.113 million).

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

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

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

	2012 (Rs. '000s)	2011 (Rs. '000s)
Not later than one year	170	170
Later than one year but not later than five years	4,840	3,434
Later than five years	26,723	28,299
	31,733	31,903

23. REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

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

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
		Chief Executives	
Managerial remuneration		16,342	24,441
House rent		7,354	10,998
Utilities		1,634	2,444
Retirement benefits		2,894	3,504
Other benefits		7,026	12,583
		35,250	53,970
Number of persons		2	2
		Directors	
Fees	23.1	4,750	4,000
Number of persons		5	4
		Executives	
Managerial remuneration		75,718	87,372
Ex-gratia payment		9,523	2,908
Bonus		16,668	13,977
House rent		34,073	33,498
Utilities		7,572	8,738
Retirement benefits		28,163	22,660
Other benefits		26,809	30,120
		198,526	199,273
Number of persons		49	47
		Total	
Managerial remuneration / Fees		96,810	115,813
Ex-gratia payment		9,523	2,908
Bonus		16,668	13,977
House rent		41,427	44,496
Utilities		9,206	11,182
Retirement benefits		31,057	26,164
Other benefits		33,835	42,703
		238,526	257,243
Number of persons		56	53

23.1 This represents fee to five (2011: four) directors of the holding company.

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

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

24. SEGMENT INFORMATION

24.1 SEGMENT ANALYSIS

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

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

	2012				
	Hub plant	Narowal plant	Laraib plant	Unallocated	Total
	(Rs. '000s)				
Turnover	148,903,742	25,808,445	-	-	174,712,187
Operating costs	(138,712,401)	(20,349,099)	-	-	(159,061,500)
GROSS PROFIT	10,191,341	5,459,346	-	-	15,650,687
Other income	37,027	444	24,648	(2,364)	59,755
General and administration expenses	(353,298)	(59,571)	(51,807)	(457)	(465,133)
Finance costs	(1,927,976)	(4,571,112)	(1,236)	(164,396)	(6,664,720)
Workers' profit participation fund					-
PROFIT BEFORE TAXATION	7,947,094	829,107	(28,395)	(167,217)	8,580,589
Taxation	-	-	(5,141)	-	(5,141)
PROFIT FOR THE YEAR	7,947,094	829,107	(33,536)	(167,217)	8,575,448
Assets	162,244,624	40,897,847	18,600,490	-	221,742,961
Liabilities	146,508,954	26,305,844	12,479,090	4,234,773	189,528,661
Depreciation and amortisation	1,739,062	950,483	14,152	-	2,703,697
Capital expenditure - net	164,590	(304,550)	6,857,934	-	6,717,974

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

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

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
25. TRANSACTIONS WITH RELATED PARTIES / ASSOCIATED UNDERTAKINGS			
Amounts paid for services rendered	25.1	3,643,677	3,389,536
Reimbursement of expenses and others		2,206	2,210
Shares issued to an associated undertaking of the subsidiary		348,731	272,679
Proceeds from long term loans		-	714,088
Repayment of long term loans		-	38,235
Mark-up on long term loans		-	301,525
Mark-up on short term borrowings		109,277	80,128
Other finance costs		-	112,993
Remuneration to key management personnel			
Salaries, benefits and other allowances		66,119	94,984
Retirement benefits		9,067	7,565
	25.2	75,186	102,549
Fees	23.1	4,750	4,000
Contribution to staff retirement benefit plans		39,152	23,731

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

25.2 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.

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

26. PLANT CAPACITY AND PRODUCTION

HUB PLANT

	2012	2011
Theoretical Maximum Output	10,541 GWh	10,512 GWh
Total Output	7,770 GWh	8,115 GWh
Load Factor	74%	77%

Practical maximum output for the power plant taking into account all the scheduled outages is 9,245 GWh (2011: 9,216 GWh). Output produced by the plant is dependent on the load demanded by WAPDA and the plant availability.

NAROWAL PLANT

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

	2012	2011
Theoretical Maximum Output	1,878 GWh	359 GWh
Total Output	1,321 GWh	237 GWh
Load Factor	70%	66%

Practical maximum output for the power plant taking into account all the scheduled outages is 1,734 GWh (2011: 330 GWh). Output pr oduced by the plant is dependent on the load demanded by NTDC and the plant availability.

27. WORKING CAPITAL CHANGES

	2012 (Rs. '000s)	2011 (Rs. '000s
(Increase) / decrease in current assets		
Stores and spares	(89,161)	(358,797)
Stock-in-trade	1,999,458	(2,213,823)
Trade debts	(65,355,100)	(19,093,608)
Advances, deposits, prepayments and other receivables	(1,477,999)	(325,830)
	(64,922,802)	(21,992,058)
Increase in current liabilities		
Trade and other payables	53,800,891	14,270,167
	(11,121,911)	(7,721,891)

28. CASH AND CASH EQUIVALENTS

	Note	2012 (Rs. '000s)	2011 (Rs. '000s)
Cash and bank balances	15	1,340,198	2,562,524
Finances under mark-up arrangements	21	(19,688,469)	(11,682,276)
		(18,348,271)	(9,119,752)

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

	2012	2011
29.1 Basic		
Profit for the year attributable to owners of the holding company (Rupees in thousand)	8,583,800	5,569,843
Number of shares in issue during the year	1,157,154,387	1,157,154,387
Basic earnings per share attributable to owners of the holding company (Rupees)	7.42	4.81

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

30. PROPOSED FINAL DIVIDEND

The Board of Directors of the holding company proposed a final dividend for the year ended June 30, 2012 of Rs. 3 per share, amounting to Rs. 3,471.463 million, at their meeting held on July 18, 2012, for approval of the members of the holding company at the Annual General Meeting to be held on September 27, 2012. These consolidated financial statements do not reflect this dividend payable which will be accounted for in the period in which it is approved.

31. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

(a) Market risk

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

(i) Foreign exchange risk

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

Financial assets of the Group include Rs. 703.926 million (2011: Rs. 1,334.513 million) in foreign currencies which are subject to currency risk exposure and financial liabilities of the Group include Rs. 864.258 million (2011: Rs. 1,491.523 million) in foreign currencies which are subject to currency risk exposure.

The Group believes that the foreign exchange risk exposure on financial assets and liabilities is immaterial.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Cash flow and fair value interest rate risks

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

	2012 (Rs. '000s)	2011 (Rs. '000s)
Fixed rate instruments at carrying amount:		
Financial assets		
Bank balances	1,339,932	2,562,007
Financial liabilities		
Long term loans	3,211,967	3,934,074
Variable rate instruments at carrying amount:		
Financial assets		
Trade debts	129,632,359	71,112,603
Financial liabilities		
Long term loans	35,961,904	31,148,238
Trade and other payables	108,497,206	55,336,617
Short term borrowings	19,688,469	11,682,276
Total	164,147,579	98,167,131

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

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

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

The holding company has another long term loan for Narowal plant (see note 17.2.1). The holding company has to manage the related finance cost from its own sources which exposes the holding company to the risk of change in 3 month KIBOR. As at June 30, 2012, if interest rate on the holding company's borrowings were 1% higher / lower with all other variables held constant, the profit for the year would have been lower / higher by Rs. 60.650 million.

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

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

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

(b) Credit risk

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

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

	2012 (Rs. '000s)	2011 (Rs. '000s)
Deposits	6,866	3,682
Trade debts	151,161,169	85,806,069
Other receivables	582,948	272,554
Bank balances	1,339,932	2,562,007
Total	153,090,915	88,644,312

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

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

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

(c) Liquidity risk

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

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

Under the Narowal PPA, the holding company is required to ensure annual availability of 88% failing which liquidated damages are imposed by the power purchaser resulting in reduced capacity income. The availability of fuel and arrangement of requisite cash to ensure 88% availability is also holding company's obligation. The continuous delay in payments by power purchaser has exposed the holding company to liquidated damages.

The holding company is exposed to liquidity risk to the extent that the returns from the Narowal plant are not sufficient to meet the funding requirement for the Narowal plant's long term loans mentioned in note 17.2.1 and 17.2.2. The holding company is also exposed to liquidity risk for the differential margin not allowed by NEPRA above the 3 month KIBOR as mentioned in note 17.2.2. The holding company will manage this liquidity risk on remaining term of the loans from its own sources and future earnings.

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

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

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

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 5 to 10 years	Over 10 years	Total
	(Rs. '000s)					
2011-12						
Long term loans	3,577,704	3,626,885	32,851,571	24,276,532	3,154,986	67,487,678
Deferred liability	-	-	2,184	-	-	2,184
Trade and other payables	127,210,175	-	-	-	-	127,210,175
Short term borrowings	20,141,883	-	-	-	-	20,141,883
Total	150,929,762	3,626,885	32,853,755	24,276,532	3,154,986	214,841,920
2010-11						
Long term loans	3,643,912	3,608,626	30,127,362	26,459,113	2,213,944	66,052,957
Share premium payable	96,071	-	-	-	-	96,071
Deferred liability	-	-	1,060	-	-	1,060
Trade and other payables	73,737,592	-	-	-	-	73,737,592
Short term borrowings	11,930,187	-	-	-	-	11,930,187
Total	89,407,762	3,608,626	30,128,422	26,459,113	2,213,944	151,817,867

Fair value estimation

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

Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern, as required under various project agreements, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

32. 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. '000s)	Total June 30, 2012 (Rs. '000s)
Deposits	6,866	6,866
Trade debts	151,161,169	151,161,169
Other receivables	582,948	582,948
Cash and bank balances	1,340,198	1,340,198
Total	153,091,181	153,091,181

Liabilities as per balance sheet	Financial liabilities measured at amortised cost (Rs. '000s)	Total June 30, 2012 (Rs. '000s)
Long term loans	40,750,299	40,750,299
Deferred liability	2,184	2,184
Trade and other payables	127,210,175	127,210,175
Short term borrowings	20,141,883	20,141,883
Total	188,104,541	188,104,541

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

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

33. INITIAL APPLICATION / WAIVER FROM APPLICATION OF STANDARDS AND INTERPRETATIONS

Revised and amended standards and interpretation effective and adopted in 2012

Certain revised and amended standards and interpretation are effective and adopted by the Group during the year which are neither relevant to the Group nor have a significant impact on the Group's financial statements.

Revised and amended standards and interpretation not yet effective

Certain revised and amended standards and interpretation are effective for accounting periods beginning on or after January 01, 2012. These standards and interpretation are neither relevant to the Group nor are expected to have a significant impact on the Group's financial statements.

Holding company

Waiver from application of IFRIC - 4 "Determining Whether an Arrangement Contains a Lease"

The SECP granted waiver from the application of International Financial Reporting Interpretation Committee (IFRIC) - 4 "Determining Whether an Arrangement Contains a Lease" to all companies including Power Sector Companies. However, the SECP made it mandatory to disclose the impact on the results of the application of IFRIC - 4.

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

	2012 (Rs. '000s)	2011 (Rs. '000s)
Decrease in unappropriated profit at the beginning of the year	(10,048,538)	(10,941,001)
Increase in profit for the year	547,844	892,463
Decrease in unappropriated profit at the end of the year	(9,500,694)	(10,048,538)

Subsidiary

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

The SECP granted waiver from the application of International Financial Reporting Interpretation Committee (IFRIC) - 12 "Service Concession Arrangements" to all companies including Power Sector Companies. However, the SECP made it mandatory to disclose the impact on the results of the application of IFRIC - 12.

Under IFRIC 12, the revenue and costs relating to construction of infrastructure or upgrade services are recognised in accordance with IAS 11 "Construction Contracts" and a financial asset is recognised to the extent Company has an unconditional contractual right to receive cash irrespective of the usage of infrastructure. If the subsidiary were to follow IFRIC - 12 and IAS - 11, the effect on the consolidated financial statements would be as follows:

	2012 (Rs. '000s)	2011 (Rs. '000s)
Increase in unappropriated profit and non-controlling interest at the beginning of the year	543,219	156,700
Increase in profit for the year	1,083,573	386,519
Increase in unappropriated profit and non-controlling interest at the end of the year	1,626,792	543,219

34. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on July 18, 2012 in accordance with the resolution of the Board of Directors of the holding company.

35. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Zafar Iqbal Sobani
Chief Executive

S. Nizam A. Shah
Director

Glossary

Annual General Meeting (AGM)
Annual General Meeting of shareholders of the Company.

ATIR
Appellate Tribunal Inland Revenue.

Capacity (installed)
Generator capacity (measured in megawatts (MW)), at the power station boundary after the deduction of works power.

CPP
Capacity Purchase Price means the fixed element of the Tariff under the Power Purchase Agreement.

CEO
Chief Executive Officer.

CFO
Chief Financial Officer.

CGU
Cash Generating Unit.

COD
Commercial Operations Date

CIR(A)
Commissioner of Inland Revenue Appeals.

CTO
Chief Technical Officer.

Combined cycle plant
The combination of an engine and steam turbine (ST) in a configuration that enables electricity to be generated directly from a generator driven by the engine and, by using exhaust gases from the engine to produce steam to drive a ST coupled to another generator.

Company
The Hub Power Company Ltd.

Companies Ordinance
Companies Ordnance, 1984.

CSR
Corporate Social Responsibility.

Desalination plant
Plant which removes salt and impurities from sea water.

Due diligence
A process undertaken before the acquisition of a business to ensure all significant risks, rewards and issues are identified and considered before any offer is made to the vendor or an acquisition takes place.

EPC contract
Engineering, Procurement and Construction contract, used principally for the building of power stations by a turnkey contractor.

Earnings per share (EPS)
Calculated by dividing the profit after interest, tax and non-controlling interests by the weighted average number of Ordinary Shares in issue.

EPP
Energy Purchase Price means variable element of the Tariff under the Power Purchase Agreement which is directly related to the electricity generated.

FBR
Federal Board of Revenue.

FERI
Foreign Exchange Risk Insurance.

Forced outage rate
A measure giving the proportion of electrical energy that was actually unavailable for generation during the period due to unplanned outages, expressed as a percentage of the maximum potential electrical energy generation, after taking account of planned outages.

FSA
Fuel Supply Agreement - an agreement between the Company and Fuel Supplier.

GOP
Government of Pakistan.

GW
Gigawatt, one thousand million watts.

Gigawatt-hour (GWh)
A watt hour is the amount of energy used by a one-watt load drawing power for one hour. A gigawatt-hour (GWh) is 1,000,000 times larger than the kilowatt-hour (kWh) and is used for measuring the energy output of large power plants.

GOAJK
Government of Azad Jammu & Kashmir.

HS&E
Health, safety and environment.

IA
Implementation Agreement - an agreement between the Company and the Government which sets out the fundamental obligations of the Company and the Government relating to the Projects.

IASB
International Accounting Standards Board.

IFRS
International Financial Reporting Standard.

IPP
Independent Power Producer.

ISO 14001
A standard for the management of environmental matters that is widely used in various parts of the world..

ITO
Income Tax Ordinance, 2001.

ITAT
Income Tax Appellate Tribunal.

KIBOR
Karachi Inter Bank Offer Rate.

KPI
Key Performance Indicator.

kW
Kilowatt - 1,000 watts.

Kilowatt-hour (kWh)
A watt hour is the amount of energy used by a one-watt load drawing power for one hour. A kilowatt-hour (kWh) is 1,000 times larger than a watt-hour and is a useful size for measuring the energy use of households and small businesses and also for the production of energy by small power plants. A typical household uses several hundred kilowatt-hours per month.

Kyoto Protocol
A protocol to the International Framework Convention on Climate Change with the objective of reducing greenhouse gases in an effort to prevent climate change.

Liquidated damages (LDs)
Being the damages specified in a contract, payable if one party breaches one part of a contract.

Load Factor
The proportion of electricity actually generated compared with the maximum possible generation at maximum net capacity.

Lost time accident (LTA)
A person being absent from work for one or more working days or shifts (excluding the day or shift when the accident occurred) due to injury or ill health sustained at work.

Letter of Credit (LC)
A letter from a bank guaranteeing that a purchaser's payment to a supplier will be received on time and for the correct amount.

Mitsui
Mitsui & Co. of Japan.

MW
Megawatt; one MW equals 1,000 kilowatts or one million watts.

Megawatt-hour (MWh)
A watt hour is the amount of energy used by a one-watt load drawing power for one hour . A megawatt-hour (MWh) is 1,000 times larger than the kilowatt-hour and is used for measuring the energy output of large power plants.

NEPRA
National Electrical Power Regulatory Authority.

Non-recourse debt
Debt secured on an asset, and where the lender has no recourse to the shareholder.

NOx
Oxides of nitrogen.

NTDC
National Transmission and Despatch Company Limited.

O&M
Operation and Maintenance; usually used in the context of operating and maintaining a power station.

OHSAS 18001
Occupational Health and Safety Assessment Series 18001. A management system specification developed by British Standards Institute which is now an accepted international standard, for health and safety and is compatible with ISO 9001:1994 (Quality) and ISO 14001:1996 (Envir onmental) management.

Outage
When a generating unit is r emoved from service to perform maintenance work. This can either be planned or unplanned.

Peak load
The maximum demand for electricity during a specified high demand period.

Power Purchase Agreement (PPA)
A PPA is generally a long-term contract between an electricity generator and a purchaser of energy or capacity (power or ancillary services).

Recourse debt
Debt where the lender has recourse to parties other than the borrower, usually a parent company or shareholder.

SBLC
Standby Letter of Credit. It is a form of guarantee which can be used to get payment from the bank when payment is not received by the supplier on a due date.

SECP
Securities and Exchange Commission of Pakistan.

SO2
Sulphur dioxide.

SOx
Oxides of sulphur.

Spot price
Market price at a particular point in time.

Spread
Rate charged by the bank over KIBOR.

SSA
Support Services Agr eement means an agr eement between International Power and the Company under which International Power provides the Company with services outside the scope of the Operation and Maintenance Agreement.

Technical availability
A measure giving the proportion of electrical energy that was actually available to be generated during the period, after taking account of both planned and unplanned outages, expressed as a percentage of the maximum potential electrical energy generation.

Turnkey contract (TKC)
A contract where one party takes full responsibility for the construction and commissioning of a plant, delivering the plant in full working order to the owner.

Watt
Unit of power, which is the rate at which energy is delivered (i.e. work is done at a rate of one watt when one ampere flows through a potential difference of one volt).

WAPDA
Water and Power Development Authority.

WPPF
Workers' Profit Participation Fund.

WWF
Workers' Welfare Fund.

Calendar of Major Events

	Calendar of Major Events
19 October 2010	Xenel sold its shares to a local consortium of banks and financial institutions.
8 February 2012	Company declared interim dividend
26 March 2012	Dawood Hercules and Cyan Ltd issued separate letters to KSE informing execution of Share Purchase Agreement with International Power (National Power International.)
03 April 2012	Interim dividend payment constrained due to the notices issued to the banks by FBR for the tax on development costs case.
09 May 2012	Interim dividend warrants dispatched to shareholders.
30 May 2012	Company avails FBR scheme and Board decide to pay Rs. 1.62 bn towards tax on development costs case.
08 June 2012	Final tariff for Narowal notified by NEPRA.
13 June 2012	Dawood Hercules Group, National Power International (NPI) transaction completed. Nominee Directors of NPI resigned.
20 June 2012	Motion for leave for review on Narowal final tariff filed with NEPRA.
25 June 2012	Casual vacancy filled by three directors of Dawood Hercules Group
18 July 2012	Announcement of Final dividend

CEO's Performance Review

Chief Executive Officer is appointed by the Board of Directors. Performance of the CEO is reviewed by the Board against targets set for that year. CEO is to manage the Company, implement strategic decisions and policies of the Board and align the Company's direction with the vision and objectives set by the Board.

Calendar of Corporate Events

Tentative dates for the Financial Year 2012-13

2012 Annual General Meeting	September 27, 2012
1st Quarter ending September 30, 2012	4th week of October 2012
2nd Quarter ending December 31, 2012	4th week of January 2013
3rd Quarter ending March 31, 2013	3rd week of April 2013
4th Quarter ending June 30, 2013	3rd week of August 2013

Actual dates for the Financial Year 2011-12

1st Quarter ending September 30, 2011	October 26, 2011
2011 Annual General Meeting	October 31, 2011
2nd Quarter ending December 31, 2011	February 8, 2012
3rd Quarter ending March 31, 2012	April 25, 2012
4th Quarter ending June 30, 2012	July 18, 2012

Proxy Form

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

I/We ____
of ____
being a member of THE HUB POWER COMPANY LIMITED and holder of ______________
Ordinary Shares as per the Share Register Folio No. ______________ and/or CDC Participant ID No. __________ and Account / Sub-Account No. __________ hereby appoint ______________________ of ______________ or failing him/her ______________________ as my/ our proxy to vote for me & on my/our behalf at the 21st Annual General Meeting of the Company to be held at Marriott Hotel, Islamabad on September 27, 2012 at 11.00 am and at any adjournment thereof.

____
Signature of Shareholder
Folio / CDC No.

Signature on Revenue Stamp of Rs. 5/.

Witnesses:

(1) Signature ______________________
Name ______________________
Address ______________________
____
CNIC / Passport No. ______________

(2) Signature ______________________
Name ______________________
Addresses ______________________
____
CNIC/Passport No. ______________

Notes:

- A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A Proxy need not be a member of the Company .

- If a member is unable to attend the meeting, they may complete and sign this form and send it to the Company Secretary, The Hub Power Company Limited, Head Office at 3rd Floor, Islamic Chamber Building, ST-2/A, Block 9, Clifton, Karachi 75600 so as to reach not less than 48 hours before the time appointed for holding the Meeting.

- **For CDC Account Holders / Corporate Entities**

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

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

(ii) Attested copies of valid CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.

(iii) The proxy shall produce his original valid CNIC or original passport at the time of the meeting. In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

growth through energy

AFFIX
CORRECT
POSTAGE

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

growth through energy

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